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## Achmea Bank N.V.

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# Achmea Bank N.V.

## Major Rating Factors

### Counterparty Credit Rating

A/Negative/A-1

Strengths:	Weaknesses:
<ul style="list-style-type: none"><li>• Fully owned highly strategic subsidiary of the Achmea Group.</li><li>• Increasing operational cooperation with the group's core insurance entities.</li><li>• Sound asset quality, reflecting its focus on Dutch residential mortgage lending.</li></ul>	<ul style="list-style-type: none"><li>• Lack of diversification by geography and product offering.</li><li>• Dependence on wholesale funding.</li><li>• Limited earnings growth prospects.</li></ul>

### Outlook

The negative outlook on The Netherlands-based Achmea Bank mirrors our negative outlook on the Achmea Group. This reflects Standard & Poor's Ratings Services view of Achmea Bank as a "highly strategic" subsidiary of the Achmea Group.

We expect to continue rating the bank one notch lower than our group credit profile on Achmea Group over the next two years, provided that our view of the bank's status as highly strategic remains unchanged.

Any rating action on the Achmea Group could therefore prompt a similar rating action on Achmea Bank. We could also lower our ratings on Achmea Bank if we saw the strategical importance to the Achmea Group lessen.

## Rationale

Our ratings on Achmea Bank reflect its status as a highly strategic subsidiary of the Dutch insurance Achmea Group. The ratings are therefore set one notch lower than the 'a+' group credit profile of the Achmea Group because we believe the bank would receive extraordinary support from its parents if required.

We believe that Achmea Bank is fully integrated with the group and forms an integral part of the group strategy. Achmea Bank continues to be an important distribution channel for the insurance operations, and its bank products complement the life insurance products, producing cross-selling opportunities.

Achmea Bank was created in 2014 following the merger of three banking entities--Achmea Hypotheekbank, Achmea Bank Holding, and Achmea Retail Bank—with the objective of increased efficiency for the whole group. Our view that

the bank is today the group's main banking arm is supported by the acquisition in August 2015 of a substantial part of the loan portfolio of its sister company, Staalbankiers. Achmea Bank now operates almost all retail banking activities of the Achmea Group.

With €16.6 billion in total assets at midyear 2015, Achmea Bank remains a small player in The Netherlands. We expect its loan portfolio will stabilize in the next 12 months, and anticipate that its 1% market share will not change markedly. The bank focuses on residential mortgages and savings products, both distributed by the group's diverse brands and complementing insurance products. We believe the regulatory changes in The Netherlands with regard to pension plans have created incentives for individuals to invest in personal retirement products. We anticipate, therefore, an increase in cross-selling activities because Achmea Bank will be instrumental in capturing this demand for the Achmea Group via its banking products.

We continue to consider Achmea Bank's low profitability as neutral in our assessment of its group status. The bank reported a €24 million net profit at year-end 2014, in line with our expectations, and a €4 million loss at midyear 2015. We expect the bank's earnings capacity will remain constrained in the next two years. Our anticipation includes continued pressure on the net interest margin from low interest rates and the cost of being largely wholesale funded, increasing regulatory-related expenses, and flat loan book growth. Still, we think profitability will improve slightly in the next two years on the back of lower refinancing costs. We consider that the bank's main focus is to increase client retention within the group by facilitating cross-selling and improving customer satisfaction.

We view Achmea Bank's credit losses as lower than peers', with a cost of risk ranging between five and 10 basis points for the past five years, and expect the bank to maintain this level of losses in the next two years. As of Dec. 31, 2014, the bank's gross nonperforming assets amounted to 0.84% of its €12.6 billion customer loan portfolio. The acquisition of Staalbankiers' retail loan portfolio has somewhat weakened Achmea Bank's risk position because the acquired portfolio was of markedly weaker quality than the bank's mortgage loan book, in our opinion. However, given the loss-cap guarantee mechanism that Achmea Group provides to the bank, we think that the impact on the bank's net results will be limited.

**Table 1**

	--Year-ended Dec. 31--				
	2014	2013	2012	2011	2010
Adjusted assets (mil. €)	15,125	17,145	16,041	16,528	16,753
Customer loans (gross) (mil. €)	12,593	12,440	13,255	13,489	14,383
Adjusted common equity (mil. €)	598	574	557	533	568
Operating revenues (mil. €)	128	108	108	(7)	133
Noninterest expenses (mil. €)	86	73	64	38	53
Core earnings (mil. €)	24	17	24	(34)	50
Tier 1 capital ratio (%)	17.00	15.00	14.20	12.30	12.70
Net interest income/operating revenues (%)	90.01	69.60	59.64	(900.19)	87.97
Noninterest expenses/operating revenues (%)	67.41	67.51	59.41	(550.44)	40.09
Core earnings/average managed assets (%)	0.15	0.10	0.15	(0.21)	0.30
Growth in customer loans (%)	1.23	(6.15)	(1.74)	(6.21)	(3.49)

**Table 1**

<b>Achmea Bank Key Figures (cont.)</b>					
New loan loss provisions/average customer loans (%)	0.05	0.10	0.09	0.05	0.09
Gross nonperforming assets/customer loans + other real estate owned (%)	0.84	0.84	0.65	0.55	0.84
Loan loss reserves/gross nonperforming assets (%)	9.29	14.97	23.37	21.51	22.21
Core deposits/funding base (%)	42.03	28.19	26.71	20.48	13.58
Customer loans (net)/customer deposits (%)	209.73	285.51	354.93	449.44	694.11
Stable funding ratio (%)	86.96	84.89	89.73	85.13	97.94
Short-term wholesale funding/funding base (%)	19.58	26.77	10.31	17.87	4.94
Broad liquid assets/short-term wholesale funding (x)	0.32	0.65	0.57	0.37	0.90
Short-term wholesale funding/total wholesale funding (%)	33.77	37.28	14.07	22.48	5.71

## Related Criteria And Research

### Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

### Related Research

- Achmea Group, Sept. 8, 2015
- Achmea Bank 'A/A-1' Ratings Affirmed On Purchase Of Staalbankiers' Loan Activities; Outlook Remains Negative, Aug. 6, 2015

### Ratings Detail (As Of January 7, 2016)

#### Achmea Bank N.V.

Counterparty Credit Rating	A/Negative/A-1
Certificate Of Deposit	
<i>Local Currency</i>	A-1
Senior Secured	A
Senior Unsecured	A
Short-Term Secured Debt	A-1
Subordinated	BBB+

#### Counterparty Credit Ratings History

16-Nov-2012	A/Negative/A-1
08-Dec-2011	A/Stable/A-1
18-Oct-2006	A-/Stable/A-2

#### Sovereign Rating

Netherlands (State of The)	AAA/Stable/A-1+
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#### Related Entities

##### Achmea B.V.

Issuer Credit Rating	
<i>Local Currency</i>	A-/Negative/--
Junior Subordinated	BBB
Senior Unsecured	A-

**Ratings Detail (As Of January 7, 2016) (cont.)**

Subordinated	BBB+
<b>Achmea Pensioen &amp; Levensverzekeringen N.V.</b>	
Financial Strength Rating	
<i>Local Currency</i>	A+/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	A+/Negative/--
<b>Achmea Reinsurance Company NV</b>	
Financial Strength Rating	
<i>Local Currency</i>	A/Negative/--
<b>Achmea Schadeverzekeringen N.V.</b>	
Financial Strength Rating	
<i>Local Currency</i>	A+/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	A+/Negative/--
<b>Achmea Zorgverzekeringen N.V.</b>	
Financial Strength Rating	
<i>Local Currency</i>	A+/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	A+/Negative/--

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

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