Achmea Conditional Pass-Through Covered Bond Company B.V.

Annual Report 2019

Amsterdam, the Netherlands

Achmea Conditional Pass-Through Covered Bond Company B.V.
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1. Director's report

1.1 Activities and results

General
Achmea Conditional Pass-Through Covered Bond Company B.V. ("the Company") was incorporated on 14 September 2017.

The main objective of the Company is to provide security for the Company's obligations under the Conditional Pass-through Covered Bond Programme ("Covered Bond Programme"). The Company guarantees, under the Trust Deed, the payment of interest and principal payable under the Covered Bonds issued by Achmea Bank N.V. ("Achmea" or "the Issuer") which is located at Spoorlaan 298, 5017 JZ Tilburg with its registered office in The Hague. As consideration for the Company to meet its obligation under the issued guarantee, Achmea will transfer eligible assets to the Company. Achmea transferred eligible mortgage loans to the Company through a so called silent assignment (stille cessie). Meaning that until the occurrence of an Assignment Notification Event, the Asset Cover test has been breached or a Notice to pay / CBC Acceleration Notice have been served ("the Events"), Achmea is entitled to all proceeds in relation to the transferred eligible assets. If one or more of the previously mentioned events occurs or notice(s) have been issued, the Company will be entitled to receive all proceeds in relation to the transferred assets, in order to fulfil its obligation under the issued guarantee; payment of interest and principal on the Covered Bonds.

Achmea may issue, under the Covered Bond Programme, various series of Covered Bonds with a total notional amount of EUR 5,000,000,000. On 22 November 2017 Achmea issued under the Covered Bond Programme a first series of Covered Bonds ("the Bonds") in a total value of EUR 500 million and on 20 February 2019 Achmea Bank N.V. has successfully completed the second issuance of EUR 500 million bonds. All Bonds were still outstanding as per 31 December 2019.

As per 31 December 2019 the net outstanding nominal amount of the transferred eligible mortgage loans was EUR 1,263.6 million.

The Bonds at issuance were rated by both Moody`s and Fitch. Moody`s rated the Bonds issued as Aaa and Fitch as AAA. The rating of the Bonds have not been amended since the issuance.

Since the issuance of the first series of Bonds neither an Assignment Notification Event, nor a breach of the Asset Cover Test has occurred nor has a Notice to pay or a CBC Acceleration Notice been served.

The Trust Deed entered into by the Company, Achmea and Stichting Security Trustee Achmea Conditional Pass-Through Covered Bond Company ("the Trustee") states that all costs and expenses of the Company and all cash flows from swaps if applicable of the Company will be received and paid on behalf of the Company by Achmea for its own account. As a result, all amounts remaining on the Company`s balance sheet will flow back periodically to Achmea. The Company`s cash transactions are limited to bank interest received and bank interest charged through to Achmea and the Company will not have the right to any of the proceeds.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and statement of income of the Company and the director's report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks that the Company faces.

RISK MANAGEMENT

In the event that the Company will take over the servicing of the Covered Bonds, the Company is exposed to interest rate and credit risk on the Covered Bonds and the mortgage portfolio. In the sections below the main risks and instruments that can be used for mitigation are being discussed.

Financial risk management

The Company has, under the Trust Deed, guaranteed the payment of interest and principal payable under the Covered Bonds issued by Achmea. As a result, the Company is exposed to interest rate risk for the Covered Bonds and the mortgage portfolio. As a consequence, the Company will then, amongst others, run interest rate risks on the Covered Bonds and the mortgage portfolio.

Credit and concentration risk

The Company has no exposure to credit risk, which is the risk that the Borrowers will be unable to pay amounts in full when due, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage portfolio are transferred to the Company. Until that moment all risks and rewards associated with the assets are retained by Achmea and the transferred Mortgage Loans are not recognized on the Company`s balance sheet. However given the minimum legally required overcollateralisation of at least 5% a buffer is available to cover losses arising.

