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

Annual Report for the period 14 September 2017 until 31 December 2018

Amsterdam, the Netherlands

Achmea Conditional Pass-Through Covered Bond Company B.V.
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Achmea Conditional Pass-Through Covered Bond Company B.V. Annual Report for the period 14 September 2017 until 31 December 2018

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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 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 programme a first series of Covered Bonds ("the Bonds') in a total value of EUR 500 million. All Bonds of this first series were still outstanding as per 31 December 2018.

As per 31 December 2018 the net outstanding nominal amount of the transferred eligible mortgage loans was EUR 608.9 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 fixed interest rate on the Bonds, of 0.375%, 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 122.2%.

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 2018 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, and 2017 in particular. The Gross Domestic Product ("GDP") increased by around 2.5% in 2018, as compared to 3.0% in 2017. The growth was mostly fueled by consumer confidence, still stemming for a large part from the upswing in the domestic house prices. In addition, public sector spending is rising and confidence levels within commercial enterprises are still relatively high. The latter is the result of increased world trade and the continuing low levels of inflation and interest rates. It is expected that the economy will continue to show relatively high growth rates in the coming years with increases of GDP of 1.7% expected for both 2019 and 2020. These are expected to be driven by consumer confidence and increased public spending though this is showing signs of delays due to capacity and raw material problems. Much of these expectations are to a large degree dependent on developments in the rest of the world. The threat of a trade wars, developments in the emerging economies (China in particular) and the consequences of Brexit currently form the biggest dangers to these projections.

A relatively high level of confidence continues in the business and commerce sectors and investment levels are also expected to remain relatively high. 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.

Unemployment levels reduced from 4.9% to 3.8% during 2018 and this trend is also expected to slow down with an estimate of 3.6% at the end of both 2019 and 2020. The slowdown is the result of capacity limits being reached and difficulties being experienced in the recruitment of suitable staff is becoming a greater issue. Vacancy levels are high and are being filled increasingly by older, more experienced employees. The shift in labour markets seen in recent years from fixed to flexible contracts also appears to be coming to an end.

Inflation is expected to rise from some 1.6% in 2018 to 2.7% in 2019 but reducing to 1.8% in 2020. The anticipated rise in 2019 stems from increases in energy prices and the imposed increase in the low rate VAT. The VAT increase will only impact the 2019 inflation rate significantly. For each of the coming years, wage inflation is expected to rise from the 2018 level of around 2.1% as a result of annual wage increase settlements and the trend to employ more experienced personnel. Wage inflation, in combination with lower personal taxes is expected to lead to increases in real disposable income.

The Dutch residential housing market continues to show signs of overheating but the latter part of 2018 showed signs of normalization. There are indications that the price ceiling is being reached, particularly in the regions where the most spectacular price rises have been experienced in recent years. Significant increases in asking prices and bids above the asking price are less commonplace. Another effect is that the relationship between supply and demand seems to be returning to a more normal level. 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.

For the market as a whole, the number of dwellings changing ownership decreased by some 11% during 2018 as compared to the previous year and with it the average time that dwellings spend on the market. For new developments, recent months have seen a trend of delayed completion, mostly due to capacity issues. The scarcity of labour and some raw materials, as well as a high level of development in urban areas, have also resulted in significant price rises for new dwellings. The expectation is that these trends will continue in the coming years, albeit that they will be less pronounced than in recent years as some degree of normalization is reached. However, until these levels are reached, the NVM has expressed deep concerns for the market in each of its recent press releases on the subject.

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 continue. New home owners have been subjected to stricter lending conditions and existing home owners have seen debt ratios decrease as a result of rising prices. Additionally, borrowers are accelerating repayments in situations where they are locked into mortgage agreements at relatively high interest rates. The latter is one of the restrictions in the growth of mortgage debt levels and so the prospects of growth in the mortgage market will be tempered somewhat in the coming years and will probably not match increases in house prices. There are clear indications that borrowers are increasingly finding alternative sources for the funding of house purchases and this is leading to an easing of acceptance criteria used by mortgage lenders.

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. 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 Bondholders are of limited recourse (see above). Consequently, no noticeable changes in the current position of the Company are expected for the next 12 months.

Amsterdam, 28 June 2019

Managing Director
Intertrust Management B.V.

H.R.T. Kröner
Proxy holder

E.M. van Ankeren
Managing Director

2. FINANCIAL STATEMENTS

2.1 Balance Sheet as at 31 December 2018 (before appropriation of result)

(Amounts are in EUR)		31 December 2018		14 September 2017	
ASSETS					
Current assets					
Other receivables	[1]		3,241		1
Cash and cash equivalents	[2]		2,055,000		-
			2,058,241		1
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	[3]				
Share capital		1		1	
Net result current period		2,592		-	
			2,593		1
Long term Liabilities	[4]				
Long-term liabilities			2,055,000		-
Current liabilities	[5]				
Tax liabilities			648		-
			2,058,241		1

2.2 Income statement for the period 14 September 2017 until 31 December 2018

(Amounts are in EUR)		14 September 2017 to 31 December 2018
Income	[6]	1,659,313
General and administrative expenses	[7]	1,656,037
Income before taxation		3,240
Corporate income tax	[8]	648
Net Result current period		2,592

2.3 Cashflow statement for the period 14 September 2017 until 31 December 2018

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

2.4 General notes to the financial statements

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

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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

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Credit and concentration risk

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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 122.2%.

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. If, 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 statementon 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 period 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

OTHER RECEIVABLES [1]

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

The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognized where necessary.

CASH AND CASH EQUIVALENTS [2]

(Amounts are in EUR)	31 December 2018
Reserve Account	2,055,000
Back-up Account	-
	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 2018 amounts to EUR 385,479. 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 1,669,521 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 2018**
Share capital	1
Net result current period	2,592
Closing balance	2,593

Proposed appropriation
The net result for the period is EUR 2,592. Management proposes to add the net result to the other reserves.

LONG-TERM LIABILITIES [4]

(Amounts are in EUR)	**31 December 2018**
Opening balance	-
Additions to reserve account	2,055,000
Closing balance	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.

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 2018**
Corporate income tax current year	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

Income [6]

(Amounts are in EUR)	**14 September 2017 to 31 December 2018**
Charged to Achmea	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)	**14 September 2017 to 31 December 2018**
Poolservicing fee	1,486,973
Administration fee	57,701
Management fee	55,388
Auditor fee	36,603
Bank expenses	18,984
Other expenses	425
	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 1,486,973 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 57,701 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 55,388 consists of annual remuneration and one-off costs at the start of the programma by the Company Management.
The auditor fee of EUR 36,603 is charged by PricewaterhouseCoopers Accountants N.V. ('PwC') to the Company for the audit of the annual accounts 2017 necessary for the annual approval of the Base Prospectus by the AFM, and for the statutory audit of the annual accounts 2018.

Corporate income tax [8]

(Amounts are in EUR)	14 September 2017 to 31 December 2018
Corporate income tax	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 period under review is 20% of the taxable amount.

Employees
During the period under audit the Company did not employ any personnel.

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 26,623. 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.

Amsterdam, 28 June 2019

Managing Director
Intertrust Management B.V.

H.R.T. Kröner
Proxy holder

E.M. van Ankeren
Managing Director

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.

3.2 Post-balance sheet events

On 20 February 2019 Achmea Bank N.V. has successfully completed the second 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 across Europe. 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.