ACHMEA BANK N.V. REPORTS A POSITIVE RESULT, RETAINS STRONG CAPITAL POSITION AND REPOSITIONS ITSELF FOR FUTURE GROWTH

Tilburg, 23 March 2018

- Achmea Bank N.V. reports a profit before tax of EUR 24 million, EUR 18 million after tax for 2017 (2016: EUR 17 million, after tax EUR 13 million)
- The Common Equity Tier 1 Capital Ratio increased to 20.4% (2016: 19.1%)
- The primary servicing of the mortgage portfolio has been transferred to Quion in May 2017
- The Bank successfully issued a Conditional Pass Through Covered Bond of EUR 500 million in November 2017
- A new savings and payment system was implemented in January 2018

Achmea Bank reported a profit before tax of EUR 24 million (2016 a profit of EUR 17 million) over 2017. This result includes the following exceptional items: release of the Acier loan loss provision of EUR 7 million and a positive fair value result of EUR 2 million. The operating result for 2017, excluding the above mentioned exceptional items, amounts to EUR 15 million (2016: EUR 16 million). Compared to last year, a lower interest margin of EUR 6 million is partly compensated by higher fees of EUR 3 million and lower impairment charges relating to the regular portfolio of EUR 2 million.

Production of new mortgages increased to EUR 1.4 billion (2016: EUR 0.7 billion). As part of the retirement benefit strategy of Achmea, Centraal Beheer was successfully positioned as a mortgage label whereas Woonfonds will focus on niche segments alongside the "mainstream" mortgage market. The production was equally divided between Achmea Bank (2016: EUR 0.4 billion) and Achmea Pensioen & Leven N.V. (2016: EUR 0.3 billion). As the total prepayments stabilized at EUR 1.1 billion, the nominal value of the regular mortgage portfolio of Achmea Bank decreased to EUR 10.4 billion (2016: 10.8 billion).

The savings portfolio remained stable at EUR 6 billion. In November 2017, Achmea Bank set up a EUR 5 billion Conditional Pass Through Covered Bond Programme ("CPTCB") to replace its existing covered bond programme which was terminated in October 2017. At inception the Bank issued bonds for an amount of EUR 0.5 billion. This transaction enables Achmea Bank to further diversify its funding sources and attract new long-term funding. In 2017 the Bank redeemed EUR 0.5 billion RMBS notes.

Achmea Bank successfully transferred the servicing of its mortgage portfolio and part of its lending process connected to the mortgage portfolio to Quion in May 2017. Furthermore a new administration system for savings products and payments (Europort+ of Able) was implemented on 22 January 2018. Through the strategic partnerships with Quion and Able, Achmea Bank is able to improve customer service, increase flexibility and achieve a structural cost reduction. Achmea Bank has restructured the internal organization to align with these developments and to reposition itself for future growth.

The Total Capital ratio increased to 20.5% (2016: 19.2%). The Common Equity Tier 1 (CET1) Capital ratio increased to 20.4% as per December 2017 (19.1% at the end of 2016). Profit 2016 and the decrease of the mortgage portfolio both contributed this increase.

The estimated impact of IFRS 9 is a decrease of CET 1 ratio with approximately 30 basis points, mainly related to a change in the classification and measurement of a small part of the mortgage portfolio. The new BASEL IV guidelines come into force in 2022, on the basis of a preliminary impact assessment Achmea Bank expects that these guidelines will not have a material impact on the capital ratios.

In line with Achmea Group's policy to manage excess capital at group level, Achmea Bank has drawn up a dividend policy in 2017 whereby dividend is paid out if the Bank's Total Capital Ratio exceeds a minimum limit. In accordance with this policy and given its solid capital position, the clear and lower than expected impact of both Basel IV and IFRS 9 and positive developments in the Acier portfolio, Achmea Bank proposes to pay out a total dividend of EUR 50 million. When the final Basel IV regulations are implemented in European legislation without change, our capital position remains strong enough to realize our growth strategy and pay out future dividends.

Since year-end 2016 Achmea Bank has retained its long-term rating of A/stable (Fitch). Standard and Poor's revised the rating per 31 March 2017 from A-/ Stable to A-/Negative.

As of 1 April 2017 Mr. Pieter Emmen has succeeded Mr. Ronald Buwalda as Director of Finance & Risk of Achmea Bank. As a result of the completion of the operational transformation the position of Director of Operations will no longer be filled in as of April 1, 2018. As of the 1 January 2018, Mrs. Petri Hofsté stepped down as chairman of the Supervisory Board of Achmea Bank and has been replaced by Mr. Huub Arendse, who joined the Supervisory Board as from 1 August 2017. On 1 August 2017 Mrs. Bianca Tetteroo was also appointed as member of the Supervisory Board.

INTEREST MARGIN

In 2017 the interest margin decreased by EUR 6 million, mainly as a result of lower income related to compensation for early redemptions of EUR 8 million. Lower interest income on the mortgage portfolio was compensated by lower funding costs for both the wholesale funding and the retail savings portfolio. The AFM guidelines for compensation for early redemptions on mortgage loans, which were published in March 2017, created further clarity about the interpretation of the Mortgage Credit Directive which had been effective as of 14 July 2016. The Bank implemented these guidelines in 2017. Together with reimbursements to customers who were entitled to a compensation, this resulted in a total compensation to customers of EUR 3 million. At the end of 2016 a provision of EUR 1 million was already in place, therefore the overall impact on the interest margin in 2017 was EUR 2 million.