Interest rate risk

In order to limit or mitigate the potential interest rate risks the Company may, if deemed necessary, enter into swap agreements. In relation to the series issued and the portfolio transferred to the Company no swap agreement has been entered into by the Company. This given the fact that the average fixed interest rate on the Bonds, of 0.438%, is less than the average interest rate of all transferred receivables.

Furthermore, the notional amount outstanding of all transferred eligible mortgage receivables should at least be 105% of the Notional Amount Outstanding of all Bonds. At the balance sheet date the Notional Amount Outstanding of the transferred eligible mortgage receivables was 126.8%.

Liquidity risk

In order to mitigate the liquidity risk, a temporary shortfall in cash, a reserve account is established. Cash is deposited by Achmea on a separate bank account held with Citibank Europe plc.

Limited Recourse

Although Interest rate risk, credit risk and liquidity risk are recognized the exposure of the Company is limited. The Covered Bonds are issued at limited recourse. If a CBC Event of Default occurs and the Security is enforced, the proceeds may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. In the event following enforcement of the Security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, the Secured Creditors will no longer have a claim against the Company after enforcement of the Security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

1.2 Economic outlook

The year 2019 has seen a continuation of the positive developments for the Dutch economy for just about all economic indicators, although in most areas, the level of growth was lower than in recent years. The Gross Domestic Product ("GDP") increased by around 1.7% in 2019, as compared to 2.5% in 2018. The expectations are that the GDP growth rate will level out around minus 6.4% in the coming years due to the impact of Covid-19. The reduced growth rate can also be seen as a reflection of declining levels of confidence expressed by consumers and in business and commerce. The spectacular growth in domestic house prices is coming to an end and the growth levels in the rest of the world and international trading also appear to be levelling off. Domestically, public spending and tax reductions are expected to provide positive impulses in the coming years but there continue to be capacity restrictions in the domestic economy, particularly in terms of skilled labour and some raw material shortages. A new capacity restriction was imposed in 2019 in the form of judgments from the Dutch High Court and European court concerning Nitrogen output levels (the 'Greenhouse effect'). This is already having the effect of delaying construction projects. Much of the expectations for the coming years are to a large degree dependent on developments in the rest of the world. The threat of a trade wars has receded somewhat in recent months, but rising tension in the Middle East, developments in the emerging economies and the timing and consequences of Brexit currently form the biggest dangers to these projections. All could materially impact the growth expectations.

On a more positive side, there appears to be ample funding available, both from the banking and private sectors, as well as from increased liquidity arising from higher profit levels. A warning signal is that banks appear to be tightening their acceptance criteria recently.

Unemployment levels continued to reduce from 3.8% to 3.4% during 2019 but this trend is expected to reverse with an estimate of 7.3% by the end of 2021. The growth in employment positions in recent years has attracted a great number of particularly older and more experienced entrants to the labour markets. Nevertheless, an historically high level of employers is experiencing problems through a lack of staff. The shift in labour markets seen in recent years from fixed to flexible contracts has reversed as employers seek the added security of labour that fixed contracts bring. The number of freelancers also continues to grow steadily.

The Dutch residential housing market is showing some signs of stabilisation. The number of transactions in 2019 was comparable to 2018 at around 210,000 and price increases reduced significantly to around 6-8%. Indications at the end of 2019 are that a shortage of supply of dwellings in the market will ensure that it remains to be a sellers' market. In addition, the continued low level of interest rates, high employment rates and the expected rise in the level of disposable income contribute to the demand levels. As such the price increase for 2020 is still expected to be 4.3% although a decrease is already expected in the second half of 2020 following Covid-19. For 2021 and 2022 a price decrease of 2.1% and 3.7% is expected, respectively. As always, there are significant regional differences. Such variations occur foremost between the Randstad, particularly Amsterdam and surrounding areas, and the rest of the country. Some regions are also affected by local economic and social issues and developments.

