Bank

ANNUAL REPORT 2023

ACHMEA BANK N.V.

A WORD FROM THE CHAIRMAN OF THE MANAGING BOARD

The social, political, environmental, and economic conditions in which Achmea Bank operates are dynamic and uncertain. Our environment is constantly changing and a lot has happened in the world last year; violence between different countries, natural disasters and extreme weather affected many people. There are also challenges in terms of social security, affordability of daily life, tightness on the housing market and pressure on healthcare.

We contribute to solutions for these social challenges based on the Achmea purpose 'Sustainable Living Together'. Achmea is convinced that everyone deserves a good life now and in the future. We want to bring people together again. That is healthier, safer, and more pleasant for everyone. We strive for an inclusive society in which everyone participates and lives happily and healthily with and next to each other, in a way that can continue for the long term.

We believe everyone should have the opportunity to live a (financially) carefree life today and tomorrow. With our business partners, Achmea Bank realizes solutions for our customers to build financial capital or purchase a home.

Achmea Bank is part of the Achmea Group’s Retirement Services segment. Achmea’s Retirement Services chain helps customers to have income for today and tomorrow. Achmea Bank works in close cooperation under the brand Centraal Beheer, with Syntrus Achmea and Achmea Investment Management in realizing relevant financial solutions for private individuals on saving products, mortgage loans and investment services. Achmea Bank is the retail bank of Achmea Group, a data-driven network bank with a clear growth ambition.

Achmea Bank’s strategy focusses on growth and diversification of our balance sheet and the further strengthening of Centraal Beheer’s position as a broad financial service provider. In 2023 our strategy was successful, good results have been achieved both commercially and financially. This is reflected in the growth of our balance sheet to EUR 15.9 billion and the increase in our operating profit before taxes to EUR 81 million.

Our mortgage portfolio has grown considerably

The increase in interest rates has led to a shift in the mortgage market towards shorter fixed-rate periods (≤ 10 years) and this has proven to be positive for Achmea Bank. Our mortgage portfolio has grown with EUR 2.0 billion to EUR 14.4 billion. The interest margin strengthened in 2023, due to both this increase of our mortgage portfolio and higher margins on newly originated and repriced mortgages.

We will continue our strategic collaboration with institutional parties in order to expand our services and achieve economies of scale. For example, we joined the DMFCO platform in 2023. We aim to invest a total of EUR 1.5 billion in mortgages provided under the MUNT Mortgages label over the next three years. We have also extended our collaboration with a.s.r.. Over the next three years, Achmea Bank will take over newly concluded mortgages with a short, fixed interest rate period from a.s.r. every month, up to an amount of EUR 1 billion per year.

Growth in savings portfolio contributes to Centraal Beheer’s positioning

With the increase in the number of savings customers (growth of 31.500 customers in 2023) and the savings portfolio (growth of EUR 1.4 billion in 2023), Achmea Bank contributes to Centraal Beheer's ambition to be a broad financial service provider.

To finance Achmea Bank's growing balance sheet and manage liquidity risks at the same time, our strategy for funding remains focused on diversification. In this context, Achmea Bank was active on the capital market last year with the issuance of two covered bonds. In addition, after consultation with investors we have converted the outstanding notes under the Conditional Pass-Through Bullet Covered Bond Programme to the Soft Bullet Covered Bond Programme.

In 2023 Achmea Bank has further developed her ambition in the field of ESG
Based on the vision 'Sustainable Living Together', Achmea wants to make sustainable solutions accessible to her customers. Achmea Bank endorses this vision and takes a position in realizing this ambition with a focus on mortgages and financial services. This is our way of showing that we are assuming responsibility for the world of tomorrow.

Sustainability requires drastic choices for people and society
Sustainability is a central theme within Achmea and Achmea Bank. The pursuit of sustainability increasingly presents society with drastic choices. Recent geopolitical developments have ensured that the energy transition has accelerated. This movement is partly due to the growing realization that climate change is speeding up and the associated risks are approaching us more quickly. This also requires an active role of financial service providers in contributing to sustainability.

Achmea Bank contributes by launching initiatives together with our partners to enable our customers to make their homes more sustainable.

Tightness on the housing market leads to attention for alternative housing options
The housing market is and remains tight. Due to stricter construction conditions, the desired growth in the number of new houses is significantly delayed. This means that people consider other types of homes more than ever.

Achmea Bank has been acting as an investor in Orange Credit's houseboat mortgage platform since 2023. Until recently, it was difficult to obtain suitable financing for consumers who want to live in and buy property on the water. Thanks to the platform, it is easier for people to realize their wish of living in these kinds of homes.

Providing investment services offers customers more opportunities to generate income for today and tomorrow
The changing pension market (partly driven by the introduction of the ‘Wet Toekomst Pensioen’ in 2023) increasingly requires individual solutions to build up financial resources.

The distribution of Achmea Investment Management's existing investment service has been transferred to Achmea Bank this year. In this way, Achmea Bank is expanding its product and services offer. By adding investment services, our customers can easily choose between saving and investing. By adding the investment services, we have also been given the opportunity to introduce the Centraal Beheer Extra Pension Build-up (‘Extra Pensioen Opbouw’). Extra Pension Build-up is a tax-facilitated third pillar savings and investment product. Not only can the customer choose for a variable interest rate and invest (partly), but he/she can also choose from different deposits.

Our investments in data and digital capabilities are paying off
Achmea Bank profiles herself as a data-driven network bank. It goes without saying that investments in our data environment are an integral part of this.

We have taken significant steps in the development of our data warehouse. As a result, our data warehouse contains even more integrated data from all our products, we have further improved the quality of our data management and developed various valuable data applications. For example, Achmea Bank has digitized the vast majority of reports to the Dutch Central Bank. The reports are now largely automated. This saves manual work monthly and further improves the quality of the reports to the supervisors and improves the insights, analysis and time to actions.

Since this year, Achmea Bank can call itself an Advanced Internal Rating-Based Bank
In September, 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 credit risk management and data driven strategy. In the medium term, this step may also result in an improvement in capital ratios. Following the remedial action plan, as discussed with DNB in October 2023, Achmea Bank works on the remediation of identified areas for improvement. Successful remediation can result in a lower capital requirement by means of a conditional application of the Standardized Approach (SA) floor. Achmea Bank currently applies the SA or a RWA floor which is at least equal to SA to calculate the risk weighting of its assets (RWA).

Enthusiastic and skilled employees
I am proud of the commitment and enthusiasm shown by our colleagues for their work and our customers, which is an important foundation for achieving great results.

One of our key goals is the happiness of our employees, enjoy work and continuous developing to stay fit for the future. Despite the tightness on the labor market, we were also able to attract and retain talent in 2023. With an unlimited training budget, a 34-hour working week and a climate budget, we offer distinctive employment conditions.

Even though hybrid working has become part of our daily lives, the interconnectedness remains characteristic of Achmea Bank's colleagues. We find it particularly important to regularly meet in person to work together, learn from each other or catch up. Departments frequently work together at the office, and we also successfully organize knowledge sessions and networking events.

In summary, Achmea Bank can be proud of her achieved results. I look forward to the coming years with confidence. We are on track with our strategic ambitions and have a strong financial basis. As a solid and reliable bank, we are ready to expand our position as a financial service provider further.

I would like to thank our colleagues for their contribution and our customers and partners for their confidence in Achmea Bank.

Chairman of the Managing Board of Achmea Bank
Pierre Huurman

ACHMEA BANK IN NUMBERS

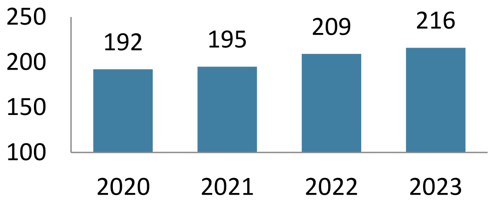
NON-FINANCIAL HIGHLIGHTS

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

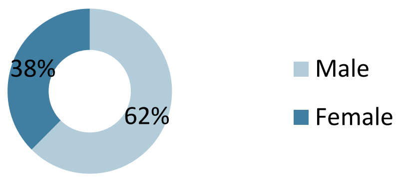
OUR BRANDS |

Centraal Beheer | Woonfonds de hypotheekuitvinders | acier Financieringen

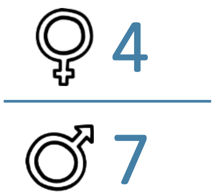
FTE |



TOTAL MALE - FEMALE RATIO



MALE – FEMALE RATIO IN SENIOR LEADING POSITIONS



EMPLOYEE ENGAGEMENT

	Passionate	Customer	Employability
2023	7,9	7,4	7,7
2022	7,8	7,4	7,8

FINANCIAL HIGHLIGHTS

OPERATING RESULT (EXCL FAIR VALUE RESULT)

EUR 89 million

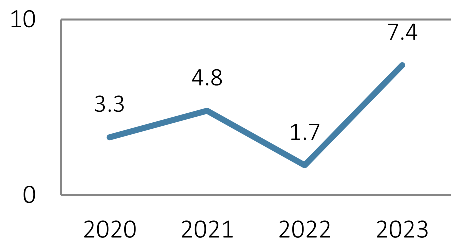
2022: EUR 11 million

OPERATING RESULT BEFORE TAX

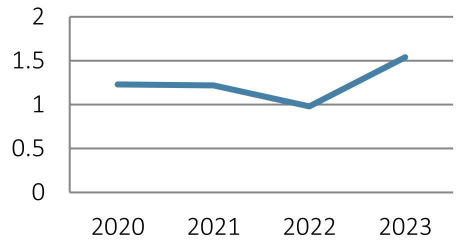
EUR 81 million

2022: EUR 18 million

RETURN ON AVERAGE EQUITY | %



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



CORE EQUITY TIER 1 |

16.9%

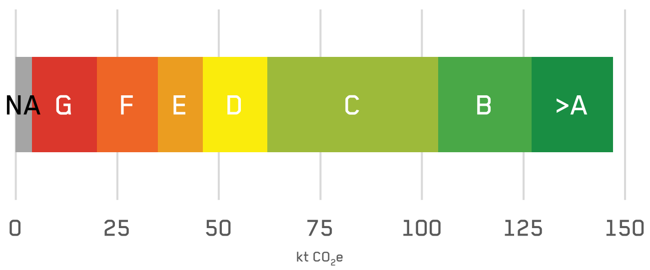
2022: 18.2%

EFFICIENCY RATIO (EXCL. CHANGES IN FAIR VALUE) |

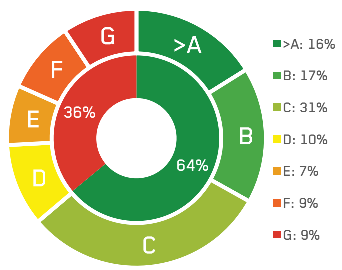
55.6%

2022: 87.8%

FINANCED CO2-EMISSIONS MORTGAGES



ENERGY LABELS MORTGAGES



MANAGING BOARD REPORT

The Managing Board
Mr Pierre Huurman (CEO) and Mr Mark Geubbels (CFRO)

ABOUT US

Achmea Bank N.V. (hereinafter referred to as 'Achmea Bank') is a wholly owned subsidiary of Achmea B.V. (hereinafter referred to as 'Achmea'). Achmea 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 strategy. Achmea's Retirement Services focuses on services for customers to have and generate income for today and tomorrow.

Achmea Bank's core activities are providing and investing mortgages loans, savings products and investments services for Dutch consumers. We lend money to private customers to purchase a house so that they can enjoy living there. We manage savings and offer investment services to help our customers live a (financially) carefree life now and in the future.

We are customer-driven, result-oriented and personally committed to offer our customers the best financial solutions. We do not do this alone: together with the brands Centraal Beheer and Woonfonds, we offer financial solutions for building wealth and purchasing a house. Achmea Bank is located in Tilburg and employs approximately 200 people.

PURPOSE

Achmea stands for Sustainable Living Together. An inclusive society in which everyone participates and lives happily and healthily with and next to each other, in a way that can continue for the long term. Together with our customers, strategic partners and relations, we solve major social issues surrounding health, living & working, mobility and income. Achmea focuses on four domains:
- Bringing healthcare closer
- Smart mobility
- Carefree living and working
- Income for today and tomorrow

Achmea Bank contributes to the strategic impact areas, income for today and tomorrow and carefree living and working. We believe that everyone should have the financial opportunities to lead a comfortable life, now and in the future. Together with our business partners we offer financial solutions for individual to build capital and buy a house. And by offering customers simple and transparent mortgage loans, savings products and investment services that are appropriate for the world of today.

IDENTITY

At Achmea Bank we put the interests of our customers first. This translates into our focus on customer friendliness and satisfaction, but also about offering simple banking solutions with provable added value and excellent, reliable service.

The envisioned impact is in the interests of our stakeholders and society. The dialogue with our stakeholders shapes our strategy and business model, and the impact we want to have on society. We focus on activities that have an impact on our strategic goals and, amongst others, on the Social Development Goals.

We attach significant importance to the trust of our customers. We therefore manage our responsibilities with the utmost care. This means that we must have a financially healthy balance sheet and manage risks. We ensure the continuity and reliability of our services and focus on the long-term interests of our customers and stakeholders. We take responsibility for our activities and financial solidity in a transparent manner. Achmea Bank safeguards her reputation and integrity by complying to the applicable legal requirements, regulations, and ethical standards.

Compliance and risk management are strongly anchored in our business operations and have an independent position within Achmea Bank. They continuously ensure that the products, processes, and services we provide reflect what Achmea Bank wants to be: a solid and reliable bank.

We have skilled employees. Our core values at Achmea are passionate, contemporary, ambitious, proud and decisive. These values show how we work as Achmea Bank, how we interact with each other, what we want to be and for what we hold each other accountable. They form the basis for all our actions.

Achmea Bank nurtures a culture of openness in which people are able to raise integrity issues. We have a code of conduct in which we outline how we treat each other and how we deal with information, resolve conflicts of interest, manage incidents and handle complaints. In addition to the internal rules of conduct, external codes of conduct also apply for our employees, including the banker’s oath.

STRATEGY

Achmea wants to become a leader with respect to retirement services. With insight, overview and understandable products and services, we enable people to make well-considered financial choices about their life course. In this way we contribute to the financial soundness of our customers, so they can cope with the financial challenges of today and in the future.

We have positioned ourselves well in this market and we offer our customers relevant solutions that strengthen and complement each other in the field of pension solutions, together with mortgages loans, saving products and investment services.

We play a key role in Achmea’s retirement services strategy. Achmea Bank is the retail bank of Achmea, a data-driven network bank with a clear growth ambition. We offer a wide range of financial products and services, simple and intuitive processes and integrated offers for our customers.

Achmea Bank's business model is primarily based on interest margin. In addition to regular mortgage products, we focus on customers in underserved market segments (niche markets) with tailor-made solutions such as buy-to-let and mortgages for the self-employed.

We also invest in third-party mortgage portfolios. Apart from this, we are building partnerships that can contribute to our business model in the future and improve diversification through fee revenue.

Achmea Bank’ strategy is focused on:

Profitable growth and diversification of it’s balance sheet

Achmea Bank is a solid customer focused, data-driven, efficient and flexible network bank with a healthy financial position. We are now committed to further growth and new partnerships, which contribute to an even more robust business model.

Together with our partners we want to help even more customers so that they can live a (financially) carefree life now and in the future. This can only be achieved with a stable and robust balance sheet, where a larger balance sheet drives economies of scale, profitability and creates more opportunity for customers to save and invest.

Further development towards a data-driven network bank
Data is an important asset through which we deliver added value to our customers and other stakeholders. We use data in our daily business operations and supports our decision-making processes.
We continue to invest in our data infrastructure and data capabilities to create maximum value from information available both internally and externally. We use this information to monitor our portfolio, manage our financial and operational risks and create new opportunities.

Strengthening Centraal Beheer's positioning as a broad financial service provider
Centraal Beheer is the main brand for our products. Centraal Beheer has transformed from a traditional insurer to a broad financial service provider.

We provide under the brand Centraal Beheer savings, mortgage products and investment services so that Centraal Beheer can develop into a broad financial service provider that in addition to insurance , also offers a wide range of financial products.
With our product range, we give our customers financial choices in their lives for today and tomorrow.

Achmea Bank's strategy is based on the following pillars:

I. Wealth accumulation

Together we want to help even more customers lead a (financially) carefree life. Customers can use Achmea Bank's savings products and investment services to build up wealth and or future income.
As a result of the retrenchment in the collective system, we expect that pensions will have to be built up more and more individually. This creates a growing need for individual financial solutions.

Achmea Bank develops and manages private savings products. We started providing investment services to our private clients in 2023. The addition of investment services to the existing savings offering gives customers the opportunity to easily switch between saving and investing and makes it possible to keep costs low for the customer. Opportunities also arise to introduce new products and propositions to the market.

In addition, Achmea Bank provides the back office for Centraal Beheer's wealth accumulation propositions. Our savings and investment solutions are offered in the same way. This allows us to offer our customers an integrated offer and to serve more customers even better.

II. Mortgages

Growth in mortgages serves as the booster to achieve the desired balance sheet growth. Growth of the mortgage portfolio creates a large funding requirement, which can be partly met with savings from Achmea Bank’s customers.

Achmea Bank offers and invest in a full range of mainstream mortgage products, mainly through the Centraal Beheer brand. The Achmea group, has a separate platform (Achmea Mortgage Investment Platform (AMIP)) offered by Achmea Hypotheken B.V. which provides mortgages. This allows institutional investors in the Netherlands to build up their own residential mortgage portfolio with the risk profile they desire. Achmea Bank is one of the investors. Achmea Bank is a reliable and solvent investor and provides a stable source of financing for Achmea's platform; Achmea Bank has so-called 'skin in the game' which create opportunities for institutional investors to optimize their mortgage portfolio.

Achmea Bank's main focus to increase its mortgage portfolio through the AMIP. Furthermore, Achmea Bank also acts as an investor on external party platforms. This increases economies of scale and enables Achmea Bank to attract additional assets with risk-return characteristics that fit well with our balance sheet. This also facilitates growth of our offerings in savings products, by which our CB customers can accumulate wealth and future income. The focus is on mortgages with a shorter fixed interest period (≤10 years).

This multi-platform strategy makes us less sensitive to fluctuations in performance on parts of the mortgage portfolio and this contributes to more stable and predictable results.

We also focus on customers in specific market segments such as buy-to-let and mortgages for self-employed people. By focusing on target groups, we can meet these specific customer needs and achieve better returns.

Finally, we achieve growth through transactions that ensure that we are less dependent on the market for new mortgages. Achmea Bank constantly explores the market for potential purchases of existing mortgage portfolios. Achmea Bank is also exploring other opportunities for balance sheet growth, such as the role of portfolio optimizer and liquidity provider. Achmea Bank can offer liquidity to institutional investors by taking over mortgage portfolios. The long fixed interest periods in combination with low credit risks of mortgage portfolios for this group are a good match with the characteristics they desire. Over time, the portfolio characteritics changes which might fit to a lesser extent to the desired profile of institutional investors.
Achmea Bank can offer these internal and external parties liquidity and/ or the opportunity to optimise their mortgage investments by taking over (part of) the mortgage portfolios. The short-term (residual) interest rates are often in line with Achmea Bank's preferences. This creates room for institutional investors to attract new mortgages with the preferred characteristics.

MARKET DEVELOPMENTS

2023 was the year in which we saw a major decline in the number of mortgages applied for: the total number of applications decreased by 29%. The average mortgage amount remained about the same at EUR 250.000 euros. Combined, this resulted in a sharp decline in the volume of the mortgage market. This decline in the number of applications is mainly caused by the high interest rates, which have almost completely evaporated the market for refinance mortgages. What remains are the buyers market and market for second mortgages. At the end of 2023, however, recovery is visible and the number of applications was already higher than in 2022.

The rise in interest rates caused a decline in house prices at the beginning of 2023 as it put pressure on affordability. But over the course of 2023, house prices also rose steadily again. The increase in incomes probably plays a role in this. But the still very tight housing market in particular means that structural declines in house prices are seemingly unlikely in the coming years. Due to the increase in house prices in recent years, the NHG limit has also risen sharply. As a result, the number of applications with NHG increased by 36% in 2023 compared to 2022.

However, we have seen a change in the rental market last year. Further government measures in the field of regulation and taxation have made renting out a home less interesting. This on the other hand leaves more room for first-time buyers who often look for the same kind of properties. This can also be seen in the increase in the market share of first-time buyers in the number of applications.

Sustainability trends will continue in 2023. Sustainability is increasingly becoming a fixed part of the consultation (30%) and providers also have more and more conditions or products that match this. 14% of the applications also included funding for sustainability.

At the end of 2023, savings accounts held EUR 431 billion in the Netherlands, an increase of EUR 23 billion compared to last year. Savings has always been a popular way to accumulate wealth in the Netherlands. Furthermore, the current geopolitical circumstances have made people cautious in their spending. The savings interest rose in 2023, due to the rise of the interest set by the European Central Bank. The European interest set by the ECB has risen form 0% in the beginning of the year to 2.5% om December. New savings customers were welcome again at Centraal Beheer and all the saving products of Centraal Beheer have positive rates.

Bank balances of Dutch households continued to grow in 2023, but Dutch people saved less than in recent years. The total on current and savings accounts at banks in the Netherlands rose by EUR 15 billion to a total of EUR 576 billion.

The EUR 15 billion increase in deposits at Dutch banks in 2023 is comparable to the pre-pandemic period. In this period growth averaged EUR 10 billion per year.

During the corona years (2020-2022), balances increased by an average of EUR 38 billion per year. In these years, the income of most households remained at the same level, partly thanks to government support, while the lockdowns caused a decline in consumption. From 2022, when the corona measures were phased out, the growth of savings already slowed down slightly.

Of the EUR 576 billion in bank balances, almost 80% is held in savings accounts. The remainder is held in current accounts.

In recent years, when the interest rate differential between current and savings accounts was zero, households' holdings in current accounts, as well as in savings accounts, have grown substantially. Households now seem to want to take advantage of the increased savings rate by transferring savings from their current accounts to savings accounts. The total amount that households placed in savings accounts last year amounted to EUR 27 billion.

Providers of savings and investment products for supplementary pension have seen a lot of extra pension deposits since the introduction of the “Wet toekomst pensioenen” in July 2023. This law not only regulates a major system change for pension funds, but also gives people without a pension scheme more room to accrue extra pension in a tax-friendly way.

Now it is possible to invest almost three times as much in a tax-friendly way in building up supplementary pension. Just like employees who are affiliated to a pension fund, these employees can deposit part of their income tax-free into a pension product. Since the new pension law, this share has risen to nearly 30%, compared to 13% previously.

This concerns the self-employed and employees who do not have a pension scheme through their employer. Now there are more than two million people, but the group is getting bigger and bigger.

There is also a group of one million workers who have a pension scheme in which little is accrued. Those who are at risk of a meagre pension may also have room to use that 30 % of their income to build up extra pension in a tax-friendly way.

FINANCIAL PERFORMANCE

IN MILLIONS OF EUROS	2023	2022	CHANGE
Interest Income	524	217	141%
Interest expense	320	99	223%
Interest margin	**204**	**118**	**73%**
Changes in fair value of financial instruments	–8	7	n.a.
Interest margin and changes in fair value of financial instruments	**196**	**125**	**57%**
Other income	1	1	0%
Fees and commission income and expense	1	1	0%
Operating income	**198**	**127**	**56%**
Impairment of financial assets	2	4	–50%
Operating expenses	115	105	10%
Total expenses	**117**	**109**	**7%**
Operating profit before income taxes	**81**	**18**	**350%**
Income tax expense	21	5	320%
Net profit	**60**	**13**	**362%**
Operating profit excluding fair value result	89	11	709%

RATIOS	2023	2022
Return on average equity	7.4%	1.7%
Efficiency ratio (operating expenses/interest margin, fees and other income)	55.6%	87.8%
Common Equity Tier 1 Capital Ratio	16.9%	18.2%
Total Capital Ratio	16.9%	18.2%
Leverage ratio	4.8%	5.4%
Net Stable Funding Ratio	129%	130%
Liquidity Coverage Ratio	164%	211%

The operating profit before taxes increased by EUR 63 million to EUR 81 million in 2023 compared to 2022. This increase is the result of higher interest margin of EUR 86 million, a lower fair value result of EUR 15 million and higher operating expenses of EUR 10 million.

The interest margin strengthened in 2023, due to both an increase of our mortgage portfolio and higher margins on newly originated and repriced mortgages. The higher interest rates resulted in a shift of the mortgage market to shorter fixed-interest periods (<=10y) of which Achmea Bank benefits. In addition to the growth of our mortgage portfolio, the interest margin improved due to lower funding costs.

The mortgage origination under the brand Centraal Beheer remained stable at EUR 2.0 billion. Combined with the origination of new mortgages of external platforms (EUR 0.4 billion), acquired portfolio's from a.s.r. (EUR 0.8 billion) and prepayments (EUR 1.2 billion), Achmea Bank's mortgage portfolio increased by EUR 2.0 billion to EUR 14.4 billion. In line with its growth and diversification strategy, in 2023 Achmea Bank joined the DMFCO and a.s.r. mortgage platforms to invest EUR 1.5 billion respectively EUR 3.0 billion in mortgages in the next three years.

Furthermore, wealth accumulation for customers through savings and investments is an important pillar of the Bank's strategy; in 2023 Achmea Bank added retail investments as a new proposition to its clients. On the back of higher interest rates the retail savings market became more attractive to customers. Achmea anticipated on this with an attractive pricing strategy, backed by our strong brand (Centraal Beheer), which resulted in a growth of our savings portfolio of EUR 1.4 billion (+19%).

The negative fair value result of EUR 8 million (2022: EUR 7 million positive) is an accounting result related to the derivatives used for hedging the interest rate risk. This accounting result is compensated in other reporting periods, generally reflecting a pull to par as the underlying derivatives approach maturity.

The increase in the operating expenses of EUR 10 million relates predominantly to higher fees of outsourced mortgage services and increased internal allocations related to outsourced services. The efficiency ratio improved significantly from 88% in 2022 to 56% in 2023. The number of defaults remained at a low level in line with the inherent low credit risk profile of our mortgage portfolio, which resulted in a limited addition to the loan loss provision.

BANKING CODE

Achmea Bank has implemented the Banking Code. The Code helps to increase awareness of the role of banks and their responsibilities towards society. Achmea Bank devotes a great deal of attention to the Code in its operations, risk management and in its dealings with customers and other stakeholders. The Bank fully complies with the principles of The code. Achmea Bank publishes its full report regarding the "Application of Banking Code" on www.achmeabank.com.

RISK MANAGEMENT

The Bank aims to maintain a sound balance between risk and return. Adequate risk management is key in order to support and monitor the Bank's core activities. The Bank has defined key risks and controls for its primary processes in the entire organization. The Bank continuously reviews and fine-tunes the monitoring and management of its financial and non-financial risks, including compliance related issues as Anti-Money Laundering and Customer Due Diligence. More detailed information about (financial and/or operational) risk management can be found in the section Risk Management.

Capital position

The Common Equity Tier 1 Capital Ratio is strong at 16.9% (31 December 2022: 18.2%). The decrease is mainly due to the increase of the mortgage portfolio. In April 2023, Achmea Bank paid a dividend of EUR 15 million to its shareholder Achmea B.V., consisting of 2022 net distributable 2022 profit and EUR 2 million of released other reserves. In September, 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 credit risk management and data driven strategy. In the medium term, this step may also result in an improvement in capital ratios.

The Leverage Ratio (LR) is a regulatory capital adequacy measure under CRD IV/CRR. Achmea Bank complies with the internal minimum requirement for 2023 of 3.5% and the (expected future) external minimum requirements; the LR as at 31 December 2023 was 4.8% (2022: 5.4%).

Liquidity position

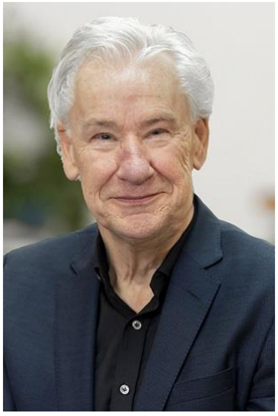
Achmea Bank manages its liquidity positions prudently. The most important metrics used to monitor liquidity & funding risks are the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Asset Encumbrance Ratio (AE ratio) and the Survival Period (SP). The SP reflects the period that the Bank's liquidity position remains positive in the most severe internal stress scenario. Additionally, the Bank performs a set of liquidity stress tests on a quarterly basis. The Bank manages its liquidity position prudently and complies with the minimum regulatory and internal requirements.

The Bank complies with all external and internal minimum liquidity requirements in 2023. At year-end 2023 the LCR was 164% (2021: 211%), the NSFR was 129% (2022: 130%) and the Survival Period (SP) was greater than 12 months (2022: greater than 12 months).

Tilburg, 14 March 2024

The Managing Board,
P.J. (Pierre) Huurman
M.J.M. (Mark) Geubbels

SUPERVISORY BOARD REPORT

Mr. Huub Arendse, Mrs. Miriam van Dongen, Mrs. Daphne de Kluis, Mr. Hans Snijders

The Supervisory Board is responsible for supervising and advising the Managing Board on its conduct and general management of the business. Supervisory Board approval is required for important business and strategy-related decisions, such as transfer of a significant part of the business, entering into or terminating a long-term partnership, major participations and investments and in case of reorganisations.