FAIR VALUE EFFECTS

The fair value result amounted to a profit of EUR 2 million (2016: EUR 1 million). The fair value result is an accounting result that is compensated in other reporting periods, generally reflecting a pull to par as the underlying derivatives (used for hedging interest rate exposure) approach maturity.

OPERATING EXPENSES

The operating expenses of EUR 95 million remained unchanged compared to 2016. In 2017 Achmea Bank finalized the outsourcing of the mortgage portfolio to Quion. In H2 2017 the related structural cost savings were partially offset by the implementation costs and by project costs related to the implementation of the new savings- and payment system and IFRS9. The number of employees decreased from 354 FTE at the end of 2016 to 268 FTE at the end of 2017, which resulted in a decrease of staff costs of EUR 4 million. The operating expenses in 2017 includes an amount of EUR 9 million (2016: EUR 8 million) for bank-related levies for the resolution fund and the deposit guarantee scheme.

RESULT OF THE ACIER PORTFOLIO

The result of the Acier portfolio, excluding releases of the loan loss provision, amounted to a profit of EUR 0.2 million. The interest margin of this portfolio amounted to EUR 3 million which was almost equal to the total operating expenses which mainly consisted of personnel expenses. 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 part of the credit losses and legal claims on the Acier portfolio from Achmea B.V. The releases of the loan loss provision were related to a limited number of individual loans and are not expected to be structural.

PORTFOLIO PERFORMANCE

The net release of the loan loss provision amounted to EUR 7 million (2016: EUR 2 million net addition), almost completely related to the Acier portfolio. The provision for the regular mortgage portfolio decreased from 11 basis points as per year-end 2016 to 7 basis points as per December 2017 reflecting better economic circumstances and increased housing prices. These better circumstances also led to a decrease in the amount of write-offs to 4 basis points on an annual basis (2016: 7.7 basis points).

OUTLOOK

In the current low interest environment, pressure on interest margin is expected to continue. Operating expenses, excluding regulatory levies, are expected to decline in 2018 taking advantage of the outsourcing of our mortgage servicing to Quion and the implementation of the new savings- and payment system. We expect the number of defaults in the regular portfolio to continue to be low. Given the specific character and macro-economic uncertainty we do not make any predictions regarding loan impairments in the Acier portfolio and fair value effects. As a result of the implementation of IFRS9, we also expect impairment charges to show a more volatile picture for both portfolios.

Tilburg, 23 March 2018

The Executive Board

P.J. Huurman, Chief Executive Officer
P.C.A.M. Emmen, Director Finance & Risk (as of 1 April 2017)
V.J. Teekens, Director Operations

BEFORE APPROPRIATION OF RESULT AS AT YEAR ENDED 31 DECEMBER IN THOUSANDS OF EUROS	2017	2016
Assets		
Cash and balances with Central Banks	890,063	658,325
Derivative assets held for risk management	118,635	255,510
Loans and advances to banks	993,221	1,117,344
Loans and advances to public sector	722	15,820
Loans and advances to customers	11,730,641	12,503,018
Interest-bearing securities	403,561	401,182
Current tax assets	–	2,182
Prepayments and other receivables	62,512	31,849
Total Assets	**14,199,355**	**14,985,230**
Liabilities		
Derivative liabilities held for risk management	573,427	764,533
Deposits from banks	144,635	97,411
Funds entrusted	6,171,584	6,388,454
Debt securities issued	6,362,719	6,825,449
Provisions	1,600	1,065
Current tax liabilities	25,857	4,678
Deferred tax liabilities	9,519	25,401
Accruals and other liabilities	61,203	46,762
Subordinated liabilities	8,336	8,336
Total Liabilities	**13,358,880**	**14,162,089**
Share Capital	18,152	18,152
Share premium	505,609	505,609
Reserves	298,990	286,404
Net profit	17,724	12,976
Total Equity	**840,475**	**823,141**
Total Equity and Liabilities	**14,199,355**	**14,985,230**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN MILLIONS OF EUROS	2017	2016	CHANGE
Interest Income	426	489	−13%
Interest expense	323	380	−15%
Interest margin	**103**	**109**	**−6%**
Changes in fair value of financial instruments	2	1	100%
Interest margin and changes in fair value of financial instruments	**105**	**110**	**−5%**
Other income	2	2	0%
Fees and commission income and expense	5	2	150%
Operating income	**112**	**114**	**−2%**
Impairment of financial instruments and other assets	−7	2	
Operating expenses	95	95	0%
Total expenses	**88**	**97**	**−9%**
Operating profit before income taxes	**24**	**17**	**41%**
Income tax expense	6	4	50%
Net profit	**18**	**13**	**38%**
Operating profit before income taxes regular Achmea Bank portfolio	17	19	−11%
Operating profit before income taxes Acier loan portfolio	7	−2	
Operating profit before income taxes Achmea Bank	**24**	**17**	**41%**

RATIOS	2017	2016	
Return on average equity	2.1%	1.6%	
Efficiency ratio (excl. changes in fair value)	92.2%	86.9%	
Common Equity Tier 1 Capital Ratio	20.4%	19.1%	
Total Capital Ratio	20.5%	19.2%	
Leverage ratio	6.0%	5.6%	
Net Stable Funding Ratio	119%	122%	
Liquidity Coverage Ratio	255%	572%	

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. All figures in this press release are unaudited.

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