The above prognosis for further price increases in 2020 is also supported by the average time that dwellings spend on the market. At the end of 2019 that statistic stood at around just 38 days. In addition, the trend of delayed completion for new developments continues. However, as mentioned above the price levels are expected to decrease in the following years due to the impact of Covid-19. The scarcity of labour and some raw materials, has now been joined by the issue of the judgment concerning Nitrogen output levels.

Risk levels for homeowners and lenders alike have again decreased since last year and this is expected to continue in the coming years, though regional differences should not be ignored in the analysis. New homeowners have for years been subjected to stricter lending conditions and existing homeowners have seen debt ratios decrease as a result of rising prices. Borrowers continue to early repay their loans in situations where they are locked into mortgage agreements at relatively high interest rates. New loans have shown a tendency to be agreed for relatively long interest periods, at relatively low rates. The expectations for growth in the mortgage finance sector exceed those for price increases for dwellings for the first time in several years. Mortgage lenders are experiencing market pressures from alternative finance sources and have responded by easing acceptance criteria.

In the light of the risk factors facing the Company, as described above, the economic developments over the past year or so and outlook are generally considered positive for the Company, except for the potential impact of COVID-19 which we described below. Management believes that the Company's risks are adequately mitigated by the various credit enhancements, as described in the Financial statements and the Prospectus. Moreover, the Company's obligations to Noteholders are of limited recourse (see above). Consequently, no noticeable changes in the current position of the Company are expected for the next 12 months.

The historical information and prospective trends in this report were primarily derived from public reports issued by DNB and the NVM. All of the above mentioned expectations for the coming years are to a large degree dependent on developments of the rapid spread of Covid-19 ("Corona virus") which forms a serious threat to the world economic outlook right now with short-term, medium-term and even long-term consequences being very unpredictable.

The COVID-19 crisis is not expected to create uncertainty about the Company's ability to continue operating. COVID-19 will have some impact, but we do not expect any major consequences, in terms of future performance, asset valuation, or activities of the company in general. There may arise two main risks for the Company, which we expect to mitigate. First, new repayment schedules will be agreed with the client if deemed necessarily, in order to prevent these clients from being in arrears. This will potentially incur losses to soar if clients are not able to meet the new agreed repayment schedule after the payment holiday period ends and will end-up in arrears. However, the Company has enough assets in place to substitute these assets. Second, a possible drop in house prices, as a consequence of the COVID-19 crisis, can lead to an increase in the ratio of loans to value of the underlying assets. At this time, however, it is difficult to say whether house prices will actually fall in the near future. The economic damage caused by the corona virus and thus the potential impact on the housing market strongly depends on the duration of the restrictions and the effectiveness of the financial support measures provided by government and banks.

The Company is confident at this stage that it will be able to draw on the expertise of third-party suppliers and service providers to be in a position to satisfy its obligations under the Transaction Documentation. We believe that based on current insights, no material uncertainty relating to going concern exists and therefore the going concern assumption used in preparing the financial statements is appropriate.

Amsterdam, 22 June 2020

Managing Director
Intertrust Management B.V.

2. FINANCIAL STATEMENTS

2.1 Balance Sheet as at 31 December 2019 (before appropriation of result)

(Amounts are in EUR)		**31 December 2019**		**31 December 2018**	
ASSETS					
Fixed assets					
Other receivables	[1]		4,161		3,241
Cash and cash equivalents	[2]		4,705,458		2,055,000
			4,709,619		2,058,241
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[3]				
Share capital		1		1	
Other reserves		2,592		-	
Net result current year		2,025		2,592	
			4,618		2,593
Long term Liabilities	[4]				
Long-term liabilities			4,705,000		2,055,000
Current liabilities	[5]				
Tax liabilities			1		648
			4,709,619		2,058,241