The Supervisory Board convened on seven occasions in 2023 (including one strategy meeting). Important items on the agenda included the full-year and half-year results, the strategy, duty of care for customers, capital and funding plans, ESG policy, the employee engagement survey, risk appetite and the status of strategic projects such as the preparation for the implementation of advanced internal rate-based modelling (AIRB) and the implementation of retail investments at Achmea Bank.

One of the Supervisory Board's key duties is its involvement with Achmea Bank's strategy and monitoring its implementation. Achmea Bank's strategy focuses on strengthening its current business model and thereby adding value to Achmea Group's retirement strategy. The Managing Board and the Supervisory Board discussed the strategy in several meetings. The Supervisory Board also invited bank's staff members and managers to inform the board about relevant developments. The macroeconomic environment and the geo political environment is dynamic, resulting in high inflation, increases in interest rates and credit spreads. The Supervisory Board and the Managing Board discussed the impact of these developments on the Bank's strategy.

Achmea Bank is part of the Achmea Group's Retirement Services. Achmea's Retirement Services focuses on services for customers to have and generate income for today and tomorrow. That is a far-reaching ambition, which will need commitment and endurance.

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

Audit & Risk Committee

The Audit & Risk Committee is composed of all the members of the Supervisory Board. As of 18 November Mr Henny te Beest stepped down as Chair of the Audit & Risk Committee and has been succeeded by Mrs. Miriam van Dongen. The Audit & Risk Committee is attended by the Managing Board, Internal Audit, Head of Risk & Compliance and the external independent auditor. The Audit & Risk Committee convened on seven occasions in 2023. The following subjects were discussed at the scheduled meetings: AIRB, customer due diligence and transaction monitoring, the systematic integrity risk analysis (SIRA), the risk appetite statement and risk policies with regards to financial risk, operational risk, cybersecurity, compliance risk, outsourcing risks and climate related and environmental risks and opportunities.

The Audit & Risk Committee approved the internal and external audit plan and monitored the progress made in the resolution of audit issues including IT and compliance related issues. Furthermore, the Audit & Risk Committee discussed key financials, risk Reports, the reports of the specific audits of the internal auditors and the independent auditor.

Finance and risk
The Supervisory Board and the Audit & Risk Committee discussed Achmea Bank's financial position and performance based on the interim and annual results, in addition to discussing and approving the Annual Report for 2022. The Supervisory Board supported the Managing Board's commitment to achieve its financial ambitions: further cost reductions while continuing to invest in excellent (digital) customer service, innovations and strategic initiatives to increase financial return in the long term.

Permanent education
Every year the members of the Supervisory Board and Managing Board attend a number of permanent education (PE) meetings. In 2023 several permanent education sessions were organized for Supervisory Board members. The main topics covered in 2023 in these sessions were Wwft (CDD), ESG (Duurzaamheid), Hedge Accounting, and competition (" Mededinging"), Mifid II.

Composition of the Managing Board
As at 11 January 2024, Bob Engels has been appointed as Chief Operating Officer at Achmea Bank, effective 1 January 2024. The Managing Board of Achmea Bank consists of Pierre Huurman (Chairman), Mark Geubbels and Bob Engels. Within this team, Pierre and Mark form the Statutory Board.
The current composition of the Managing Board does not meet the minimum criteria with respect to diversity, which is mostly due to the limited size of the Board. Achmea Bank will actively consider the diversity criteria for future appointments.

Composition of the Supervisory Board
Members of the Supervisory Board are selected based on a profile, which involves having the required professional background, education, international experience, skills, diversity and independence. The composition of the Supervisory Board is such that the members can perform their duties properly based on the appropriate mix of experience and expertise.

The Supervisory Board is composed in a way that the requirements for independence are met. To avoid a conflict of interest between the Executive Board Achmea B.V. role and the Supervisory Board role, Daphne de Kluis did not participate in parts of the Supervisory Board meetings in case such a conflict of interest could occur.

Henny te Beest stepped down as a member of the Supervisory Board of Achmea Bank as of 18th of November. He held this position from 2015 during two four-year terms. The Supervisory Board would like to thank Henny for his valuable contribution to Achmea Bank. The Supervisory Board welcomes Hans Snijders as new member and is looking forward to his contributions on the Board.

The current composition of the Supervisory Board does meet the minimum criteria with respect to diversity.

Name	Nationality	Sex	Role	First appointed	Term	Next reappointment
Mr. H. Arendse *(1958)*	Dutch	Male	Chairman	2017	Second	-
Mrs. M. van Dongen *(1969)*	Dutch	Female	Member	2020	First	2024
Mrs. D. de Kluis *(1969)*	Dutch	Female	Member	2021	First	2025
Mr. H. Snijders (*1956*)	Dutch	Male	Member	2023	First	2028

Self-assessment of the Supervisory Board
The Supervisory Board conducts an annual self-assessment of its own performance. In accordance with the Banking Code and best practices, the 2023 assessment was conducted internally.

The process consisted of a dialogue within the Supervisory Board. The following topics were addressed in this meeting: the composition and competences of the Supervisory Board, governance and information provision, supervision, performance and cooperation with the Managing Board, supervision and advice, strategy and culture and developments of the Supervisory Board.

The overall conclusion of the evaluation is positive, the Board functions well which is a further encouragement for the Supervisory Board to continue along the same lines. The Supervisory Board continued to have a balance in composition with the right experience, required for a bank with the size and complexity of Achmea Bank. There dialogue with the Managing Board is open and transparent with room for in depth discussions.

Attendance rates

The table below provides an overview of the attendance rates of the regularly and extra meetings of each individual board member.

Name	The Supervisory Board	Audit & Risk Committee
H. Arendse	100%	100%
H. te Beest	100%	100%
M. van Dongen	100%	100%
D. de Kluis	100%	100%

Remuneration

The Supervisory Board periodically evaluates remunerations in the context of the Achmea Group remuneration policy. Remuneration issues are discussed by the entire board rather than in a separate remuneration committee. The Supervisory Board gave opinion on the remuneration of the Managing Board as determined by the Group. More details regarding remuneration policies can be found in the Remuneration Report and on achmea.nl or achmea.com.

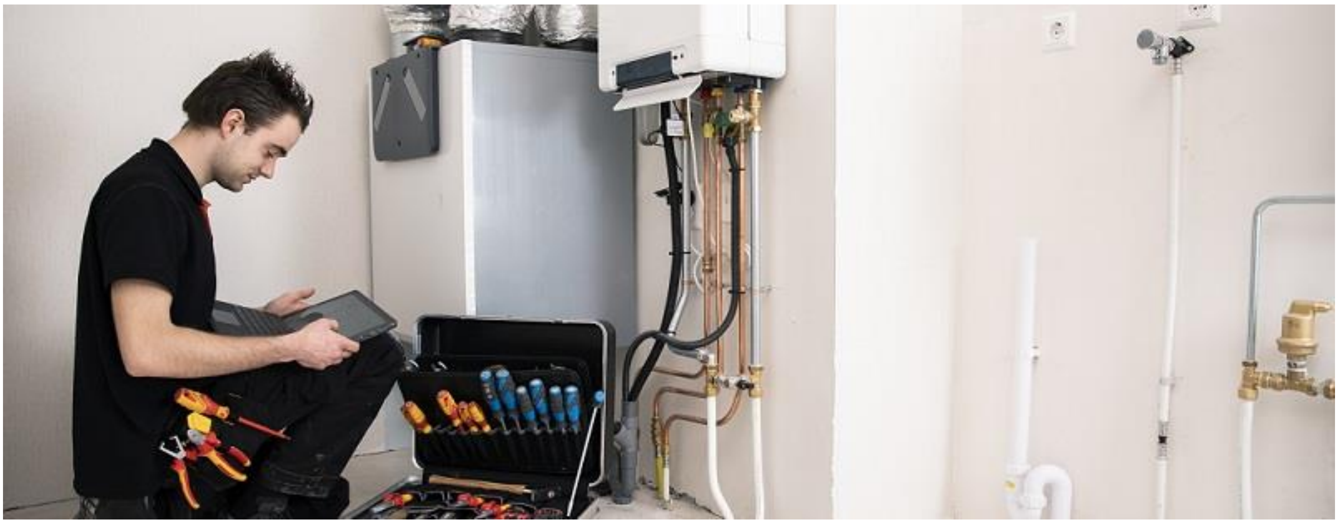
Tilburg, 14 March 2024

The Supervisory Board,

Mr H. (Huub) Arendse, Chairman
Mrs. M.R. (Miriam) van Dongen
Mrs. D. (Daphne) de Kluis
Mr. J.H.G. (Hans) Snijders*

* As of 27 December 2023

ENVIRONMENTAL, SOCIAL & GOVERNANCE



OUR VISION ON SUSTAINABILITY

Banks play an important role in our economy and society. For Achmea Bank, this means allowing people access to housing through mortgage lending, as well as accumulating wealth through saving products and investment services. Achmea Bank is part of the Achmea's Retirement Services strategy. As part of Achmea's purpose 'Sustainable Living Together', its Retirement Services strategy allows customers to accumulate wealth and generate income for today and tomorrow. Our shared ambition is making the whole of the Netherlands financially fit and self-reliant. As a partner in value creation, we wish to make an impact when it comes to environmental, social and governance topics, and we are transparent about our ambitions and impact. This means that we have and disclose clear goals and targets related to our impact on these topics. These efforts further support our mission to realise relevant financial solutions for sustainable living and income.

OUR ESG-STRATEGY AND THE SUSTAINABLE DEVELOPMENT GOALS

ESG strategy and Sustainable Development Goals

Our ESG strategy entails three target areas that describe our contribution to a sustainable living environment (Environmental), a contribution to accessibility for all in a participatory society (Social) and reliable banking with integrity (Governance). Within these three target areas, in which we have formulated our own contribution to these themes, we have also outlined our contribution for and with our four most important stakeholders: our customers, our employees, our partners and our investors. Our aim with our goals and activities is to contribute to three sustainable development goals (SDGs) as described by the United Nations, namely: 10. Reduced inequalities 11. Sustainable cities and communities 13. Climate action.

Commitment to and cooperation on ESG

In 2021 Achmea Bank signed the 'Principles for Responsible Banking' and joined UNEP FI, the United Nations Environment Programme for the financial sector. The Achmea Group also signed the relevant initiatives linked to insurance and investments business operations (Principles for Responsible Investments). The importance for public companies to disclose detailed sustainability information is increasing and influences public opinion more than ever. Green investments and sustainability are major drivers for economic recovery in the post-pandemic period. For this goal, frameworks are being created to identify and measure the impact of these initiatives on various stakeholders. By signing the Principles for Responsible Banking, Achmea Bank demonstrates its commitment to the SDGs and to the Paris Climate Agreement. Every year we publish an ESG Impact Report, in which we report on the carbon emissions and energy labels of the majority of our mortgage portfolio. We monitor the progress of our energy label targets. We do this by using science-based methods, like the Science-Based Target Initiative (SBTi). In the ESG Impact Report we also report on the Principles of Responsible Banking and our ESG ratings. As a mortgage provider and investor in external platforms, our impact on 'sustainable cities and climate action' is apparent by our role in providing access to and shaping the Dutch housing market and is further explained in our environmental and social goals. Our contribution to SDG 10 (reducing inequalities) is further explained in the section on social impact. Our scope of ambition focuses on our contribution to financial wellbeing.

ENVIRONMENTAL

GOVERNANCE FOR INTEGRATION OF THE ESG VALUES

ESG and the governance hereof is a current and important theme. Driven by our strategy and purpose and legislative frameworks, we are actively integrating ESG into our business operations. This is a dynamic process in which we adapt to new developments and requirements on a continuous basis. Achmea Bank, in its role as "financier of the energy transition" aims to enable sustainability with mortgage and savings products and investment services. We offer accessible financial products and communicate in a transparent and accessible way. Within the next years we are keen on further explore and act in the field of activating and enabling consumers to actually make their houses more sustainable. Given the complexity of these challenges, we believe that collaboration between Achmea, its partners, society and the government is essential for success.

Sustainability is a strategic theme for Achmea Bank and falls under the responsibility of the Chairman of the Board, who is supported by its ESG & Business Development department. Within this department a dedicated ESG Officer is active, who acts as the bank's the coordinator, advisor and driver for sustainability-related activities. The ESG Officer has a functional relationship with the director corporate sustainability at Achmea group level. We believe climate-related issues and challenges are most effectively managed when incorporated in existing processes. To that end, each department integrates sustainability in its operations and reports its efforts in climate-related issues on a regular basis to the Managing Board. To keep focus on progress and integration of ESG, we also continuously educate our Managing Board and other internal stakeholders.

Achmea Bank has also taken a pro-active role in collaborating with external stakeholders. In 2021 Achmea Bank joined the Energy-Efficient Mortgages Netherlands Hub (EEM NL Hub), which aims to standardize practices in the Dutch mortgage and property market and is chaired by the CFRO of Achmea Bank. In 2022 the EEM NL Hub published a first version of the Dutch framework for energy-efficient mortgages. On behalf of Achmea we have actively contributed to the creation of this framework. We are also member of the Partnership for Carbon Accounting Financials, by which Achmea Bank will be at the forefront of developments involving measuring and reporting the carbon footprints of houses in our mortgage portfolio. We apply the PCAF guidelines to our measurement of carbon emissions of our mortgage portfolio. We will continue to work with these renowned organizations to gain a better understanding of climate-related issues and align our methodologies with other major financial institutions in the Netherlands.

STRATEGY OF ACTIVE RISK MANAGEMENT AND MONITORING

To identify and assess climate-related and environmental (C&E) risks and opportunities, Achmea Bank applies several best practice frameworks. Amongst other initiatives, we conducted a risk self-assessment on the expectations of the ECB in its Guide for environmental and climate-related risks (2020). The ECB expectations focus on C&E strategy, governance and risk management. Based on these ECB expectations we continually develop and further strengthen our approach. Additionally, the Principles for Responsible Banking provides us guidance on how to assess and monitor our own impact. We will continue to improve our analyses in the coming years. Furthermore, C&E risks are gradually being integrated into our organization's policies and strategic processes by means of:

- Adaptation – mainly through translating these risks as part of the risk management processes in place. In this effort, we work closely with Achmea Group.
- Mitigation – through our efforts to reduce our impact on the climate (of our Scope 1, 2 and 3 emissions) and associated climate-related risks. Mitigation also offers opportunities for expanding our business model as a supporter of the Paris Agreement and by financing the transition to a net-zero economy.

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

Non Financial Reporting Directive (NFRD)

The Non Financial Reporting Directive (NFRD) is not applicable to Achmea Bank. We must comply with the Corporate Sustainable Reporting Directive (CSRD), starting from reporting year 2025. In 2024, we have started our double materiality assessment to determine the most relevant material topics, from both inside-out and outside-in perspectives. Following this we will assess the impact, risks and opportunities for all relevant material topics.

CLIMATE RISK AS RELEVANT THEME FOR RISK MANAGEMENT

Our aim is to further integrate climate risks into the bank's risk management framework in 2024. For this purpose, a climate-related and environment risk framework (CERF) is being set up, based on the Achmea risk cycle approach. Elements of the CERF will tie in existing periodic processes as much as possible, including the bank's risk appetite. This way, the relevant expectations as published in the 'ECB guide on climate-related and environmental risks' will also be further implemented. Achmea Bank is aiming to further integrate climate risks into the bank's credit risk management framework. Achmea Bank will actively continue to contribute through several initiatives to come to insights and action, primarily regarding the sustainability of the mortgage portfolio.

Physical risk

Physical climate-related risks of our mortgage portfolio are specific to collateral buildings. Therefore, the location and other building characteristics are relevant to the exposure to physical risks, such as:

- Foundation support (pole rot and land subsidence)
- Water nuisance (precipitation)
- Flooding (likelihood and maximum depth levels)
- Wildfires

We have acquired data to map these physical climate risks to the majority of individual collateral buildings in our portfolio. In addition, together with our partners, we are putting effort in obtaining physical climate risk data for the investment mortgage portfolios.

For non-financial risk, the focus of our analysis has been on assessing the extent to which physical climate risks could result in material disruptions to the services we provide our savings and mortgage customers. Critical and important functions are central to this, with Achmea Bank having outsourced various key operational activities to third parties. Preliminary results show that no major impact is expected in the short term.

Transition risk

Climate risks relating to the transition to the carbon neutral economy arise from changes in policies, technology or market sentiment. Transition risks are more challenging to assess and manage, since these risks impact many facets, including the macro-economy. For instance, house price developments are relevant to our mortgage portfolio. The transition is expected to impact house prices through elements such as policies, the marketability of homes with less favourable EPC labels or preferences for more efficient housing. This will positively impact customers with better (green) labelled buildings and may also negatively impact customers with worse labels.

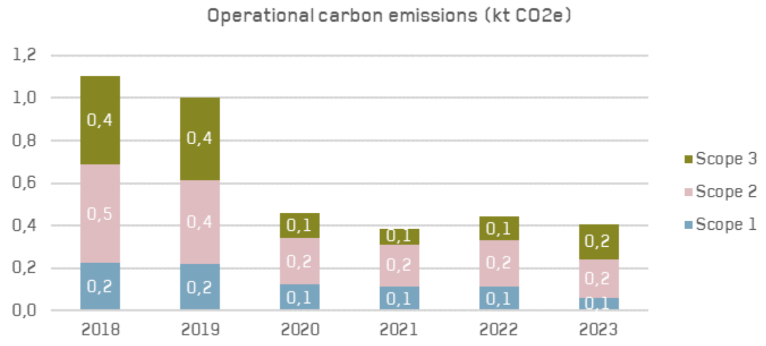
STAKEHOLDER METRICS AND TARGETS

The four key stakeholder groups and C&E targets and metrics are:

- Customers – the ambition to enabling our mortgage customers in making their houses more sustainable. Therefore, we will continue to inform and incentivize our clients to improve the energy efficiency of their homes. Next year we will further explore the options of an active role in this field. We also actively monitor the scope 3 carbon emissions of our mortgage portfolio, based on the newest PCAF standards. We want to review and revise our goals next year in our efforts to achieve carbon neutrality of our mortgage portfolio by 2050.
- Employees – target climate-neutral operational activities by 2030. We aim to operate as a net-zero emission work environment in collaboration with Achmea Group. The Achmea Group reports annually on carbon emissions from business operations based on the GHG Protocol. In 2023 we attributed operational carbon emissions to Achmea Bank based on an FTE distribution key.
- Partners – going forward we aim to engage with our business partners on sustainability practices. We aim to implement a procurement policy, which enables us to assess the climate ambition and risks of our existing and potential partners. We will continue to openly engage in dialogue with our partners on our ESG policy.
- Investors – measuring and improving green assets in our portfolio. In 2022, Achmea was the insurance company leading the way in the Netherlands when it introduced its 'Green Financing Framework' (GFF). Achmea Bank offered support in setting up the GFF and is currently the main supplier of green assets. Achmea Bank is one of two Achmea units that can issue green bonds under the GFF. For more information on Achmea's green bond issuance, please view Achmea's website. In addition, this year we are reporting the EU Taxonomy alignment of our mortgage portfolio for the first time.

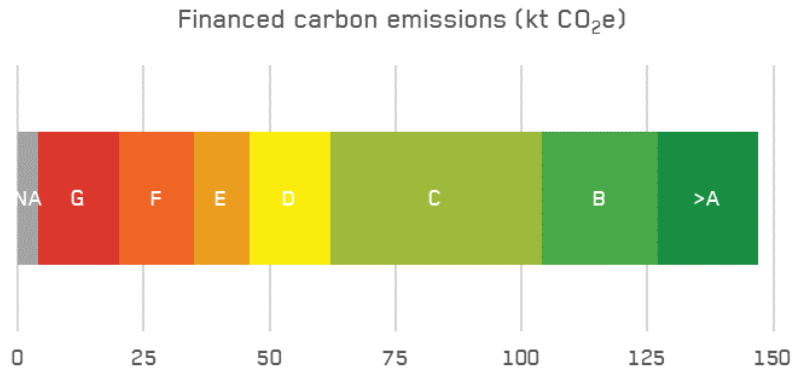
Internal operations

We measure the carbon footprint of our energy use, mobility, coolants use, paper consumption, waste and outsourced servers. CO2 emissions for Achmea Netherlands are measured excluding third-party. However, third-party companies are included in the calculation of the carbon footprint from the consumption of gas (scope 1) and electricity (scope 2). Please view our ESG Impact Report 2023 for more details on our operational emissions and how we plan to reduce our carbon impact towards net-zero in 2030.



Mortgage lending

The carbon emissions from our mortgage portfolio are calculated using the methodology of the Partnership for Carbon Accounting Financials (PCAF). PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments. This harmonised accounting approach provides financial institutions with a solid basis for setting science-based targets and aligning their portfolio with the Paris Climate Agreement. Achmea Bank uses the latest PCAF guidance for residential mortgages. This methodology applies estimated energy usage data from CBS and the RVO based on building characteristics, such as the EPC label, building type and floor surface area.



We have measured approximately 96% of our mortgage portfolio. For 2022, we have also redetermined the financed emissions of our mortgages using the most recent PCAF methodology. Economic carbon intensity displays the financed emissions in relation to the amount of outstanding loans in billion EUR. The economic carbon intensity in 2023 was 10.8 kt./bn. EUR in outstanding loans (2022: 11.9 kt./bn EUR). Physical carbon intensity displays the financed emissions in relation to the floor area of financed collateral buildings in square meters (m2). The physical carbon intensity in 2023 was 25.8 kg/m2 of floor area (2022: 26.7 kg/m2). The decrease in financed emission figures stems from better EPC distribution in our portfolio and lower emission factors compared to last year.

Mortgage portfolio	Total assets (bn. EUR)	Assets measured (%)	Financed emissions (kt CO_2e)	Economic carbon intensity (kt CO_2e/bn. EUR)	Physical carbon intensity (kg CO_2e/m^2)
2022	12,3	95%	138,2	11,9	26,7
2023	14,3	96%	147,7	10,8	25,8

Our plan to achieve our 2050 target in intermediate steps is expected to be drawn up in 2024, applying science-based decarbonisation pathways and market benchmarks as a framework. Our ambition is for our mortgage portfolio to be climate-neutral, with net-zero carbon emissions, no later than 2050. We aim to accomplish this by increasing the proportion of ‘green’ energy labels in our mortgage portfolio, in part by supporting customers to make their homes more sustainable. Our ambition is to bring the portfolio to an average A energy label by 2030. In 2024 we will be working on a well-founded plan that focuses on our own portfolio and strategic choices, so that we can set a more precise and tailor-made target for Achmea Bank. When homes receive better energy label, CO_2 emissions will automatically decrease.

We have compared our mortgage portfolio to a science-based transition pathway. Using the Science Based Targets Initiative (SBTi) guidance, we have calculated how much we need to reduce carbon emissions for our mortgage portfolio to have an almost climate-neutral mortgage portfolio by 2050. The latest transition pathways from the Carbon Risk Real Estate Monitor (CRREM) were used for this purpose. These pathways are based on the 1.5°C scenario from the most recent IPCC reports. For more details on the carbon emissions of our mortgage portfolio, our science based transition pathway and our climate transition plan, please view our ESG Impact Report 2023.

EU Taxonomy

As of 2023 the EU Taxonomy is applicable to Achmea B.V., which provides a common classification system for environmentally sustainable activities. To reach the objectives of the European Green Deal, the EU Taxonomy helps companies to determine the sustainability of their economic activities. More specifically, credit institutions under the Non Financial Reporting Directive (NFRD) must determine the alignment of the exposures on the balance sheet to the climate and environmental goals within the EU Taxonomy.

In 2023, Achmea Bank's mortgage portfolio alignment to the 'Climate Change Mitigation' objective was calculated at 13%, or EUR 1.9 billion in gross carrying amount. This is based on Substantial Contribution, Do No Significant Harm and Minimum Safeguard requirements of the Climate Delegated Act. Currently, EU Taxonomy alignment is only measured for our residential mortgage portfolio, using the Dutch Energy Efficient Mortgage Framework (DEEMF) by the EEM NL Hub. Please view our ESG Impact Report 2023 for more details on how we determine EU Taxonomy alignment of our assets.

SOCIAL

Accessibility for all stakeholder groups

We believe that participation in society is the basis for a sustainable society, and therefore we strive to contribute to accessibility to basic resources and adequate living conditions for all. As part of this effort, we take responsibility for labor and human rights conditions in our processes and production chains. Additionally, we work towards improving the financial wellbeing and independence of the Dutch population. In the next sections, we outline our key targets and results in 2023 for each stakeholder.

Customers

As a retail bank we offer mortgages and savings accounts to our customers, in cooperation with our Achmea partners. For Achmea, we have a key role in accessing the Dutch housing market, with impact on wealth and wellbeing in Dutch society. We aim to provide our customers with products and services that enables them towards understanding and improving personal insight in their financial situation. In addition to applying a responsible credit policy, we work with our customers when (potential) payment problems arise to find a solution that suits the customers' needs and also fits our role and responsibility as a financial institution. Together with our intermediary partners, we play an important role in raising consumer awareness about (improving) the sustainability of their houses. To support sustainability efforts of our mortgage customers we offer an energy-saving loan and energy-saving facilities.

The important role as an employer

We have several policies in place that contribute to the wellbeing and development of our employees, like our education budget, in which Achmea is a frontrunner. Last year Achmea introduced an 'all-you-can-learn' concept, which enables employees to increase knowledge and train soft skills. We also have our internal networks for diversity, such as our LGBTQIA+ network 'HolA!' and our 'Kleurrijk Achmea' network. In 2023 Achmea introduced a climate budget for all employees; the organization provides a budget to spend on sustainability in housing or mobility. More information is available on https://www.achmea.nl/.

Achmea Bank also measures gender distribution of employees, as well as senior management positions. We also have a target to employ at least 40% female and 40% male positions on either level. At year-end 2023, gender distribution among employees was 38% female and 62% male. The distribution in senior leading positions was 64% male and 36% female. We ultimately aim for a ratio of at least 60/40. Our ambition on the social aspect of being employer extends to our central theme of financial fitness and wellbeing. As part of our HR policy, our employees have four extra days off for communal service. Our aim is to empower our employees to contribute to financial literacy and wellbeing in the Netherlands. Our target is to host 50 guest lessons in primary schools annually for the 'Bankers in the classroom' initiative of the Dutch Banking Association, for which we facilitated 49 classroom sessions in 2023.

Partners

Our social responsibility also stretches to our partners with whom we work together to deliver our services. Achmea Bank ensures that our outsourcing partners act according to ethical norms and international standards for labor and human rights, including the prohibition of child labor. We work according to our procurement policies, which are outlined in the Achmea Group's Sustainability Statement. As part of the Achmea Group, we are a company with a mutual background, which has a longstanding history in social and sustainable contributions to the Dutch society. Therefore, we provide transparency in our ESG ratings and strive to implement any feedback that these ratings may provide to improve our efforts. In 2023, we were awarded a new risk rating by Sustainalytics, and improved our rating from 22.5 to 20.9 (medium risk). We strive to improve this rating further to low risk.

GOVERNANCE

A reliable bank for all stakeholders

Our governance reflects our position as a bank focusing on reliability and transparency. Together with our partners and employees, we anchor integrity in our management policies and set up adequate control processes, based on the needs of our customers. We want to learn from our customers, by engaging through for example customer arenas. With our brand Centraal Beheer, we have done this in the past year, for example for topics such as the use of the construction deposit, execution only, the mortgage check and the further development of the 'my Centraal Beheer environment' for mortgage customers. In addition, we constantly measure the customer engagement: how do customers value our online services? How easy is it to use and can they easily find what they are looking for? We actively keep developing our offer and improve it based on the feedback.

Dialogue with our customers for optimal connection

Constant dialogue with our customers is a key element in Achmea bank's customer centric approach. This dialogue is constituted in e.g. our customer board, which ensures that our customers are actively involved in the development of new services, products and communication efforts. To assess whether customer satisfaction reflects these efforts, we consistently measure our net promotor scores (NPSs) for various processes. An important target for us is customer loyalty and the NPS of our savings and our mortgage processes, as these are the bank's core activities. The level of loyalty (NPS) is measured by our distribution partner Centraal Beheer. Our aim is to have an NPS of 50 in 2030, our target for 2023 was an NPS of 30. In 2023 the actual NPS for mortgages and savings was 32.

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

We invest in the continuous development and well-being of our employees. For example, in the past few years we have made efforts to improve work-life balance by introducing and implementing a 34-hour working week. We measure employee satisfaction in our annual employee engagement poll. We aim for a minimum score of 8/10 on the aspects 'enthusiasm' and 'development and deployment of talent'. In 2023, the scores of these metrics were 7.9 on enthusiasm and 7.8 on development and deployment of talent.

Customer feedback to further improve our services

Achmea Bank' strategy, as a data-driven network bank, entails outsourcing supporting activities to partners. We select partners that share our values and business vision. To this end, Achmea Bank continuously monitors the quality of the services provided by its partners. In regular engagement meetings, as agreed upon in each contract, we assess the provided services and optimize these when necessary, including full compliance with all relevant guidelines, e.g. the EBA Guidelines on Outsourcing.

