



ACHMEA BANK N.V. REPORTS A POSITIVE RESULT OF EUR 50 MILLION

Tilburg, 13 March 2020

- Achmea Bank N.V. reported a 2019 profit of EUR 50 million, EUR 37 million after tax (2018: EUR 39 million, after tax EUR 29 million)
- The Common Equity Tier 1 Capital Ratio remains strong at 19.2% (2018: 20.8%)
- Achmea Bank completed the acquisition of a.s.r. banking activities and a mortgage portfolio acquisition within Achmea

Achmea Bank reported a profit before tax of EUR 50 million in 2019 (2018 EUR 39 million). This result includes an accounting result of EUR 18 million, which relates to the a.s.r. transaction.

The operating result for 2019, excluding this accounting result and fair value result, declined from EUR 39 million in 2018 to EUR 34 million in 2019. The decline in the operational result is mainly due to higher operating expenses of EUR 26 million partly compensated by higher interest margin of EUR 15 million and increased fee income of EUR 4 million. EUR 15 million of the higher operating expenses is due to a policy change by Achmea with respect to cost allocation within the group, EUR 5 million is due to increased project costs.

In 2019, Achmea Bank completed two balance sheet transactions. One is the acquisition of the a.s.r. banking activities which includes a mortgage portfolio (EUR 1.4 billion), the other is a mortgage portfolio of Achmea Pensioen- en Levensverzekeringen N.V. (EUR 0.6 billion). In 2019 the production of new mortgages increased sharply with EUR 0.9 billion to EUR 1.8 billion, of which EUR 1 billion for Achmea Pensioen- en Levensverzekeringen N.V. (2018 EUR 0.3 billion). Combined with the acquired portfolios and prepayments of EUR 1.2 billion, the regular mortgage portfolio of Achmea Bank increased with EUR 1.6 billion in 2019. Also Achmea Bank introduced a new niche proposition, the revolving credit mortgage in 2019, next to the existing Buy-to-Let and self-employed propositions.

Achmea Group has the ambition to grow in the mortgage market. In line with this ambition, Achmea will concentrate its operational mortgage activities at one location in Amsterdam. The commercial activities will be concentrated in Apeldoorn. For Achmea Bank this means transferring its mortgage operations activities from Tilburg to Amsterdam and its commercial activities to Apeldoorn. The expected reorganisation costs of EUR 3 million are provisioned for and included in the operating expenses of 2019.

The savings portfolio increased to EUR 7.1 billion (2018 EUR 5.7 billion), mainly driven by the acquisition of the a.s.r. saving portfolio of EUR 1.5 billion. In 2019 Achmea Bank redeemed EUR 0.6 billion RMBS notes and issued a conditional pass through covered bond of EUR 0.5 billion. The Bank has a diversified funding mix and retained its sound liquidity position with liquidity ratios well above internal and external limits. The Bank uses retail financing as well as unsecured and secured wholesale financing. In addition the Bank maintains different maturity profiles in its funding instruments to prevent potential future refinancing concentration risk.

The Total Capital ratio remained strong at 19.2% (2018: 20.9%). The Common Equity Tier 1 (CET1) Capital ratio decreased to 19.2% as per December 2019 (20.8% at the end of 2018), mainly due to the acquired mortgage portfolios. Achmea Bank currently applies the standardized approach to calculate the risk weighting of its assets. Achmea Bank is working towards the implementation of Advanced Internal Rating Based (AIRB) models.

In line with the dividend policy, Achmea Bank proposes to pay out a total dividend of EUR 23 million.

Mark Geubbels has been appointed Chief Financial & Risk Officer of Achmea Bank as of 16 December 2019 and replaces Pieter Emmen who stepped down per 6 September 2019. Per 31 December 2019, the Executive Board of Achmea Bank consists of Pierre Huurman (chairman) and Mark Geubbels.

Since year-end 2018 Achmea Bank has retained its Issuer Default Rating of A/Stable (Fitch). Standard and Poor's revised the Issuer Credit Rating Outlook per 31 March 2019 from A-/ negative to A-/stable.

ACQUISITION OF THE A.S.R. BANKING ACTIVITIES

In December 2019, Achmea Bank completed the acquisition of the a.s.r. banking activities which includes a savings portfolio of about 125,000 customers and a volume of EUR 1.5 billion and a mortgage portfolio with a volume of EUR 1.4 billion. From that moment on, customers with a former savings product from a.s.r. bank are transferred to the savings product of Achmea. Achmea Bank's acquisition of the portfolios is part of Achmea's strategy to expand their financial products and services.

The 2019 result includes an accounting result of EUR 18 million. The transaction prices for the mortgages and savings were set at signing date (21 March 2019) with the exception of the impact of interest rate movements that are offset against the value development of the derivatives that were part of the transaction to hedge this interest rate risk. The accounting result mainly reflects the increased fair value of the acquired mortgages due to increased competition and related pressure on mortgage rates in the period from signing (21 March 2019) to closing (1 December 2019) of the transaction.

INTEREST MARGIN

The interest margin in 2019 increased by EUR 15 million compared to 2018. The impact of lower funding costs for both wholesale funding and the retail savings portfolio exceeded the lower interest income on the mortgage portfolio for an amount of EUR 7 million. Furthermore, the 2018 interest margin included a negative result of prepayment of debt securities of EUR 6 million and the compensation for early redemptions increased with EUR 3 million compared to 2018.