2.2 Income statement for the year ended 31 December 2019

(Amounts are in EUR)		01 January 2019 to 31 December 2019	14 September 2017 to 31 December 2018
Income	[6]	2,743,648	1,659,313
General and administrative expenses	[7]	2,741,148	1,656,073
Income before taxation		2,500	3,240
Corporate Income Tax	[8]	475	648
Net Result current year		2,025	2,592

2.3 Cashflow statement for the year ended 31 December 2019

(Amounts are in EUR)		**01 January 2019 to 31 December 2019**	**14 September 2017 to 31 December 2018**
Net Result		2,025	2,592
Net cash flow from operating activities			
Net change in accounts receivable	[1]	- 920	- 3,241
Net change in current liabilities	[5]	- 647	648
Net cash flow from financing activities			
Long term liabilities issued	[4]	2,650,000	2,055,000
Capital addition	[3]	-	1
Net cash flow		2,650,458	2,055,000
Cash balance 14 September 2017 / 31 December 2018		2,055,000	-
Cash balance 1 January 2019 / 31 December 2019	[2]	4,705,458	2,055,000
Movements in Cash and Cash Equivalents		2,650,458	2,055,000

2.4 General notes to the financial statements as at year end 31 December 2019

GENERAL INFORMATION
Achmea Conditional Pass-Through Covered Bond Company B.V. ("the Company") was incorporated on 14 September 2017.

The main objective of the Company is to provide security for the Company's obligations under the Conditional Pass-Through Covered Bond Programme ("Covered Bond Programme"). The Company guarantees, under the Trust Deed, the payment of interest and principal payable under the Covered Bonds issued by Achmea Bank N.V. ("Achmea" or "the Issuer") which is located at Spoorlaan 298, 5017 JZ Tilburg with its registered office in The Hague. As consideration for the Company to meet its obligation under the issued guarantee, Achmea will transfer eligible assets to the Company. Achmea transferred eligible mortgage loans to the Company through a silent assignment (stille cessie). Meaning that until the occurrence of an Assignment Notification Event, the Asset Cover test has been breached or a Notice to pay / CBC Acceleration Notice have been served ("the Events"), Achmea is entitled to all proceeds in relation to the transferred eligible assets. If one or more of the previously mentioned events occurs or notice(s) have been issued the Company will be entitled to receive all proceeds in relation to the transferred assets, in order to fulfil its obligation under the issued guarantee; payment of interest and principal on the Covered Bonds.

Achmea may issue, under the Covered Bond Programme, various series of Covered Bonds with a total notional amount of EUR 5,000,000,000. On 22 November 2017 Achmea issued under the Covered Bond Programme a first series of Covered Bonds ("the Bonds") in a total value of EUR 500 million and on 20 February 2019 Achmea Bank N.V. has successfully completed the second issuance of EUR 500 million bonds. All Bonds were still outstanding as per 31 December 2019.

As per 31 December 2019 the net outstanding nominal amount of the transferred eligible mortgage loans was EUR 1,263.6 million.

The Bonds at issuance were rated by both Moody`s and Fitch. Moody`s rated the Bonds issued as Aaa and Fitch as AAA. The rating of the Bonds have not been amended since the issuance.

Since the issuance of the first series of Bonds neither an Assignment Notification Event, nor a breach of the Asset Cover Test has occurred nor has a Notice to pay or a CBC Acceleration Notice been served.

The Trust Deed entered into by the Company, Achmea and Stichting Security Trustee Achmea Conditional Pass-Through Covered Bond Company ("the Trustee") states that all costs and expenses of the Company and all cash flows from swaps if applicable of the Company will be received and paid on behalf of the Company by Achmea for its own account. As a result all amounts remaining in the Company will flow back periodically to Achmea. The Company`s cash transactions are limited to bank interest received and bank interest charged through to Achmea and the Company will not have the right to any of the proceeds.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and statement of income of the Company and the director's report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks that the Company faces.