Transparency and balance in the interests of investors and other stakeholders

Achmea Bank has a wide range of funding sources. The bank's fundingmix includes savings, secured and unsecured money market and capital market funding. We believe that open and honest dialogue with all investors is the best way to maintain long term relationships. To this end, we have a dedicated investor relations team and actively seek dialogue with our investors. We have a governance in place that supports transparency in our reporting, including reporting on our ESG metrics and approach as set out above.

ACHMEA BANK N.V. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS			
AS AT		31 DECEMBER 2023	31 DECEMBER 2022
	NOTE		
Assets			
Cash and balances with Central Banks	9	598,670	774,244
Loans and advances to banks	10	637,468	641,572
Derivative assets held for risk management	8	370,676	537,769
Loans and advances to public sector	11	583	606
Loans and advances to customers	4	14,132,458	11,829,986
Interest-bearing securities	12	30,822	–
Current tax assets	15	–	4,964
Prepayments and other receivables	13	155,057	139,884
Deferred tax assets	17	9,326	4,239
Total Assets		**15,935,060**	**13,933,264**
Liabilities			
Deposits from banks	14	360,938	1,137,916
Derivative liabilities held for risk management	8	437,194	410,529
Funds entrusted	5	9,377,098	8,086,409
Current tax liabilities	15	13,454	–
Accruals and other liabilities	16	80,197	73,782
Debt securities issued	6	4,830,360	3,433,534
Subordinated liabilities	19	1,191	1,191
Provisions	18	37	22
Total Liabilities		**15,100,469**	**13,143,383**
Share Capital		18,152	18,152
Share premium		505,609	505,609
Other reserves		250,726	252,705
Net profit for the period		60,104	13,415
Total Equity	**20**	**834,591**	**789,881**
Total Equity and Liabilities		**15,935,060**	**13,933,264**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF EUROS			
FOR THE YEAR ENDED 31 DECEMBER		2023	2022
	Note(s)		
Interest income calculated using the effective interest method	7	413,579	276,836
Other interest income	7	110,983	−60,163
Interest expenses calculated using the effective interest method	7	233,277	103,812
Other interest expenses	7	86,475	−4,675
Interest margin	**7**	**204,810**	**117,536**
Changes in fair value of financial instruments	8	−8,476	7,414
Interest margin and changes in fair value of financial instruments		**196,334**	**124,950**
Other income	22	1,005	1,112
Fees and commission income	23	6,306	6,077
Fees and commission expense	23	5,619	5,370
Net fees and commission income	**23**	**687**	**707**
Operating income		**198,026**	**126,769**
Impairment of financial assets	4	2,110	4,080
Staff costs	24/25/26	29,255	26,640
Other operating expenses	24/25/26	85,658	78,143
Total expenses		**117,023**	**108,863**
Operating profit before taxes		**81,002**	**17,906**
Income tax expense	27	20,899	4,491
Net profit for the period		**60,104**	**13,415**
Other comprehensive income/expense net of income tax		–	–
Total comprehensive income for the period		**60,104**	**13,415**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	LEGAL RESERVE	NET PROFIT FOR THE PERIOD	TOTAL EQUITY
IN THOUSANDS OF EUROS						
Balance at 1 January 2023	**18,152**	**505,609**	**245,704**	**7,001**	**13,415**	**789,881**
Net profit for the period	–	–	–	–	60,104	60,104
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**60,104**	**60,104**
Dividends paid	–	–	−2,000	–	−13,394	−15,394
Appropriation of profit 2022	–	–	21	–	−21	–
Release legal reserve	–	–	875	−875	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−1,104**	**−875**	**−13,415**	**−15,394**
Balance at 31 December 2023 (note 20)	**18,152**	**505,609**	**244,600**	**6,126**	**60,104**	**834,591**
Balance at 1 January 2022	**18,152**	**505,609**	**246,055**	**8,981**	**39,269**	**818,065**
Net profit for the period	–	–	–	–	13,415	13,415
Total comprehensive income for the period	**–**	**–**	**–**		**13,415**	**13,415**
Dividends paid	–	–	−2,331	–	−39,269	−41,600
Release legal reserve	–	–	1,980	−1,980	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−351**	**−1,980**	**−39,269**	**−41,600**
Balance at 31 December 2022 (note 20)	**18,152**	**505,609**	**245,704**	**7,001**	**13,415**	**789,881**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER			
IN THOUSANDS OF EUROS		2023	2022
Cash flow generated from operating activities	**Note(s)**		
Operating profit before taxes		**81,002**	**17,906**
Adjustments for non-cash items in the result:			
Impairment on financial instruments and other assets	4	2,110	4,080
Changes in fair value of financial instruments	8	8,476	−7,414
Other non-cash items		163,809	127,316
Total Adjustments for non-cash items in the result:		**174,395**	**123,982**
Income tax paid	**27**	**−7,566**	**−13,858**
Changes in operating assets and liabilities:			
Loans and advances to banks	10	−139,180	136,868
Loans and advances to public sector	11	23	23
Loans and advances to customers	4	−1,239,308	−354,117
Prepayments and other receivables	13	−15,172	−93,169
Deposits from banks	14	−776,978	1,082,381
Funds entrusted	5	1,185,346	530,988
Accruals and other liabilities	16	6,415	8,742
Derivatives	8	−16,740	915
Provisions	18	14	−478
Debt securities issued	6	18,467	−175
Interest-bearing securities	12	−29,486	0
Total Changes in operating assets and liabilities:		**−1,006,599**	**1,311,979**
Net cash flow generated from operating activities (1)		**−758,768**	**1,440,009**
Cash flow generated from investing activities			
Investments in mortgages	3	−753,924	−881,929
Net cash flow generated from/(used in) investing activities (2)		**−753,924**	**−881,929**
Cash flow generated from financing activities			
Repayments of Debt securities issued	6	−868,604	−1,475,797
Issues of Debt securities issued	6	2,077,845	1,139,207
Total cash flow from Debt securities issued		**1,209,240**	**−336,590**
Dividend Payment		−15,394	−41,600
Net cash flow generated from/used in financing activities (3)		**1,193,846**	**−378,190**
Net cash flow (1) + (2) + (3)		**−318,846**	**179,890**
Cash and cash equivalents as at 1 January		937,043	757,153
Cash and cash equivalents as at 31 December		618,197	937,043
Movements in cash and cash equivalents		**−318,846**	**179,890**
Reconciliation of movement in Cash and cash equivalents			
Cash and balances with Central Banks	9	−175,577	37,020
Loans and advances to banks on demand	10	−143,269	142,870
		−318,846	**179,890**
Additional information on operational cash flows from interest and dividends			
interest received	7	506,613	228,606
Interest paid	7	−253,788	−82,253
		252,825	**146,353**

GENERAL

A. GENERAL INFORMATION

Achmea Bank N.V. is located at Spoorlaan 298, Tilburg (the Netherlands), with its registered office in The Hague (the Netherlands). It is registered at the Chamber of Commerce under number 27154399. The number of employees was 216 FTEs on 31 December 2023 (2022: 209 FTEs). The core products of Achmea Bank N.V. (‘the Bank’ or ‘Achmea Bank’) consist of savings and investment products for private individuals and residential mortgage loans for the Dutch market. The shares of Achmea Bank are held by Achmea B.V.

The Bank’s consolidated financial statements for 2023 consist of the financial statements of all group companies in which the Bank has a controlling interest. Reference is made to paragraph H. Basis of consolidation for an overview of the group companies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied uniformly for all periods presented in these consolidated financial statements and by all group entities, unless otherwise stated.

The consolidated financial statements are presented in Euros, which is the parent company’s functional currency.

B. AUTHORIZATION FINANCIAL STATEMENTS

The Bank´s consolidated financial statements (including standalone financial statements) for the year ended 31 December 2023 were prepared by the Managing Board and authorised for issue, after approval by the Supervisory Board on 14 March 2024. The financial statements will be submitted for adoption to the General Meeting of Shareholders. The General Meeting of Shareholders is permitted to amend the financial statements.

C. BASIS OF PRESENTATION

The Bank´s consolidated financial statements 2023 have been prepared in accordance with the International Financial Reporting Standards - including International Accounting Standards (IAS) and Interpretations - as adopted by the European Union (hereafter EU and EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

Achmea Bank split the explanatory notes into the chapter 'notes to statement of financial position and income statement items' and other items. The notes relating to Achmea Bank's core activities are included in 'significant parts of the statement of financial position and income statement' and the remaining notes that do meet the criteria for quantitative and qualitative relative importance in the chapter ‘Other notes’.

The specific accounting principles for individual statement of financial position and income statement items are disclosed in the explanatory notes.

The Bank’s consolidated financial statements 2023 have been prepared on a going concern basis. Achmea Bank concludes that its capital and liquidity position is adequate to support the going concern assumption.

D. INITIAL APPLICATION OF ACCOUNTING POLICIES

In May 2023, the IASB made amendments to IAS 12: International Tax Reform Pillar Two Model Rules. The amendments introduce a mandatory exception in IAS 12 regarding the recognition and disclosure of deferred tax effects arising from Pillar II income tax legislation. It is mandatory to disclose the application of these changes.

Moreover, current corporate tax expenses arising from Pillar II must be disclosed separately during the periods in which this income tax legislation is in force. These amendments apply to reporting periods beginning on or after 1 January 2023. These changes have no impact on Total Equity, Net result for 2023 and comparative figures of Achmea Bank N.V.

In addition, the following new standards, amendments to standards and interpretations issued by the International Accounting Standard Board (IASB) were adopted as of 1 January 2023: these changes have no impact on Total Equity, Net result for 2023 and comparative figures of Achmea Bank N.V.:
- Amendments to IAS12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

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

The following standards or amendments were issued in 2022 or prior years and endorsed by EU:
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-Current – Deferral of Effective Date, Non-current Liabilities with Covenants;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements;
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (implementation date 1 January 2025).

All changes have no significant impact on Total equity as per 31 December 2023, Net result for 2023 and comparative figures of Achmea Bank N.V.

F. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND PRESENTATION

First time application IFRS 9 for fair value hedge accounting (micro hedge accounting)

Effectively from 1 January 2023, IFRS 9 Financial instruments have been applied for fair value hedge accounting (micro hedge accounting). Achmea Bank applies fair value hedge accounting (micro hedge accounting) for derivatives related to its funding operations. The first-time application has no significant impact on Total equity as per 31 December 2023, Net result for 2023 and comparative figures of Achmea Bank N.V.

G. PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

In 2023, no other material changes with regard to accounting policies, changes in presentations and corrections for previous periods have been made in comparison with the Consolidated Financial Statements of Achmea Bank N.V. of 2022, other than the changes described below.

Change in presentation interest expenses for derivatives (Note interest margin)

Achmea Bank changes the presentation of the interest expenses for derivatives which are designated in a hedge accounting relation. For the derivatives which are part of the macro hedge relation the interest expenses are included as part of the interest income of the hedged item. For the derivatives which are part of the micro hedge relation the interest income is included as part of the interest expenses of the hedged item. Although the impact on prior year is not considered to be material for Total Equity, Net interest margin or Net result, the comparative figures have been adjusted accordingly for 2022; interest income as well as the interest expense decreased with EUR 60 million. This reclassification has no impact in Total Equity, Interest margin or Net result for 2023.

Change in presentation current account notary (Note prepayments and other receivables)

In preparing the Consolidated Financial Statements of 2023, Achmea Bank changed the presentation of the current account notary from Loans and advances to customers to Prepayments and other receivables. The comparative figures of 2022 have been restated. The amount per 31 December 2022 was EUR 41 million. This change in presentation did not impact Total equity nor Net result.

Change in presentation current account Achmea Group (Note Accruals and Other Liabilities)

In preparing the Note Accruals and other liabilities, Achmea Bank changed the presentation of the current account Achmea Group from Accruals to Other Liabilities. The comparative figures have been restated. The amount per 31 December 2022 was EUR 10.9 million. This change in presentation did not impact Total Equity nor Net result.

H. CONSOLIDATION

Basis of consolidation

Subsidiaries are all entities over which the Bank has control (based on the requirements of IFRS 10). The Bank controls an entity when the Bank is exposed to, or has rights to, the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Bank and deconsolidated from the date that control ceases.

The consolidated financial statements of the Bank include the financials figures of the following companies:

- Dutch Residential Mortgage Portfolio II B.V. (shares are held by Stichting Holding DRMP II)[1]
- Securitised Residential Mortgage Portfolio I B.V. (shares are held by Stichting Holding SRMP I)
- Securitised Residential Mortgage Portfolio II B.V. (shares are held by Stichting Holding SRMP II)
- Achmea Conditional Pass-Through Covered Bond Company B.V. (shares are held by Stichting Achmea Conditional Pass-Through Covered Bond Company)[2]
- Achmea SB Covered Bond Company B.V. (shares are held by Stichting Achmea SB Covered Bond Company)
- Achmea SB Covered Bond Company II B.V. (shares are held by Stichting Achmea SB Covered Bond Company II)
- Stichting Trustee Achmea Bank
- Stichting Incasso Achmea Hypotheken

[1] Dutch Residential Mortgage Portfolio II B.V. is liquidated in 2023 (12 October 2023)

[2] Achmea Conditional Pass-Through Covered Bond Company B.V is liquidated in 2023 (12 October 2023)

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

The Special Purpose Vehicles ('SPV') Dutch Residential Mortgage Portfolio II B.V., Securitised Residential Mortgage Portfolio I B.V. and Securitised Residential Mortgage Portfolio II B.V. are companies set up by the Bank for securitisation purposes of residential mortgage loans. There are no representatives of the Bank in the boards of these entities.
Achmea Bank set up a EUR 5 billion Conditional Pass Through Covered Bond Programme in 2017 ("ACPTCB"). The shares of Achmea Conditional Pass-Through Covered Bond Company B.V. are held by Stichting Achmea Conditional Pass-Through Covered Bond Company. In June 2023 the outstanding bonds in the CPTCB programme (EUR 1.5 billion) were transferred to the SBCB programme after noteholders' approval and the CPTCB programme has been terminated.

In 2021 Achmea Bank set up an EUR 5 billion Soft Bullet Covered Bond Programme ("SBCB"). From this programme EUR 0.5 billion has been issued in October 2021, EUR 0.5 billion has been issued in May 2022. In 2023 the Bank issued two tranches under the SBCB Programme, In January a EUR 0.5 billion 7 years tenor and in October a EUR 0.5 billion 3 years tenor. The shares of Achmea SB Covered Bond Company B.V. are held by Stichting Achmea SB Covered Bond Company.

In November 2023 Achmea Bank set up an additional EUR 5 billion Retained Soft Bullet Covered Bond Programme (SBCB2). As per 31 December 2023 no issuance has taken place. The shares of Achmea SB Covered Bond Company B.V. are held by Stichting Achmea SB Covered Bond Company II.

The Bank has a Trust agreement with Stichting Trustee Achmea Bank. Under this Trust agreement the Bank periodically pledges mortgage receivables to Stichting Trustee Achmea Bank as collateral for liabilities of the Bank.

Stichting Incasso Achmea Hypotheken has been set up to collect and distribute payments on the mortgage receivables to the Bank and related group companies mentioned above.

The above-mentioned companies are consolidated in accordance with the criteria of IFRS 10 Consolidated Financial Statements.

All transactions with group companies are at arm's length.

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value once control is lost.

Elimination of intergroup transactions and accounts

Intragroup accounts and any unrealised gains and losses on transactions within the Bank or income and expenses from such transactions are eliminated.

Segment information

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

Consolidated statement of cash flows

The Consolidated Statement of Cash Flows has been set up according to the indirect method. Cash and cash equivalents comprise cash, bank balances and call deposits (incl. overnight deposits). Bank overdrafts that are repayable on demand and form an integral part of Achmea Bank's cash management processes are recognised as a component of Cash and cash equivalents.

I. RECOGNITION, DERECOGNITION AND MEASUREMENT

Recognition, derecognition and measurement

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Achmea Bank recognises the instrument at fair value including transaction cost (unless the financial instrument is classified as 'At fair value through profit or loss'). A financial liability is recognised on the consolidated statement of financial position when it is probable that an outflow of economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

A financial asset (or part of a financial asset) is derecognised when the contractual rights to receive cash flows from the financial asset have expired or when the Bank has transferred substantially all risks and rewards of ownership. The asset will also be derecognised if the Bank does not have or no longer has control over the asset, even if the Bank does not transfer or retain the risks and rewards related to an asset.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Bank is exposed to changes in the value of the asset. Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement as a realised gain or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised from the consolidated statement of financial position when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the statement of comprehensive income as a realised gain or loss.

Derecognition of financial assets due to substantial modification of terms and conditions

In some situations, Achmea Bank renegotiates or otherwise modifies the contractual cash flows of financial assets and liabilities. When this happens, Achmea Bank assesses whether or not the new terms are substantially different to the original terms. Achmea Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in.

The Bank assumes that there is a substantial modification if the net present value of the contractual cash flows after modification, differs by more than 10% for the net present value of the contractual cash flows before modification.

When the terms are substantially different, Achmea Bank derecognized the original financial asset or liability and recognizes a 'new' asset or liability at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, Achmea Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Modifications (that do not result in derecognition)

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original effective interest rate. For the classification if terms are not substantially different, the Bank uses the difference in net present value as best indication. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition of financial liabilities due to substantial modification of terms and conditions

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original effective interest rate. Any resulting difference is recognised immediately in profit or loss. For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, 10%.

Measurement

At initial recognition, Achmea Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss (FVtPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through Other Comprehensive Income (FVOCI), as described in note 8, which results in an accounting loss being recognised in the income statement when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is amortised over the remaining economic life of the instrument.

Amortised cost measurement

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

Fair value measurement

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

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

If a market for a financial instrument is not active, the Bank calculates fair values using valuation techniques (level 2 and 3). Valuation techniques include using recent at arm's length transactions between knowledgeable, willing parties (if available), references to the current value of other instruments that are substantially the same and discounted cash flow analyses. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specifically related to Achmea Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and validates them by using prices from observable and market transactions in the same instrument.

Fair value through OCI measurement

Movements in the carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Classification and measurement of financial assets

Achmea Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVtPL)
- Fair value through Other Comprehensive Income (FVOCI)
- Amortised cost

A financial asset is measured at amortised cost when it meets both of the following conditions and is not designated at FVtPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only when it meets both of the following conditions and is not designated at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at Fair Value through Other Comprehensive Income (FVOCI) at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

Financial assets should be classified and measured in accordance with the business models of Achmea Bank as well as by the type of contractual cash flows of the underlying financial assets. Both elements determine whether they will be measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVtPL).

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed as such whose performance is evaluated on a fair value basis are measured at FVtPL as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Impairment of financial assets

The Bank recognizes loss allowances for expected credit losses (ECL) on all financial instruments that are not measured at FVTPL. The Bank uses a three-stage model: 12 Month expected credit losses for performing loans (stage 1), lifetime expected credit losses for under-performing financial assets (stage 2) and lifetime expected credit losses for non-performing financial assets (stage 3).

The highlights of the three-stage model for impairment are:
- A financial instrument that is not credit impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank;
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired;
- If the financial instrument is non-performing, the financial instrument is then moved to Stage 3;
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis;
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured as a stage 3 on a lifetime basis;

The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 permits a bank to assume, without further analysis, that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have 'low credit risk' at the reporting date. For low-risk instruments for which the simplification is used, the entity would recognize an allowance based on 12-month ECL (IFRS 9.5.5.10). The Bank considers a financial asset to have low credit risk when their credit risk rating is equal to the globally understood definition of 'investment grade'. For these financial assets the Bank doesn't use a 3 stages ECL model to calculate the impairment charges. Further details are disclosed in the Risk Management paragraph, section Credit Risk.

Impairment off balance exposure

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

Use of estimates and assumptions

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

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

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

Offsetting of financial instruments

Financial assets and liabilities are netted in the consolidated statement of financial position if Achmea Bank:
- has a legally enforceable right to offset the asset and the liability; and
- intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currency

Monetary assets and liabilities in foreign currencies are converted into Euros at the exchange rate prevailing on the balance sheet date. The realised and unrealised translation gains or losses are recognised in the consolidated statement of comprehensive income. Income and expenses as well as non-monetary assets and liabilities arising from transactions in foreign currencies are converted at the exchange rate on the transaction date.

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

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

The estimations and assumptions are evaluated on an ongoing basis and are, where possible, based on historical data and future events that are considered reasonable given the circumstances.

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

Measurement Expected credit loss

The measurement of the ECL for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further explained in the risk management paragraph, section credit risk. This paragraph includes the sensitivity analysis of the expected loss models for the mortgage portfolios.

Measurement Expected credit loss Acier portfolio

Due to declining exposure of the Acier portfolio and the low number of defaults, it has proven difficult to maintain a statistical model. In 2023 Achmea Bank decided to discontinue the Acier ECL model and replace it by an alternative ECL calculation. This new methodology also incorporates an additional provision for interest only loans which will mature within 5 years and haircuts on collateral values, therefore eliminating these elements in the management overlay. The impact of the change in methodology, including the release of the management overlay, amounts to EUR 3.6 million.

Fair value derivatives

The fair value of the derivatives held for risk management may fluctuate significantly from time to time due to fluctuations in market rates and is calculated by using a valuation model. Although the valuation model makes maximum use of observable market inputs and limits the use of estimates made by the Bank, determining fair value for these types of instruments is considered to be complex and subject to management estimates in choosing the appropriate observable market inputs and deriving indirect price indices for unobservable elements. The risk management paragraph includes further explanation on the calculation the fair value values of financials assets and liabilities including their inherent uncertainties and applied sensitivity analyses.

Hedge accounting

The Bank uses derivatives as part of its risk management. Derivatives are for hedging instruments on the interest rate risk in its mortgage portfolio (macro hedge) as well as on the interest rate risk related to debt securities issued (micro hedge). For the application of fair value hedge accounting, the Bank documents the relationship between the hedging instruments and the hedged items or positions, as well as the risk management objective and strategy at the inception of the transaction. The fair value of the hedged item (mortgage portfolio or debt securities issued) may fluctuate significantly from time to time due to fluctuations in market rates and is calculated using a valuation model. The valuation model makes maximum use of observable market inputs and limits the use of estimates made by the company.

Fair value Loans and advances to customers

The fair value of Loans and advances to customers is based on the present value of expected future cash inflows, using current market interest rates. The interest rate is based on the money market and capital market, both of which are in the public domain. If possible, the Bank makes use of reference rates that are observable in these markets.

Reference is made to note 21 of the Consolidated Financial Statements for the disclosure of the fair value of the other financial assets and liabilities.

2. RISK MANAGEMENT

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

This chapter describes the Bank's:

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

A. RISK MANAGEMENT

Developments in 2023

This section provides an overview of the developments in 2023 in the area of risk management.

Each year, the management of Achmea Bank conducts an integral assessment of the most important risk themes using Strategic Risk Analysis. The composition of the risk profile, including the key risks identified in achieving the strategy remained largely unchanged in 2023. This section discusses several topics and developments.

Macro-economic developments

2023 started with the fear of still having double digit inflation, increasing energy prices, geopolitical challenges and negative effects of ECB interest rate hikes on economic growth, unemployment and development of house prices. Although the ECB continued the hikes the economic growth was only tempered. The unemployment rate remained historically low and even short in supply especially in the skilled professions. The high demand for housing exceeded the supply and after a short flattening there is still an increase in house prices by the end of 2023. The inflation has been brought back to manageable levels, the energy prices stabilized and geopolitical challenges are part of the new reality we live in. Rather than being a threat, the increasing interest rates have proven to be an opportunity for Achmea Bank. Besides the challenge of managing the interest rate risk in the banking book, the rates have let to historical high consumer savings and growth of the mortgage portfolio due to the diversification strategy of Achmea Bank and shift of the mortgage market to shorter fixed-interest periods (<=10y).

Risk Management 2nd line

In order to strengthen the risk management function a Head of Risk & Compliance was appointed in July 2023 and the Risk Management department was formed with the 2nd line teams Compliance & Operational Risk Management and Financial Risk Management. The Head of Risk & Compliance reports to the Managing Board (CFRO) and has an escalation line to the Supervisory Board.

Supervisory Review and Evaluation Process (SREP) confirms the Bank's risk management is adequate

As part of the SREP DNB reviewed the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment process (ILAAP) and concluded the Bank has a medium-low risk profile and that the risk management of the Bank is adequate. DNB notes however that further improvements can be made in the quality of the ILAAP, the methodology to determine capital for Operational Risk and in the management of outsourcing contracts.

Advanced Internal Ratings-Based (AIRB) Status approved by DNB

In September 2023 DNB approved the request for the AIRB status. This status enables Achmea Bank to use advanced models in our reporting & credit cycle and contributes to a further professionalization of our credit risk management. Following the remedial action plan, as discussed with DNB in October 2023, Achmea Bank works on the remediation of identified areas for improvement. Successful remediation can result in a lower capital requirement by means of a conditional application of the Standardized Approach (SA) floor. Achmea Bank currently applies the SA or a RWA floor which is at least equal to SA to calculate the risk weighting of its assets (RWA).

Integrated Risk Tooling (IRT)

The bank is further professionalizing its risk management IT landscape with the implementation of Balance Sheet Manager from FIS Global. The new tool will replace several in-house developed tools for the management of IRRBB, CSRBB and liquidity risk and tooling used for P&L and balance sheet forecasting. Next to providing more robust and efficient tooling this will enable the bank to do more extensive analysis and enhances reporting possibilities. Furthermore, it improves consistency between the Balance Sheet Management and Business Control departments. Finally, the bank will be able benefit from the expertise of the vendor and other users when adapting or developing new functionality, e.g. in case of changes in regulations.

Risk Strategy

Achmea Bank's risk strategy supports management in the realisation of the business strategy by defining boundaries. The Bank operates within these boundaries in order to be and remain in control. The risk strategy focuses on:
- sound balance sheet management to control financial risks; and
- protection of Achmea Bank's identity and reputation.

The mission of Risk Management is to ensure the financial and operational stability and continuity of Achmea Bank. Risk Management safeguards a continuous monitoring of the financial and non-financial (including ESG) risk profile and ensures that risk management instruments and techniques are implemented correctly, in line with legislation and market best practices.

Risk appetite and risk indicators

Risk appetite is defined as the level of financial and non-financial risk the Bank is willing to take, given the Bank's business objectives. The risk appetite is translated into minimum levels of liquidity and solvency and the maximum decline in results the Bank is willing to accept under normal and extreme conditions. With respect to solvency and liquidity, the Bank aims to:
- achieve a return on equity that guarantees access to the capital markets;
- maintain sufficient levels of capital and liquidity to meet internal and external requirements;
- business continuity even in times of severe stress;
- avoid high concentration risks in the loan portfolio;
- maintain a sound financial position, including a diversified funding mix and an acceptable level of asset encumbrance; and
- have a conservative investment policy.

A further explanation of these items is provided in the following paragraphs.

The risk appetite is a general policy which is reviewed at least annually. The Risk Management department is responsible for the Risk Appetite Statement. The statement is approved by the Asset and Liability Committee (ALCo), the Finance and Risk Committee (F&RC), the Managing Board and ultimately by the Supervisory Board.

Risk Governance

The Managing Board is responsible for the effectiveness of non-financial and financial risk management. The Risk Management department is led by the Head of Risk & Compliance.

The Bank aims to maintain a sound balance between risk and return. Adequate risk management is key in order to support and monitor the Bank's core activities.

The Managing Board is responsible for defining and executing the Bank's strategy. A crucial element of the Bank's strategy is the consistent control of credit risk, market risk, operational risk, compliance risk, liquidity & funding risk and the transversal risks solvency risk, reputational risk and climate & environmental 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 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 CFRO. The Credit Committee, the Technical Committee, 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 Head of Risk & Compliance.

The ALCo monitors and manages all financial risks except for retail credit risk which is the focus of the Credit Committee. This comprises interest rate risk, 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 CFRO.

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 Head of Risk & Compliance.

B. CREDIT RISK

Within Achmea Bank, credit risk is defined as 'the risk that the bank suffers a financial loss or a material decrease in solvency, due to the fact that a borrower or counterparty does not meet the financial or other contractual obligations to the bank or due to a significant deterioration of the creditworthiness of the specific borrower or counterparty. To cover credit risk for the financial instruments in the Balance sheet items loans and advances to banks, public sector and customers, Achmea Bank has divided its impairment eligible portfolio into three parts: Regular mortgage portfolio (including acquired portfolios and external platforms, the Acier portfolio and other financial assets. These provisioning methods will be explained in the Provisioning methodology paragraph below.

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

Risk Profile

The following table shows the gross carrying amount and expected credit loss for all assets and off balance sheet exposures.

