

Achmea Bank N.V.

Key Rating Drivers

Long-Term IDR Equalised with Parent's: Achmea Bank N.V.'s Long-Term Issuer Default Rating (IDR) is equalised with that of its parent, Achmea B.V. (Achmea, A/Stable), a large Dutch insurance group. This reflects Fitch Ratings' view of an extremely high probability that Achmea will provide support to the bank, if needed. Fitch's view on support is primarily driven by Achmea Bank's key role in the group's retirement services strategy, and by its tight integration within the parent.

Short-Term IDR: Achmea Bank's Short-Term IDR of 'F1' reflects the extremely high probability of shareholder support in the short term and is the lower of the two short-term ratings mapping to a Long-Term IDR of 'A'.

No Viability Rating Assigned: Fitch does not assign a Viability Rating to Achmea Bank given its close integration with the group, and also because the bank does not have a meaningful standalone franchise without the ownership of the parent.

Strategic Importance for the Group: Achmea Bank is a wholly owned subsidiary of Achmea. The bank plays a key role in the group's strategy as it supports the growth of Achmea's retirement services business by providing tax-efficient saving products that complement the group's range of financial products. The bank's product offering is limited to savings and residential mortgage loans, which are mainly distributed through the group's network.

Highly Integrated with Parent: Achmea Bank is highly integrated with its parent in strategy, operations and liquidity management. The bank's products are mainly distributed using the group's primary brand, Centraal Beheer. Achmea Bank has direct access to external funding, while a limited part of its liquidity buffer is provided by the group.

Well Performing Loans: Achmea Bank's healthy asset quality reflects its lending book, largely comprising low-risk Dutch residential mortgage loans, which generate low impaired loans and credit losses. The bank's loan portfolio has been resilient through the pandemic and even as moratoriums expired in 2021 as highlighted by the stable amount of impaired loans (Stage 3 loans ratio at 0.9% at end-2021). Fitch expects the bank's asset quality to remain sound, underpinned by a healthy employment market in the Netherlands.

Modest Profitability: Achmea Bank's modest profitability reflects the low risk business model, the lack of product diversification and its small scale. It should be viewed in the context of Achmea Bank's strong integration within the group and its record in supporting the group's business objectives through cross-selling. Achmea Bank focuses on improving its profitability mainly through lending growth, including additional acquisitions of portfolios.

Solid Capitalisation: Risk-weighted capital ratios calculated under the standardised approach are solid, as reflected in the common equity Tier 1 ratio of 20.9% at end-2021. The Basel III leverage ratio was also sound for a Dutch retail-focused bank, at 6.5% at end-2021. Lower risk-weighted asset density as a result of the future change to an advanced internal risk-based model will lead to an improvement in the CET1 ratio of around 180bp all else equal, and including Basel III amendments.

Rating Sensitivities

Ratings Sensitive to Parent Support: The Stable Outlook on the bank's Long-Term IDR reflects that of Achmea. Achmea Bank's IDRs could be upgraded if the parent's Long-Term IDR is upgraded. Achmea Bank's ratings could be downgraded if Achmea's Long-Term IDR is downgraded or if Fitch perceives a decrease in Achmea's propensity to support its banking subsidiary, particularly if its activities become less strategic for the parent.

Ratings

Foreign Currency

Long-Term IDR	A
Short-Term IDR	F1

Shareholder Support Rating	a
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Sovereign Risk

Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

[Bank Rating Criteria \(November 2021\)](#)

Related Research

[Global Economic Outlook \(March 2022\)](#)
[Fitch Affirms Achmea at IFS 'A+'; Outlook Stable \(August 2021\)](#)

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Debt Rating Classes

Rating Level	Rating
Senior unsecured debt	A/F1

Source: Fitch Ratings

Achmea Bank's senior unsecured debt ratings are in line with the bank's IDRs as we view the probability of default on senior unsecured obligations as the same as the probability of default of the bank.

Shareholder Support

Shareholder Support	
N/A	A
Total Adjustments (notches)	0
Shareholder Support Rating:	A
Shareholder ability to support	
Shareholder Rating	A/ Stable
Shareholder regulation	Equalised
Relative size	1 Notch
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	1 Notch
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Extremely High Probability of Support

Fitch's assessment of an extremely high likelihood of institutional support is driven by the bank's role in the group, its strong integration with the parent and reputational risk for Achmea in case of a default of the subsidiary. Achmea's ability to support Achmea Bank is strong, as reflected in its Long-Term IDR of 'A'.