RISK MANAGEMENT

In the event that the Company will take over the servicing of the Covered Bonds, the Company will run interest rate and credit risk on the Covered Bonds and the mortgage portfolio. In the sections below the main risks and instruments that can be used for mitigation are being discussed.

Financial risk management

The Company has, under the Trust Deed, guaranteed the payment of interest and principal payable under the Covered Bonds issued by Achmea. As a result, the Company is exposed to interest rate risk for the Covered Bonds and the mortgage portfolio. As a consequence, the Company will then, amongst others, run interest rate risks on the Covered Bonds and the mortgage portfolio.

Credit and concentration risk

The Company has no exposure to credit risk, which is the risk that the Borrowers will be unable to pay amounts in full when due, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage portfolio are transferred to the Company. Until that moment all risks and rewards associated with the assets are retained by Achmea and the transferred Mortgage Loans are not recognised at the Company`s balance sheet. However given the legally minimum required overcollateralisation of at least 5% a buffer is available to cover losses arising.

Interest rate risk

In order to limit the potential interest rate risks the Company may, if deemed necessary, enter into swap agreements in order to mitigate the interest rate risk. In relation to the series issued and the portfolio transferred to the Company no swap agreement has been entered into by the Company. This given the fact that the average fixed interest rate on the Bonds, of 0.438%, is less than the average interest rate of all transferred receivables.

Furthermore, the notional amount outstanding of all transferred eligible mortgage receivables should at least be 105% of the Notional Amount Outstanding of all Bonds. At the balance sheet date the Notional Amount Outstanding of the transferred eligible mortgage receivables was 126.8%.

Liquidity risk

In order to mitigate the liquidity risk, a temporary shortfall in cash, a reserve account is established. Cash is deposited by Achmea on a separate bank account held with Citibank Europe plc.

Limited Recourse

Although Interest rate risk, credit risk and liquidity risk are recognized the exposure to the Company is limited. The Covered Bonds are issued at limited recourse. If a CBC Event of Default occurs and the Security is enforced, the proceeds may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. lf, following enforcement of the Security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, the Secured Creditors will no longer have a claim against the Company after enforcement of the Security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

PRINCIPAL ACCOUNTING POLICIES
The principal accounting policies adopted in the preparation of these Financial statements are set out below:

Basis of presentation
The financial statements are drawn up in accordance with the provisions of Title 9, Book 2, of the Dutch Civil Code and the Dutch Accounting Standards applicable to small legal entities, as published by the Dutch Accounting Standards Board ("Raad voor de Jaarverslaggeving"). The Financial statements are prepared under the historical cost convention and presented in the joint currency of the European Monetary Union, the euro ("EUR" or "€"). All amounts are in EUR, unless stated otherwise. Unless specifically stated otherwise, assets and liabilities are recognised at the amounts at which they were acquired or incurred. The Balance sheet, Income statement and Cash flow statement include references to the notes.

Significant accounting judgments and estimates
In the process of applying the Company's accounting policies, the Company's management has exercised judgment and estimates in determining the amounts recognised in the Financial statements. The most significant uses of judgment and estimates are as follows.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern. The management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial statements are prepared on the going concern basis.

Financial instruments
The Financial statements contain the following financial instruments: other receivables, cash and cash equivalents, long-term liabilities and current liabilities.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. After initial recognition, financial instruments are valued at amortised cost. For any specific applicable accounting policy see the specific descriptions of the financial instruments in this section.

Other receivables
Other receivables are initially stated at fair value. After initial recognition, other receivables are carried at amortised cost, less a provision for impairment, if deemed necessary. Impairment losses are deducted from amortised cost and expensed in the Income statement. The other receivables have a short-term character.

Cash and cash equivalents
Cash and cash equivalents are valued at nominal value and, insofar as not stated otherwise, are at the free disposal of the Company. Cash and cash equivalents relate to immediately due and payable withdrawal claims against credit institutions and cash resources.

Long-term liabilities
The long-term liabilities are initially recognized at fair value less transaction costs which can be directly attributed to the acquisition of the debt. After initial recognition, they are carried at amortised cost.