RISK PROFILE

AS AT 31 DECEMBER 2023	GROSS CARRYING AMOUNT	ECL			CARRYING AMOUNT
IN THOUSANDS OF EUROS		STAGE 1	STAGE 2	STAGE 3	
Assets					
Cash and balances with Central Banks	598,670	–	–	–	598,670
Loans and advances to banks	637,517	49	–	–	637,468
Derivative assets held for risk management	370,676	–	–	–	370,676
Loans and advances to public sector	583	–	–	–	583
Loans and advances to customers	14,160,697	1,624	19,477	7,138	14,132,458
Interest-bearing securities	30,822	–	–	–	30,822
Current tax assets	–	–	–	–	–
Prepayments and other receivables	155,057	–	–	–	155,057
Deferred tax assets	9,326	–	–	–	9,326
Total Assets	**15,963,348**	**1,673**	**19,477**	**7,138**	**15,935,060**
Off-balance exposures	**Exposure Amount**				**Provisions**
Total off-balance	824,919	36	1	–	37

AS AT 31 DECEMBER 2022	GROSS CARRYING AMOUNT	ECL			CARRYING AMOUNT
IN THOUSANDS OF EUROS		STAGE 1	STAGE 2	STAGE 3	
Assets					
Cash and balances with Central Banks	774,244	–	–	–	774,244
Loans and advances to banks	641,605	33	–	–	641,572
Derivative assets held for risk management	537,769	–	–	–	537,769
Loans and advances to public sector	606	–	–	–	606
Loans and advances to customers	11,851,611	4,086	9,855	7,684	11,829,986
Current tax assets	4,964				4,964
Prepayments and other receivables	139,925	41	–	–	139,884
Deferred tax assets	4,239	–	–	–	4,239
Total Assets	**13,954,963**	**4,160**	**9,855**	**7,684**	**13,933,264**
Off-balance exposures	**Exposure Amount**				**Provisions**
Total off-balance	801,217	18	5	–	22

The Bank calculated an ECL for all off-balance exposures (outstanding loan commitments and construction deposits) of EUR 37 thousand (2022: EUR 22 thousand), which is included in the provisions.

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. In September 2023 Achmea Bank received the AIRB status from DNB which allows the Bank to use advanced models in reporting & credit cycle and contributes to a further professionalization of the credit risk management. The approval did not yet result in a lower capital requirement by means of a conditional application of the Standardized Approach (SA) floor. Achmea Bank currently applies the SA or a RWA floor which is at least equal to SA to calculate the risk weighting of its assets (RWA).

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

Regular mortgage portfolio

The Regular mortgage portfolio, including the acquired portfolios and external platforms, consists of residential, owner-occupied property loans and niche propositions such as buy-to-let. Collateral for these loans consists of residential property, 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 355 million at year-end 2023).

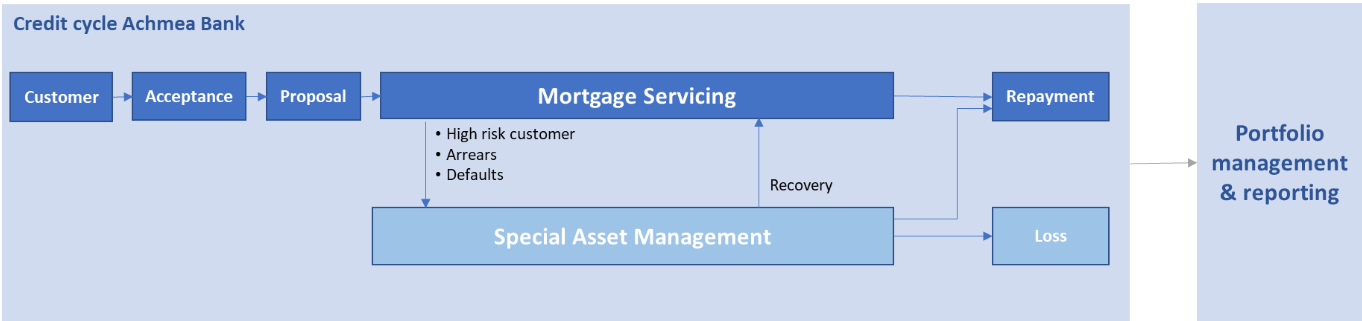
Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to this acquired portfolio (2015 and 2016). In 2023 EUR 4.7 million is claimed on the guarantee (2022: EUR 4.8 million) consisting of ECL additions exceeding the threshold of 20 bps of the average gross carrying amount of the Acier portfolio and legal costs or claims. The total amount claimed by Achmea Bank up to year end 2023 is EUR 30 million (2022: EUR 25 million). At year- end 2023, the remaining maximum guarantee amount is EUR 265 million.

Management and Control

Retail Credit Risk

Credit Committees

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



Credit policy

Achmea Bank's policy on credit risk is mainly focussed on counterparty risks associated with residential mortgage loans. Appropriate underwriting criteria for new clients and active credit risk management for existing clients safeguard the quality of the mortgage loan portfolio. Achmea Bank establishes 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. Financial Risk Management monitors the level of 'explain' applications quarterly based on the Risk Appetite limits.

Achmea also uses an application score card based on the AIRB model for credit approvals (excluding acquired portfolios and external platforms). Based on internal and external data a score determines if there is an increased risk for a specific mortgage 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). Possible actions are adjustment/review of the policies, such as underwriting policy and Credit Risk policy.

Arrears management Regular portfolio

Stringent procedures are in place to monitor payment arrears. Borrowers that fail to pay the scheduled payment will be approached (by telephone) by the Special Asset Management department. If regular customer contact fails, a physical house call can be made. Special Asset Management treatment starts from the first month of arrears.

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 the 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.

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. 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.

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 2023 Achmea Bank has no financial assets with lifetime ECL with significantly modified cashflows.

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.

Definition of default

Achmea Bank has a Definition of Default, Forbearance and Non-performing exposure policy in place. This definition is based on the standard as laid down in the Guidelines of 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.

Counterparty Credit Risk

The counterparty credit risk on exposures to governments and financial institutions is primarily associated with investment activities and the Bank's cash management. When determining country limits and limits for financial institutions, Achmea Bank applies a risk mitigation policy that complies with the relevant Achmea group policy. To manage counterparty risk, 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.

To reduce the counterparty risk on derivatives contracts, Achmea 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 2023 (2022: EUR 0).

Portfolio information

Retail Credit Risk

The tables below are based on gross carrying amount values of the mortgages and Expected Credit Loss. The carrying amount of loans and advances to customers is disclosed in note 4. More details about the calculation of the expected credit loss and provisioning methodology are disclosed in Risk Management paragraph under “Provisioning methodology”.

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

MORTGAGES BY REDEMPTION TYPE

IN THOUSANDS OF EUROS	2023		2022	
Regular				
Interest-only	5,157,118	38%	5,013,758	43%
Annuity	6,733,181	49%	4,698,301	40%
Linear	378,102	3%	330,202	3%
(Bank) savings	821,806	6%	923,000	8%
Life insurance	533,101	4%	587,823	5%
Investment	64,168	0%	69,615	1%
Total Gross Carrying Amount Regular	**13,687,476**		**11,622,699**	
Acier				
Interest-only	569,691	97%	620,012	96%
Annuity	1,028	0%	1,556	0%
Linear	80	0%	141	0%
(Bank) savings	–	0%	–	0%
Life insurance	–	0%	–	0%
Investment	19,235	3%	24,573	4%
Total Gross Carrying Amount Acier	**590,034**		**646,282**	
ECL	−28,238		−21,625	
Fair value hedge adjustment	−87,878		−416,978	
Other	−28,936		−392	
Total Loans and advances to customers	**14,132,458**		**11,829,986**	

The amount presented as ‘Fair value hedge adjustment’ is a result of applying macro hedge accounting. ‘Other’ consists mainly of differences between fair value and notional at initial recognition for the acquired portfolios, as well as penalty interests.

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

The table below shows the gross carrying amount of the interest-only mortgages per Loan to indexed value (LTV) bucket for the Regular and Acier loan portfolio. Loans qualified in the LTV bucket 'Other', mainly consist of bridge loans in the Regular portfolio and non-collateralized loans in the Acier portfolio.

INTEREST ONLY MORTGAGES BY LTV BUCKET

AS AT 31 DECEMBER 2023 IN THOUSANDS OF EUROS	REGULAR		ACIER	
Less than 75%	4,469,679	87%	287,695	51%
75% to 90%	391,462	8%	91,183	16%
90% to 110%	180,401	3%	67,671	12%
110% to 125%	28,607	1%	25,386	4%
More than 125%	38,387	1%	88,263	15%
Other	48,582	1%	9,494	2%
Total Gross Carrying Amount	**5,157,118**		**569,692**	

AS AT 31 DECEMBER 2022 IN THOUSANDS OF EUROS	REGULAR		ACIER	
Less than 75%	4,505,718	90%	388,520	63%
75% to 90%	305,101	6%	79,323	13%
90% to 110%	103,523	2%	43,579	7%
110% to 125%	4,849	0%	39,961	6%
More than 125%	31,750	1%	59,262	10%
Other	62,817	1%	9,367	2%
Total Gross Carrying Amount	**5,013,758**		**620,012**	

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

MORTGAGES BY FIXED-TERM MATURITY

IN THOUSANDS OF EUROS	2023		2022	
Regular				
< 1-year fixed-rate and floating rate	1,118,938	8%	1,001,244	9%
> 1 and < 5-year fixed-rate	4,009,642	29%	3,828,360	33%
> 5 and < 10-year fixed-rate	6,565,720	48%	5,039,974	43%
> 10 and < 15-year fixed-rate	957,782	7%	689,158	6%
> 15-year fixed-rate	1,035,394	8%	1,063,963	9%
Total Gross Carrying Amount Regular	**13,687,476**		**11,622,699**	
Acier				
< 1-year fixed-rate and floating rate	559,603	95%	614,273	95%
> 1 and < 5-year fixed-rate	19,740	3%	23,515	4%
> 5 and < 10-year fixed-rate	10,691	2%	8,494	1%
> 10 and < 15-year fixed-rate	–		–	
> 15-year fixed-rate	–		–	
Total Gross Carrying Amount Acier	**590,034**		**646,282**	
ECL	−28,238		−21,625	
Fair value hedge adjustment	−87,878		−416,978	
Other	−28,936		−392	

Total Loans and advances to customers	**14,132,458**		**11,829,986**	

Counterparty Credit Risk

The total net exposure mainly consists of the exposures on the top 10 professional counterparties (financial institutions). As at year-end the total net exposure for the top 10 amounted to EUR 524 million (2022: EUR 517 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 2023 the net exposure for the derivative exposures amounted to EUR 157 million (2022: EUR 182 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 above. The credit risk on the other financial assets of the Bank is managed by means of the external credit ratings of the counterparties (Middle rating: Standard & Poor's, Moody's, DBRS and Fitch).

CREDIT RISK ON OTHER FINANCIAL ASSETS

AS AT 31 DECEMBER 2023
IN THOUSANDS OF EUROS
FINANCIAL ASSETS CATEGORISED PER MIDDLE RATING

	> A	≤ A	not rated	Total
Cash and balances with Central Banks	598,670	–	–	598,670
Derivative assets held for risk management	26,235	12,792	331,649	370,676
Loans and advances to banks	279,654	238,054	119,760	637,468
Loans and advances to public sector	–	583	–	583
Interest-bearing securities	30,822	–	–	30,822
	935,381	**251,429**	**451,409**	**1,638,219**

AS AT 31 DECEMBER 2022
IN THOUSANDS OF EUROS
FINANCIAL ASSETS CATEGORISED PER MIDDLE RATING

	> A	≤ A	not rated	Total
Cash and balances with Central Banks	774,244	–	–	774,244
Derivative assets held for risk management	–	28,719	509,050	537,769
Loans and advances to banks	322,990	171,737	146,845	641,572
Loans and advances to public sector	–	606	–	606
Interest-bearing securities	–	–	–	–
	1,097,234	**201,062**	**655,895**	**1,954,191**

The lowest rating at year-end 2023 was BBB EUR 3.8 million (2022: rating BBB, EUR 5.4 million). The unrated exposure consists of the exposure to London Clearing House Limited and Eurex.

At year-end 2023 EUR 248 million (2022: 251 million) of the collateral positions is reported as an asset and recognised under loans and advances to banks and EUR 25 million (2022: EUR 196 million) is reported as liability and recognised under deposits from banks.

Provisioning methodology

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

Provisioning models

To be compliant with the IFRS 9 requirements for impairment, Achmea Bank has divided its impairment eligible portfolio into three parts:
- Regular mortgage portfolio (including acquired portfolios and external platforms);
- Acier portfolio;
- Other financial assets.

The ECL models for the regular mortgage portfolio are approved by the Technical Committee of Achmea Bank and validated by Group Model Validation and Approval Committee (MGC). The lifecycle of the ECL model is broken down in five generic key process stages (Origination, Design, Implementation, Operations, In-Depth review). During the Operations phase an In-Depth review is performed once a year. Depending on regulatory requirements or business developments the frequency could be higher or lower.

Due to external conditions, some risks are not yet fully covered in our ECL models, therefore an additional management overlay is made.

Changes to methodology

In 2023, no recalibration has taken place for the Regular model.

Due to declining exposure of the Acier portfolio and the low number of defaults, it has proven difficult to maintain a statistical model. In 2023 Achmea Bank decided to discontinue the Acier ECL model and replace it by an alternative ECL calculation. This new methodology also incorporates the risk of interest only (loans which will mature within 5 years) and haircuts on collateral values, therefore eliminating these elements in the management overlay. The impact of the change in methodology, including the release of the management overlay, amounts to an addition of EUR 3.6 million.

Regular mortgage portfolio

IFRS 9 impairment requirements for the Regular mortgage portfolio are implemented within Achmea Bank as an ECL based methodology and approach. The ECL model consists of several sub-models which are common models used for IFRS 9. The sub-models are amongst others: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Discounting. The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over remaining lifetime. The EAD is the expected amount to be claimed by the bank at the time of default. The LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per exposure.

The calculation of the ECL for the acquired portfolios and external platforms is based on the same assumptions as for the Regular portfolio. For these portfolios Achmea Bank conducted a representativeness analysis. Based on this analysis Achmea Bank concludes that these portfolios are sufficiently homogeneous to use the same assumptions for the calculation of the impairment charges as for the Regular portfolio and that for the IFRS 9 calculation purposes no adjustment is required: the ECL model for the Regular portfolio is used as best estimate values.

In line with the IFRS 9 requirements, the total Regular portfolio (including acquired portfolios and external platforms) is divided in three stages:
- Stage 1: Mortgages without significant credit risk deterioration since initial recognition (12 months ECL)
- Stage 2: Mortgages with significant increase in credit risk (SICR) since initial recognition (Lifetime ECL)
- Stage 3: Credit-impaired or non-performing mortgages (Lifetime ECL)

ECL calculation is performed on financial instrument level, which corresponds to the individual loan part level within Achmea Bank. However, since both probability of default and default status are defined on facility level, stage allocation for ECL modelling under IFRS 9 is performed on facility level.

Two criteria are considered to identify facilities with significant increase in credit risk:
- Quantitative criteria: The relative increase in credit risk. This is the ratio of the (cumulative) lifetime PD calculated at the origination date for the period of reporting until the contractual maturity date and the (cumulative) lifetime PD calculated at the reporting date for the period of the reporting date until the contractual maturity date. If the ratio is higher than the quantitative trigger threshold of 6, then Stage 2 is assigned to the facility.
- Qualitative criteria, or backstop: the facility is allocated to Stage 2 if one or more of the following qualitative criteria are met at the reporting date:
    - 30 days past due;

- performing forborne status;
- the management of the facility has been transferred from Mortgage Servicing to the Special Asset Management department (arrears management).

The ECL calculation is based on a weighted average of three scenario's: base, up and down. The most important macro-economic parameters of these scenarios are house price index (HPI), consumer price index (CPI), yield curve, income and inflation.

Acier portfolio
The Acier loan portfolio differs in characteristics from the regular Achmea Bank mortgage portfolio. Therefore, a different calculation is used for the Acier portfolio.

In line with the IFRS 9 requirements, the total Acier portfolio is divided in three stages:
- Stage 1: Mortgages without significant credit risk deterioration since initial recognition;
- Stage 2: Mortgages with arrears, mortgages with a higher risk profile and mortgages which will mature within 5 years with a relative high loan to value;
- Stage 3: Credit-impaired or non-performing mortgages.

ECL calculation is performed on financial instrument level (facility level), which corresponds to the individual loan part level within Achmea Bank. The ECL calculation is based on the unsecured loan part multiplied by the average PD of the stage from the Regular portfolio model.

Other financial assets
IFRS 9 requires an impairment calculation for all financial assets at amortised cost or at fair value through Other Comprehensive Income (FVtOCI) and for off balance loan commitments. Achmea Bank calculates the impairment charges for the other portfolios (Loans and advances to Banks and Other receivables), based on the IFRS 9 exemption for financial assets with low-credit risk. The models are mainly based on the credit rating of the counterparty.

For financial assets which have a low credit risk, the Bank calculates only 12-month ECL. The Bank considers loans & advances to banks to have a low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The provision for loan commitments has been calculated by covering exposures with the same coverage ratio as the 12-month ECL from Stage 1, as commitments have a maximum maturity of 12 months.

Management overlay
Achmea Bank applies an IFRS9 Expected Credit Loss (ECL) model, calibrated with historical data, to determine the loan loss provisions for the Regular portfolio. Due to external conditions, some risks are not yet fully covered in our ECL models, such as economic recession, climate risks and systemic risks in the Dutch housing market. As at December 2023, for this reason the management overlay on the ECL provisions have been increased to EUR 7.3 million (2022: EUR 6.0 million), in line with the growth of the Regular portfolio.

The components of the management overlay for the Acier portfolio, such as mortgages maturing within 5 years and relatively high loan-to-value, are now integrated into the new ECL calculation. As of December 2023, a limited management overlay of EUR 0.3 million remains, dedicated to specific contracts (2022: 3.3 million).

Detailed ECL Regular mortgage and Acier loan portfolio
The tables below show the gross carry amount and ECL provisions for Achmea Bank mortgages by LTV and NHG status. Loans qualified in the LTV bucket 'Other', mainly consist of bridge loans in the Regular portfolio and non-collateralized loans in the Acier portfolio. For the Regular portfolio, the ECL coverage ratio remains overall stable due to an increase of the management overlay. For the Acier portfolio the ECL coverage ratio mainly increased due changes in methodology.

ECL PER LTV

AS AT 31 DECEMBER 2023									
IN THOUSANDS OF EUROS	NHG			NON NHG			ACIER		
	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO
Less than 75%	2,407,122	206	0.01%	7,071,796	557	0.01%	294,735	–	0.00%
75% to 90%	481,563	51	0.01%	1,213,504	250	0.02%	98,189	303	0.31%

90% to 110%	1,130,486	101	0.01%	1,102,518	461	0.04%	69,332	2,126	3.07%
110% to 125%	37,225	3	0.01%	112,332	87	0.08%	25,386	1,444	5.69%
More than 125%	4,465	9	0.19%	76,402	439	0.57%	92,055	13,504	14.67%
Other	965	–	0.01%	49,097	4	0.01%	10,337	1,045	10.11%
Management overlay					7,300			348	
Total	**4,061,827**	**370**	**0.01%**	**9,625,649**	**9,098**	**0.09%**	**590,034**	**18,770**	**3.18%**

AS AT 31 DECEMBER 2022

IN THOUSANDS OF EUROS				NON NHG			ACIER		
	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO	GROSS CARRYING AMOUNT	ECL	COVERAGE RATIO
Less than 75%	2,202,281	246	0.01%	7,313,682	940	0.01%	398,123	617	0.15%
75% to 90%	161,115	31	0.02%	998,341	499	0.05%	90,543	23	0.03%
90% to 110%	179,959	15	0.01%	636,706	384	0.06%	44,375	102	0.23%
110% to 125%	2,317	2	0.07%	14,222	63	0.44%	40,993	2,724	6.64%
More than 125%	657	5	0.71%	49,853	615	1.23%	62,853	5,262	8.37%
Other	260	–	0.00%	63,306	5	0.01%	9,396	842	8.96%
Management overlay					6,000			3,250	
Total	**2,546,589**	**298**	**0.01%**	**9,076,110**	**8,507**	**0.09%**	**646,282**	**12,820**	**1.98%**

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

BREAKDOWN LOANS AND ADVANCES TO CUSTOMERS

AS AT 31 DECEMBER 2023

IN THOUSANDS OF EUROS	ECL STAGE 1	STAGE 2	STAGE 3	
Gross carrying amount Regular mortgages	13,264,923	366,024	56,529	13,687,476
ECL model	481	946	741	2,168
Management overlay	1,095	5,110	1,095	7,300
Fair value hedge adjustment	–	–	–	−87,878
Other	–	–	–	−28,936
Total carrying amount Regular mortgages	**13,263,347**	**359,968**	**54,694**	**13,561,194**
Gross carrying amount Acier mortgages	417,979	153,075	18,980	590,034
ECL model	68	13,420	4,934	18,422
Management overlay	−21	–	369	348
Total carrying amount Acier mortgages	**417,932**	**139,655**	**13,677**	**571,264**
Total Loans and advances to customers	**13,681,279**	**499,623**	**68,371**	**14,132,458**

AS AT 31 DECEMBER 2022

IN THOUSANDS OF EUROS	ECL STAGE 1	STAGE 2	STAGE 3	
Gross carrying amount Regular mortgages	10,728,376	838,251	56,072	11,622,699
ECL model	211	2,173	421	2,805
Management overlay	2,000	2,000	2,000	6,000
Fair value hedge adjustment				−416,978
Other				−392
Total carrying amount Regular mortgages	**10,726,165**	**834,078**	**53,651**	**11,196,524**
Gross Carrying Amount Acier Mortgages	458,452	165,992	21,839	646,282

ECL model	325	4,582	4,663	9,570
Management overlay	1,550	1,100	600	3,250
Total carrying amount Acier mortgages	**456,577**	**160,309**	**16,576**	**633,462**
Total Loans and advances to customers	**11,182,742**	**994,387**	**70,227**	**11,829,986**

Stage 3 includes purchased or credit impaired assets with a gross carrying amount of EUR 8.2 million (2022: EUR 8.9 million) and a related ECL of EUR 46 thousand (2022: EUR 49 thousand), which are both not material and therefore not classified separately.

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

TRANSFERS BETWEEN IMPAIRMENT STAGES (GROSS BASIS PRESENTATION)

GROSS CARRYING AMOUNT	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
IN THOUSANDS OF EUROS	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
2023						
Loans and advances to customers	140,138	566,402	21,697	24,725	15,066	3,953
Total	**140,138**	**566,402**	**21,697**	**24,725**	**15,066**	**3,953**
2022						
Loans and advances to customers	601,124	93,162	28,475	31,888	15,739	614
Total	**601,124**	**93,162**	**28,475**	**31,888**	**15,739**	**614**

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

MOVEMENT SCHEDULE ECL

AS AT 31 DECEMBER 2023		
IN THOUSANDS OF EUROS	REGULAR	ACIER
1 January 2023	**8,805**	**12,820**
New assets originated or acquisition	145	–
Asset derecognised	–350	–525
Credit quality changes	–299	2,599
Changes to methodology	–	6,782
Amounts written off	–133	–4
Management overlay	1,300	–2,902
31 December 2023	**9,468**	**18,770**

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

The following table show the reconciliation from the opening to the closing balance of the loss allowances, including the stage transfers.

LOSS ALLOWANCE LOANS AND ADVANCES TO CUSTOMERS REGULAR PORTFOLIO

IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3	TOTAL
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2023	**2,211**	**4,172**	**2,421**	**8,805**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	–6	329	–	323
Of which, transfer from stage 1 to stage 3	–1	–	234	233
Of which, transfer from stage 2 to stage 1	38	–1187	–	–1149
Of which, transfer from stage 2 to stage 3	–	–79	325	245
Of which, transfer from stage 3 to stage 1	1	–	–32	–30
Of which, transfer from stage 3 to stage 2	–	49	–168	–118
Movements due to recognition/derecognition	88	–135	–158	–204
Other movements	149	–204	251	197
Management overlay	–905	3110	–905	1300
Total net P&L charge during the period	**–635**	**1,883**	**–452**	**796**
Movements with no P&L impact				
Write-offs	–	–	–133	–133
Loss allowance as at 31 December 2023	**1,576**	**6,056**	**1,836**	**9,468**

	STAGE 1	STAGE 2	STAGE 3	TOTAL
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2022	**1,387**	**2,859**	**2,356**	**6,601**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	–35	1916	–	1,881
Of which, transfer from stage 1 to stage 3	–1	–	100	99
Of which, transfer from stage 2 to stage 1	134	–216	–	–81
Of which, transfer from stage 2 to stage 3	–	–104	138	34
Of which, transfer from stage 3 to stage 1	3	–	–5	–2
Of which, transfer from stage 3 to stage 2	–	260	–321	–60
Movements due to recognition/derecognition	500	194	–119	575
Other movements	–617	–1389	–73	–2,079
Management overlay	1000	1200	800	3,000
Total net P&L charge during the period	**824**	**1,313**	**65**	**2,204**
Movements with no P&L impact				
Write-offs	–	–	–	–
Loss allowance as at 31 December 2022	**2,211**	**4,172**	**2,421**	**8,805**

The loss allowance recognised in the period is impacted by a variety of factors:

- Transfers between Stage 1 and Stages 2 or 3 due to significant increase or decrease of credit risk or becoming credit-impaired in the period, and the consequent step up or step down between 12-month and lifetime ECL.

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Other movements: impact on the measurement of ECL due to changes in PD’s, EAD’s and LGD´s in the period, arising from regular updates of inputs of models.

LOSS ALLOWANCE LOANS AND ADVANCES TO CUSTOMERS ACIER PORTFOLIO

IN THOUSANDS OF EUROS	STAGE 1	STAGE 2	STAGE 3	TOTAL
	12-MONTH ECL	LIFETIME ECL	LIFETIME ECL	
Loss allowance as at 1 January 2023	**1,860**	**5,697**	**5,263**	**12,820**
Movements with P&L impact				
Transfers:				
Of which, transfer from stage 1 to stage 2	–	950	–	950
Of which, transfer from stage 1 to stage 3	−4	–	140	136
Of which, transfer from stage 2 to stage 1	17	−227	–	−209
Of which, transfer from stage 2 to stage 3	–	−8	320	312
Of which, transfer from stage 3 to stage 1	–	–	–	–
Of which, transfer from stage 3 to stage 2	–	535	−1,708	−1,173
Movements due to recognition/derecognition	−65	−158	−302	−525
Other movements	−205	7,745	1,825	9,365
Management overlay	−1,571	−1,100	−232	−2,902
Total net P&L charge during the period	**−1,827**	**7,738**	**43**	**5,953**
Movements with no P&L impact				
Write-offs	–	–	−4	−4
Loss allowance as at 31 December 2023	**32**	**13,435**	**5,302**	**18,770**

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

The loss allowance recognised in the period is impacted by a variety of factors:

- Transfers between stage 1 and stages 2 or 3 due to significant increase or decrease of credit risk or becoming credit-impaired in the period, and the consequent step up or step down between 12-month and lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Other movements: impact on the measurement of ECL due to changes in PD's, EAD's and LGD´s in the period, arising from regular updates of inputs of models. Foreign exchange effects for assets denominated in foreign currencies (Acier portfolio) and other movements. In 2022 Achmea Bank has amended the methodology for a small credit portfolio (EUR 7 million) due to migration of legacy system, resulting in a release of the provision of EUR 0.8 million.

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

ARREARS

AS AT 31 DECEMBER	2023	2022
IN THOUSANDS OF EUROS		
Regular Achmea Bank portfolio		
0 days	13,646,027	11,570,346
1 - 30 days	5,184	6,841
31 - 60 days	16,362	20,898
61 - 90 days	5,156	5,875
> 90 days	14,747	18,740
Total gross carrying amount	**13,687,476**	**11,622,700**
Acier loan portfolio		
0 days	576,802	644,122
1 - 30 days	251	109
31 - 60 days	591	2
61 - 90 days	3,932	–
> 90 days	8,458	2,049
Total gross carrying amount	**590,034**	**646,282**

Macro-economic variables

The assessment of Significant increase in credit risk (SICR) and the calculation of the ECL both incorporate macro-economic information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and ECL. Forecasts of these economic variables are updated via an expert panel and provide the best estimate of the economy over the next three years and a longer period. The most important macro-economic variables used for the ECL estimate as at 31 December 2023 are set out below. These scenarios are approved by the ALCo of the Bank.

The expert panel has thoroughly discussed improvement of the economic environment in 2023. Therefore, it was decided to positively adjust forward looking expectations as compared to the scenarios from 2022 and to leave weightings unchanged at this time. The table below, as well as tables from the sensitivity analysis, show the impact of various scenarios on the ECL provision.

For the Acier portfolio, as mentioned in the paragraph changes in methodology, the model has been replaced by a new calculation in 2023. This new calculation uses the PD from the regular model, which incorporates the macro-economic variables. Therefore, only the table of macro-economic variables of the regular portfolio is shown.

REGULAR MACRO-ECONOMIC SCENARIOS (EXCL. MANAGEMENT OVERLAY)

AS AT 31 DECEMBER 2023								
IN THOUSANDS OF EUROS								
Scenario	**Macro-economic Parameter**	**2024**	**2025**	**2026**	**2027**	**Weight**	**Unweighted ECL**	**Reported (weighted) ECL**
Up	House Price Index (yoy%)	7.7%	7.0%	6.5%	6.5%	20%	1,737	2,175
	Consumer Price Index (yoy%)	2.0%	1.5%	1.5%	1.5%			

Base	House Price Index (yoy%)	3.2%	3.0%	2.5%	2.5%	60%	2,467	
	Consumer Price Index (yoy%)	3.0%	2.5%	2.5%	2.5%			
Down	House Price Index (yoy%)	−1.3%	0.0%	0.0%	0.0%	20%	2,702	
	Consumer Price Index (yoy%)	5.0%	4.5%	4.5%	4.5%			

AS AT 31 DECEMBER 2022

IN THOUSANDS OF EUROS

Scenario	Macro-economic Parameter	2022	2023	2024	2025	Weight	Unweighted ECL	Reported (weighted) ECL
Up	House Price Index (yoy%)	2.5%	4.0%	5.0%	5.0%	20%	1,729	2,805
	Consumer Price Index (yoy%)	2.7%	1.8%	1.5%	1.5%			
Base	House Price Index (yoy%)	−2.5%	−0.5%	1.0%	1.0%	60%	2,459	
	Consumer Price Index (yoy%)	4.7%	3.3%	2.5%	2.5%			
Down	House Price Index (yoy%)	−9.5%	−2.5%	−1.0%	−1.0%	20%	4,917	
	Consumer Price Index (yoy%)	8.7%	9.3%	5.5%	5.5%			

Sensitivity analysis on ECL

For the Regular mortgage portfolio, Achmea Bank performs a sensitivity analysis for the base scenario (excluding the “up” and “down” on the main drivers of the ECL models). In the scenario analysis the effect of applying different assumptions for these risk drivers and applying different weights is calculated. The following table shows the sensitivity to the main drivers of the ECL.

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

The scenarios for the sensitivity analysis for the Regular mortgage portfolio, as mentioned below, have been discussed in the expert panel of December 2023. The outcome of the scenarios is compared with the base scenario of the ECL. For each individual scenario, the ECL for each stage is disclosed as well as the total change of the ECL compared to the base scenario. The sensitivity figures include the acquired portfolios and external platforms, which have a limited impact on the sensitivity figures. Due to changes in macro-economic scenarios, sensitivity analyses of 2023 are not comparable to 2022 figures.

SENSITIVITY TO THE MAIN DRIVERS OF THE ECL FOR THE REGULAR MORTGAGE PORTFOLIO

PER 31 DECEMBER 2023

IN MILLIONS OF EUROS

SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
Original scenario ECL for the Regular mortgage portfolio	Base/Up/Down 60%/20%/20%	0.5	0.9	0.7	2.2	
Base 100%		0.5	0.9	0.7	2.1	−0.1

Up 100%		0.4	0.7	0.7	1.8	−0.3
Down 100%		0.6	1.3	0.8	2.7	0.5

	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
HPI (yoy%) -6,8%	HPI (yoy%) 3,2%	0.6	1.2	0.8	2.7	0.6
HPI (yoy%) +8,2%	HPI (yoy%) 3,2%	0.4	0.8	0.7	1.9	−0.2
CPI (yoy%) +8,0%	CPI (yoy%) +3,0%	0.5	1.2	0.7	2.4	0.2

PER 31 DECEMBER 2022

IN MILLIONS OF EUROS

SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
Original scenario ECL for the Regular mortgage portfolio	Base/Up/Down 60%/20%/20%	0.2	2.2	0.4	2.8	
Base 100%		0.2	1.8	0.4	2.5	−0.3
Up 100%		0.2	1.1	0.4	1.7	−1.1
Down 100%		0.2	4.2	0.4	4.9	2.1

	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
HPI (yoy%) -12,5%	HPI (yoy%) -2,5%	0.2	2.9	0.4	3.6	1.2
HPI (yoy%) +2,5%	HPI (yoy%) -2,5%	0.2	1.5	0.4	2.1	−0.3
CPI (yoy%) +9,7%	CPI (yoy%) +4,7%	0.2	2.6	0.4	3.2	0.7

The sensitivity figures below include the Acier portfolio. Due to changes in methodology, the Acier portfolio no longer applies separate macro-economic variables, and uses the same sensitivity scenarios as the Regular mortgage portfolio. Since last year's Acier model is no longer used to calculate the ECL provision, the sensitivity figures from 2022 are no longer comparable to this year's new methodology.

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

PER 31 DECEMBER 2023

IN MILLIONS OF EUROS

SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
ECL for the Acier portfolio						
Original scenario ECL for the Acier portfolio		0.1	13.4	4.9	18.4	

	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
HPI (yoy%) -6,8%	HPI (yoy%) 3,2%	0.1	15.6	5.6	21.3	2.9
HPI (yoy%) +8,2%	HPI (yoy%) 3,2%	0.1	12.4	4.7	17.1	−1.4
CPI (yoy%) +8,0%	CPI (yoy%) +3,0%	0.1	13.4	4.9	18.4	0.0

PER 31 DECEMBER 2022

IN MILLIONS OF EUROS

SENSITIVITY SCENARIO	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO ORIGINAL
Original scenario ECL for the Acier portfolio	Base/Up/Down	0.3	4.6	4.7	9.6	

	60%/20%/20 %					
Base 100%		0.3	4.5	4.7	9.4	−0.2
Up 100%		0.3	3.4	4.7	8.3	−1.2
Down 100%		0.5	6.1	4.7	11.4	1.8

	ORIGINAL SCENARIO	STAGE 1	STAGE 2	STAGE 3	TOTAL	CHANGE COMPARED TO BASE
PD driver weights Affordability/Credit rating/LTV: 75%/15%/10%	PD driver weights Affordability /Credit rating/LTV: 75%/15%/10 %	0.1	3.4	4.7	8.2	−1.2
PD driver weights Affordability/Credit rating/LTV: 60%/25%/15%	PD driver weights Affordability /Credit rating/LTV: 60%/25%/15 %	0.1	3.5	4.7	8.3	−1.1
Cure rate 49%	Cure rate 59%	0.3	4.9	4.8	10.0	0.6
Cure rate 69%	Cure rate 59%	0.2	4.0	4.6	8.8	−0.6
HPI (yoy%) +1,5%	HPI (yoy%) - 3,5%	0.3	4.1	4.7	9.0	−0.4
HPI (yoy%) -13,5%	HPI (yoy%) - 3,5%	0.3	5.3	4.7	10.3	0.9
CHF (level) 1,2	CHF (level) 1,0	0.3	4.3	4.7	9.2	−0.2
CHF (level) 0,8	CHF (level) 1,0	0.3	4.8	4.7	9.7	0.3
Euribor (level) 400 bp	Euribor (level) 250 bp	0.6	4.5	4.7	9.8	0.4
Euribor (level) 200 bp	Euribor (level) 250 bp	0.3	4.4	4.7	9.4	–

C. OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failing internal processes, employees or systems, or from external events. Compliance risk is in scope of operational risk from a classification perspective, as this risk is not regarded as a separate event. However, as regulatory supervisors expect specific management and reporting on compliance risk, Achmea Bank ensures that identified compliance risks are earmarked as such. Operational risk events can lead to a financial loss for Achmea Bank and our customers and may also harm our reputation. Therefore, it is important to have a timely and adequate understanding of the risks we run, respond to these risks and implement effective control measures.

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 is 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. Like most industries, Achmea Bank finds itself in a cybersecurity "arms race." 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.

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. 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).

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 drafted a privacy policy, 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. 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 2023, data retention in particular was 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 with our business partners. The responsibility of being a prudent financial institution sets strict obligations on how these partnerships are to be managed.

Outsourcing risk is the risk that the continuity, integrity and quality of the outsourced activities are harmed. Achmea Bank follows a strict process when entering into and managing outsourcing arrangements, to ensure compliance with internal policies, regulations and laws. Outsourcing risks are classified as high, partly due to dependencies on service providers. This risk therefore has the continuous attention of management. In 2023, Achmea Bank has implemented a number of improvements deemed necessary in the way in which outsourcing and its associated risks are managed.

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 the impact of the disruptions is limited to an acceptable proportion.

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 structured model risk management process in place. Individual models are subjected to different controls and model validations across their lifecycle depending on their impact and complexity. 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 countering terrorism financing are high attention topics on the monitoring agenda of the supervising authorities. 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 respect are mitigated by performing Customer Due Diligence, Sanction 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.

Duty of care

Achmea Bank considers it important to enable clients to make informed choices based on information that meet legal requirements and are understandable to an average client. Achmea Bank has implemented a duty of care policy, based on guiding principles and compliant with regulations and laws.

Integrity risk

For clients 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 clients, employees, third parties, products and services 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 of operational risk

Achmea Bank has a structured process for identifying, assessing, monitoring and reporting operational risks as described above, using instruments such as (among others) Risk Self Assessments, Loss Event Management and the internal Control Framework (CFW). For calculating its operational risk capital charge under Pillar I of the Basel framework, Achmea Bank applies the basic indicator approach.

Results 2023

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 loss database and reported according to the risk categories as mentioned before. A net operational loss of EUR 145 thousand was recorded in 2023. This was mainly attributable to the event category of Execution, Delivery and Process Management. No security incidents occurred in 2023 which significantly harmed or affected the provision of services to clients, nor did any material loss or damage occur as a result of instances of fraud.

Effectiveness of the Control Framework

Achmea Bank has in place a robust internal Control Framework (CFW). This framework adapts continuously to changes in both the internal and external environment, to ensure controls are well-designed and operationally effective. Key controls are assessed quarterly and action is taken if deficiencies are identified. Throughout 2023, 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 Achmea Bank has been sufficiently in control during 2023.

D. MARKET RISK

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

Risk Profile

Achmea Bank's market risk results from interest rate risk in its banking book and foreign currency risk. The Bank has a strict policy on mitigating foreign currency risk and uses financial instruments to hedge interest rate risk and foreign currency risk.

The Bank does not engage in proprietary trading.

Management and Control

Achmea Bank's market risk exposure is monitored and discussed during ALCo meetings at least monthly, in order to take timely and appropriate action if necessary. Balance Sheet Management is responsible for reporting current and expected future market risk exposure and advising the ALCo on appropriate action. Proposed actions and decisions are accompanied by a 2nd line opinion from (Financial) Risk Management. Transactions on the financial markets are executed by the Achmea Treasury or Corporate Finance department.

Interest Rate Risk in the banking book (IRRBB)
Interest rate risk is the present or future risk of a decline in total equity and interest income due to changes in market interest rates. The Bank hedges the interest rate risk arising from its mortgage lending and (retail) funding operations mainly by means of interest rate derivatives (swaps).

Interest rate risk is managed from both an income and value perspective:
- Effects of a change in interest rate on the economic value of total equity; and
- Effects of a change in interest rate on the income statement (and therefore in the net result).

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

IRRBB is monitored through various methodologies:
- 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): these sensitivity measures the effect on the market value of equity in several different shock scenario's, i.e. large changes in the height and/or shape of the interest rate curve e.g. a sudden, parallel shift of the interest rate curve or a steepening of the curve;
- Net interest Income (NII) at Risk: measures the impact on interest income in the next 12 months for several different shock scenarios.

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

Currency risk

With respect to foreign currencies, the policy is to fully hedge the exposure to foreign currency risk. As at 31 December Achmea Bank´s exposure is limited to the CHF mortgages in the Acier loan portfolio.

Figures Interest Rate Risk in the Banking Book (IRRBB)

Duration of Equity

The table below shows that the duration of equity of Achmea Bank has decreased from 0.7 years at 31 December 2022 to -1.3 years at 31 December 2023. A positive duration protects the Economic Value of Equity (EVE) against a decline in interest rates, but as a result of the inverse term structure has a negative impact on NII. Given the negative impact on NII and the steep drop in long term interest rates observed in the last few months of 2023 the bank decided to temporarily steer at a negative duration of equity going into 2024.

DURATION OF EQUITY

IN YEARS	2023	2022
Duration of Equity	−1.3	0.7

Economic value of Equity

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

SENSITIVITY ANALYSIS – ECONOMIC VALUE OF EQUITY (EVE)

IN MILLIONS OF EUROS	2023	2022
Impact of 200 basis points downward shift of the yield curve	−153	−9
Impact of 200 basis points upward shift of the yield curve	−40	−25

Large interest rate shocks not only have an impact on the present value of expected cashflow but also on client behaviour. Currently prepayments on mortgages are relatively low. The Bank expects mortgage prepayments to increase significantly in case of a 200 basis points instant downward shift of the yield curve, whereas the impact of a 200 basis points instant upward shift of the yield curve is limited.

In practice 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 immediate shock.

The impact on the EVE of a 200 basis points upward shift of the yield curve is EUR -40 million at 31 December 2023, compared to EUR -25 million at 31 December 2022. The EVE impact is higher (more negative) than in 2022.

The impact on EVE of a minus 200 basis points downward shift of the yield curve is EUR -153 million at 31 December 2023, compared to EUR -9 million at 31 December 2022. The large decline in long term interest rates during 2023[1] had a positive impact on the market value of the bank's mortgage portfolio, leading to a significantly higher market value loss in a scenario with increasing prepayments. The outcome of this scenario is also negatively impacted by the decrease in the duration of equity.

Net Interest Income (NII) at Risk

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

By the end of June 2023 the Bank had to comply to new EBA guidelines on IRRBB, introducing a limit on the NII at Risk of 5% of Tier 1 Capital. In the first half of 2023 the bank actively managed down the NII at Risk. As a result the NII at Risk amounts to EUR -36 million, compared to EUR -56 million at 31 December 2022 and is based upon a scenario with a 200 basis points downward shift of the yield curve.

[1] The 10 year swap rate decreased by 70 bps year-on-year.

SENSITIVITY ANALYSIS - NET INTEREST INCOME

IN MILLIONS OF EUROS	2023	2022
NII at Risk	−36	−56

Currency Risk
Part of the Acier loan portfolio is denominated in CHF (EUR 355 million at year-end 2023). This position is hedged by CHF unsecured bonds (EUR 324 million). The remaining CHF exposure is hedged on a monthly basis with foreign exchange derivatives (EUR 36 million nett amount). The net valuation effect over 2023 amounts to a EUR 0.4 million loss (2022: EUR 0.1 million loss) and is recognised in changes in fair value of financial instruments.

FOREIGN CURRENCY EXPOSURE

IN THOUSANDS OF EUROS	2023			2022		
	Total exposure	**Hedging instruments**	**Net exposure**	**Total exposure**	**Hedging instruments**	**Net exposure**
CHF	357,037	361,771	−4,734	364,510	362,547	1,963
	357,037	**361,771**	**−4,734**	**364,510**	**362,547**	**1,963**

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

The following exchange rates have been used:

	CLOSING RATE		AVERAGE RATE	
	2023	2022	2023	2022
CHF	0.97	0.98	0.98	1.01

E. LIQUIDITY RISK AND FUNDING STRATEGY

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

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

Management and Control
Liquidity & funding risk exposure is discussed during ALCo meetings at least monthly, in order to take appropriate action if necessary. The most important metrics used to monitor liquidity & funding risks are the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Asset Encumbrance Ratio (AE ratio) and the Survival Period (SP). The SP reflects the period that the Bank's liquidity position remains positive in the most severe internal stress scenario. Additionally, the Bank performs a set of liquidity stress tests on a quarterly basis. The Bank manages its liquidity position prudently and complies with the minimum regulatory and internal requirements.

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

Liquidity buffer

As part of adequate liquidity management it is necessary for banks to have a sufficient liquidity buffer to sustain unforeseen liquidity stress situations. The Bank has a strong liquidity stress testing framework which includes an idiosyncratic, a market-wide, a combined stress scenario and reverse stress testing. Key stress factors are:

- A bank run, resulting in a material outflow of retail savings;
- A large outflow of cash due to collateral calls on (interest rate) derivatives in an adverse interest rate scenario; and
- No access to the unsecured wholesale markets for a prolonged period.

As part of these stress tests the adequacy of the volume and composition of the liquidity buffer is frequently tested.

The 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 598 million cash available on demand at the Dutch Central Bank (excluding the mandatory cash reserve). Furthermore, the Bank had a portfolio of liquid debt securities amounting to EUR 1.311 million at year-end 2023 (2022: EUR 1.038 million), comprising of unencumbered retained RMBS notes (A-notes SRMP-I and A-notes SRMP-II) 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 2023 EUR 668 million (2022: EUR 682 million) of mortgages at nominal value were exchanged for EUR 504 million (2022: EUR 458 million) of government bonds (market value).

Liquidity 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 and 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 and is reviewed at least annually.

The following table presents the financial assets and liabilities by contractual maturity of Achmea Bank.

FINANCIAL ASSETS AND LIABILITIES BY CONTRACTUAL MATURITY

AS AT 31 DECEMBER 2023	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Cash and balances with Central Banks	598,670	–	–	–	598,670
Derivative assets held for risk management	31	9,674	199,878	161,094	370,676
Loans and advances to banks	353,026	32,652	29,658	222,132	637,468
Loans and advances to public sector	6	17	82	478	583
Loans and advances to customers	223,931	638,057	2,997,906	10,272,564	14,132,458
Interest-bearing securities	30,822	–	–	–	30,822
Other assets	155,057	1,078	−13,447	21,694	164,382
Total cashflows assets	**1,361,542**	**681,478**	**3,214,076**	**10,677,962**	**15,935,060**
Derivative liabilities held for risk management	902	18,135	107,239	310,919	437,194
Deposits from banks	314,890	21,519	18,504	6,025	360,938
Funds entrusted	6,144,945	636,352	1,208,678	1,387,122	9,377,098
Debt securities issued	368,700	976,287	1,984,854	1,500,519	4,830,360
Subordinated liabilities	1,191	–	–	–	1,191
Other liabilities	80,234	13,454	–	–	93,688
Total cashflows liabilities	**6,910,862**	**1,665,748**	**3,319,275**	**3,204,584**	**15,100,470**
Net liquidity gap	**−5,549,320**	**−984,269**	**−105,198**	**7,473,377**	**834,590**

AS AT 31 DECEMBER 2022	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Cash and balances with Central Banks	774,244	–	–	–	774,244
Derivative assets held for risk management	2	17,675	227,940	292,152	537,769
Loans and advances to banks	383,980	38,781	50,672	168,140	641,572
Loans and advances to public sector	6	19	91	490	606
Loans and advances to customers	149,430	564,713	2,471,036	8,644,807	11,829,986
Interest-bearing securities	–	–	–	–	–
Other assets	139,903	4,832	1,880	2,473	149,088
Total cashflows assets	**1,447,565**	**626,020**	**2,751,618**	**9,108,062**	**13,933,264**
Derivative liabilities held for risk management	3,119	21,924	165,023	220,463	410,529
Deposits from banks	809,955	168,155	158,225	1,580	1,137,916
Funds entrusted	5,344,129	432,395	1,338,167	971,719	8,086,409
Debt securities issued	339,862	401,364	1,758,883	933,425	3,433,534
Subordinated liabilities	57	–	1,134	–	1,191
Other liabilities	73,804	–	–	–	73,804
Total cashflows liabilities	**6,570,926**	**1,023,838**	**3,421,432**	**2,127,188**	**13,143,383**
Net liquidity gap	**–5,123,362**	**–397,819**	**–669,814**	**6,980,874**	**789,881**

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

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

UNDISCOUNTED CONTRACTUAL CASH FLOWS OF THE LIABILITIES

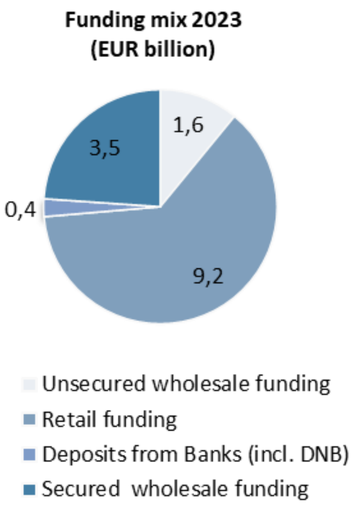
AS AT 31 DECEMBER 2023	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS						
Deposits from banks	315,665	22,047	18,504	6,025	362,241	360,938
Funds entrusted	6,164,895	641,587	1,318,550	2,133,231	10,258,263	9,377,098
Debt securities issued	184,551	977,956	2,115,130	1,836,672	5,114,309	4,830,360
Subordinated liabilities	1,199	0	0	0	1,199	1,191
Derivative liabilities held for risk management	2,531	69,174	216,556	195,067	483,328	437,194
Undrawn commitments credit line	368	944	4,369	15,069	20,750	0
Total cashflows	**6,669,209**	**1,711,708**	**3,673,109**	**4,186,064**	**16,240,090**	**15,006,781**

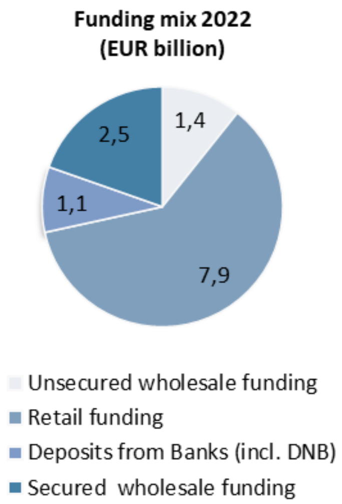
AS AT 31 DECEMBER 2022	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS						
Deposits from banks	809,112	171,654	158,225	1,580	1,140,570	1,137,916
Funds entrusted	5,324,114	448,366	1,450,558	1,212,774	8,435,812	8,086,409
Debt securities issued	340,651	412,984	1,827,291	976,670	3,557,596	3,433,534
Subordinated liabilities	64	0	1,199	0	1,263	1,191
Derivative liabilities held for risk management	14,027	78,393	195,637	156,477	444,534	410,529
Undrawn commitments credit line	348	892	4,129	14,243	19,612	0
Total cashflows	**6,488,315**	**1,112,289**	**3,637,039**	**2,361,745**	**13,599,388**	**13,069,580**

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.

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





Unsecured wholesale funding

Unsecured EMTN Programme

Since 2012 the Bank has a EUR 10 billion Unsecured European Medium Term Note programme. The total outstanding amount under the Programme was EUR 0.7 billion at year-end 2023 (2022: EUR 0.6 billion), including CHF denominated loans for an amount of CHF 0.3 billion (2022: 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 0.8 billion as at year-end 2023 (2022: EUR 0.6 billion).

Other Unsecured wholesale funding

The Bank has deposits with financial and non-financial institutions. Total outstanding amount was EUR 0.1 billion at year-end 2023 (2022: EUR 0.2 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 6.0 billion (2022: EUR 4.4 billion), deposits with agreed maturity of EUR 1.1 billion (2022: EUR 0.6 billion), saving deposits linked to mortgages of EUR 0.6 billion (2022: EUR 0.7 billion) and pension savings of EUR 1.5 billion (2022: EUR 2.2 billion).

Transfer of Parts

In December 2019, Achmea Bank entered into a Transfer of Parts agreement with Achmea Pensioen- en Levensverzekeringen N.V. The purpose of this agreement is to reduce the credit risk of Achmea Pensioen- en Levensverzekeringen N.V. on Achmea Bank related to the saving deposits which are linked to mortgages of Achmea Bank. Within this agreement, only the legal ownership of the mortgages for the size of the saving deposits is transferred to Achmea Pensioen- en Levensverzekeringen N.V. and therefore continues to be recognized at the consolidated statement of financial position Achmea Bank. As at December 2023 the total amount of transferred mortgages is EUR 0.3 billion (2022: EUR 0.1 billion).

Deposits from Banks, including Central Bank

This category consists of cash collateral received on derivative exposures (EUR 25 million), cash collateral SPV (EUR 5 million), money market loans (EUR 30 million), ECB main refinancing operations (EUR 300 million).

Secured wholesale funding

Covered Bond

In 2021 Achmea Bank has set up a EUR 5 billion Soft Bullet Covered Bond (SBCB) Programme in addition to its conditional pass-through covered bond (CPTCB) programme which was established in 2017. In June 2023 the outstanding bonds in the CPTCB programme (EUR 1.5 billion) were transferred to the SBCB programme after noteholders' approval and the CPTCB programme has been terminated.

In 2023 the Bank issued two tranches under the SBCB Programme, in January a EUR 0.5 billion 7 years tenor and in October 2023 a EUR 0.5 billion 3-years tenor. The total outstanding amount of covered bond 2023 was EUR 3.5 billion at year-end (2022: EUR 2.5 billion).

The bonds issued under both programmes are backed by high quality Dutch residential mortgage loans. Investors benefit from a so-called 'double recourse' which means that in the event of a default of the Bank an investor has recourse on the bank and on the underlying mortgage portfolio.

The 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.

In November 2023 Achmea Bank set up an additional EUR 5 billion Retained Soft Bullet Covered Bond Programme (SBCB2). As per 31 December 2023 no issuance has taken place. The shares of Achmea SB Covered Bond Company II B.V. are held by Stichting Achmea SB Covered Bond Company II.

Securitisations

Since December 2022 Achmea Bank no longer has any securitisations of residential mortgages (RMBS) outstanding externally. As part of its liquidity buffer the bank does have retained notes for an amount of EUR 1.1 billion (2022: EUR 1.5 billion). There are no RMBS notes held by other Achmea entities.

For RMBS, Achmea Bank assigns a portfolio of mortgage receivables to a special purpose vehicle (SPV) which issues notes. The SPV uses the proceeds of the notes to finance the assigned mortgage receivables and uses the interest from the mortgage receivables to pay the interest on the notes. The director of these companies is Intertrust Management B.V.

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 8 million (2022: EUR 41 million).

Encumbered and unencumbered assets

The extent of asset encumbrance provides insight into the collateral used and available for funding to be raised or for other reasons.

ENCUMBERED AND UNENCUMBERED ASSETS

AS AT 31 DECEMBER 2023

IN MILLIONS OF EUROS	ENCUMBERED ASSETS	UNENCUMBERED ASSETS	ENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)	UNENCUMBERED RECEIVED COLLATERAL ASSETS (OFF BALANCE)
	CARRYING AMOUNT	CARRYING AMOUNT		
Loans on demand	–	680,481		
Debt securities	–	30,822		

Loans and advances other than loans on demand	5,360,517	9,416,063		
of which: mortgage loans	5,074,680	9,102,572		
Other assets	–	447,177		
Assets of the reporting institution	**5,360,517**	**10,574,543**	**–**	**508,980**

AS AT 31 DECEMBER 2022

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

Encumbered Assets

At year-end 2023, EUR 5.4 billion of the assets was encumbered (2022: EUR 4.3 billion), on account of:

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

The increase of the encumbered assets in 2023 was primarily the result of two covered bond issues (EUR 1.0 billion). The total encumbered assets mainly consist of pledged mortgages related to bonds issued under the covered bond programme (EUR 4.0 billion). The total amount of liabilities related to total encumbered assets is EUR 3.5 billion (2022: EUR 2.5 billion). Covered bonds involve overcollateralization, which means that the volume of encumbered mortgages exceeds the notional principal of the covered bond.

Unencumbered Assets

The unencumbered part of the assets amounts to EUR 10.6 billion (2022: EUR 9.7 billion). Securitised mortgages of which the bank itself holds the bonds are not considered to be encumbered, except if these bonds are used as collateral.

Encumbered received collateral assets (off balance)

At year-end 2023 there are no outstanding repurchase transactions (2022: EUR 450 million). As a result the governments bonds from the asset switch are fully unencumbered.

Unencumbered received collateral assets (off balance)

The unencumbered received collateral assets consists of the unencumbered part of the government bonds from the asset switch.

F. CAPITAL MANAGEMENT

The Bank holds sufficient buffer capital to cover the risks arising from its operations. Pillar I of the Capital Requirements Regulation (CRR) contains rules for calculating the minimum amount of capital required, in relation to credit risk, market risk and operational risk. Pillar II of the CRR calculates capitalisation of 'other risks'. In September 2023 the Bank received the AIRB status from DNB which allows the Bank to use advanced internal models to determine credit risk, strengthening the bank's credit risk management and data driven strategy 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.

For operational risk, the Bank applies the Basic Indicator Approach (BIA). As a result of a non-material net market risk, Achmea Bank's pillar I capital charge is nil.

Risk Profile

The Bank's policy is to maintain a strong and cost-efficient capital base to maintain investor, creditor and market confidence in order to sustain the future development of business.

The Dutch Central Bank (DNB) sets overall (capital) limits, based on its periodic Supervisory Review and Evaluation Process (SREP). The Bank complied with external and internal minimum capital requirements throughout the year with a Common Equity Tier 1 Capital ratio of 16.9 % and a Total Capital Ratio of 16.9 % as at 31 December 2023.

Management and Control

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

<u>Internal capital adequacy requirements and capital contingency</u>
Achmea Bank has implemented internal processes to align the required capital to the risks the Bank faces. These processes are described in the Internal Capital & Liquidity Adequacy Assessment Process (ICLAAP) manual. Amongst other things, the manual describes the governance structure, procedures, assumptions and methods used to determine the required capital. The Internal Capital Adequacy Assessment Process (ICAAP) safeguards that the Bank is able to meet both the current and future capital adequacy requirements of the Bank on a continuous basis. The purpose of capital contingency is to ensure that appropriate measures are taken in case of a (imminent) solvency deficit.