Given the deep integration with the parent we believe that a default of the bank would constitute a high reputational risk for Achmea. We believe that the Dutch Central Bank, which is the common regulator for Dutch banks and insurance companies, would likely encourage Achmea to support Achmea Bank if needed. We also believe that the cost of any support would likely be manageable for the group, given Achmea Bank's low risk appetite, strong asset quality and moderate size compared with its parent.

Summary Financials and Key Ratios

	31 Dec 21		31 Dec 20	31 Dec 19	31 Dec 18
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	156	137.5	140.8	124.9	110.5
Net fees and commissions	1	0.7	9.3	8.0	4.2
Other operating income	7	6.3	-3.3	17.6	1.6
Total operating income	163	144.5	146.8	150.5	116.3
Operating costs	115	101.5	106.2	105.0	79.0
Pre-impairment operating profit	49	43.0	40.6	45.5	37.3
Loan and other impairment charges	-11	-9.3	3.5	-4.3	-1.7
Operating profit	59	52.3	37.1	49.8	39.0
Other non-operating items (net)	n.a.	n.a.	n.a.	n.a.	n.a.
Tax	15	13.0	9.6	12.5	9.5
Net income	44	39.3	27.5	37.3	29.5
Other comprehensive income	n.a.	n.a.	n.a.	0.6	-1.7
Fitch comprehensive income	44	39.3	27.5	37.9	27.8
Summary balance sheet					
Assets					
Gross loans	12,868	11,377.8	12,121.2	12,671.9	11,100.0
- Of which impaired	113	100.0	100.0	100.0	200.0
Loan loss allowances	16	14.0	28.3	30.4	43.0
Net loans	12,852	11,363.8	12,092.9	12,641.5	11,057.0
Interbank	670	592.7	669.2	713.4	758.4
Derivatives	70	61.8	82.0	90.5	82.6
Other securities and earning assets	n.a.	n.a.	n.a.	n.a.	201.2
Total earning assets	13,593	12,018.3	12,844.1	13,445.4	12,099.2
Cash and due from banks	882	780.1	938.7	72.4	115.7
Other assets	56	49.5	50.9	147.4	70.9
Total assets	14,531	12,847.9	13,833.7	13,665.2	12,285.8
Liabilities					
Customer deposits	8,500	7,515.2	7,447.1	7,507.9	5,859.9
Interbank and other short-term funding	595	525.8	1,058.4	369.9	491.9
Other long-term funding	4,051	3,581.7	3,971.1	4,410.3	4,576.8
Trading liabilities and derivatives	384	339.7	456.5	465.0	470.5
Total funding and derivatives	13,529	11,962.4	12,933.1	12,753.1	11,399.1
Other liabilities	76	67.4	65.8	98.5	81.5
Total equity	925	818.1	834.8	813.6	805.2
Total liabilities and equity	14,531	12,847.9	13,833.7	13,665.2	12,285.8
Exchange rate		USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057

Source: Fitch Ratings, Fitch Solutions, Achmea Bank N.V.

Summary Financials and Key Ratios

	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.4	0.9	1.2	1.1
Net interest income/average earning assets	1.1	1.1	1.0	0.9
Non-interest expense/gross revenue	70.2	72.3	69.8	67.9
Net income/average equity	4.7	3.3	4.7	3.6
Asset quality				
Impaired loans ratio	0.9	0.8	0.8	1.8
Growth in gross loans	-6.1	-4.4	14.2	-5.7
Loan loss allowances/impaired loans	14.0	28.3	30.4	21.5
Loan impairment charges/average gross loans	-0.1	0.0	0.0	0.0
Capitalisation				
Common equity Tier 1 ratio	20.9	20.4	19.2	20.8
Tangible common equity/tangible assets	6.4	6.0	6.0	6.6
Basel leverage ratio	6.5	6.0	5.7	6.5
Net impaired loans/common equity Tier 1	11.0	8.9	9.0	20.3
Funding and liquidity				
Gross loans/customer deposits	151.4	162.8	168.8	189.4
Liquidity coverage ratio	297.0	332.0	249.0	364.0
Customer deposits/total non-equity funding	64.7	59.7	61.1	53.6
Net stable funding ratio	133.0	126.0	121.0	121.0

Source: Fitch Ratings, Fitch Solutions, Achmea Bank N.V.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Achmea Bank N.V. has 5 ESG potential rating drivers

- Achmea Bank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	5	issues	3		
not a rating driver	4	issues	2		
	5	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure: appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE		
How relevant are E, S and G issues to the overall credit rating?		
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.	
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.	
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.	
2	Irrelevant to the entity rating but relevant to the sector.	
1	Irrelevant to the entity rating and irrelevant to the sector.	

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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