Current liabilities
On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value. The current liabilities have a short-term character and are expected to be paid off within a year.

Offsetting
Financial assets and liabilities are offset at the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Revenue recognition

Income and expenses are recognised in the Income statement on an accruals basis. Losses are accounted for in the year in which they are identified.
Income relates to charges to Achmea. The Trust Deed entered into by the Company, Achmea and the Trustee states that all costs and expenses of the Company will be received and paid on behalf of the Company by Achmea for its own account. Income therefore relates to expenses charged through to Achmea and are allocated to the year the costs relate to.

The Company does not recognise cash flows in which it has no beneficial interest, principally those flowing to the Issuer being the principal bearer of the risks and rewards associated with the Mortgage Loans.

Costs

Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

CORPORATE INCOME TAX

The Company is liable to Dutch corporate income tax under a tax ruling. This stipulates that the Company should report annual income on the basis of a 10% mark-up on the Director's fee, with a minimum of EUR 2,500.

STATEMENT OF CASH FLOWS

The Statement of cash flows has been prepared using the indirect method. The cash items disclosed in the Statement of cash flows are comprised of cash and cash equivalents. Income taxes are included in cash from operating activities. Dividends paid if applicable are recognised as cash used in financing activities.

CONTINGENT LIABILITIES AND COMMITMENTS

Guarantee

Pursuant to the Guarantee issued under the Trust Deed, the Company will guarantee the payment of interest and principal payable under the Covered Bonds. The Company has granted a first ranking right of pledge over the transferred mortgage loans and beneficiary rights to the Trustee. The exercise of the pledge is subject to certain terms and conditions. Not meeting the Company's obligations to certain secured parties, including the covered bond holders, can lead to exercising the right of pledge by the Trustee. After exercising of the pledge the Company will receive all the proceeds of the transferred assets with the aim to pay the principal and interest payable under the covered bonds.

2.5 Notes to the Balance sheet as at 31 December 2019

OTHER RECEIVABLES **[1]**

(Amounts are in EUR)	**31 December 2019**	**31 December 2018**
Current account with Achmea	4,161	3,241

The other receivables consists of the net position of income and costs reimbursed to Achmea by the Company, but still need to be received by the Company. Of those receivables an amount of EUR -/-458 (2018: EUR 0) has a short-term character and falls due within one year.

CASH AND CASH EQUIVALENTS **[2]**

(Amounts are in EUR)	**31 December 2019**	**31 December 2018**
Reserve Account	4,705,000	2,055,000
Back-up Account	458	-
	4,705,458	2,055,000

Reserve Account
The Reserve Account relates to a reserve deposit with Citibank Europe plc, Netherlands Branch at Schiphol, the Netherlands. The Reserve Account Required Amount as per 31 December 2019 amounts to EUR 2,830,000. These funds are designated as reserve fund for the bond holders. These funds are not at the free disposal of the Company. The remaining balance of EUR 1,875,000 is free at the disposal of the Company. The rate of interest on the Reserve Account is determined by the EONIA.

Back-up Account
The Back-up Account relates to a backup account with Coöperative Rabobank U.A. in Utrecht, the Netherlands. The rate of interest on the Back-up Account is determined by the EONIA.

SHAREHOLDER'S EQUITY AND LIABILITIES [3]

Share capital

The issued share capital amounts to EUR 1, consisting of 1 ordinary share of EUR 1.

Shareholder's equity

(Amounts are in EUR)	**31 December 2019**	**31 December 2018**
Share capital	1	1
Other reserves	2,592	-
Net result current year	2,025	2,592
Closing balance	4,618	2,593

Proposed appropriation
The net result for the current year is EUR 2,025. Management proposes to add the net result to the other reserves.

LONG-TERM LIABILITIES [4]

(Amounts are in EUR)	**31 December 2019**	**31 December 2018**
Opening balance 1-1-2019	2,055,000	-
Additions to reserve account	2,650,000	2,055,000
Closing balance 31 December 2019	4,705,000	2,055,000

Long term liabilities relate to the obligatory cash deposit placed with Achmea. This cash amount is deposited in a separated account: the reserve account. The Company will need to refund the deposited amount, to Achmea, when there is no obligation to maintain a reserve fund anymore. This will be the case once the issued notes have been repaid in full. The maturity date of the first series is 22 November 2024 and of the second series is 20 February 2026.

The required amount that needs to be deposited is based on the scheduled interest due on the issued Covered Bonds on the next following interest payment date. The reserve fund is maintained in order to guarantee an uninterrupted payment of the interest amounts due on the Covered Bonds. Achmea is entitled to receive all interest receipts in relation to deposited cash amount in the reserve account. The liability equals the amounts that have been deposited by Achmea on the reserve account.

CURRENT LIABILITIES [5]

Tax liabilities

(Amounts are in EUR)	31 December 2019	31 December 2018
Corporate income tax current year	1	648

The fair value of the current liabilities approximates the book value due to their short-term character.

2.6 Notes to the Income statement for the year ended 31 December 2019

Income [6]

(Amounts are in EUR)	01 January 2019 to 31 December 2019	14 September 2017 to 31 December 2018
Charged to Achmea	2,743,648	1,659,313

As part of the Trust Deed all expenses are charged and settled with Achmea. The income is the recharge of the expenses towards Achmea and these expenses include a net annual income on the basis of a 10% mark-up on the Director's fee, with a minimum of EUR 2,500 (according to the Tax Ruling).

General and administrative expenses [7]

(Amounts are in EUR)	01 January 2019 to 31 December 2019	14 September 2017 to 31 December 2018
Poolservicing fee	2,598,464	1,486,973
Administration fee	53,090	57,701
Management fee	38,223	55,388
Auditor fee	18,755	36,603
Bank expenses	32,593	18,984
Other expenses	22	425
	2,741,148	1,656,073

The costs are determined on a historical basis and are attributed to the reporting year to which they relate.
Achmea Bank N.V. has charged EUR 2,598,464 as pool servicing fee related to providing pool services as outlined in the Servicing Agreement. The fee is calculated based on a fee of 0.2% per year of the aggregated outstanding principal of the secured portfolio of mortgage loans.
Achmea Bank has charged EUR 53,090 as administration fee which concerns the cost related to the execution of the administrative tasks by the Company Administrator as outlined in the Administration Agreement. These tasks includes the execution of the required Asset Cover Test.
The management fee of EUR 38,223 consists of annual remuneration and additional expenses regarding the Covered Bond Programme by the Company Management.
The independent auditor fee of EUR 18,755 is charged by PricewaterhouseCoopers Accountants N.V. (“PwC”) to the Company for the statutory audit of the annual accounts 2019.

Corporate income tax [8]

(Amounts are in EUR)	01 January 2019 to 31 December 2019	14 September 2017 to 31 December 2018
Corporate income tax	475	648

The Company and the Dutch Tax Authorities agreed by way of a ruling until the Final Maturity Date of the Notes that the taxable amount is calculated as the higher of a) 10% of the annual remuneration paid to the Managing Director of the Company and b) EUR 2,500. The applicable tax rate for the year under review is 20% of the taxable amount.

Employees
During the year under audit the Company did not employ any personnel in the Netherlands or abroad.

Remuneration of the Director and Board of Supervisory Directors
The Board of Directors consists of one corporate director; the remuneration of the Director is included in the management fee as disclosed under General and administrative expenses above and amounts to EUR 21,619. The Company does not have a Board of Supervisory Directors.

Result
The result is the difference between the Income and the General and Administrative Expenses during the year, taking into account the tax ruling. The results on transactions are recognised in the year in which they are realised.

Post-balance sheet events
On 16 June 2020 Achmea Bank N.V. has successfully completed the third issuance of EUR 500 million bonds under the EUR 5 billion Conditional Pass Through Covered Bond Programme. The transaction was very well received in the capital markets and received broad interest from institutional investors from Europe, Asia and Middle East. This transaction enables Achmea Bank to further diversify its funding sources and to attract new external long-term funding. The net proceeds will be used to refinance part of the existing Dutch prime residential mortgage portfolio.

It is currently not possible to estimate the impact of COVID-19 on the business of the Company. The uncertainties associated with the COVID-19 outbreak are high and it is currently not possible to estimate future effects. We believe that based on current insights, no material uncertainty relating to going concern exists and therefore the going concern assumption used in preparing the financial statements is appropriate.

The COVID-19 crisis is not expected to create uncertainty about the Company’s ability to continue operating. COVID-19 will have some impact, but we do not expect any major consequences, in terms of future performance, asset valuation, or activities of the company in general. There may arise two main risks for the Company, which we expect to mitigate. First, new repayment schedules will be agreed with the client if deemed necessarily, in order to prevent these clients from being in arrears. This will potentially incur losses to soar if clients are not able to meet the new agreed repayment schedule after the payment holiday period ends and will end-up in arrears. However, the Company has enough assets in place to substitute these assets. Second, a possible drop in house prices, as a consequence of the COVID-19 crisis, can lead to an increase in the ratio of loans to value of the underlying assets. At this time, however, it is difficult to say whether house prices will actually fall in the near future. The economic damage caused by the corona virus and thus the potential impact on the housing market strongly depends on the duration of the restrictions and the effectiveness of the financial support measures provided by government and banks.

The Company is confident at this stage that it will be able to draw on the expertise of third-party suppliers and service providers to be in a position to satisfy its obligations under the Transaction Documentation. We believe that based on current insights, no material uncertainty relating to going concern exists and therefore the going concern assumption used in preparing the financial statements is appropriate.

Amsterdam, 22 June 2020

Managing Director
Intertrust Management B.V.

3. Other information

3.1 Profit appropriation according to the articles of association

In accordance with Article 20 of the Articles of Association, the result for the year is at the disposal of the General Meeting of Shareholders.

The general meeting is subsequently authorized to resolve to distribute or to reserve what then remains of the profits or a part thereof. The general meeting is also authorized to resolve to make interim distributions, which includes distributions from the reserves.
The Company may make distributions to the shareholders only to the extent that from the most recently adopted balance sheet it appears that the Company's shareholders' equity exceeds the reserves that must be maintained by law.

The Company may only follow a resolution of the general meeting to distribute after the management board has given its approval to do this. The management board withholds approval only if it knows or reasonably should be able to foresee that the Company cannot continue to pay its due debts after the distribution.

Independent auditor's report

To: the general meeting of Achmea Conditional Pass-Through Covered Bond Company B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Achmea Conditional Pass-Through Covered Bond Company B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Achmea Conditional Pass-Through Covered Bond Company B.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year then ended;
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

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Independence

We are independent of Achmea Conditional Pass-Through Covered Bond Company B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)

We draw attention to note 'post balance sheet events' in the financial statements in which the managing director has described the possible impact and consequences of the coronavirus (COVID-19) on the company and the environment in which the company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the director's report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The managing director is responsible for the preparation of the other information, including the director's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the managing director

The managing director is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the managing director 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 director is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the managing director should prepare the financial statements using the going-concern basis of accounting unless the managing director either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The managing director 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.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 22 June 2020
PricewaterhouseCoopers Accountants N.V.

Dit document is elektronisch ondertekend door:

C.C.J. Segers

C.C.J. Segers RA

Appendix to our auditor's report on the financial statements 2019 of Achmea Conditional Pass-Through Covered Bond Company B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 intentional override of internal control.
- 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 director.
- Concluding on the appropriateness of the managing director's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole.
  However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the managing director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.