Developments in capital requirements

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

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

Figures

AVAILABLE CAPITAL AND CAPITAL RATIO

IN MILLIONS OF EUROS	2023	2022
Share capital	18	18
Share premium reserve	506	506
Reserves	251	253
Net profit for the period	60	13
Total Equity	**835**	**790**
Non-eligible result and other comprehensive income	−60	−13
Common Equity Tier 1 capital before regulatory adjustments	**775**	**777**
Prudential valuation	−1	–
IRB excess/shortfall	1	–
Other regulatory adjustments	−1	–
Total regulatory adjustments to CET1	**−1**	**−1**
Common Equity Tier 1 Capital	**774**	**776**
Total own funds	**774**	**776**
Total risk exposure amount	**4,585**	**4,264**
Common Equity Tier 1 Capital Ratio	**16.9%**	**18.2%**
Total Capital Ratio	**16.9%**	**18.2%**
Total SREP Capital Requirement (TSCR)	**12.1%**	**10.9%**

Common Equity Tier 1 Capital
In 2023 Common Equity Tier 1 capital decreased by EUR 2 million from EUR 776 million to EUR 774 million, mainly due to the release of a small amount of the legal reserve. As Achmea Bank does not hold any additional tier 1 instruments, Tier 1 capital equals its common Equity Tier 1 capital.

Risk exposure amount
Achmea Bank reports the risk weighted exposure amounts in line with the CRRII and CRDV. In 2023 the total risk exposure amount (TREA) increased with EUR 321 million from EUR 4.264 million to EUR 4.585 million, mainly due to an increase in the mortgage portfolio and outstanding mortgage offers.

The risk weight deriving from the Advanced Internal rating Based model amounts to EUR 1.595 million. The overall risk exposure as per 31 December 2023 of EUR 4.585 million includes an add-on of EUR 2.990 risk weight for the conditional application of the A-IRB due to the floor based on Standardized Approach (SA).

Requirement for own funds and Eligible Liabilities
Pursuant to the Single Resolution Mechanism (SRM) Regulation, on 20 December 2022. De Nederlandsche Bank (DNB) in its capacity of National Resolution Authority (NRA) set the Minimum Requirement for own funds and Eligible Liabilities (MREL) for Achmea Bank at 10.9% of the Total Risk Exposure Amount (MREL-TREA) and at 3% of the Total Exposure Measure (MREL-TEM). At year-end 2023 the amount of available own funds was EUR 774 million, which adequately covers both requirements of EUR 500 million (MREL-TREA) and EUR 484 million (MREL-TEM).

Breakdown of residential mortgages by rating grade

The table below shows the breakdown of our mortgage portfolio by Probability of Default (PD) class for the risk exposure amount AIRB approach.

BREAKDOWN OF RESIDENTIAL MORTGAGES BY RATING

PD-RISK CATEGORY RESIDENTIAL MORTGAGES BASED ON IRB MODEL

AS AT 31 DECEMBER 2023

IN MILLIONS OF EUROS

Internal rating grade	PD scaling	Average LGD	Obligor grade	EAD	RWA
1	0,00 to < 0,15	5.89%	0.13%	8,850	1,145
2	0,15 to < 0,25	1.37%	0.42%	1,951	238
3	0,25 to < 0,35	0.00%	0.00%	–	–
4	0,35 to < 0,50	0.36%	0.42%	493	64
5	0,50 to < 0,75	0.80%	1.41%	1,042	154
6	0,75 to < 1,25	0.04%	1.00%	62	9
7	1,25 to < 1,50	0.00%	0.00%	–	–
8	1,50 to < 1,75	0.00%	0.00%	–	–
9	1,75 to < 3,50	0.23%	7.42%	275	46
10	3,50 to < 10,0	0.12%	14.88%	177	32
11	10,0 to < 15,0	0.04%	23.46%	53	11
12	15,0 to < 25,0	0.01%	41.84%	13	3
13	25,0 to < 100	0.01%	170.64%	12	3
Default	100	0.04%	100.00%	52	9
Total				**12,980**	**1,714**

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 15.4 million was paid out to its shareholder Achmea B.V. This amount includes the 2022 net distributable profit plus a small amount of the other reserves (EUR 2 million).

ESG RISK

Achmea Bank recognizes the potential risks that might follow from environmental, social and governance aspects. The focus has been predominantly on the environmental aspect, including climate risks. At this stage, this is deemed most relevant for clients and business model as well as from a supervisory and reporting perspective. Generally, ESG risks consist of new features and dynamics within the risk domain. Achmea Bank is continuously improving the insight, knowledge and understanding of these aspects. In this respect we make, amongst others, use of the DNB guide for Climate and Environmental risks.

Risk profile

While ESG risks are treated as a separate topic, it is seen as a driver of existing risk types, like credit risk, operational risk and strategic risk. During 2023, progress has been made on the risk identification and risk assessment. In particular, from a credit risk perspective several analyses have been performed. Both physical risk, based on risk scores provided by CAS (Climate Adaptation Services) and transition risk, primarily based on energy label information and transition scenarios, were considered. A concentration risk analyses on vulnerabilities within the mortgage portfolio as well as a stress test exercise with climate risk specific scenarios (in line with the ECB Climate Stress Test) showed that Achmea Bank's balance sheet is well able to withstand climate risk related adverse circumstances in the near future. Furthermore, monitoring activities on the relationship between climate and environmental aspects and credit risk have been extended and improved, amongst others by using dashboards.

Management and Control

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

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

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

3. ACQUISITION

ACCOUNTING POLICIES ACQUISITIONS

In 2023 Achmea Bank acquired two Dutch residential mortgage portfolios. These acquired portfolios have been treated as an acquisition of assets and not as a business combination according to the IFRS guidelines (IFRS 3.3). Achmea Bank identified and recognised the individual identifiable assets acquired. The cost of the portfolios is allocated to the individual identifiable assets based on their relative fair values at the date of purchase.

Initial recognition of the mortgage portfolios is at fair value, subsequent measurement is at amortised cost. The amortised cost of the financial asset is defined as the amount at which the financial asset is measured at initial recognition plus or minus any difference between that initial amount and the notional amount. Difference between fair value at initial recognition and the notional amount is amortised over the instrument's expected life or, where applicable, a shorter period.

The transaction prices were determined at signing date which were close to settlement date.

ACQUISITION DUTCH MORTGAGE PORTFOLIOS

In 2023 Achmea Bank acquired two portfolios of Dutch residential mortgages. The acquisition amounts to a total size of approximately EUR 0.8 billion notional amount. The seller will continue to manage these mortgages for Achmea Bank. The seller and Achmea Bank have also reached to a renewed agreement to continue their partnership for the time period 2021-2023. Each month during this period, Achmea Bank will acquire newly originated mortgages with a short-term fixed-interest period up to an amount of EUR 1 billion annually. These acquisitions are in line with Achmea Bank’s strategy and focus on growth and scale.

The total impact on statement of financial position at transaction date (EUR 0.8 billion notional) is presented in the table below:

IMPACT ON THE STATEMENT OF FINANCIAL POSITION ACQUISITION

IN THOUSANDS OF EUROS	
AS AT INITAL RECOGNITION	
Loans and advances to customers	
Notional amount of the portfolio	790,180
Differences between fair value and notional at initial recognition	−36,256
Fair value at acquisition date	**753,924**
Cash and balances with Central Banks	
Cash balances	−753,924
Total Assets	**–**

4. LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICIES LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers are financial instruments with fixed or determinable payments that are not listed on an active market. These loans arise when the Bank lends funds or provides services directly to a debtor without the intention to trade the loans.

The Loans and advances to customers are predominantly mortgages.

Classification and measurement

Loans and advances to customers should be classified and measured in accordance with the business models of Achmea Bank as well as by the type of contractual cash flows of the underlying financial assets. Both elements determine whether they will be measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss account (FVtPL). Based on the business model assessment all mortgages are classified for as hold to collect and passed for the SPPI test. The value of the mortgage portfolio is initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Reference is made to chapter Classification and measurement of the Summary of significant accounting policies.

Impairment

The Bank recognizes loss allowances for expected credit losses (ECL) on all loans and advances to customers. According to the IFRS guidelines, the Bank uses a three-stage model: 12 Month ECL for performing loans (stage 1), lifetime ECL for under-performing financial assets (stage 2) and lifetime ECL for non-performing financial assets (stage 3).

Treatment of uncollectible loans and advances in the accounts

If after realisation of collateral, all or part of a loan or interest payment proves to be uncollectible, the amount identified as uncollectable is written off from the corresponding loss allowances for ECL. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance and then the total amount to be written off is applied against the amount of the loss allowances for ECL. Amounts that are subsequently collected are recognised as other income.

LOANS AND ADVANCES TO CUSTOMERS

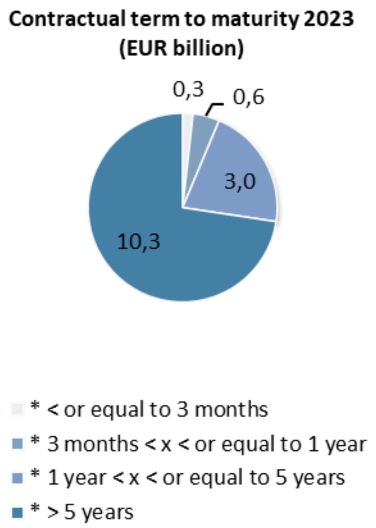
IN THOUSANDS OF EUROS	2023	2022
Loans and advances to customers regular Achmea Bank portfolio at amortised cost	13,570,660	11,206,217
Less: loss allowances ECL	9,468	8,805
Total loans and advances to customers regular Achmea Bank portfolio	**13,561,192**	**11,197,413**
Loans and advances to customers Acier loan portfolio at amortised cost	590,036	645,394
Less: loss allowances ECL	18,770	12,820
Total loans and advances to customers Acier loan portfolio	**571,266**	**632,574**
Total loans and advances to customers	**14,132,458**	**11,829,986**

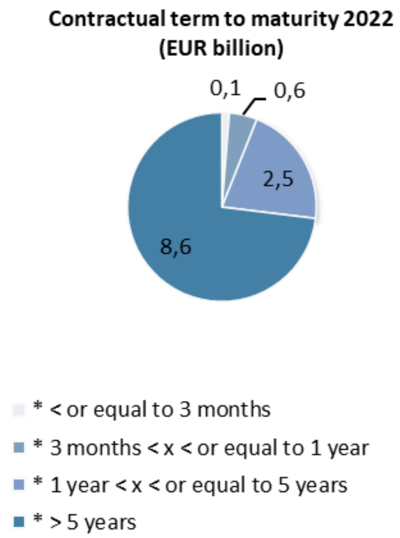
In 2023 the current account notary has been reclassified from Loans and advances to customers to Prepayments and other receivables. (2022: EUR 40.6 million).

Achmea B.V. issued a capped guarantee to Achmea Bank to cover credit risk and legal claims related to the Acier portfolio. Based on this contract Achmea Bank can claim a large part of the credit losses and legal claims with respect to the Acier portfolio with Achmea B.V. Further information regarding the guarantee is provided in the related parties section.

The acquired portfolios are reported as part of the regular Achmea Bank portfolio.

The remaining contractual term to maturity of the Loans and advances to customers net of the loss allowances for ECL, including an expected prepayment rate of 4.00% (2022: 4.33%) for both portfolios, is:





The Loans and advances to customers of the regular Achmea Bank portfolio consist of residential mortgage loans on properties in the Netherlands only. In 2023, Achmea Bank acquired new mortgage portfolios. Reference is made to chapter 3 Acquisitions for more details regarding these portfolios. The calculation of the ECL for these portfolios is based on the same assumptions as for the regular portfolio. For the new portfolios Achmea Bank carried out representativeness analysis on a number of important characteristics of these portfolios. Based on this analysis Achmea Bank conclude that these portfolios are sufficiently homogeneous to use the same assumptions for the calculation of the impairment charges as for the regular portfolio and that for the IFRS 9 calculation purposes no adjustment is required: the ECL model for the regular portfolio could be used as best estimate values.

The Acier loan portfolio differs in characteristics from the typical Achmea Bank mortgages. The majority consists of residential real estate mortgage loans secured by mainly Dutch residential real estate, a part is secured by commercial real estate and a small part is secured by other types of collateral. The portfolio includes also mortgages in CHF.

Achmea Bank has a residual claim after write-off of mortgage receivables of EUR 22 million (2022: EUR 35 million). The expected net recovery of this exposure is limited.

MOVEMENT SCHEDULE LOANS AND ADVANCES TO CUSTOMERS (REGULAR ACHMEA BANK PORTFOLIO)

IN THOUSANDS OF EUROS		2023		2022	
Balance as at 1 January			**11,197,411**		**10,690,491**
Changes nominal portfolio	Transfer from Regular to Acier	–		−9,482	
	Loans granted	2,459,237		2,033,267	
	Acquired portfolios	790,180		938,508	
	Repayments	−1,191,011		−1,656,454	
			2,058,406		**1,305,839**
Fair value hedge accounting	Revaluation basis adjustment mortgages	442,883		−699,062	
	Amortisation basis adjustment mortgages	−113,783		−4,534	
			329,100		**−703,596**
Allowances for losses on loans and advances	Transfer from Regular to Acier	–		1,162	
	Additions	−10,507		−12,936	
	Releases	9,712		9,571	
	Write-offs	133		–	
			−662		**−2,203**
Amortised cost adjustment acquired portfolios	Initial recognition	−36,256		−56,578	
	Amortisation	−6,146		−30,435	
			−42,402		**−87,013**
Other movements	Other changes	19,340		−6,107	
			19,339		**−6,107**
Balance as at 31 December			**13,561,192**		**11,197,411**

The carrying amount of the fair value hedge adjustment is EUR -88 million (2022: EUR -417 million). The increase of the fair value adjustment is due to the development of the yield curve during 2023. The Loans granted consist of mortgage origination under the brand Centraal Beheer at EUR 2.0 billion and new mortgages of external platforms (EUR 0.4 billion).

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

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

In thousands of euros			2023		2022
Balance as at 1 January			**632,574**		**672,730**
Changes nominal portfolio	Transfer from Regular to Acier	–		9,482	
	Repayments	−77,397		−61,981	
			−77,397		**−52,499**
Allowances for losses on loans and advances	Transfer from Regular to Acier	–		−1,162	
	Additions	−18,776		−10,426	
	Releases	12,820		4,980	
	Write-offs	4		1,228	
			−5,952		**−5,380**
Other movements	Other changes	22,039		17,723	
			22,041		**17,723**
Balance as at 31 December			**571,266**		**632,574**

EUR 6.0 million addition (2022: EUR 5.4 million addition) is recorded in the consolidated income statement under impairment of financial assets, including the claim on the guarantee of EUR 4.7 million (2022: EUR 4.8 million). The table above shows the movement from the balance sheet and doesn't take the guarantee into account.

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

5. FUNDS ENTRUSTED

ACCOUNTING POLICIES FUNDS ENTRUSTED

This includes all non-subordinated liabilities other than debts to credit institutions and those included in debt securities issued.

Funds entrusted are initially recognised at fair value net of transaction costs. Subsequently financial liabilities are valued at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption amount are recognised in profit or loss over the period of the borrowings using the effective interest method. The Bank recognised financial liabilities initially on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument. Funds entrusted are removed from the consolidated statement of financial position when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires. On derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the statement of comprehensive income as a realised gain or loss.

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2023	2022
* < or equal to 3 months	6,144,948	5,344,129
* 3 months < x < or equal to 1 year	636,352	432,395
* 1 year < x < or equal to 5 years	1,208,678	1,338,167
* > 5 years	1,387,120	971,718
	9,377,098	**8,086,409**

Funds entrusted include an amount of EUR 0.6 billion (2022: EUR 0.7 billion) related to liabilities to saving deposits linked to mortgages. At the end of 2023 EUR 5.9 billion (2022: EUR 4.3 billion) are on demand savings.

6. DEBT SECURITIES ISSUED

ACCOUNTING POLICIES DEBT SECURITIES ISSUED

This item includes bonds and other debt securities.

Debt securities issued are initially recognised at fair value net of transaction costs. Subsequently Debt securities issued are valued at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption amount are recognised in profit or loss over the period of the borrowings using the effective interest method. The Bank initially recognises Debt securities issued on the date that they are originated. Debt securities are removed from the consolidated statement of financial position when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires. On derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the statement of comprehensive income as a realised gain or loss.

DEBT SECURITIES ISSUED

IN THOUSANDS OF EUROS	2023	2022
Soft Bullet Covered Bond	3,485,396	2,486,917
Senior Unsecured Loans (EMTN Programme)	660,233	645,751
Commercial paper	822,245	584,835
	4,967,874	**3,717,503**
Accrued interest	29,735	11,268
Fair value adjustment	−165,405	−293,699
Amortised cost	−1,844	−1,538
Total carrying amount	**4,830,360**	**3,433,534**

The fair value adjustment is the fair value of bonds which are included in a hedge relation as at 31 December 2023. The differences between the movement of the nominal amounts and the net cash flow from debt securities issued as recognised in the cash flow statement are due to amortisation, which are included in the nominal amounts.

The weighted average interest rate was 1.8% for the year 2023 (2022: 0.4%).

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

DEBT SECURITIES ISSUED

IN THOUSANDS OF EUROS	2023	2022
* < or equal to 3 months	368,700	339,862
* 3 months < x < or equal to 1 year	976,287	401,364
* 1 year < x < or equal to 5 years	1,984,854	1,758,883
* > 5 years	1,500,519	933,425
	4,830,360	**3,433,534**

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

7. INTEREST MARGIN

ACCOUNTING POLICIES NTEREST MARGIN

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

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

Interest expenses on derivatives that are classified at fair value through profit or loss are accounted for based on nominal interest rates.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
- Purchased originated credit impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

The calculation of amortised cost includes all fees paid or received and other terms and conditions which are an integral part of the effective interest rate.

INTEREST MARGIN

IN THOUSANDS OF EUROS	2023	2022
Interest income calculated using the effective interest method	413,579	276,836
Interest income (other)	110,983	−60,163
Interest expenses calculated using the effective interest method	233,277	103,812
Interest expenses (other)	86,475	−4,676
Interest margin	**204,810**	**117,536**

Interest income

The total interest income can be specified as follows:

INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

IN THOUSANDS OF EUROS	2023	2022
Interest income calculated using the effective interest method		
Loans and advances to customers	370,185	270,530
Deposits from banks	–	4,489
Debt securities issued	1,416	824
Funds entrusted	–	729
Loans and advances to banks and public sector	41,978	263
	413,579	**276,836**
Other interest income	**110,983**	**−60,163**
Total interest income	**524,562**	**216,673**

Interest income on Loans and advances to customers mainly includes interest income on mortgage loans. Other interest income includes the interest of the derivatives that are related to macro hedge relationships.

Interest expenses

The total interest expenses can be specified as follows:

INTEREST EXPENSES CALCULATED USING THE EFFECTIVE INTEREST METHOD

IN THOUSANDS OF EUROS	2023	2022
Interest expenses calculated using the effective interest method		
Deposits from banks	14,204	2,251
Loans and advances to customers	40	501
Loans and advances to banks and public sector	–	2,784
Funds entrusted	154,839	67,767
Debt securities issued	64,194	30,509
	233,277	**103,812**
Other interest expenses		
Interest expenses related to derivatives	83,028	−4,677
Other interest expenses	3,447	1
	86,475	**−4,676**
Total interest expenses	**319,752**	**99,136**

Interest expenses related to derivatives includes the income and expenses of the derivatives of Achmea Bank that are not related to macro hedge relationships. Other interest expenses mainly include transaction result of early repayment of funding (2023 EUR 3.4 million, 2022 EUR 0.0 million).

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

ACCOUNTING POLICIES DERIVATIVES AND HEDGE ACCOUNTING

Derivatives

Derivatives are financial assets or liabilities which are measured at fair value. The fair value of derivatives held may fluctuate significantly from time to time due to fluctuations in market rates and currencies. The Bank uses the following derivative financial instruments for hedging purposes.

Hedge accounting

The Bank has designated interest rate swaps as fair value hedges on the interest rate risk inherent in its mortgage portfolio (macro hedge) as well as on the interest rate risk and currency risk related to debt securities issued (micro hedge). For the application of fair value hedge accounting, the Bank documents the relationship between the hedging instruments and the hedged items or positions, as well as the risk management objective and strategy at the inception of the transaction.

Macro hedging

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

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

The Bank formally records whether the derivatives used in the hedging transactions are effective in offsetting changes in the fair value of hedged items, both at the start and for the duration of the hedging relationship. A hedging relationship is effective when the effectiveness lies prospectively between 95% and 105% and retrospectively between 80% and 125%. Effectiveness is measured by dividing the change in fair value of the hedging instruments by the change in fair value of the hedged item (based on the risk being hedged). To ascertain the effectiveness, the Bank performs both prospective and retrospective testing.

Micro hedging

Effectively from 1 January 2023, IFRS 9 Financial instruments have been applied for fair value micro hedge accounting. The Bank periodically assesses the fair value change of the micro hedge in the hedged part of the Debt securities issued attributable to the hedged risk, based on the expected interest reset date. The Bank recognises the fair value change in the hedged part in the consolidated statement of financial position of Debt securities issued and the gain or loss in the statement of comprehensive income. The Bank measures the change in fair value of the derivatives and recognises it as a gain or loss in the statement of comprehensive income. The fair value of the derivatives is recognised in the consolidated statement of financial position as an asset or a liability.

Achmea Bank has decided to continue to apply the EU carve out version of IAS 39 hedge accounting requirements.

Derivatives held for risk management

Interest rate swaps
Swaps are a form of 'over-the-counter' (OTC) derivatives which result in an economic exchange of cash flow items, such as currencies or interest rates. Achmea Bank N.V.'s credit risk corresponds to the swap contract replacement costs in the event of a counterparty default. This risk is continuously monitored, considering the current fair value, the notional amount and the liquidity in the market. To control its credit risk, the Bank only executes contracts with reputable counterparties and sets individual limits per counterparty. The Bank has bilateral margining agreements (Credit Support Annexes /CSAs) to reduce its derivative counterparty risk exposure. As of 2017 for all new interest rate swaps central clearing (EMIR) is applicable.

Foreign exchange derivatives
Foreign exchange derivatives are used to hedge the foreign exchange positions of the CHF mortgages of the Acier loan portfolio. The currency position is monitored on a monthly basis and every month this position is hedged with derivatives with a maturity of one month.

Interest Caps
An interest rate cap has been used in the securitisation transaction SRMP I. This is an agreement between the Bank and an interest rate cap provider to hedge the interest rate exposure arising between the floating rate liabilities and the fixed rate mortgages. The interest rate cap agreements for SRMP I require the interest rate cap provider, against payment of the initial interest rate cap premium, to make payments to the extent the 3 months Euribor interest rate for any given interest period exceeds the agreed upon cap strike rate of 3.5%.

DERIVATIVES

AS AT 31 DECEMBER 2023	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	LIABILITIES
Derivatives by type			
Interest rate swaps	12,557,394	365,524	431,171
Foreign exchange derivatives	39,136	31	902
Interest caps	–	5,122	5,122
	12,596,530	**370,676**	**437,195**
Derivatives including in fair value hedge accounting relation			
Interest rate swaps	9,772,624	249,454	417,898
	9,772,624	**249,454**	**417,898**

AS AT 31 DECEMBER 2022	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	LIABILITIES
Derivatives by type			
Interest rate swaps	8,912,148	521,116	393,816
Foreign exchange derivatives	61,109	2	62
Interest caps	–	16,651	16,651
	8,973,257	**537,769**	**410,529**
Derivatives including in fair value hedge accounting relation			
Interest rate swaps	8,398,911	503,925	349,185
	8,398,911	**503,925**	**349,185**

The remaining contractual term to maturity of the Derivatives held for risk management is:

REMAINING CONTRACTUAL TERM TO MATURITY OF THE DERIVATIVES

AS AT 31 DECEMBER 2023	NOTIONAL		BETWEEN	BETWEEN		
IN THOUSANDS OF EUROS	AMOUNT	LESS THAN	THREE MONTHS	ONE YEAR AND	MORE THAN	TOTAL
ASSETS		THREE MONTHS	AND ONE YEAR	FIVE YEARS	FIVE YEARS	FAIR VALUE
Interest rate swaps	6,556,403	–	9,674	194,756	161,094	365,524
Foreign exchange derivatives	1,339	31	–	–	–	31
Interest caps		–	–	5,122	–	5,122
Total derivative assets		**31**	**9,674**	**199,878**	**161,094**	**370,676**

Liabilities						
Interest rate swaps	6,000,991	–	18,135	102,118	310,918	431,171
Foreign exchange derivatives	37,797	902	–	–	–	902
Interest caps		–	–	5,122	–	5,122
Total derivative liabilities		**902**	**18,135**	**107,239**	**310,918**	**437,194**

AS AT 31 DECEMBER 2022 ASSETS	NOTIONAL AMOUNT	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	TOTAL FAIR VALUE
Interest rate swaps	4,985,487	–	1,024	227,940	292,152	521,116
Foreign exchange derivatives	609	2	–	–	–	2
Interest caps		–	16,651	–	–	16,651
Total derivative assets		**2**	**17,675**	**227,940**	**292,152**	**537,769**
Liabilities						
Interest rate swaps	3,926,661	3,056	5,274	165,023	220,463	393,816
Foreign exchange derivatives	60,500	62	–	–	–	62
Interest caps		–	16,651	–	–	16,651
Total derivative liabilities		**3,119**	**21,925**	**165,023**	**220,463**	**410,529**

All derivatives are used for risk management purposes and to mitigate the Bank's currency and interest exposure as explained in paragraph D Market risk of the Risk management paragraph. For most of the derivatives Achmea Bank applies hedge accounting.

Changes in fair value of financial instruments

The total changes in fair value of financial instruments can be specified as follows:

IN THOUSANDS OF EUROS	2023	2022
Effectiveness results of fair value hedge accounting	12,922	24,972
Amortisation effects	9,051	−16,741
Other fair value effects	−30,449	−816
Changes in fair value of financial instruments	**−8,476**	**7,414**

The amortisation effects are related to the hedge of mortgages and the hedge of Debts securities issued. The increase of the amortisation effects and the decrease of the 'Other fair value effects' are both related to the derivatives which are excluded from the macro hedge (increase amortisation effect), as offsetting the revaluation effects of new derivatives (decrease other fair value effects).

Fair value hedge accounting

The Bank applies fair value hedge accounting for part of the mortgages and the related interest rate derivatives (macro hedge accounting) in order to hedge the interest rate risk of the mortgages. The hedged item consists of a portfolio of mortgages while the hedging instrument consists of a portfolio of interest rate swaps.

The Bank also entered into derivative transactions in order to limit the interest rate risk of its funding operations. The Bank applies fair value hedge accounting (micro hedge accounting) for those derivatives. The hedged item consists of individual external loans while the hedging instrument consists of interest rate swaps.

Any ineffectiveness effect related to fair value hedge accounting is reported in the income statement as part of the effectiveness result of fair value hedge accounting.

The following table provides information about the hedged items included the Bank's consolidated statement of financial position:

DERIVATES INCLUDED IN FAIR VALUE HEDGE ACCOUNTING

AS AT 31 DECEMBER 2023 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT	CARRYING AMOUNT ASSETS	CARRYING AMOUNT LIABILITIES
Micro fair value hedges			
Interest rate swaps	3,398,974	31,895	203,067
Macro fair value hedges			
Interest rate swaps	6,373,650	217,558	214,832
Total	**9,772,624**	**249,453**	**417,899**

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

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

FAIR VALUE HEDGES

AS AT 31 DECEMBER 2023 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT ASSETS	NOTIONAL AMOUNT LIABILITIES	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS ASSETS	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS LIABILITIES
Micro fair value hedges				
Fixed rate bonds	–	3,398,974	–	–165,407
Macro fair value hedges				
Fixed rate mortgages	6,402,050	–	–87,879	–
Total	**6,402,050**	**3,398,974**	**–87,879**	**–165,407**

AS AT 31 DECEMBER 2022 IN THOUSANDS OF EUROS	NOTIONAL AMOUNT ASSETS	NOTIONAL AMOUNT LIABILITIES	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS ASSETS	ACCUMULATED AMOUNT OF FAIR VALUE ADJUSTMENTS ON THE HEDGED ITEMS LIABILITIES
Micro fair value hedges				
Fixed rate bonds	–	2,445,009	–	–273,655
Macro fair value hedges				
Fixed rate mortgages	5,959,250	–	–416,978	–
Total	**5,959,250**	**2,445,009**	**–416,978**	**–273,655**

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

INEFFECTIVINESS HEDGE ACCOUNTING

IN THOUSANDS OF EUROS	GAIN	LOSS	NET 2023	NET 2022
Macro hedge				
Fair value changes in hedged items	563,716	245,554	318,162	−686,527
Fair value changes in hedging instruments	248,980	556,681	−307,701	709,320
	812,696	**802,235**	**10,461**	**22,793**
Micro hedge				
Fair value changes in hedged items	70,203	196,608	−126,405	304,706
Fair value changes in hedging instruments	195,408	66,542	128,866	−302,527
	265,611	**263,150**	**2,461**	**2,179**
Total hedge				
Fair value changes in hedged items	633,919	442,162	191,757	−381,821
Fair value changes in hedging instruments	444,388	623,223	−178,835	406,793
	1,078,307	**1,065,385**	**12,922**	**24,972**

NOTES TO OTHER ITEMS

9. CASH AND BALANCES WITH CENTRAL BANKS

ACCOUNTING POLICIES CASH AND BALANCES WITH CENTRAL BANKS

Cash and cash equivalents comprise cash balances as well as call deposits (including overnight deposits) with the Dutch Central Bank (DNB). Current account overdrafts which are repayable on demand and which form an integral part of Achmea Bank's cash management are part of the Cash and cash equivalents in the statement of cash flows.

Based on the business model assessment Cash and balances with Central Banks are classified for the business model holding to collect and passed the SPPI test.

Cash and cash equivalents are measured at amortised cost.

CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF EUROS	2023	2022
Cash and balances with Central Banks	598,670	774,244

10. LOANS AND ADVANCES TO BANKS

ACCOUNTING POLICIES LOANS AND ADVANCES TO BANKS

Loans and advances to banks refer to receivables from banks, other than Interest-bearing securities. Based on the business model assessment Loans and advances to banks are classified for the business model hold to collect and passed the SPPI test.

Loans and advances to banks are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

LOANS AND ADVANCES TO BANKS

IN THOUSANDS OF EUROS	2023	2022
Loans and advances to banks	637,468	641,572

IN THOUSANDS OF EUROS	2023	2022
* Not available on demand	617,942	478,773
* On demand	19,526	162,799
	637,468	**641,572**

The amount not available on demand is composed of collateral for derivatives (CSA) and the bank accounts related to securitisation transactions and Stichting Incasso Achmea Hypotheken and the minimum cash reserve to be maintained at DNB.

At the end of 2023 the minimum cash reserve to be maintained at DNB and collateral posted at DNB, which is not at the Bank's free disposal amounted to EUR 63.0 million (2022: EUR 46.8 million)

11. LOANS AND ADVANCES TO PUBLIC SECTOR

ACCOUNTING POLICIES LOANS AND ADVANCES TO PUBLIC SECTOR

Based on the business model assessment Loans and advances to public sector are classified for the business model hold to collect and passed the SPPI test. Loans and advances to public sector are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

This item comprises funds lent to public authorities.

LOANS AND ADVANCES TO PUBLIC SECTOR

IN THOUSANDS OF EUROS	2023	2022
Loans and advances to public sector	583	606

At December 2023 the total outstanding amount is non-current (2022: total amount is non-current).

12. INTEREST-BEARING SECURITIES

ACCOUNTING POLICIES INTEREST-BEARING SECURITIES

Based on the business model assessment interest – bearing securities are classified for the business model hold to collect and sell and passed the SPPI test. Interest-bearing securities are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

MOVEMENTS IN INTEREST-BEARING SECURITIES

IN THOUSANDS OF EUROS	2023	2022
Balance as at 1 January	**–**	**–**
Purchases	44,486	–
Sales/repayments	−15,000	–
Amortisation	1,336	–
Changes in accrued interest	–	–
Balance as at 31 December	**30,822**	**–**

In 2023 Achmea Bank invested in commercial papers from other parties amounted to EUR 31 million.

13. PREPAYMENTS AND OTHER RECEIVABLES

ACCOUNTING POLICIES INTEREST – PREPAYMENTS AND OTHER RECEIVABLES

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

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2023	2022
Prepayments and other receivables	155,058	139,884

In 2023 the current account notary has been reclassified from Loans and advances to customers to Prepayments and other receivables. At the end of 2023 the current account notary amounted to EUR 35.3 million (2022: EUR 40.6 million).

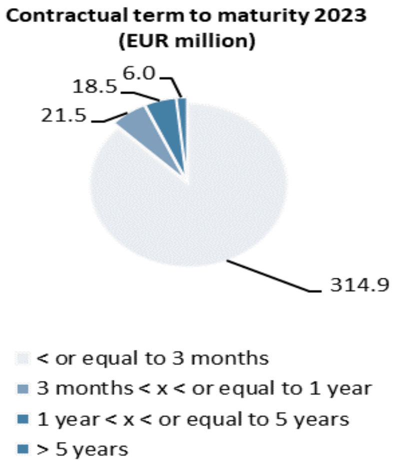
Prepayments and other receivables mainly consist of amounts related to production and repayments of mortgages. In 2022 an amount of EUR 52.7 million (2022: EUR 43.6 million) relates to the production for Achmea Pensioen- en Levensverzekeringen N.V. For an analysis of receivables within Achmea, we refer to the separate related-parties disclosure (note 29). In 2023 there are no non-current amounts (2022: EUR 0 million).

14. DEPOSITS FROM BANKS

ACCOUNTING POLICIES DEPOSITS FROM BANKS

Deposits from banks are initially measured at fair value net of transaction costs. After initial recognition, deposits from banks are measured at amortised cost, the difference between cost and redemption value being recognised in the statement of comprehensive income using the effective interest method over the term of the loans.

Total deposits from bank amounts to EUR 0.4 billion. (2022: EUR 1.1 billion). The remaining contractual term to maturity of the Deposits is:



The decreased amount of deposits from banks is mainly due to the maturity of the outstanding repo of EUR 0.5 billion.

15. CURRENT TAX ASSETS AND LIABILITIES

ACCOUNTING POLICIES CURRENT TAX ASSETS AND LIABILITIES

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period and is recognised in the statement of comprehensive income. The current tax position is determined on the same basis as if Achmea bank was tax liable on a stand-alone basis.

The net current corporate tax liabilities of EUR 13.5 million (2022: tax assets EUR 5.0 million) refers to the tax payable for the reporting period and for previous periods.

The Bank forms a fiscal unity with Achmea B.V. for company tax purposes and VAT. Within this fiscal unity the Bank is severally liable. The tax expenses are settled in the current account with the Group.

16. ACCRUALS AND OTHER LIABILITIES

ACCOUNTING POLICIES ACCRUALS AND OTHER LIABILITIES

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

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2023	2022
Accruals	779	264
Other liabilities	79,418	73,518
	80,197	**73,782**

In preparing the Note Accuals and other liabilities 2023, Achmea Bank adjusted the presentation of the current account Intercompany from Accruals to Other Liabilities. The comparative figures of 2022 have been restated. The amount per 31 December 2022 was EUR 10.9 million. This change in presentation did not impact Total equity nor Net Result.

Accruals and other liabilities include an amount of EUR 62.8 million (2022: EUR 63.9 million), relating to liabilities to Achmea Group companies. For an analysis of these liabilities within Achmea Group, we refer to the separate related-parties disclosure (note 29). The total amount of Accruals and other liabilities is current.

17. DEFERRED TAX ASSETS AND LIABILITIES

ACCOUNTING POLICIES DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised to allow for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax assets and/or liabilities are based on the expected way the carrying amounts of the assets and liabilities will be realised or settled in the future, using rates that are fixed on the balance sheet date. A deferred tax asset is only recognised when it is probable that taxable profits will be available in the future which can be used for the realisation of the asset. The amount of the deferred tax assets will be reduced when it is no longer probable that the related tax benefit will be realised. The most important temporary differences at Achmea Bank N.V. between the reported carrying amounts and the tax bases of the items concerned relate to the measurement of derivative financial instruments, Loans and advances to customers and Debt securities issued at fair value and at amortised cost.

There is a legally enforceable right to settle deferred tax positions and there is an intention to settle on a net basis. This is not applicable for current tax positions. The deferred tax position is determined on the same basis as if Achmea bank was tax liable on a stand-alone basis.

Deferred tax is calculated for all temporary differences at an effective tax rate of 25.8% for 2023 and for the other years. The Deferred tax assets and liabilities are related to the following items:

DEFERRED TAX

	ASSETS		LIABILITIES		BALANCE	
IN THOUSANDS OF EUROS	2023	2022	2023	2022	2023	2022
Valuation differences due to differences in tax base	36,144	16,432	–	–	36,144	16,432
Tax position asset/liability	**36,144**	**16,432**	**–**	**–**	**36,144**	**16,432**
TAX RATE	25.8%	25.8%	25.0%	25.0%	25.8%	25.8%
Net deferred tax	**9,326**	**4,239**	**–**	**–**	**9,326**	**4,239**
Correction on corporation tax due to change in tax rate	–	–	–	–	–	–
Net deferred tax	**9,326**	**4,239**	**–**	**–**	**9,326**	**4,239**

SPECIFICATION VALUATION DIFFERENCES BETWEEN COMMERCIAL AND FISCAL ACCOUNTING TREATMENT

IN THOUSANDS OF EUROS	2023	2022	2023	2022	2023	2022
Derivative assets held for risk management	59,666	−150,832	–	–	59,666	−150,832
Debt securities issued	−166,213	−293,699	–	–	−166,213	−293,699
Accrued interest	–	–	–	–	–	–
Loans and advances to customers	142,691	460,963	–	–	142,691	460,963
Tax position asset/liability	**36,144**	**16,432**	**–**	**–**	**36,144**	**16,432**
TAX RATE	25.8%	25.8%	25.8%	25.0%	25.8%	25.8%
Net deferred tax	9,326	4,239	–	–	9,326	4,239
Correction on corporation tax due to change in tax rate	–	–	–	–	–	–
Net deferred tax	**9,326**	**4,239**	**–**	**–**	**9,326**	**4,239**

From deferred tax assets of EUR 9.3 million, an amount of EUR 1.1 million is current (2022: EUR 1.0 million), the remainder is non-current.

CHANGES TO TEMPORARY DIFFERENCES

IN THOUSANDS OF EUROS	BALANCE AS AT 01-01-2023	RECOGNISED IN RESULT	RECOGNISED IN EQUITY	BALANCE AS AT 31-12-2023
2023				
Valuation differences due to differences in tax base	16,432	19,712	–	36,144
Tax position asset/liability	**16,432**	**19,712**	**–**	**36,144**
TAX RATE	25.8%	25.8%	25.8%	25.8%
Net deferred tax	**4,239**	**5,086**	**–**	**9,325**
Correction on corporation tax due to change in tax rate	–	–	–	–
Net deferred tax	**4,239**	**5,086**	**–**	**9,325**

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

18. PROVISIONS

ACCOUNTING POLICIES PROVISIONS

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

PROVISIONS

IN THOUSANDS OF EUROS	2023	2022
Balance as at 1 January	22	500
Addition	40	22
Releases	–25	–500
Amounts used	–	–
Balance as at 31 December	**37**	**22**

The Provisions per December 2023 consist of the calculated expected credit loss for off-balance exposures such as construction deposits, undrawn credit facilities of credit mortgages and loan commitments. The total amount of the provisions is non-current.

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

19. SUBORDINATED LIABILITIES

ACCOUNTING POLICIES SUBORDINATED LIABILITIES

Subordinated liabilities are initially recognised at fair value net of transaction costs. Subsequently financial liabilities are valued at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Subordinated liabilities are recognised on the date that they are originated.

SUBORDINATED LIABILITIES

IN THOUSANDS OF EUROS	INTEREST RATE (%)	2023	2022
Loan 1999/2024	5.68	1,191	1,191
		1,191	**1,191**

The interest expenses for 2023 amounted to EUR 0.1 million (2022: EUR 0.1 million). The total amount of the subordinated liabilities is current.

20. TOTAL EQUITY

As 31 December 2023 Total Equity amounts to EUR 834.6 million (2022: EUR 789.8 million).

As at 31 December 2023 the authorised share capital amounted to EUR 90 million (2022: EUR 90 million), divided into 90 million shares (2022: 90 million) each with a nominal value of EUR 1 (2022: EUR 1). As at 31 December 2023 18,151,663 shares had been issued and paid up in full (2022: 18,151,663 shares). All issued shares are held by Achmea B.V.

In April 2023 a dividend amount of EUR 15.4 million was paid out to Achmea B.V., representing the 2022 (EUR 13.4 million) distributable net profits plus a small amount of the other reserves (EUR 2.0 million).

As at 31 December 2023, the total legal reserve amounts to EUR 6.1 million (2022: EUR 7.0 million) and is included as part of the other reserves. Furthermore, the remainder part of the other reserves consists of retained earnings.

The profit for the year includes the 2023 net profit.

21. FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

NOTES TO ESTIMATION OF THE FAIR VALUE FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

Loans and advances to banks (Level 2)

The fair value of Loans and advances to banks is based on the present value of expected future cash inflows, using current market interest rates.

Loans and advances to customers or public sector (Level 3)

The fair value of Loans and advances to customers or public sector is based on the present value of expected future cash inflows, using current market interest rates. The interest rate is based on the money market and capital market, both of which are in the public domain. If possible, the Bank makes use of variables that are observable in these markets. The effects of the credit crisis (in particular liquidity and default risks) have been evaluated in measuring the fair value of Loans and advances to customers. The Bank’s lending involves mortgage loans to the Dutch market only. In calculating the fair value of the Acier loan portfolio, the Bank applies an additional spread for higher credit risk.

Deposits from banks, funds entrusted and debt securities issued (Level 2)

The fair value of Deposits from banks, Funds entrusted and Debt securities issued is based on the discounted present value of the expected future cash outflows, using current market interest rates. In measuring the fair value of these items, a mark-up is applied to the effective rate of interest, including a spread which is based on the spread of the pricing of mortgages within the Bank. This mark-up has been determined specifically for each risk profile and each interest-rate band based on quotes used by the market participants.

Subordinated liabilities (level 2)

The fair value of the Subordinated liabilities is based on the discounted present value of the expected future cash outflows, using current interest rates for subordinated loans with a similar risk profile and a similar remaining term to maturity.

The table below gives a breakdown of financial instruments that are measured after initial recognition at fair value, grouped into three levels (fair value hierarchy) and based on the significance of the inputs used in determining fair value.

NOTES TO THE FAIR VALUE HIERARCHY

Valuation techniques used and valuation process for level 2 and 3 instruments

Depending on the specific assets, the Bank has set valuation policies and procedures for determining fair value. The paragraphs below explain the valuation processes and methods used for each type of financial instrument, as well giving the relevant inputs.

Interest rate derivatives (level 2)

Fair values of interest rate derivatives represent amounts estimated to be received from or paid to a third party in the settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows. The pricing models are based on current market data. The market data for interest rate derivatives mainly consists of the overnight index swap curve.

Foreign exchange derivatives (level 2)

Fair values of foreign exchange derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows. The pricing models are based on current market data. The market data for foreign exchange derivatives consist mainly of the currency and the spot exchange rate. The effect of the interest component in the valuation of the related interest period is limited due to the short term of these derivatives.

Interest caps (level 2)

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

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

The table below shows the fair value and carrying amount of the financial assets and liabilities at amortised costs.

FAIR VALUE FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

IN THOUSANDS OF EUROS	CARRYING AMOUNT 2023	FAIR VALUE 2023	CARRYING AMOUNT 2022	FAIR VALUE 2022
Financial assets				
Loans and advances to banks	637,468	637,468	641,572	641,572
Loans and advances to customers and public sector	14,133,041	13,666,123	11,871,205	11,501,428
Financial liabilities				
Deposits from banks	360,938	360,901	1,137,916	1,137,814
Funds entrusted	9,377,098	9,293,059	8,086,409	8,071,098
Debt securities issued	4,830,360	4,767,790	3,433,534	3,393,385
Subordinated liabilities	1,191	1,193	1,191	1,222

If a financial instrument is traded in an active and liquid market, the quoted price or value is the best indicator for the fair value.

The most appropriate market price for an asset held or a liability to be issued will often be the current bid price and, for an asset to be acquired or liability held, the current offer or asking price. If the Bank holds assets and liabilities with opposite market risks, mid rates are used as a basis for determining the fair value.

If no market price is available on an active market, the fair value is calculated based on the discounted value or another valuation method based on the market conditions on the reporting date. Generally accepted methods in the financial market are the present value model and option valuation models. An accepted valuation method includes all factors that market participants deem to be important for pricing. This method should also be consistent with the accepted economic models for the valuation of financial instruments.

Principles for determining fair value:
- The market price is the best basis for valuation (if available). The use of internal estimates and assessments is kept to a minimum;
- The estimation method (valuation method) is only adjusted if 1) this results in an improvement in the valuation or 2) there is insufficient information available.

The fair value for Cash and Cash equivalents, prepayments and other receivables and accruals and other liabilities are in line with the carrying amount, which is a reasonable approximation of the fair value.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

AS AT 31 DECEMBER 2023				
IN THOUSANDS OF EUROS				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Derivative assets held for risk management				
Interest rate swaps	–	365,524	–	365,524
Foreign exchange derivatives	–	31	–	31
Back-to-back swaps and interest caps	–	5,122	–	5,122
	–	**370,676**	**–**	**370,676**
Financial liabilities				
Derivative liabilities held for risk management				
Interest rate swaps	–	431,171	–	431,171
Foreign exchange derivatives	–	902	–	902
Back-to-back swaps and interest caps	–	5,122	–	5,122
	–	**437,194**	**–**	**437,194**

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

Explanation of the levels

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Achmea Bank does not have any financial instruments with a level 3 classification on the face of the consolidated statement of financial position.

Changes in the fair value hierarchy in 2023
During 2023 no changes were made in classification of fair value hierarchy.

22. OTHER INCOME

ACCOUNTING POLICIES OTHER INCOME

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

OTHER INCOME

IN THOUSANDS OF EUROS	2023	2022
Other Income	1,005	1,112

23. FEES AND COMMISSION INCOME AND EXPENSE

ACCOUNTING POLICIES FEES AND COMMISSION INCOME AND EXPENSE

Fees and Commission income and expense includes commission paid and received relating to mortgages, investment and saving products. The Bank received fees from Achmea Pensioen- en Levensverzekeringen N.V. (AP&L) regarding mortgages originated and serviced for AP&L. The Bank paid origination and servicing fees to Syntrus Real Estate with regards to the AP&L mortgage portfolio. The Bank received transaction fees for providing investment services to retail customers.

Fees and commission are recognised as the related service is performed. These fees are recognised in the income statement in the same period.

FEES AND COMMISSION INCOME AND EXPENSE

IN THOUSANDS OF EUROS	2023	2022
Fees and commission income	6,306	6,077
Fees and commission expense	5,619	5,370
	687	**706**

24. OPERATING EXPENSES

ACCOUNTING POLICIES OPERATING EXPENSES

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

OPERATING EXPENSES

IN THOUSANDS OF EUROS	2023	2022
Staff costs	29,255	26,640
Administrative expenses	85,658	78,143
	114,913	**104,783**

Compared to 2022, operating expenses increased with EUR 10 million to EUR 115 million (2022: EUR 105 million). Staff costs increased with EUR 2 million to EUR 29 million (2022: EUR 27 million). Servicing costs increased with EUR 5 million due to acquired portfolios and increased mortgage production. The bank-related levies for the resolution fund and the deposit guarantee scheme decreased with EUR 4 million due to annual recalibration of the Bank's contribution and due to lower compensation costs from the Dutch deposit guarantee scheme (DGS) related to bankruptcy of Amsterdam Trade Bank. The internal allocations increased with EUR 7 million, mainly due to changes in the organisation in 2023.

25. STAFF COSTS

ACCOUNTING POLICIES EMPLOYEE BENEFITS

All staff, including the Managing Board, is employed by Achmea Interne Diensten N.V., a subsidiary of Achmea B.V. Achmea Interne Diensten N.V. allocates all staff costs, including pension expenses to the various entities of Achmea Group. Allocation is based on the pensionable salary of employees currently working for Achmea Bank.

STAFF COSTS

IN THOUSANDS OF EUROS	2023	2022
Wages and salaries	16,207	14,620
Pension costs	3,396	3,660
Compulsory social security obligations	1,126	1,630
Other staff costs	8,526	6,730
	29,255	**26,640**

The average number of employees during 2023 was 213 FTEs (2022: 204 FTEs).

26. INDEPENDENT AUDITOR’S FEES

The independent auditor’s fees related to the Bank are disclosed in the consolidated financial statements of Achmea B.V. This is in line with article 2: 382a.3 of the Dutch Civil Code.

Our auditor, Ernst & Young Accountants LLP, has rendered, for the period to which our statutory audit relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities:

- Statutory audit of the SPVs, Stichting Trustee Achmea Bank, Achmea Conditional Pass Through Covered Bond Company, Achmea Soft Bullet Covered Bond Company and Soft Bullet Covered Bond Company II;
- Pool audits;
- Audit of the regulatory reports to be submitted to De Nederlandsche Bank;
- ISAE type II DGS;
- Agreed upon procedures interest rate risk;
- Agreed upon procedures cost price models saving products Centraal Beheer;
- Several comfort letters related to funding programs.

27. INCOME TAX EXPENSES

RECONCILIATION OF THE EFFECTIVE TAX RATE

IN THOUSANDS OF EUROS	2023	2022
Operating profit before taxes	81,002	17,906
Nominal tax rate	25.8%	25.8%
Nominal tax expenses	20,899	4,620
Correction on corporation tax due to change in tax rate	–	–
Tax concerning previous years	–	–129
Effective tax expenses	**20,899**	**4,491**
Effective tax rate	**25.8%**	**25.1%**

The Bank is part of a fiscal unity with Achmea B.V. for company tax purposes and VAT. The effective tax expenses consist of EUR 15.8 million current tax and EUR 5.1 million deferred tax.

28. CONTINGENT LIABILITIES AND COMMITMENTS

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 for the class action Stichting CZFL, acting as claim foundation, holds Achmea Bank N.V. liable for any loss these clients with mortgage loans denominated in Swiss Franc, have suffered or may suffer resulting from (unforeseen) CHF/EUR exchange rate developments.
Achmea Bank N.V. will defend herself against the claim. In earlier proceedings against Staalbankiers N.V. and Achmea Bank N.V., initiated by individual clients, courts ruled in favor of Achmea Bank N.V.

Given the assessment of the complaints and claims on the grounds stated in CZFL's summons, no provision has been made. The class-action legal proceedings will start in the beginning of 2024 for the court of The Hague.

Contractual obligations

At year-end 2023 the Bank had contractual obligations for the coming year with Achmea Group companies amounting to EUR 68.3 million (2022: EUR 55.9 million), primarily in connection with outsourcing of the servicing of the regular mortgage portfolio by Syntrus Achmea Real Estate & Finance, ICT-related contracts and with Centraal Beheer for distribution.

The Bank had external contractual obligations for the coming year amounting to EUR 3.8 million (2022: EUR 3.2 million) for the servicing of the saving and investment portfolio, EUR 12.8 million in contractual obligations for the servicing of the mortgage portfolio (2022: EUR 7.0 million).

Irrevocable facilities

This refers to all liabilities relating to irrevocable undertakings which could lead to credit losses, including mortgage loan proposals for EUR 681 million (2022: EUR 663 million), EUR 300 million related to acquisition of newly originated mortgages (2022: EUR 75 million), construction accounts of EUR 123 million (2022: EUR 119 million) and undrawn credit facilities of credit mortgages of EUR 21 million (2022: EUR 20 million).

CONTRACTUAL EXPIRY BY MATURITY CONTINGENT LIABILITIES AND COMMITMENTS

AS AT 31 DECEMBER 2023	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL
IN THOUSANDS OF EUROS					
Mortgage loan proposals	626,437	54,247	624	–	681,308
Construction deposits	15,360	46,080	61,439	–	122,879
Undrawn credit line	368	944	4,369	15,069	20,750
Acquisition newly originated mortgages	300,000	–	–	–	300,000
Total	**942,165**	**101,271**	**66,432**	**15,069**	**1,124,937**

AS AT 31 DECEMBER 2022	← 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	→ 5 YEARS	TOTAL
IN THOUSANDS OF EUROS					
Mortgage loan proposals	633,714	28,418	795	–	662,927
Construction deposits	14,871	44,614	59,485	–	118,970
Undrawn credit line	348	892	4,129	14,243	19,613
Acquisition newly originated mortgages	75,000	–	–	–	75,000
Total	**723,933**	**73,924**	**64,410**	**14,243**	**876,509**

29. RELATED PARTIES

Identity of related parties

Achmea Bank N.V. is a wholly owned subsidiary of Achmea B.V. (incorporated in the Netherlands).

Related parties are other companies within the Achmea Group, of which Achmea B.V. is the ultimate parent company, and members of the Supervisory and Managing Boards of Achmea Bank. Rabobank is a major shareholder of Achmea B.V. and is also deemed to be a related party. Within the scope of ordinary business operations, several banking transactions take place with related parties.

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 2023 EUR 4.7 million is claimed on the guarantee (2022: EUR 4.8 million) consisting of ECL additions exceeding the threshold of 20 bps of the average gross carrying amount of the Acier portfolio and legal costs or claims. The total amount claimed by Achmea Bank up to year end 2023 is EUR 30 million (2022: EUR 25 million).

The Bank entered into an Asset Switch agreement with Achmea Pensioen- en Levensverzekeringen N.V. in order to improve its liquidity position.

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

INTERCOMPANY POSITIONS

IN THOUSANDS OF EUROS	2023	2022
Assets		
Prepayments and other receivables	61,964	53,149
Total assets	**61,964**	**53,149**
Liabilities		
Funds entrusted	642,966	680,905
Accruals and other liabilities	64,862	63,898
Total liabilities	**707,828**	**744,803**
Income		
Interest income on receivables	264	350
Commission income	5,908	5,623
Total income	**6,172**	**5,973**
Expenses		
Interest expenses	32,515	25,546
Commission expenses	–	29,829
Total expenses	**32,515**	**55,375**

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2023	2022
Parent		
Achmea B.V.	4,965	5,191
Other related parties		
Achmea Pensioen- en Levensverzekeringen N.V.	52,669	43,628
Achmea Interne Diensten N.V.	4,330	4,330
Total prepayments and other receivables	**61,964**	**53,149**

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2023	2022
Other related parties		
Achmea Pensioen- en Levensverzekeringen N.V.	615,564	666,992
Interamerican Hellenic Life Insurance Company SA	24,426	–
Interamerican Property & Casualty Insurance Company Single Member SA	–	9,609
Interassistance Road Assistance Services SA	410	397
Interamerican Assistance Insurance Company Single Member SA	1,524	2,943
Athinaiki General Clinic SA	1,043	965
Total funds entrusted	**642,967**	**680,906**

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2023	2022
Other related parties		
Syntrus Achmea Real Estate & Finance B.V.	2,814	3,024
Staal Beheer N.V.	−281	−281
Achmea Interne Diensten N.V.	10,032	11,645
Achmea Pensioen- en Levensverzekeringen N.V.	50,274	49,510
Total accruals and other liabilities	**62,839**	**63,898**

INTEREST INCOME

IN THOUSANDS OF EUROS	2023	2022
Parent		
Achmea B.V.	264	14
Other related parties		
Achmea Schadeverzekeringen NV	–	36
Achmea Pensioen- en Levensverzekeringen N.V.	–	75
Interamerican Assistance General Insurance Company SA	–	6
Interamerican Hellenic Life Insurance Company SA	–	10
Interamerican Property and Casualty Insurance Company SA	–	1
Zilveren Kruis Zorgverzekeringen N.V.	–	208
Total interest income	**264**	**350**

COMMISSION INCOME

IN THOUSANDS OF EUROS	2023	2022
Other related parties		
Staal Beheer N.V.	281	281
Achmea Pensioen- en Levensverzekeringen N.V.	5,627	5,342
Total commission income	**5,908**	**5,623**

INTEREST EXPENSES

IN THOUSANDS OF EUROS	2023	2022
Parent		
Achmea B.V.	758	44
Other related parties		
Achmea Pensioen- en Levensverzekeringen N.V.	27,191	25,503
Achmea Schadeverzekeringen N.V.	796	–
Interamerican Hellenic Life Insurance Company SA	811	–
Interamerican Assistance Insurance Company Single Member SA	81	–

Interassistance Road Assistance Services SA	13	–
Athinaiki General Clinic SA	28	–
Zilveren Kruis Zorgverzekeringen N.V.	2,837	–
Total interest expenses	**32,515**	**25,546**

COMMISSION EXPENSES

IN THOUSANDS OF EUROS	2023	2022
Other related parties		
Syntrus Achmea Real Estate & Finance B.V.	32,593	29,829
Total commission expenses	**32,593**	**29,829**

30. REMUNERATION MANAGING BOARD AND SUPERVISORY BOARD

REMUNERATION OF SUPERVISORY BOARD MEMBERS

IN THOUSANDS OF EUROS	2023	2022
Short term remuneration	109	157
	109	**157**

REMUNERATION OF MANAGING BOARD MEMBERS

IN THOUSANDS OF EUROS	2023	2022
Short-term employee benefits	692	706
Post-employment benefits	80	82
	773	**788**

The members of Managing Board and Supervisory Board are classified as key management personnel. There are no key management personnel that held a mortgage loan during 2023 at Achmea Bank.

In 2023 there were no adjustments or claw backs in connection with (past) remuneration to members of the Managing Board.

31. EVENTS AFTER REPORTING PERIOD

There are no events after reporting period which impact the understanding of the financial statements.

AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

Tilburg, 14 March 2024

The Managing Board
Mr. P.J. (Pierre) Huurman

Mr. M.J.M. (Mark) Geubbels

The Supervisory Board
Mr. H. (Huub) Arendse, Chairman

Mrs. M.R. (Miriam) van Dongen

Mrs. D.C. (Daphne) de Kluis

Mr. J.H.G. (Hans) Snijders

ACHMEA BANK N.V. COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

COMPANY STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS			
AS AT THE YEAR ENDED 31 DECEMBER		2023	2022
Assets	**notes**		
Cash and balances with Central Banks	1	598,670	774,244
Loans and advances to banks	2	470,387	461,109
Derivative assets held for risk management	7	365,554	521,118
Loans and advances to public sector	3	583	606
Loans and advances to customers	4	14,132,458	11,829,986
Interest-bearing securities	5	30,822	–
Receivables from subsidiaries	6	12,903	27,378
Current tax assets	13	–	4,964
Prepayments and other receivables	9	281,909	264,194
Deferred tax assets	8	9,326	4,239
Total Assets		**15,902,612**	**13,887,838**
Liabilities			
Deposits from banks	10	360,938	1,137,916
Derivative liabilities held for risk management	7	437,194	410,529
Funds entrusted	11	9,290,913	7,997,577
Borrowings	12	4,884,264	3,476,940
Current tax liabilities	13	13,454	–
Accruals and other liabilities	16	80,030	73,782
Subordinated liabilities	15	1,191	1,191
Provisions	14	37	22
Total Liabilities		**15,068,021**	**13,097,957**
Equity			
Share Capital		18,152	18,152
Share premium		505,609	505,609
Legal reserves		6,126	7,001
Other reserves		244,601	245,704
Net profit for the period		60,104	13,415
Total Equity		**834,591**	**789,881**
Total Equity and Liabilities		**15,902,612**	**13,887,838**

COMPANY INCOME STATEMENT

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER	NOTES	2023	2022
IN THOUSANDS OF EUROS			
Interest income and expenses			
Interest income calculated using the effective interest method	17	413,579	274,253
Other interest income	17	110,983	370
Interest expenses calculated using the effective interest method	17	233,277	101,599
Other interest expenses	17	86,475	55,488
Net interest income	**17**	**204,810**	**117,536**
Changes in fair value of financial instruments	18	−8,476	7,414
Fees and commission income	19	6,306	6,077
Fees and commission expense	19	5,619	5,370
Net fees and commission income	**19**	**687**	**707**
Other income	20	1,005	1,113
Total income		**198,026**	**126,769**
Wages and salaries	21	16,207	14,620
Compulsory social security obligations and pension costs	21	4,522	5,290
Other staff costs	21	8,526	6,730
Staff costs	**21**	**29,255**	**26,640**
Other Operating expenses	21	85,658	78,143
Impairment of financial assets	4	2,110	4,080
Total expenses		**117,023**	**108,863**
Operating profit before taxes		**81,003**	**17,906**
Income tax expenses	22	20,899	4,491
Net profit for the period		**60,104**	**13,415**
Other comprehensive income/expense net of income tax		–	–
Total comprehensive income for the period		**60,104**	**13,415**

STATEMENT OF CHANGES IN COMPANY EQUITY

STATEMENT OF CHANGES IN COMPANY EQUITY

BEFORE PROFIT PROPORATION

IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	LEGAL RESERVE	NET PROFIT	TOTAL EQUITY
Balance at 1 January 2023	**18,152**	**505,609**	**245,704**	**7,001**	**13,415**	**789,881**
Net profit for the period	–	–	–	–	60,104	60,104
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**60,104**	**60,104**
Dividends paid	–	–	−2,000	–	−13,394	−15,394
Appropriation of profit 2022	–	–	21	–	−21	–
Release legal reserve	–	–	875	−875	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−1,104**	**-875**	**−13,415**	**−15,394**
Balance at 31 December 2023	**18,152**	**505,609**	**244,600**	**6,126**	**60,104**	**834,591**
Balance at 1 January 2022	**18,152**	**505,609**	**246,055**	**8,981**	**39,269**	**818,066**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**13,415**	**13,415**
Dividends paid	–	–	−41,600	–	–	−41,600
Appropriation of profit 2021	–	–	39,269	–	−39,269	–
Release legal reserve	–	–	1,980	−1,980	–	–
Total contributions by and distributions to Shareholders	**–**	**–**	**−351**	**−1,980**	**−39,269**	**−41,600**
Balance at 31 December 2022	**18,152**	**505,609**	**245,704**	**7,001**	**13,415**	**789,881**

As at 31 December 2023 the authorised share capital amounted to EUR 90 million (2022: EUR 90 million), divided into 90 million shares (2022: 90 million) each with a nominal value of EUR 1 (2022: EUR 1). As at 31 December 2023 18,151,663 shares had been issued and paid up in full (2022: 18,151,663 shares).

In April 2023 a dividend amount of EUR 15.4 million was paid out to Achmea B.V., representing the 2022 (EUR 13.4 million) distributable net profits plus a small amount of the other reserves (EUR 2.0 million).

As at 31 December 2023, the total legal reserve amounts to EUR 6.1 million (2022: EUR 7.0 million) and is included as part of the other reserves. The legal reserve relates to the revaluation of the acquired mortgages of a.s.r. in 2019 in the period from signing to closing of the transaction.

The profit for the year includes the 2023 net profit.

NOTES TO THE COMPANY STATEMENT

ACCOUNTING POLICIES

GENERAL

Achmea Bank N.V. is located at Spoorlaan 298, Tilburg (the Netherlands), with its registered office in The Hague (the Netherlands). It is registered at the Chamber of Commerce under number 27154399. The number of employees was 216 FTEs on 31 December 2023 (2022: 209 FTEs). The core products of Achmea Bank N.V. ('the Bank' or 'Achmea Bank') consist of savings products for private individuals and Residential mortgage loans for the Dutch market. The shares of Achmea Bank are held by Achmea B.V.

PRINCIPLES FOR THE MEASUREMENT OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

Achmea Bank N.V. makes use of the option provided in Section 362, Paragraph 8, Book 2 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of Net result applied in the Company Financial Statements of Achmea Bank N.V. are the same as those applied in the Consolidated Financial Statements. By making use of this option the Equity attributable to holders of equity instruments is the same in the Consolidated Financial Statements and the Company Financial Statements.

The Company Financial Statements have been prepared in accordance with Book 2, Title 9 of the Dutch Civil Code.

Reference is made to Summary of significant accounting policies and the accounting policy for the specific items in the Consolidated Financial Statements for a description of the accounting principles used.

For additional information on items not explained further in the notes to the company financial statements, reference is made to the notes to the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND PRESENTATION

First time application IFRS 9 for fair value hedge accounting (micro hedge accounting)

Effectively from 1 January 2023, IFRS 9 Financial instruments have been applied for fair value hedge accounting (micro hedge accounting). Achmea Bank applies fair value hedge accounting (micro hedge accounting) for derivatives related to its funding operations. The first-time application has no significant impact on Total equity as per 31 December 2023, Net result for 2023 and comparative figures of Achmea Bank N.V.

PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

In 2023, no material changes with regard to accounting policies, changes in presentations and corrections for previous periods have been made in comparison with the Consolidated Financial Statements of Achmea Bank N.V. of 2022, other than the changes described below.

Change in presentation interest expenses for derivatives

Achmea Bank changes the presentation of the interest expenses for derivatives which are designated in a hedge accounting relation. For the derivatives which are part of the macro hedge relation the interest expenses are included as part of the interest income of the hedged item. For the derivatives which are part of the micro hedge relation the interest income is included as part of the interest expenses of the hedged item. Although the impact on prior year is not considered to be materials for Total Equity, Net interest margin or Net result, the comparative figures have been adjusted accordingly for 2022; interest income as well as the interest expense decreased with EUR 60 million. This reclassification has no impact in Total Equity, Interest margin or Net result for 2023.

Change in presentation current account notary

In 2023, Achmea Bank changed the presentation of the current account notary from Loans and advances to customers to Prepayments and other receivables. The comparative figures of 2022 have been restated. The amount per 31 December 2022 was EUR 41 million. This change in presentation did not impact Total equity nor Net result.

Change in presentation current account Achmea Group

Achmea Bank changed the presentation of the current account Achmea Group from Accruals to Other Liabilities. The comparative figures have been restated. The amount per 31 December 2022 was EUR 10.9 million. This change in presentation did not impact Total Equity nor Net result.

1. CASH AND BALANCES WITH CENTRAL BANKS

CASH AND BALANCES WITH CENTRAL BANKS

IN THOUSANDS OF EUROS	2023	2022
Cash and balances with Central Banks	**598,670**	**774,244**

2. LOANS AND ADVANCES TO BANK

LOANS AND ADVANCES TO BANKS

AS AT 31 DECEMBER 2023	< 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	> 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Loans and advances to banks	**225,546**	**11,872**	**29,658**	**203,311**	**470,387**
AS AT 31 DECEMBER 2022	< 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	> 5 YEARS	TOTAL CARRYING AMOUNT
IN THOUSANDS OF EUROS					
Loans and advances to banks	**225,769**	**–**	**–**	**235,340**	**461,109**

At the end of 2023 the minimum cash reserve to be maintained at DNB and collateral posted at DNB, which is not at the Bank's free disposal amounted to EUR 63.0 million (2022: EUR 46.8 million).

3. LOANS AND ADVANCES TO PUBLIC SECTOR

LOANS AND ADVANCES TO PUBLIC SECTOR

IN THOUSANDS OF EUROS	2023	2022
Loans and advances to public sector	**583**	**606**

4. LOANS AND ADVANCES TO CUSTOMERS

LOANS AND ADVANCES TO CUSTOMERS

IN THOUSANDS OF EUROS	2023	2022
* < or equal to 3 months	250,689	121,928
* 3 months < x < or equal to 1 year	643,086	481,730
* 1 year < x < or equal to 5 years	2,975,380	2,195,324
* > 5 years	10,263,303	9,031,004
	14,132,458	**11,829,986**

5. INTEREST-BEARING SECURITIES

MOVEMENTS IN INTEREST-BEARING SECURITIES

	2023	2022

IN THOUSANDS OF EUROS		
Balance as at 1 January	**–**	**–**
Purchases	44,486	–
Sales/repayments	−15,000	–
Amortisation	1,336	–
Changes in accrued interest	–	–
Balance as at 31 December	**30,822**	**–**

In 2023 Achmea Bank invested in commercial papers from other parties amounted to EUR 31 million.

6. RECEIVABLES AND PAYABLES FROM SUBSIDIARIES

RECEIVABLES FROM SUBSIDIARIES

IN THOUSANDS OF EUROS	2023	2022
Receivables from subsidiaries	**7,781**	**27,378**

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

7. DERIVATIVES

DERIVATIVES

AS AT 31 DECEMBER 2023	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	LIABILITIES
Derivatives in economic hedge relationships			
Interest rate swaps	12,557,394	365,524	431,171
Foreign exchange derivatives	39,136	31	902
Interest caps	–	5,122	5,122
	12,596,530	**370,676**	**437,195**
Derivatives used as fair value hedges			
Interest rate swaps	9,772,624	249,454	417,898
	9,772,624	**249,454**	**417,898**

AS AT 31 DECEMBER 2022	NOTIONAL	CARRYING AMOUNT	CARRYING AMOUNT
IN THOUSANDS OF EUROS	AMOUNT	ASSETS	LIABILITIES
Derivatives in economic hedge relationships			
Interest rate swaps	8,912,148	521,116	393,816
Foreign exchange derivatives	61,109	2	62
Interest caps	–	16,651	16,651
	8,973,257	**537,769**	**410,529**
Derivatives used as fair value hedges			
Interest rate swaps	8,398,911	503,925	349,185
	8,398,911	**503,925**	**349,185**

8. DEFERRED TAX ASSETS

DEFERRED TAX ASSETS

IN THOUSANDS OF EUROS	2023	2022
Deferred tax assets	**9,325**	**4,239**

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

9. PREPAYMENTS AND OTHER RECEIVABLES

PREPAYMENTS AND OTHER RECEIVABLES

IN THOUSANDS OF EUROS	2023	2022
Prepayments and other receivables	**281,909**	**264,194**

For more information about the prepayments and other receivables, reference is made to note 13 of the notes of the consolidated statement of financial positions.

10. DEPOSITS FROM BANKS

DEPOSITS FROM BANKS

IN THOUSANDS OF EUROS	2023	2022
* < or equal to 3 months	314,890	809,955
* 3 months < x < or equal to 1 year	21,519	168,155
* 1 year < x < or equal to 5 years	18,504	158,225
* > 5 years	6,025	1,580
	360,938	**1,137,916**

11. FUNDS ENTRUSTED

FUNDS ENTRUSTED

IN THOUSANDS OF EUROS	2023	2022
* < or equal to 3 months	6,139,366	5,341,240
* 3 months < x < or equal to 1 year	626,007	424,413
* 1 year < x < or equal to 5 years	1,177,376	1,302,517
* > 5 years	1,348,165	929,408
	9,290,913	**7,997,577**

The saving deposits 2023: EUR 86 million (2022: EUR 89 million) related to mortgages in the SPV entities are excluded from the company statement of financial position.

12. BORROWINGS

BORROWINGS

IN THOUSANDS OF EUROS	2023	2022
* < or equal to 3 months	368,700	339,860
* 3 months < x < or equal to 1 year	1,018,741	442,778
* 1 year < x < or equal to 5 years	1,996,304	1,760,878
* > 5 years	1,500,519	933,425
	4,884,264	**3,476,940**

13. CURRENT TAX ASSETS AND LIABILITIES

The net current corporate tax liabilities of EUR 13.5 million (2022: tax assets EUR 5.0 million) refers to the tax receivable for the reporting period and for previous periods. The Bank forms a fiscal unity with Achmea B.V. for company tax purposes and VAT. Within this fiscal unity the Bank is severally liable. The tax expenses are settled in the current account with the Group.

14. PROVISIONS

PROVISIONS

IN THOUSANDS OF EUROS	2023	2022
Balance as at 1 January	**22**	**500**
Addition	40	22
Releases	−25	−500
Amounts used	–	–
Balance as at 31 December	**37**	**22**

For more information about provisions, reference is made to note 18 of the notes of the consolidated statement of financial positions.

15. SUBORDINATED LIABILITIES

SUBORDINATED LIABILITIES

IN THOUSANDS OF EUROS	INTEREST RATE (%)	2023	2022
Loan 1999/2024	5.68	1,191	1,191
		1,191	**1,191**

16. ACCRUALS AND OTHER LIABILITIES

ACCRUALS AND OTHER LIABILITIES

IN THOUSANDS OF EUROS	2023	2022
Accruals	612	264
Other liabilities	79,418	73,518
	80,030	**73,782**

In preparing the Note Accruals and other liabilities, Achmea Bank adjusted the presentation of the current account Intercompany from Accruals to Other Liabilities. The comparative figures of 2022 have been restated. The amount per 31 December was EUR 10.9 million. This change in presentation did not impact Total equity or Net Result.

17. INTEREST INCOME AND EXPENSES

INTEREST INCOME AND EXPENSES

IN THOUSANDS OF EUROS	2023	2022
Interest income calculated using the effective interest method	413,579	274,253
Other interest income	110,983	370
Interest expenses calculated using the effective interest method	233,277	101,599
Other interest expenses	86,475	55,488
	204,810	**117,535**

18. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

IN THOUSANDS OF EUROS	2023	2022
Changes in fair value of financial instruments	**−8,476**	**7,414**

19. FEES AND COMMISSION INCOME AND EXPENSES

FEES AND COMMISSION INCOME AND EXPENSE

IN THOUSANDS OF EUROS	2023	2022
Fees and commission income	6,306	6,077
Fees and commission expense	5,619	5,370
	687	**706**

20. OTHER INCOME

OTHER INCOME

IN THOUSANDS OF EUROS	2023	2022
Other Income	**1,005**	**1,113**

21. STAFF COSTS AND OPERATING EXPENSES

OPERATING EXPENSES

IN THOUSANDS OF EUROS	2023	2022
Staff costs	29,255	26,640
Administrative expenses	85,658	78,143
	114,913	**104,783**

22. TAX EXPENSES

INCOME TAX EXPENSES

IN THOUSANDS OF EUROS	2023	2022
Income tax expenses	**20,899**	**4,491**

23. AUDIT FEES

For more information about the audit fees, reference is made to the note 26 of the notes of the consolidated statement of financial positions.

24. CONTINGENT LIABILITIES AND COMMITMENTS

For more information about the contingent liabilities and commitments, reference is made to note 28 of the consolidated statement of financial positions.

PROFIT APPROPRIATION

The Managing Board of Achmea Bank proposes to add the 2023 net distributable profit (EUR 60.103.840) to the other reserves.

AUTHORIZATION OF COMPANY FINANCIAL STATEMENTS

Tilburg, 14 March 2024

The Managing Board
Mr. P.J. (Pierre) Huurman

Mr. M.J.M. (Mark) Geubbels

The Supervisory Board
Mr. H. (Huub) Arendse, Chairman

Mrs. M.R. (Miriam) van Dongen

Mrs. D.C. (Daphne) de Kluis

Mr. J.H.G. (Hans) Snijders

PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

The appropriation of profits is subject to Article 18 of the Articles of Association of Achmea Bank N.V. as follows:

Article 18 Profits and losses
18.1. Profits shall be at the unrestricted disposal of the General Meeting;
18.2. The Bank shall only be entitled to make payments to the shareholders and other parties entitled to distributable profits if its total equity exceeds the amount of the issued capital plus the reserves to be maintained by law;
18.3. Profits shall only be distributed after the adoption of financial statements showing that such distribution is permissible;
18.4. The General Meeting may decide that an interim dividend shall be distributed, including an interim distribution from the reserves, subject to the provisions of article 2:105.4, of the Dutch Civil Code;
18.5. Dividends shall be made payable directly after their declaration, unless another date is determined by the General Meeting;
18.6. Dividends that have not been collected within five years of becoming payable shall accrue to the Bank.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and the Supervisory Board of Achmea Bank N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Achmea Bank N.V. (hereinafter: Achmea Bank or the company) based in The Hague, the Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Achmea Bank as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Achmea Bank as at 31 December 2023 and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2023
- The following statements for 2023: the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising material accounting policy information and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2023
- The company income statement for 2023
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Achmea Bank in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Achmea Bank is a bank with a focus on residential mortgage loans and savings as its most important products for Dutch retail clients. Besides savings, the company obtains a substantial part of its funding in the form of unsecured and secured notes issued on the capital markets. We paid specific attention in our audit to a number of areas driven by the operations and our risk assessment. References to departments and functions in this section concern the departments and functions from Achmea Bank and/or Achmea B.V.

Materiality

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality	€8 million (2022: €8 million)
Benchmark applied	1% of total equity as at 31 December 2023 (2022: 1% of total equity)
Explanation	Based on our professional judgment and our perception of the financial information needs of the users of the financial statements, a benchmark of 1% of total equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of Achmea Bank. We determined materiality consistently with the previous year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €0,4 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the audit and use of service organizations

In order to obtain sufficient and appropriate audit evidence to provide an opinion on the consolidated financial statements, we have performed a full-scope audit on the consolidated financial information of Achmea Bank as a whole (no components) and by one audit team.

As Achmea Bank uses several service organisations, both within Achmea B.V. as well as externally, for its day-to-day operations, including the outsourcing of its mortgage administration services, we obtained evidence over the controls performed by the various service organisations through obtaining and evaluating ISAE 3402 type 2 assurance reports and leveraging on work performed by the auditors of the service providers.
Because we are ultimately responsible for the opinion on the financial statements, we have been involved in planning of the work by the auditors and we assessed their independence, capability and objectivity. We evaluated the ISAE 3402 type 2 assurance reports, to the extent necessary for the purpose of our audit, and special purpose auditor’s reports related to mortgage portfolios of Achmea Bank once they were finalised, and we performed a review of the audit file.

Based on these procedures performed, we concluded that we could rely on the work of these auditors for the purpose of our audit and we have been able to obtain sufficient and appropriate audit evidence about Achmea Bank's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a mortgage bank. We included specialists in the areas of IT audit, forensics, legal and income tax and have made use of our own experts in the areas of credit risk modelling, macro-economic forecasting, valuations of derivatives, hedge accounting and regulatory reporting.

We performed our audit in cooperation with Internal Audit of Achmea B.V., leveraging their in-depth knowledge of Achmea Bank and work performed. We agreed on the joint coordination of the audit planning, the nature and scope of the work to be performed, reporting and documentation. We evaluated and tested the relevant work performed by Internal Audit to satisfy ourselves that the work was adequate for our purposes and established what work had to be performed by our own professionals.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda and lead to significant change for many businesses and society. The managing board has reported in section Environment, Social and Governance (ESG) in the annual report how the company is addressing risks related to climate change, energy transition and the environment, thereby taking into account related regulatory and supervisory guidance and recommendations. Furthermore, we refer to Section "Environmental, Social & Governance"of the annual report where the managing board discloses its assessment and implementation plans in connection to climate-related risks and the effects of energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and Achmea Bank's climate transition plan are taken into account in estimates and significant assumptions underlying the valuation of certain account balances of Achmea Bank, including those related to the estimation of expected credit losses. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section Environment, Social & Governance and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at
31 December 2023.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the managing board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 'risk management' of the managing board report for the managing board's risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration.
We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the notes to the consolidated financial statements under ''3. Critical estimates and judgments used in applying the accounting policies''. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. As described in our key audit matter ''Estimation of expected credit losses on residential mortgages'', we specifically considered the risk of management override of controls in connection with assumptions such as macro-economic scenarios and forward-looking information in the determination of the expected credit losses that may represent a risk of material misstatement due to fraud.

When identifying and evaluating fraud risks we presumed that there are risks of fraud in revenue recognition. We concluded that this risk is in areas that are complex or with higher subjectivity in meeting revenue recognition criteria, such as recognition of penalty interest on retail mortgages in case of interest averaging. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk.
We considered available information and made enquiries of relevant executives, directors, internal audit, legal, operational risk and compliance department, and the audit & risk committee of the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the managing board and compliance, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of reports from the operational risk and compliance department and internal audit, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit, in particular relating to indications for (possible) deficiencies relating to compliance with the Dutch Act on the prevention of money laundering and financing of terrorism. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in the "Basis of preparation" section of note 1 to the consolidated financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the managing board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the managing board exercising professional judgment and maintaining professional skepticism. We considered whether the managing board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with prudential requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern.
Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed. In comparison with previous year, the nature of our key audit matters remained unchanged.

Estimation of expected credit losses on loans and advances to customers and related disclosures	
Risk	Consumer loans included in the ''Loans and advances to customers'' are predominantly residential mortgages. The Acier loan portfolio included in the ''Loans and advances to customers'' is also secured by commercial real estate and other collateral. Residential mortgages are measured at amortized cost, less impairment allowances for expected credit losses. At 31 December 2023 the total loans and advances to customers amounts to €14.1 billion (2022: €11.9 billion) and expected credit loss provisions of €28.2 million (2022: €21.6 million) are reported and disclosed in note 6 to the financial statements. As disclosed in more detail in note 4. ''Loans and advances to customers'' and in note 2. ''risk management'' of the notes to the financial statements, the impairment allowances for expected credit losses are based on assumptions such as the probability of default, the loss given default, the exposure at default, the allocation of loans to stages and the use of macro-economic

Estimation of expected credit losses on loans and advances to customers and related disclosures	
	scenarios. In response to the higher estimation uncertainties under the current economic situation a number of management overlays have been recognized. The appropriateness of impairment allowances for expected credit losses is a key area of judgment for the managing board. The identification of expected credit losses and the determination of the recoverability of residential mortgage, are inherently uncertain processes involving assumptions and factors including scenarios for inflation and housing prices. The use of alternative modelling techniques and assumptions could produce significantly different estimates of loan loss provisions and related disclosures. Given the relative size of the loans and advances to customers of Achmea Bank, the complex accounting requirements with respect to calculating impairment allowances for expected credit losses, the subjectivity involved in the judgments made and our consideration of the potential risk of management override of controls or other inappropriate influence over the estimation process, we considered this to be a key audit matter.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of Achmea Bank's accounting policies related to expected credit losses according to IFRS 9 "Financial Instruments" and whether the accounting policies have been applied consistently. We have obtained an understanding of the loan loss provisioning process and evaluated the design and tested operating effectiveness of internal controls across the processes relevant to the expected credit loss calculations, and performed substantive procedures, such as individual credit file review, and for the Acier portfolio based on a risk-based sample testing. The substantive procedures also included the allocation of loans into stages, model governance, data accuracy and completeness, arrears management, multiple economic scenarios, post model adjustments, journal entry testing and disclosures. With the support of our own credit risk modelling specialists and macro-economic forecasting specialists, we assessed the adequacy of the provisioning models used by Achmea Bank and verified whether the models were adequately designed and implemented. We performed an overall assessment of the provision levels by stage to determine if they were reasonable considering the risk profile of the mortgage portfolio, arrears management and credit risk management practices and the macroeconomic environment. We challenged the criteria used to allocate loans to stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate staging. We tested the data used in the calculation of expected credit losses by reconciliation to source systems. In addition, the macro-economic forecasting specialists evaluated the scenarios and assumptions. Finally, we evaluated the completeness and accuracy of the disclosures relating to the impairment allowances for expected credit losses in accordance with the disclosure requirements included in EU-IFRSs. In particular we evaluated that these disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different economic scenarios.
Key observations	Based on our procedures performed we consider the impairment allowances for expected credit losses on loans and advances to customers to be reasonable and in accordance with EU-IFRSs. The disclosures relating to the provision for expected credit losses in accordance with the requirements of EU-IFRSs.

Application of hedge accounting and related disclosures	
Risk	Achmea Bank has designated derivatives held for risk management purposes in two hedging strategies: fair value hedges on interest rate risk in its mortgage portfolio (macro hedge) and interest rate risk and currency risk related to debt securities issued (micro hedges). The derivatives are measured at fair value through profit or loss and amount to €371 million (2022: €538 million) of assets and €437 million (2022: €411 million) liabilities. The application of hedge accounting enables the synchronization of the reported results for the hedging instrument and the hedged position, insofar the hedge is effective and the hedge relation is formally documented. Achmea Bank has developed specific models to calculate hedge effectiveness. Both the fair value adjustments of the hedged position related to the hedged risk and the fair value adjustments of the derivatives are recorded in the statement of comprehensive income as changes in fair value of financial instruments including any resulting ineffectiveness. For the year ended 31 December 2023 Achmea Bank recorded a hedge accounting ineffectiveness as disclosed in note 8 ''Changes in fair value of financial instruments, derivatives and hedge accounting'' of €13 million positive (2022: €25 million positive). The hedge accounting models used by Achmea Bank to determine the effectiveness of the hedges required significant auditor's attention and the application of hedge accounting is considered a key audit matter as well as the related disclosures. The process, including the technical requirements for the application of hedge accounting, is complex, highly subjective and based on assumptions.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of Achmea Bank's hedge accounting policies in accordance with IFRS 9 (micro hedges) and the EU carve-out version of IAS 39 (macro hedge) hedge accounting requirements, and whether the interest rate swaps, foreign exchange derivatives and interest caps are eligible for hedge accounting. We evaluated the design and implementation of the controls over the hedge accounting process. In our audit we have tested, on a sample basis, whether the hedge documentation meets the requirements of EU-IFRSs. Furthermore, our derivative valuation specialist and hedge accounting specialists have been involved to evaluate whether the hedge relationships are effective and the hedge effectiveness has been calculated accordingly. Finally, we evaluated the completeness and accuracy of the disclosures relating to derivatives and hedge accounting in accordance with the disclosure requirements included in EU-IFRSs.
Key observations	Based on our procedures performed no material findings were noted with respect to the adequacy of the hedge documentation and the hedge effectiveness tests. We found the disclosure on hedge accounting in accordance with EU-IFRSs.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of Achmea Bank on 16 December 2019, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the managing board and the supervisory board for the financial statements

The managing board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the managing board is responsible for such internal control as the managing board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the managing board should prepare the financial statements using the going concern basis of accounting unless the managing board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.
The managing board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Other information

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit & risk committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 15 March 2024

Ernst & Young Accountants LLP

Signed by R. Koekkoek

Colophon and contact information

Colophon
This is the English version of our 2023 annual report. There is no Dutch version of this report. The annual report can be downloaded from our website achmeabank.com.

We are happy to receive your reaction concerning this annual report via the address mentioned below.

Visiting address
Achmea Bank N.V.
Spoorlaan 298
5017 JZ Tilburg

Mailing address
Achmea Bank N.V.
Postbus 54
7300 AB Apeldoorn

www.achmeabank.com

For more information:

Achmea Media Relations

Marco Simmers

T: +31 6 534 387 18

E: marco.simmers@achmea.nl

Viola Teepe

T: +31 6 107 755 68

E: viola.teepe@achmea.nl

Investor Relations Achmea Bank

Rudi Kramer

T: +31 6 53 26 45 52

E: rudi.kramer@achmea.nl

Hans Duine

T: +31 6 821 050 97

E: hans.duine@achmea.nl