Achmea Hypotheekbank N.V.
Press release
Interim results 2011
30 August 2011

# Achmea Hypotheekbank's interim report

Achmea Hypotheekbank's profit before income taxes for the first half of 2011 amounted to EUR 6.1 million (first half of 2010: EUR 32.2 million), excluding changes in fair value of financial instruments. This decrease was primarily caused by higher funding costs. As money market rates increased, the interest margin declined by EUR 28.4 million, representing a 51% decline compared to the first half of 2010. Operating expenses and impairments decreased by in aggregate EUR 2.5 million (minus 12%) compared to last year. Changes in fair value of financial instruments equalled a loss of EUR 11.0 million (first half year of 2010: EUR 20.9 million gain), leading to a loss before income taxes of EUR 4.9 million compared to a profit of EUR 53.1 million for the preceding year. The net loss reported for the first half of 2011 amounts to EUR 3.6 million (first half of 2010: net profit of EUR 39.6 million).
Capitalisation remained strong with a core Tier 1 ratio of 13.1% (December 2010: 12.8%).

### Interest margin declined as a result of an increase in market interest rates

In total interest margin declined by EUR 28.4 million. Of this amount EUR 22.0 million relates to increased interest rates on the money markets, which in turn lead to an increase in the net cost of refinancing the bank's funding.

Over time increased funding costs have to be compensated by an increase in mortgage pricing, enabling interest margins to recover. In 2011 this effect was to a limited extent, offset by the gradual but deliberate decrease of the mortgage portfolio. In line with the de-risking strategy of the bank, the mortgage portfolio decreased from EUR 13.3 billion at the end of June 2010 to EUR 12.5 billion at the end of June 2011.

### Negative effects due to changes in the fair value of interest-rate-sensitive instruments

The pre-tax profit for the current period was adversely affected by the EUR 11.0 million loss (first six months 2010: EUR 20.9 million gain) realized due to changes in the fair value of interest-rate-sensitive instruments. The fair value result comprises hedge accounting results and gains and losses on derivatives and other financial instruments. Due to their nature these effects will be offset in future periods.

### Stringent cost control

Operating expenses decreased by EUR 1.3 million (-7.1%), mainly due to a reduction in IT costs. In addition, the 2010 costs included the initial investments required to establish a dedicated Balance Sheet Management Department.

### Excellent portfolio performance

The quality of the credit portfolio remains very strong as reflected in the level of impairments on this portfolio, which decreased from EUR 2.2 million in the first half of 2010 to EUR 1.0 million in the first half of 2011. The number of debtors in default has decreased by10%, while the mortgage portfolio decreased by 6%. Write-offs amounted to 3 basis points on the mortgage portfolio, which compares favourably to the market.

### Focus on Tier 1 Capital

Tier 1 ratio increased to13.1% at the end of June 2011 (12.8% at the end of 2010). The BIS ratio as of 30 June 2011 amounted to 15.6%. This puts the bank in a good position, in view of the more stringent capital requirements as set out in Basel III.

## Liquidity position further strengthened

In July EUR 0.8 billion of residential mortgage-backed securities (RMBS) funding was raised to refinance the existing mortgage portfolio. The transaction was very well received in the capital market resulting in considerable interest from institutional investors across Europe.

In addition to this transaction Achmea Retail Bank raised EUR 0.3 billion of consumer savings capital, which is mainly used to fund Achmea Hypotheekbank's mortgage portfolio.

Tilburg, 30 August 2011

The Executive Board

Achmea Hypotheekbank is part of Eureko Group. The bank sells and services its mortgage and other products via the distribution channels of Centraal Beheer Achmea, FBTO, Avéro Achmea and Woonfonds Hypotheken.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the period ended 30 June**

| In thousands of euros | 2011<br>Reviewed | 2010<br>Reviewed |
|---|---|---|
| Interest income | 330,554 | 347,852 |
| Interest expenses | 303,771 | 292,696 |
| **Interest margin** | **26,783** | **55,156** |
| | | |
| Changes in fair value of financial instruments | -11,003 | 20,878 |
| **Interest margin and changes in fair value of financial instruments** | **15,780** | **76,034** |
| | | |
| Fees and commission expense | 2,044 | 1,807 |
| **Fee and commission** | **2,044** | **1,807** |
| | | |
| **Operating income** | **13,736** | **74,227** |
| | | |
| Impairment on financial instruments and other assets | 1,020 | 2,193 |
| Operating expenses | 17,580 | 18,919 |
| **Profit before income taxes** | **-4,864** | **53,115** |
| | | |
| Income tax expense | -1,216 | 13,544 |
| **Net profit** | **-3,648** | **39,571** |
| | | |
| **Other comprehensive income, net of income tax** | | |
| | | |
| **Fair value reserve (available-for-sale financial assets):** | | |
| Net change in fair value | -1,366 | -766 |
| | | |
| **Other comprehensive income for the period, net of income tax** | **-1,366** | **-766** |
| **Total comprehensive income for the period** | **-5,014** | **38,805** |
| | | |
| **Net profit attributable to:** | | |
| Shareholders' equity | -3,648 | 39,571 |
| **Net profit for the period** | **-3,648** | **39,571** |
| | | |
| **Total comprehensive income attributable to:** | | |
| Shareholders' equity | -5,014 | 38,805 |
| **Total comprehensive income for the period** | **-5,014** | **38,805** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| In thousands of euros | 30 June 2011 | 31 December 2010 |
|---|---|---|
| | Reviewed | Audited |
| **Assets** | | |
| Cash and cash equivalents | 5,187 | 8,706 |
| Derivative assets held for risk management | 398,281 | 710,469 |
| Loans and advances to banks | 1,082,744 | 898,545 |
| Loans and advances to public sector | 422,869 | 806,326 |
| Loans and advances to customers | 12,941,998 | 13,477,437 |
| Interest-bearing securities | 129,196 | 129,781 |
| Current tax assets | 18,580 | 20,538 |
| Deferred tax assets | - | 508 |
| Prepayments and other receivables | 26,023 | 22,514 |
| **Total assets** | **15,024,878** | **16,074,824** |
| | | |
| **Liabilities** | | |
| Derivative liabilities held for risk management | 602,085 | 796,198 |
| Deposits from banks | 1,959,242 | 1,813,970 |
| Funds entrusted | 1,215,783 | 1,271,571 |
| Debt securities issued | 10,429,762 | 11,361,098 |
| Deferred tax liabilities | 19,519 | 23,657 |
| Accruals and other liabilities | 97,049 | 103,862 |
| Subordinated liabilities | 176,996 | 175,012 |
| **Total liabilities** | **14,500,436** | **15,545,368** |
| | | |
| Share capital | 18,152 | 18,152 |
| Share premium | 269,206 | 269,206 |
| Reserves | 237,084 | 242,098 |
| | | |
| **Shareholders' equity** | **524,442** | **529,456** |
| | | |
| **Total equity and liabilities** | **15,024,878** | **16,074,824** |

The Condensed Consolidated Interim Financial Statements of Achmea Hypotheekbank N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed for use in the European Union.

PricewaterhouseCoopers Accountants N.V., Achmea Hypotheekbank's auditors have issued an unqualified review opinion on the Condensed Consolidated Interim Financial Statements.

## For more information, please contact:

**Media:**
Stefan Kloet
Mobile: 0031 (0)6 12 22 36 57

Email: stefan.kloet@achmea.nl

**Investors:**
Rudi Kramer
Mobile: 0031 (0)6 53 26 45 52
Telephone: 0031 (0)30 693 70 19
Email: rudi.kramer@achmea.nl

Achmea Hypotheekbank N.V.
Spoorlaan 298
5017 JZ  Tilburg
The Netherlands
P.O. Box 54
7300 AB  Apeldoorn
The Netherlands
Phone +31 13 461 20 00
www.achmeamortgagebank.nl
Chamber of Commerce The Hague no. 154399