FAIR VALUE EFFECTS

The fair value result, excluding the a.s.r. accounting result (refer to acquisition of the a.s.r. banking activities), amounted to a loss of EUR 4 million (2018: EUR 0.3 million loss). The fair value result is an accounting result that is mainly compensated in other reporting periods, generally reflecting a pull to par as the underlying derivatives (used for hedging interest rate risk) approach maturity.

OPERATING EXPENSES

Compared to 2018, operating expenses increased significantly by EUR 26 million. Part of the increase is due to a policy change by Achmea B.V. with respect to cost allocation (EUR 15 million). Furthermore, the project costs increased by EUR 5 million caused by costs related to Advanced Internal Rating Based (AIRB) method, one-off costs to welcome our new a.s.r. customers including the implementation of the a.s.r. portfolios in our savings and accounting system and costs related to our 'Care for Customers' project. The 2019 operating expenses include the expected reorganisation costs of EUR 3 million related to the proposed integration of the Achmea group-wide operational and commercial mortgage activities to Amsterdam and Apeldoorn. Furthermore, the servicing costs for mortgages increased by EUR 2 million, due to increased mortgage production and the acquired mortgage portfolios. The operating expenses in 2019 include an amount of EUR 8 million (2018: EUR 9 million) for bank-related levies for the resolution fund and the deposit guarantee scheme. The number of employees slightly increased from 203 FTE to 209 FTE at the end of 2019.

PORTFOLIO PERFORMANCE

As of 2018 onwards, impairment charges are based on the IFRS 9 reporting standard. The net release of the loan loss provision amounted to EUR 4 million (2018: EUR 2 million) and relates mainly to the Acier portfolio (EUR 5 million). The provision for the regular mortgage portfolio, remained stable at 8 basis points (2018: 8 basis points) reflecting the high quality of the mortgage portfolio and good economic circumstances and increased housing prices. The number of defaults in the regular portfolio continues to be low. The provision for the Acier portfolio decreased from EUR 35 million as per 31 December 2018 to EUR 22 million per 31 December 2019. The decrease of this provision was related to releases and write offs of a limited number of individual loans. The Acier loan portfolio differs in characteristics from the regular Achmea Bank mortgage portfolio. Achmea B.V. issued a capped guarantee to cover credit risk and legal claims related to this portfolio. Based on this contract Achmea Bank can claim a large part of the credit losses and legal claims on the Acier portfolio with Achmea B.V.

Tilburg, 13 March 2020

The Executive Board

P.J. Hurman
M.J.M. Geubbels

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BEFORE APPROPRIATION OF RESULT		
IN THOUSANDS OF EUROS		
AS AT	31 DECEMBER 2019	31 DECEMBER 2018
Assets		
Cash and balances with Central Banks	72,366	115,781
Derivative assets held for risk management	90,513	82,575
Loans and advances to banks	713,350	758,361
Loans and advances to public sector	675	699
Loans and advances to customers	12,640,791	11,056,321
Interest-bearing securities	-	201,168
Prepayments and other receivables	147,468	70,912
Total Assets	13,665,163	12,285,817
Liabilities		
Derivative liabilities held for risk management	464,969	470,479
Deposits from banks	197,749	202,148
Funds entrusted	7,507,919	5,859,866
Debt securities issued	4,574,111	4,858,361
Provisions	3,600	150
Current tax liabilities	23,753	34,102
Deferred tax liabilities	3,028	1,632
Accruals and other liabilities	68,138	45,562
Subordinated liabilities	8,336	8,336
Total Liabilities	12,851,603	11,480,636
Share Capital	18,152	18,152
Share premium	505,609	505,609
Reserves	252,508	251,948
Net profit	37,291	29,472
Total Equity	813,560	805,181
Total Equity and Liabilities	13,665,163	12,285,817

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN MILLIONS OF EUROS	2019	2018	CHANGE
Interest Income	343	382	-10%
Interest expense	218	272	-20%
Interest margin	125	110	14%
Changes in fair value of financial instruments	16	-	-
Interest margin and changes in fair value of financial instruments	141	110	28%
Other income	2	2	-
Fees and commission income and expense	8	4	100%
Operating income	151	116	30%
Impairment of financial instruments and other assets	-4	-2	-100%
Operating expenses	105	79	33%
Total expenses	101	77	31%
Operating profit before income taxes	50	39	28%
Income tax expense	13	10	30%
Net profit	37	29	28%
Operating profit excluding exceptional items and fair value result	34	39	-13%
RATIOS	2019	2018	
Return on average equity	4.6%	3.6%	
Efficiency ratio (operating expenses/interest margin, fees and other income)*	78.0%	67.8%	
Common Equity Tier 1 Capital Ratio	19.2%	20.8%	
Total Capital Ratio	19.2%	20.9%	
Leverage ratio	5.7%	6.5%	
Net Stable Funding Ratio	121%	121%	
Liquidity Coverage Ratio	249%	364%	

*increase mainly due to policy change with respect to cost allocation within Achmea Group

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

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About Achmea Bank

Achmea Bank is part of Achmea and provides mortgages and savings products to the retail market in the Netherlands via the Centraal Beheer and Woonfonds labels. Achmea Bank is licensed to provide financial services under the Financial Supervision Act (Wft). Achmea Bank has a lending portfolio of approximately EUR 12.1 billion and manages savings of approximately EUR 7.1 billion. Achmea Bank is located in Tilburg. www.achmeabank.com

This press release may contain price-sensitive information pursuant to the interpretations set out in Article 7 (1) of the EU Market Abuse Regulation. This statement is published by Achmea Bank and contains information that is or could be classified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR).