

**2007** ACHMEA HYPOTHEEKBANK N.V.  
ANNUAL REPORT



## TABLE OF CONTENTS

Officers	3
Profile	5
Key figures	9
Report of the Supervisory Board	11
Report of the Executive Board	13
Consolidated income statement	30
Consolidated balance sheet	31
Consolidated statement of changes in shareholders' equity	32
Consolidated cash flow statement	33
Notes to the consolidated financial statements	35
1. General information	35
2. Summary of significant accounting policies	35
3. Financial risk management	43
4. Critical estimates and judgements used in the application of the principles of financial reporting	51
5. Segment information	51
6. Interest margin and changes in fair value of interest-sensitive financial instruments	52
7. Fee and commission income	54
8. Operational expenses	54
9. Personnel expenses	54
10. Taxes	55
11. Cash and cash equivalents	55
12. Banks	56
13. Derivative assets held for risk management	56
14. Public sector loans and advances	57
15. Private sector loans and advances	58
16. Interest-bearing securities	60
17. Intangible assets	61
18. Equipment	61
19. Prepayments and other receivables	61
20. Banks	62
21. Funds entrusted	62
22. Debt securities	63
23. Subordinated liabilities	63
24. Accruals and other liabilities	64
25. Deferred tax assets and liabilities	64
26. Tax liabilities	65
27. Contingent liabilities and commitments	65
28. Shareholders' equity	66
29. Related parties	66
30. Executive Board and Supervisory Board	68
31. Events after the balance sheet date	68
Company balance sheet	69
Company income statement	70
Statement of changes in shareholders' equity	71
Notes to the company balance sheet and income statement	72
Auditors' report	73
Statutory provisions with respect to appropriation of profits	74
Proposal for appropriation	75

The Annual Report is published in English and Dutch.

In case of any discrepancy between these versions, the Dutch text shall prevail.

## OFFICERS

(as of 1 April 2008)

### Supervisory Board

E.A.J. van de Merwe\* (Chairman)

A.A. Lugtigheid

G. van Olphen

R.T. Wijmenga\*

\* Member of the Audit Committee

### Executive Board

R.J. Hof

J.J.P.M. van Benthem

P.W. van den Bosch

Chief Executive Officer

Chief Financial Officer

Chief Operations Officer



The Executive Board of Achmea Hypotheekbank N.V. (from left to right): J.J.P.M. van Benthem, R.J. Hof and P.W. van den Bosch.



## PROFILE

Achmea Hypotheekbank N.V. (hereafter Achmea Hypotheekbank) was founded in 1995. Achmea Hypotheekbank has been granted a licence under which it is entitled to provide financial services by virtue of the Dutch Financial Supervision Act (Wft). All shares are held by Achmea Bank Holding N.V. The latter entity is wholly-owned by Achmea Holding N.V. (Achmea), which is in turn a wholly-owned subsidiary of Eureko B.V.

Achmea Hypotheekbank provides private customers with mortgages under the labels, Centraal Beheer Achmea, FBTO, Avéro Achmea and Woonfonds. Centraal Beheer Achmea sells mortgages directly to consumers, whereas FBTO makes use of the mortgage service of the Vereniging Eigen Huis, and Avéro Achmea and Woonfonds use the distribution power of intermediaries.

Mortgage loans are granted on the security of private, owner-occupied properties situated in the Netherlands. To a large extent, Achmea Hypotheekbank is financed by raising loans on the public capital market, with its securities being listed on several European stock markets.

The supply of mortgage loans is one of the essential parts of the total range of financial products that Achmea offers to its customers. Achmea Hypotheekbank's core business is to provide for its customers' financing needs in a professional manner, whether directly or through intermediaries, and to monitor the (interest and liquidity) risks inherent in this business. These objectives must be attained within the return threshold set by the Executive Board.

Achmea is the largest insurer in the Netherlands and offers its customers a wide range of products and services within the context of 'All finance, all care'. Achmea is an innovative service provider, that aspires to take its customers' worries away. This means that it is Achmea's ambition to mean more to its customers than merely a supplier of insurance coverage for their risks.

To this end, Achmea pursues a well-balanced brand policy, focussing on transparency for its customers. Apart from its Achmea corporate brand, its most important brands are Centraal Beheer Achmea, Interpolis, Zilveren Kruis Achmea, Avéro Achmea and Agis.



Eureko is a private financial services provider. Eureko is headquartered in the Netherlands and operates in twelve European countries. Vereniging Achmea is its controlling shareholder with 54% of the shares. Rabobank N.V. holds 39% of the shares.

### Financing and security

To finance its mortgage operations, Achmea Hypotheekbank takes out loans in euros and foreign currencies on the international money and capital market. To this end, it pledges securities in accordance with the table below, which shows the situation as at the end of the year.

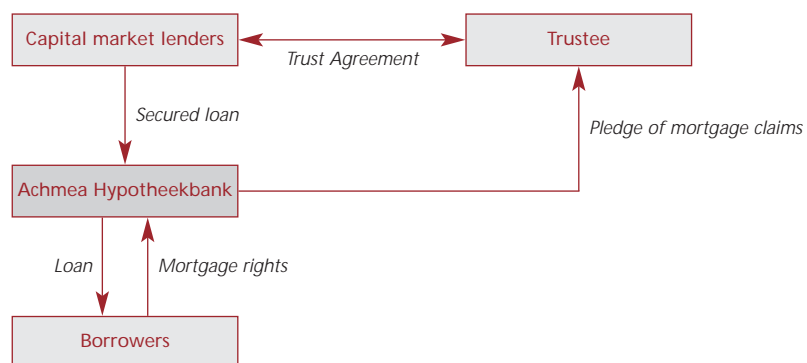
*The pledges can be specified as follows:*

In thousands of euros	2007	2006
Stichting Trustee Achmea Hypotheekbank	4,160,548	5,504,695
Covered bond	4,719,083	-
Dutch Mortgage Portfolio Loans and Securitised Guaranteed Mortgage Loans	4,200,838	4,825,802
Other	181,418	1,594,150
<b>Total</b>	<b>13,261,887</b>	<b>11,924,647</b>

### Trustee

The first security structure set up by Achmea Hypotheekbank is the structure laid down in the Trust Agreement. Under this Trust Agreement, Achmea Hypotheekbank periodically pledges its mortgage loans with the Stichting Trustee Achmea Hypotheekbank as security for the fulfilment by Achmea Hypotheekbank of its obligations under financing agreements, such as those under private money loans, derivatives and under the Secured Debt Issuance Programme (also called Euro Medium Term Notes Programme). In the event of Achmea Hypotheekbank's inability to pay, the financiers concerned are at least able to recoup themselves from the pledged mortgage loans.

The Board of the Stichting Trustee Achmea Hypotheekbank is made up of Messrs L.J.A. Simons (chairman), H.P. de Haan, A.H.J.J. Kolnaar and J.C. Terlouw.

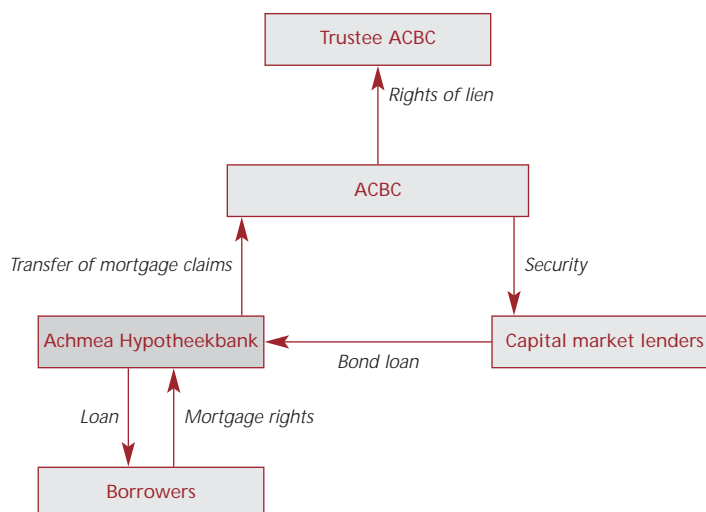


### Covered Bonds

In early 2007, Achmea Hypotheekbank set up a covered bond financing programme, with a capacity of up to EUR 10 billion. The security structure of this programme means that a specially-formed company, viz. Achmea Covered Bond Company B.V. ('ACBC'), has given a guarantee for the fulfilment by Achmea Hypotheekbank of its interest and redemption obligations under the bond loans granted.

To this effect, Achmea Hypotheekbank continuously transfers mortgage loans to ACBC. The transferred portfolio is in proportion to the nominal value of the bond loans granted to Achmea Hypotheekbank as part of the programme. If the guarantee is invoked, ACBC will take over the management of the transferred portfolio in order to meet the guaranteed obligations through the interest and redemption income. In doing so, it may make use of (e.g.) swap instruments.

ACBC, for its part, has pledged the mortgage portfolio with the Stichting Trustee Achmea Covered Bond Company as security for the fulfilment of its obligations. The Stichting Trustee Achmea Covered Bond Company is managed by an external party: ATC Management B.V.



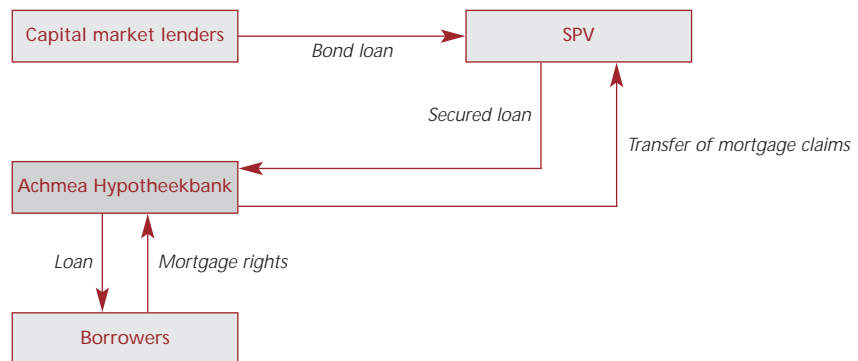
### Securitisation

Achmea Hypotheekbank also makes use of securitisations as a funding instrument.

Since 2000 Achmea Hypotheekbank has performed six securitisation transactions, each of which entailed Achmea Hypotheekbank transferring a mortgage debt portfolio to one of six special purpose vehicles (SPV): Dutch Mortgage Portfolio Loans I B.V. (DMPL I B.V.), Dutch Mortgage Portfolio Loans II B.V. (DMPL II B.V.), Dutch Mortgage Portfolio Loans III B.V. (DMPL III B.V.), Dutch Mortgage Portfolio Loans IV B.V. (DMPL IV B.V.), Dutch Mortgage Portfolio Loans V B.V. (DMPL V B.V.) and Securitised Guaranteed Mortgage Loans I B.V. (SGML I B.V.). These companies are managed by ATC Management B.V.



The SPVs financed the purchasing price by issuing bonds on the international capital market. Achmea Hypotheekbank continues to manage the transferred mortgage debt portfolio. The SPVs use the revenues from the mortgage debts to repay the principal sum and pay the interest expenses in connection with the bonds and for the costs of the transaction. Furthermore, the securitisation of non-guaranteed loans leads to reduced solvency requirements with regard to the transferred mortgage debt portfolio.



## KEY FIGURES

In millions of euros	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	* 2003
Total assets	14,595	14,493	13,806	13,098	13,006
Private sector loans and advances	13,558	13,632	12,705	12,422	11,918
Shareholders' equity	380	264	264	247	241
Subordinated liabilities	194	164	195	195	195
Fund for General Banking Risks	-	-	-	-	28
Capital base	574	428	459	442	464
Interest margin (inc. fees and commissions)	75	52	80	67	77
Income	75	52	80	67	77
Operating expenses	35	44	38	37	40
Impairment on financial instruments and other assets	6	1	2	2	2
Operating profit before taxes	35	6	40	28	35
Taxes	8	4	13	11	12
Net profit	27	2	27	17	23
Efficiency ratio	46.7%	86.3%	47.5%	55.2%	51.9%
BIS ratio	10.9%	10.9%	12.4%	11.3%*	11.5%

\* Calculated on the basis of Dutch GAAP.



## REPORT OF THE SUPERVISORY BOARD

We are pleased to present the annual report of Achmea Hypotheekbank for 2007. This includes the report of the Executive Board, the financial statements and the appendices. The financial statements comprise the auditors' report issued by KPMG Accountants N.V., as referred to in Article 34 (1) of the Articles of Association.

We recommend that the shareholders adopt the 2007 financial statements in accordance with the records submitted, which adoption will lead to the discharge of the Executive Board and the Supervisory Board from all liability for their management of affairs in compliance with Article 33 (3) of the Articles of Association.

The Supervisory Board met seven times with the Executive Board during the year under review. Important issues at these meetings were the annual and quarterly figures, the budget, financing structure and the strategies of the mortgage lending operations.

The Supervisory Board is also involved in judging risk management in general and specifically in respect of credit position, interest risks, liquidity risks and operational risks. An Audit Committee also operates within the Supervisory Board. This Audit Committee met three times in 2007. The Audit Committee supervises the quality and integrity of the financial reports, the reporting practices of the company and the reports of the internal and external auditors. In addition, there was a great deal of consultation during the course of the year between the members of the Supervisory Board and the Executive Board.

The Supervisory Board owes much gratitude to the employees for their work and commitment in the year 2007.

's-Hertogenbosch, 1 April 2008

The Supervisory Board



## REPORT OF THE EXECUTIVE BOARD

### General

In the 2007 financial year, Achmea Hypotheekbank realised a result before tax of EUR 35 million. This means a substantial increase relative to the preceding year (EUR 6 million). This increase is partly explained by the increase in our interest margin. In addition to this, our results were influenced to a great extent by two extraordinary profit items, with a joint impact on results of EUR 26 million. The balance sheet total as at 31 December 2007 amounted to EUR 14.6 billion (2006: EUR 14.5 billion).

### Strategy and objectives

#### 1. Mission, strategy and core values of Achmea Hypotheekbank

##### a. Mission and strategy

The strategic position of Achmea Hypotheekbank within the Achmea insurance group is mainly based on the possibility of jointly offering the customer an integral product. After all, the buyer of a house will mostly not only be interested in the mortgage loan, but also in the options for ensuring an adequate redemption scheme.

It is the mission of Achmea Hypotheekbank to be a reliable partner, together with the other Achmea entities, for both customers and intermediaries. The most important factor is that both the mortgages as well as the appendant insurance policies are offered at market-related prices. In achieving this mission, our attention is focused primarily on cost control, standardisation and top quality in our processes.

In the fiercely competitive market environment, this mission can only be realised if we pursue a strategy of operational excellence, aimed first and foremost at the optimisation of processes.

Apart from a range of products that is continually adjusted to market requirements, in which we also take a proactive attitude towards new opportunities, this requires primarily an



up-to-standard IT infrastructure. The Bank also pursues a well-balanced policy regarding the quality of its products and their proper pricing.

To attain and support the objectives of Achmea Hypotheekbank, a number of key performance indicators (KPIs) have been defined. These KPIs are focussed, amongst other things, on the operational process, delivery reliability, the development of the interest margin and the portfolio development.

Since our organisation has made a conscious decision to attain its objectives by means of a strategy of operational excellence, Achmea Hypotheekbank was occupied in the year under review by the investment in a new Mid-Office system for the mortgage operations. This application, which will be implemented in 2008, is expected to lead to a substantial improvement in efficiency and effectiveness.

#### **b. Core values**

Achmea, together with all its business units and brands, intends to 'unburden' its customers in the field of health care, pensions, social security and mobility. The joint core themes in Achmea's views and actions are 'empathise', 'innovate' and 'fulfil'.

Achmea Hypotheekbank will put these themes into practice in various ways. This annual report is dominated by the core theme 'innovate'. From a commercial point of view, Achmea Hypotheekbank puts this into practice by offering innovative products, such as the modular mortgage and, in the operational domain, by having selected a new Mid-Office system. With its financing operations on the capital market, the Bank has been one of the first in the Netherlands to use a new financing instrument, i.e. the Covered Bond Programme.

## **2. Market development**

### **The Dutch residential mortgage market**

In recent years, the market for mortgage products has changed rapidly in an extremely competitive market. As a consequence, the emphasis is currently placed on price, whilst margins have come under great pressure. To prevent low margins, banks are searching for new commercial opportunities by structuring products according to modules, by intensifying the co-operation with chains and/or buyers' combines and by aiming specifically at target groups such as first-time home owners. The affordability of houses has continued to deteriorate as a result of rising interest rates and property prices. According to expectations, financing expenses will continue to increase in 2008. The present price level is a problem for newcomers on the housing market and for potential buyers up to an average family income of one and a half times the average income (EUR 45,000). Moreover, the implementation of the Code of Conduct as of 1 January 2007 - which limits the maximum mortgage provided - has a huge impact on this group. The government has indicated that it intends to encourage (first-time) home ownership, since the social conditions in neighbourhoods would improve if more people owned their own homes. In 2007, it was decided that housing corporations would also be entitled to grant loans to newcomers.

Mortgage banks are continuously engaged in tapping new markets and/or niche markets, and in adjusting their products to generate extra production and interest income. Moreover, they search intensively for opportunities to reduce their interest expenses by using other financing instruments. For example, the Banks are trying, in various areas, to increase or at least retain their market share, despite the shrinking market and the resultant pressure on margins.

In the Netherlands, new home loans amounting to EUR 108.7 billion were granted in 2007. This represents a drop of 9.3% relative to 2006. This decrease was mainly caused by the rise in market interest rates. Moreover, the percentage of renegotiations relative to the previous year decreased considerably. In December 2006, renegotiations made up 30.3% of the market, whereas this was only 24.3% in December 2007.

The outstanding mortgage debt rose in 2007 by 1% to EUR 390.8 billion (in 2006, the outstanding debt was EUR 386.3 billion). (Source: De Nederlandsche Bank N.V.).

## Looking back on 2007

### 1. Woonfonds to Intermediary Distribution Division

As part of its sales strategy, Achmea has decided to drive its commercial operations through the various distribution channels. Within the intermediary mortgage channel, two brands are active: Avéro Achmea and Woonfonds. As from 1 January 2007, it was decided, within the framework of concentrating operations, to transfer Woonfonds – which was up till then a part of Achmea Hypotheekbank – to the Intermediary Distribution Division. By combining these two brands, a powerful mortgage sales organisation is currently being developed in the agents' channel.

### 2. Covered Bonds

Since the start of the year under review, Achmea Hypotheekbank has been using a Covered Bond Programme, which is less costly than the existing financing constructions. This has reduced the financing expenses, but has increased the qualifying capital needs.

### 3. Product innovations

In 2007, Achmea Hypotheekbank, in co-operation with the Vereniging Eigen Huis (VEH), began to offer a modular mortgage under the FBTO label. This offers the buyer of a house the opportunity to choose, from a wide range of options, a mortgage that is geared specifically to his own situation.

In addition to this, a specific mortgage product was developed in co-operation with a leading mortgage chain, which is sold exclusively through this channel.

Moreover, a great deal of attention was given to product rationalisation, within the scope of the legislation and the operational excellence strategy.



#### **4. Corporate Social Responsibility**

Achmea Hypotheekbank is fully engaged in society. This means that it participates actively in developments within the community. As a responsible financier, it also seeks to prevent social wrongs, such as exceeding overdraft facilities to households. Within this framework, it is important to note that, in 2007, the organisation ensured that the new Code of Conduct of the Contactorgaan Hypothecair Financiers (CHF), aimed at preventing wrongs arising from the granting of mortgage loans, was completely incorporated into its own acceptance conditions. Moreover, within the scope of developing new products, Achmea Hypotheekbank takes account of the possibilities of realising propositions, possibly in co-operation with third parties, with which first-time home owners are given the opportunity to buy a house in a financially-responsible manner.

#### **5. Human Resources and Organisation**

In 2007, the average number of employees under contract at Achmea Hypotheekbank (including corporate staff departments) was 202 FTEs, employed permanently on the basis of 38 hours. In 2006, the number was 219 FTEs. This decrease was mainly caused by the transfer of the Woonfonds sales organisation from Achmea Hypotheekbank to the Intermediary Distribution Division. The organisation of Achmea Hypotheekbank remained stable in 2007. Staff turnover was low and new vacancies were filled in a reasonably short period of time.

The development of the organisation was focused, on the one hand, on effective co-operation and a management style based on trust and involvement. On the other hand, the focus was directed towards the implementation of training requirements in the field of expertise, arising from the Financial Supervision/Financial Services Act (Wfd/Wft). At the end of 2007, all employees to whom the Financial Supervision Act applies, met the specified requirements of expertise.

Annually, Achmea conducts an 'employee involvement survey'. At Achmea Hypotheekbank, the job satisfaction of employees increased relative to 2006 by about 10% to 7.6 (scale of 1-10).

In 2007, a great deal of attention was given to health management. In addition to providing advice and guidance to employees who are ill, attention was also paid to prevention. In 2007, the percentage of absenteeism due to illness showed a moderately decrease from 4.2% to 4.1%. This was in line with the declining trend of recent years.

The Executive Board would like to express its gratitude to its employees for their work and commitment in the past year.

#### **6. Staff Council**

In the year under review, the Staff Council met eight times. These meetings dealt with, amongst other things, recommendations regarding the purchase of a new Mid-Office system. Moreover, a great deal of attention was given to the discussions of the financial results and strategic developments. The Executive Board would like to thank the Staff Council for its positive commitment and constructive recommendations in 2007.

## Risk Management and Control Systems

### 1. Risk Management

Typical risks for a bank are credit risks, interest risks and liquidity risks. Moreover, the Bank is susceptible to more general risks, such as operational risks (including integrity and legal risks), reputation risks and strategic risks. Within the Banking business, control of these risks plays a central part. Risk management and risk awareness form an integral part of the organisation and the culture of the Banking operations. For its risk management, the Bank follows the concept of 'three lines of defence'.

The first line of defence consists of the line management, which verifies or monitors the control measures that are recognised in the operational processes, by means of internal auditing procedures. The second line consists of the Risk Management, Credit & Operational Risk and Compliance departments, which operate independently of the commercial operations. The third line is formed by the Group Audit & Risk Services department, which verifies the risk management framework periodically.

The co-ordination of risk management is handled by the Risk Management Committee. Additionally, there are specific committees, such as the Asset & Liability Committee (ALCO) for the interest and liquidity risks and the Legislation and Regulations Committee. The Supervisory Board is actively involved in the various aspects of risk management through its Audit Committee.

As part of Eureko, Achmea Hypotheekbank carries out risk control assessments, using the Eureko Risk Control framework, which is based on COSO-ERM. These assessments result in a risk control scorecard. The level of control must be substantiated by each individual process owner.

### 2. Credit Risk

The credit risks of Achmea Hypotheekbank are controlled by means of strict credit acceptance conditions. The Credit & Operational Risk department analyses the policy and formulates proposals for this lending and acceptance policy. Moreover, consultative structures have been set up for all parties involved in the process of granting mortgage loans. In response to developments in the market, acceptance conditions were tightened in the year under review. As a consequence, the supply of mortgage loans to self-employed entrepreneurs was restricted, amongst other things.

### 3. Interest and Liquidity Risk

The Treasury department is responsible for the daily management of interest and liquidity risks. The positions taken are subject to limits, which are monitored by the Risk Management department. The interest and liquidity risk is discussed, monitored and adjusted periodically, if necessary, in the Bank's ALCO.

The market value approach is key to the measurement of the interest risk. To this effect, specific instruments are used, such as delta vectors (value changes in the entire mortgage portfolio, specified according to the period of validity of the underlying interest rate) and Value-at-Risk (the maximum loss in market value in a period of 12 months, at 99% reliability).



In addition to this, the effects on the income statement are monitored by the Income-at-Risk indicator.

To contain the liquidity risk, limits are imposed on the net financing requirements within a specific time frame. These limits are defined for each period of validity, for each party dealing with Achmea and each type of instrument.

#### **4. Operational Risk**

Achmea Hypotheekbank takes various steps to control its operational risks. To raise the necessary awareness of operational risks within the organisation and, at the same time, to identify existing operational risks, so-called 'self assessments' were conducted during 2007. The Loss Database is another important consciousness-raising tool in respect of the nature of losses, caused by operational risks. This database also supports the implementation of appropriate control measures.

The Internal Control Statement (ICS) process is used to assess the quality of the internal risk control. The objective is to ensure that strategic and operational objectives are attained, that both internal and external (financial) reports are reliable and that the organisation observes any prevailing legislation and regulations. The control of operational risks includes the management of complaints. Achmea Hypotheekbank has appointed a complaints manager, who takes care of the adequate settlement of complaints that are made. Complaints management also leads to improved identification (also in management reports) and faster tackling of bottlenecks in processes and systems.

To control the ICT risk, an IT policy has been formulated. ICT risks are assessed by the security officer, resulting in and forming part of the overall risk analysis.

#### **5. Integrity and Reputation Risk**

Integrity in the conduct of our business, in combination with upholding the excellent reputation of the Bank amongst customers, shareholders and distribution partners is of the utmost importance. The Compliance department fulfils an advisory function in maintaining integrity within the Bank and supervises the compliance with laws and regulations, the handling and control of incidents and the process of awareness-raising in respect of the importance of regulations, and monitors the integrity of the behaviour of the Bank's employees.



## 6. Risks relating to American subprime mortgages

The American mortgage market for so-called 'subprime' mortgages was hit by a crisis during the past year. This refers specifically to mortgages supplied to customers with less than first-class payment behaviour. The negative developments caused by this crisis had consequences for the following market segments:

- the housing market and the mortgage loan market in the United States;
- the bond market with (mainly American) mortgage loans as security, manifesting itself in various ways;
- the securitisation market;
- the (interbank) money market;
- the hedge fund market.

Achmea Hypotheekbank is only engaged in the supply of home loans for the Dutch market, and has no stake in the so-called US Mortgage-Backed Securities and US Collateralized Debt Obligations. However, as a result of this crisis, the credit spread on funding has increased. However, for the time being, the credit spread that we charge to our customers has not been changed.

Achmea Hypotheekbank has been able to compensate for this credit spread increase by introducing its Covered Bond Programme.

## 7. Basel II

The new Basel II regulations have acted as a catalyst for the further professionalisation of risk management. The statistical models, which were developed as a result of Basel II for PD (probability of default) and LGD (loss given default), were further refined in 2007. In addition to this, scenario analyses and stress tests are also conducted to assess the credit risk of the mortgage portfolio.

In the past year, the emphasis of Basel II was on the second pillar and, in particular, on ICAAP; the 'Internal Capital Adequacy Assessment Process'. In 2007, the Bank developed an 'Economic Capital' (EC) model. For all risks, the amount of EC has been determined on the basis of a 'single A' rating (99,92% reliability). To improve control of this process, the Capital Management Committee was established, which is an advisory body of the Executive Board and aims to guarantee the sufficiency of capital and to safeguard the Bank's optimal risk-return strategy.

The bank has decided to use the standardised credit risk method. During the course of 2008, the options of taking the process a step further into the direction of the IRB method will be investigated.

## 8. Mortgage financing Code of Conduct

On 1 January 2007, the revised Code of Conduct for mortgage financiers came into effect. This Code is endorsed by all the members of the CHF. The CHF is the agreed code of conduct under which mortgage lenders (banks, insurers, pension funds) operate. The Code provides regulations for the manner in which banks and financial institutions supply mortgages. The rules include binding regulations regarding the amount and the manner in which mortgages must be provided.

Achmea Hypotheekbank is a member of the CHF and subscribes to the Code of Conduct and has incorporated this Code into its processes. This means that now, even more than before, mortgages are

provided in accordance with fixed guidelines. The enforcement of this Code of Conduct has a positive effect on the Bank's credit risk and the services to our customers.

## Financial analysis

### Achmea Hypotheekbank Key Figures

In millions of euros	2007	2006	Change
Interest income and changes in fair value of interest-sensitive financial instruments	703	648	9%
Interest expenses	619	594	4%
Interest margin and changes in fair value of interest-sensitive financial instruments	84	54	57%
Fee and commission income	-9	-2	350%
<b>Total income</b>	<b>75</b>	<b>52</b>	<b>44%</b>
Impairment on financial instruments and other assets	6	1	500%
Operating expenses	35	44	-21%
<b>Total expenses</b>	<b>40</b>	<b>45</b>	<b>-12%</b>
Operating profit before taxes	35	6	483%
Taxes	8	4	100%
<b>Net profit</b>	<b>27</b>	<b>2</b>	<b>1250%</b>
<b>As %</b>	<b>2007</b>	<b>2006</b>	
<b>Ratios</b>			
Return on average equity	8.3%	0.8%	
Efficiency ratio	46.7%	86.3%	

#### 1. Analysis of results

In 2007, Achmea Hypotheekbank recorded a net profit of EUR 27 million, a substantial increase relative to 2006. Operating profit before taxes rose from EUR 6 million to EUR 35 million (+483%). This can be mainly explained by an increase in the interest margin and a decrease in operating expenses, amongst other things.

The 2007 Interest income included an extraordinary profit item. In July 2007, as a result of the conversion of fixed interest rate loans from Achmea Group Companies into variable rate, an item of EUR 18 million was recognised under interest income. This refers to the discounted value of the difference in interest rates.



Since the mortgage interest has risen, the renegotiations market has shrunk. The income from penalty interest was EUR 4 million in 2007. This is a decrease of EUR 12 million relative to 2006 (EUR 16 million). As of 1 December 2006, Achmea Hypotheekbank acquired the mortgage portfolio of Interpolis Schade Hypotheken B.V. and Interpolis BTL Hypotheken B.V. (total mortgage portfolio size is EUR 927 million). On 4 April 2007, the wholly-owned subsidiaries, Interpolis Schade Hypotheken B.V. and Interpolis BTL Hypotheken B.V. entered into a legal merger with Achmea Hypotheekbank N.V. The comparative figures for 2006 include one month of interest income from this portfolio, whereas the figures for 2007 include the interest income for the entire year. As a result, the interest income in 2007 is EUR 37 million higher than in 2006.

The interest income included an expense item of EUR 5.2 million, which is related to the change in the fair value of the mortgage portfolio, derivatives and other financial instruments. This expense item consisted of income of EUR 3.2 million as a result of the ineffectiveness of the hedge relations, and an expense of EUR 8.4 million as a result of the change in value of the derivatives portfolio.

The increase in interest expenses in 2007 EUR 33 million is the result of the expansion of financing operations as a result of the acquisition of the Interpolis portfolio. This item also contains an extraordinary profit item. As from October, customers are charged administrative costs in the event of early redemption. This has caused the valuation of the mortgage portfolio to increase by EUR 9 million. Interest expenses included an amount of EUR 1 million due to the amortisation of fair value hedge accounting.

The net commission expenses were EUR 7 million higher in 2007. The operations of the Woonfonds sales organisation were transferred as of 1 January from Achmea Hypotheekbank to Achmea's Intermediary Distribution Division. As a result of this, the commission expenses are recognised under this Division as from 2007.

In 2007, impairments on financial instruments and other assets were EUR 4.5 million higher than in 2006. This increase was mainly due to a number of fraud cases (fraud resulting from errors in mortgage applications) and because the average under absorption per item rose. Since fewer items recovered compared to 2006, the recovery ratio dropped, which led to an allocation of EUR 1.5 million. Despite this, the amount of impairments is relatively low and Achmea Hypotheekbank outperforms the market.

Operating expenses decreased by EUR 9 million. As a result of the transfer of Woonfonds the costs are EUR 8 million lower than in the previous year.

These developments of lower expenses and higher income resulted in an improved efficiency ratio of 46.7% (2006: 86.3%). Due to the increase in net profit, the return on average shareholders' equity of Achmea Hypotheekbank rose from 0.8% to 8.3%.

## 2. Portfolio development

The mortgage portfolio of Achmea Hypotheekbank grew nominally in 2007, by EUR 62 million (2006: EUR 916 million, including the acquisition of the Interpolis portfolio of EUR 927 million). As a consequence, the growth rate was 0.5% in a market which grew overall by 1.0%. The market share of Achmea Hypotheekbank for the total amount of home loans supplied in the Netherlands amounted to 3.5% (2006: 3.5%). Interest rate developments caused the value adjustment of the mortgage portfolio to fall by EUR 136 million. On balance, the carrying amount of the mortgage portfolio is decreased by EUR 74 million.

Of the total portfolio of Achmea Hypotheekbank, 71% (2006: 70%) was lent through intermediaries and 29% (2006: 30%) through the direct writing channel.

### *By portfolio duration*

In millions of euros	2007	proportion	2006	proportion
< 2 years	2,712	20%	3,715	27%
2 years < 5 years	2,845	21%	2,814	21%
5 years < 10 years	4,248	31%	4,273	31%
> or equal to 10 years	3,753	28%	2,830	21%
<b>Total</b>	<b>13,558</b>	<b>100%</b>	<b>13,632</b>	<b>100%</b>

### *By mortgage type*

In millions of euros	2007	proportion	2006	proportion
Interest-only	7,468	55%	7,306	54%
Mixed	947	7%	1,300	10%
Savings-based	2,072	15%	2,073	15%
Investment/unit-linked	2,889	22%	2,642	19%
Other	182	1%	311	2%
<b>Total</b>	<b>13,558</b>	<b>100%</b>	<b>13,632</b>	<b>100%</b>

At the end of 2007, the total portfolio, relative to the total of the original foreclosure values exclusive of home loans granted under the National Mortgage Guarantee (NHG) scheme, amounted to 88% (2006: 88%). If the original foreclosure values are indexed according to the regional developments of the NVM index, then this ratio amounts to 76% (2006: 74%).



### 3. Solvency

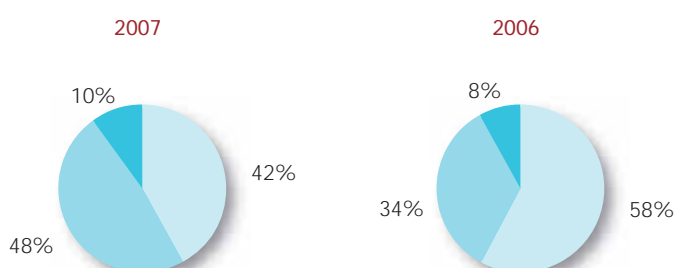
In accordance with the Financial Supervision Act, the Bank must comply with the minimum requirements in respect of its qualifying capital in relation to its risk weighted assets, the solvency ratio.

The graphs below show the distribution of risk in the mortgage portfolio at the end of 2007 and 2006, divided into three categories of solvency ratio (SR), viz.:

- 0% weighting refers to mortgages with a government guarantee (NHG); or mortgages the economic risk of which has been transferred;
- 50% weighting refers to those of the other mortgages that do not exceed 75% of the index-linked foreclosure value;
- 100% weighting refers to the excess over 75% of the index-linked foreclosure value.

#### *Mortgage portfolio split by solvency ratio*

- 0% S.R. NHG/economic transfer
- 50% S.R.
- 100% S.R.



In 2007, the percentage of mortgages with an SR of 0% decreased, whereas the percentage of mortgages with an SR of 50% increased. This shift is the result of the implementation of the Covered Bond Programme in substitution for financing instruments, in which the entire economic risk has been transferred (SR 0%), whereas this is not the case with the Covered Bond Programme.

### 4. Capital payments

As a result of the covered bond issues, which partly serve to replace the other financing programmes, the need for capital has increased. To maintain the BIS ratio at its target level, four share premiums were paid in during the year under review, amounting to EUR 90 million in total.

## 5. Financing and security

### a. Trustee

On 16 December 1995, the Stichting Trustee Achmea Hypotheekbank was established. The Trustee operates according to a formula, in which the Bank pledges mortgage loans with the Trustee as security for money loans taken out by Achmea Hypotheekbank. In the event of insolvency of Achmea Hypotheekbank, the Trustee will receive the interest payments and redemptions directly from the mortgagors and divide these amongst the secured creditors. It has been agreed with the Trustee that a surplus value on mortgage loans of at least 5% relative to the nominal value of the secured loans will be maintained. At the end of 2007, an amount of EUR 4.2 billion of the total mortgage portfolio had been pledged with Stichting Trustee Achmea Hypotheekbank. The Trustee has countersigned EUR 3.6 billion in loans from third parties. An amount of EUR 3 billion of this has been recognised on the EMTN programme.

### *Pledged mortgage debts (Trustee)*

In millions of euros		2007		2006
Pledged mortgage debts		4,161		5,504
Remaining debt of countersigned loans	3,561		4,884	
Addition of negative fair value of derivative financial instruments	223		266	
		3,784		5,150
Excess value of pledged mortgage debts		377		354
Excess value (%)		10.0%		6.9%

### b. European Medium Term Notes Programme

The European Medium Term Notes Programme (EMTN programme) introduced in 1996 has a capacity of up to EUR 10 billion and is used to finance a substantial portion of the mortgage portfolio. In 2007, an amount of EUR 2.1 billion in loans was contracted under this programme.

At the end of 2007, a total amount of EUR 3.2 billion had been taken out in public and private loans (2006: EUR 4.2 billion). In total, eight loans of Achmea Hypotheekbank are listed on the EuroNext Stock Exchange in Amsterdam and ten loans on the Société de la Bourse de Luxembourg.

### c. Securitisation

In 2007, no new securitisation transactions were effected.

### d. Covered Bond Programme

In early 2007, Achmea Hypotheekbank set up its Covered Bond Programme with a capacity of up to 10 billion euros. Through the course of the year, seven issues took place at a total amount of EUR 4.2 billion. The Bank intends to use its Covered Bond Programme again in 2008 to attract funding.

For the purposes of the Covered Bond Programme, a surplus value in mortgage loans of at least 9.5% relative to the bond loans provided under the programme will be retained.

*Pledged mortgage debts (covered bond)*

In millions of euros	2007
Pledged mortgage debts	4,719
Borrowed bond loans	4,212
Excess value of pledged mortgage debts	507
Excess value (%)	12.0%

**9. Rating**

The credit rating agency Standard & Poor's (S&P) maintained its rating of Achmea Hypotheekbank at A- (stable outlook) for debt securities with a life of more than one year, which are issued directly by the Bank. Its rating for assets acquired with a life of less than one year (the ECP programme) was A2.

Notes issued under the EMTN programme, in which the mortgage portfolio pledged with Stichting Trustee Achmea Hypotheekbank serves as security for the loans taken out (Secured Debt Issuance Programme), were awarded the higher rating of A+.

This rating is higher because of the additional security in the shape of a trust construction, but also reflects the compensation risk (set-off) of mortgages linked to life insurance policies issued by the Achmea Group Companies through the direct connection with the rating awarded to the Achmea Pension and Life Companies of A+ (stable outlook).

The Covered Bond Programme has a rating of AAA.

**Outlook for 2008**

We expect that the mortgage market will stabilise in 2008, and that the renegotiations market will decline further. As a result of this, margins will remain under pressure.

The developments for 2008 in the money and capital market interest rates are difficult to predict. In view of these uncertainties, the Executive Board will refrain from expressing any specific views on the outlook for 2008.

's-Hertogenbosch, 1 April 2008

The Executive Board





**FINANCIAL STATEMENTS 2007**

**ACHMEA HYPOTHEEKBANK N.V.**

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In thousands of euros		2007	2006
	Note		
Interest income and changes in fair value of interest-sensitive financial instruments	6	703,523	648,081
Interest expenses	6	619,334	594,254
<b>Interest margin and changes in fair value of interest-sensitive financial instruments</b>	6	84,189	53,827
Fees and commissions	7	8,963	2,192
<b>Fee and commission income</b>		8,963	2,192
Impairment on financial instruments and other assets	15	5,743	1,205
Operating expenses	8	34,761	43,990
<b>Operating profit before taxes</b>		34,722	6,440
Taxes	10	8,074	4,287
<b>Net profit</b>		26,648	2,153
Attributable to:			
Equity holders of the Bank		26,648	2,153
Minority interest		0	0

## CONSOLIDATED BALANCE SHEET

### As at 31 December

In thousands of euros		2007	2006
<b>Assets</b>	Note		
Cash and cash equivalents	11	10,354	27,576
Banks	12	507,574	386,189
Derivative assets held for risk management	13	382,264	246,508
Public sector loans and advances	14	-	37,500
Private sector loans and advances	15	13,557,560	13,632,325
Interest-bearing securities	16	75,774	77,174
Intangible assets	17	2,867	-
Equipment	18	50	177
Deferred tax assets	25	11,635	8,461
Prepayments and other receivables	19	47,015	77,345
<b>Total assets</b>		<b>14,595,093</b>	<b>14,493,255</b>
<b>Liabilities</b>			
Banks	20	564,104	846,264
Derivative liabilities held for risk management	13	321,043	312,518
Funds entrusted	21	1,302,427	3,508,414
Debt securities	22	11,559,149	9,196,838
Tax liabilities	26	22,849	11,160
Deferred tax liabilities	25	2,582	2,523
Accruals and other liabilities	24	248,849	187,616
Subordinated liabilities	23	194,013	164,280
<b>Total liabilities</b>		<b>14,215,016</b>	<b>14,229,613</b>
<b>Shareholders' equity</b>	28	<b>380,077</b>	<b>263,642</b>
<b>Total equity and liabilities</b>		<b>14,595,093</b>	<b>14,493,255</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Total equity
<b>As at 1 January 2007</b>	18,152	164,206	-720	2,153	79,851	263,642
Paid-in surplus		90,000				90,000
Retained earnings				26,648		26,648
Distribution of profit 2006				-2,153	2,153	-
Net unrealised result on 'available for sale' financial instruments			-213			-213
<b>As at 31 December 2007</b>	18,152	254,206	-933	26,648	82,004	380,077

<b>As at 1 January 2006</b>	18,152	164,206	873	27,184	53,292	263,707
Retained earnings				2,153		2,153
Distribution of profit 2005				-27,184	27,184	-
Net unrealised result on 'available for sale' financial instruments			-1,593			-1,593
Other movements					-625	-625
<b>As at 31 December 2006</b>	18,152	164,206	-720	2,153	79,851	263,642

As of 31 December 2007, the authorised share capital amounted to EUR 90.8 million, divided into 200,000 ordinary shares (2006: 200,000), each with a nominal value of EUR 453.78. As of 31 December 2007, 40,001 (2006: 40,001) shares had been issued and paid up in full.

The revaluation reserve comprises the cumulative net fair value movement of the financial fixed assets that are available for sale.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

In thousands of euros	2007	2006
<b>Cash flow from operating activities</b>		
<b>Net profit</b>	26,648	2,153
Adjustments for:		
Depreciation	127	226
Impairment on financial instruments and other assets	5,743	1,205
Changes in general reserve	-	-625
Changes in revaluation reserve	-213	-1,593
<b>Cash flow from operating activities</b>	<b>32,305</b>	<b>1,366</b>
Trading portfolio interest-bearing securities	112	5,193
Banks (assets)	-121,385	223,698
Derivative (assets, held for risk management)	-137,285	95,909
Public sector loans and advances	37,500	-37,500
Private sector loans and advances (exc. allowance for losses on loans and advances)	69,022	-3,133
Prepayments and other receivables	31,618	-37,824
Tax assets	-3,115	1,108
Banks (liabilities)	-282,160	-216,620
Derivative (liabilities, held for risk management)	10,054	-297,258
Funds entrusted	-2,205,987	218,447
Tax liabilities	11,689	-32,900
Accruals and other liabilities	61,233	24,802
<b>Net cash flow from operating activities (1)</b>	<b>-2,496,399</b>	<b>-54,712</b>
<b>Cash flow from investment activities</b>		
Investments in property and equipment and intangible assets	-2,867	-
Disposals of property and equipment and intangible assets	-	348
Purchase of mortgage portfolio	-	-925,403
<b>Net cash flow from investment activities (2)</b>	<b>-2,867</b>	<b>-925,055</b>
<b>Cash flow from financing activities</b>		
Debt securities	2,362,311	1,018,680
Paid-in surplus	90,000	-
Subordinated liabilities	29,733	-30,710
<b>Net cash flow from financing activities (3)</b>	<b>2,482,044</b>	<b>987,970</b>
<b>Net cash flow (1) + (2) + (3)</b>	<b>-17,222</b>	<b>8,203</b>
Cash and cash equivalents as at 1 January	27,576	19,373
Cash and cash equivalents as at 31 December	10,354	27,576
<b>Movements in cash and cash equivalents</b>	<b>-17,222</b>	<b>8,203</b>
<b>Cash flow on account of interest</b>		
Interest received	1,371,263	973,097
Interest paid	1,216,491	927,676

The cash flow statement is prepared in accordance with the indirect method, which makes a distinction between cash flows from operating, investment and financing activities. Cash flows in foreign currencies are converted at the current rate of exchange. For the net cash flows from operating activities, the net profit has been adjusted for income and expenses that have not resulted in receipts and expenditure in the same financial year.

Of the reported Banks (asset) item, an amount of EUR 136 million has been frozen for the purpose of securitisations. Achmea Hypotheekbank is not free to dispose of these funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

Achmea Hypotheekbank N.V. (Achmea Hypotheekbank) is established in 's-Hertogenbosch (the Netherlands). The address of its registered office is The Hague (the Netherlands).

Achmea Hypotheekbank provides mortgage loans to private customers on the collateral of residential, owner-occupied properties situated in the Netherlands.

The consolidated financial statements of Achmea Hypotheekbank for 2007 comprise the financial statements of all group companies in which Achmea Hypotheekbank has a controlling interest.

Achmea Hypotheekbank is a wholly-owned subsidiary of Achmea Bank Holding N.V. Achmea Hypotheekbank is part of Eureko B.V (Group). The financial statements were adopted by the Executive Board on 1 April 2008.

## 2. Summary of significant accounting policies.

The accounting policies set out below have been used uniformly for all periods presented in these consolidated financial statements. The principles of accounting policies are applied uniformly by all group entities.

The reporting currency in the financial statements of Achmea Hypotheekbank is the euro (EUR). All statements are in thousands of euros, unless stated otherwise.

The assets and liabilities on the balance sheet are structured in accordance with a method in which the liquidity of the individual balance sheet items are decisive.

### 2.1 Application of International Financial Reporting Standards (IFRS)

Since 1 January 2005, Achmea Hypotheekbank has adopted the International Financial Reporting Standards, as approved by the European Union (EU). The 2007 annual report, including the comparative figures for 2006, has therefore been prepared in accordance with IFRS, including the International Accounting Standards (IAS) and interpretations effective as of 31 December 2007 that were approved by the EU.

With the drawing up of these financial statements, the requirements ensuing from IFRS 7 'Financial instruments' and IAS 1 'Presentation of the financial statements' have been taken into account. In a number of cases, the current presentation differs from that of the previous financial year. Where this is the case, the comparative figures have been adjusted. These adjustments do not have any effect on the shareholders' equity and net profit.

Several new IFRS principles, revisions of existing IFRS principles and interpretations, were not published or made compulsory yet by the International Accounting Standards Board (IASB) in 2007 or in preceding years and have not been applied to the financial year ending on 31 December 2007. These are:

- **IFRS 8: Operating activities**

IFRS 8 requires a company to provide segment information in accordance with the management information. IFRS 8 has no consequences for the equity and results and replaces IAS 14. IFRS 8 will come into effect on 1 January 2009. As at the balance sheet date, IFRS 8 had not yet been ratified by the EU.

- **IAS 1: Presentation of the financial statements**

The IASB has made a number of changes to IAS 1. These are changes in the presentation of the financial statements and the explanatory notes. The application of this standard has no consequences for the net profit or the total shareholders' equity. The revised standard will come into effect on 1 January 2009. The standard has not yet been ratified by the EU.

- **IAS 23: Financing costs**

The IASB has made a number of changes to IAS 23. In this Standard borrowing costs are required to be capitalised when appropriate and cannot be expensed when incurred. The revised standard will come into effect on 1 January 2009. The standard has not yet been ratified by the EU. The application of this standard will have a positive impact on the net profit in the year in which the financing costs are incurred. However, in the years after that, the capitalised costs will be charged to the debit of the results. Throughout the economic life of the asset for which the financing costs have been incurred the effect will be zero.

- **IFRIC 11, IFRS 2: Operating activities**

This interpretation covers two situations. The first situation is whether or not certain transactions must be recognised as 'equity-settled' transactions or as 'cash-settled' transactions in compliance with the requirements under IFRS 2. The second situation refers to payments into or based on shares, involving two or more entities within the same group. This interpretation will be compulsory for the 2008 consolidated financial statements. Achmea Hypotheekbank does not expect this interpretation to have any impact on its consolidated financial statements. However, this interpretation has not yet been ratified by the EU.

- **IFRIC 12: Services provided under concession agreements**

This interpretation describes the framework within which operators must account for services provided under public-private concession agreements. This interpretation applies mainly to the infrastructure and the possible related services. This interpretation will take effect on 1 July 2008. The interpretation has not yet been ratified by the EU. This interpretation is not expected to have any impact on the net profit or the total shareholders' equity of Achmea Hypotheekbank, because Achmea Hypotheekbank is not engaged in any operations within the scope of this interpretation.

- **IFRIC 13: Customer relations programmes**

This interpretation makes provisions for the manner in which rewards given to customers must be accounted for. If Achmea Hypotheekbank would give rewards to its customers then a provision will be made for this in accordance with IAS 37. The interpretation has not yet been ratified by the EU. Achmea Hypotheekbank does not have any customer relations programmes.

- **IFRIC 14, IAS 19: Limits on staff commitments, minimal capital requirements and their interrelationship**

This interpretation makes provisions for the minimum capital requirements on the basis of staff commitments made. This interpretation came into force on 1 January 2008. The interpretation has not yet been ratified by the EU. This interpretation is not expected to have any impact on the net profit or shareholders' equity of Achmea Hypotheekbank.

## 2.2 Consolidation principles

Companies in which Achmea Hypotheekbank has a controlling interest are fully consolidated. A controlling interest exists if the company has the power to determine the financial and operational policies of an entity, whether directly or indirectly, in order to benefit from the entity's operations. In deciding whether or not a controlling interest exists, the potential voting rights that are exercisable or convertible at that moment are taken into account.

The consolidated financial statements of Achmea Hypotheekbank also include the financial statements of the group companies DMPL I B.V., DMPL II B.V., DMPL III B.V., DMPL IV B.V., DMPL V B.V. and SGML I B.V., whose registered offices are all situated in Amsterdam.

These companies are so-called 'special purpose vehicles' (SPVs), set up by Achmea Hypotheekbank for the securitisation of mortgage loans. Achmea Hypotheekbank manages and administers the portfolios of DMPL I, II, III, IV, V and SGML I and bears the majority of the economic risks in these portfolios. All the shares in the SPVs are held by the foundations Stichting DMPL I Holding, Stichting DMPL II Holding, Stichting DMPL III Holding, Stichting DMPL IV Holding, Stichting DMPL V Holding and Stichting SGML I Holding, respectively, whose registered offices are all situated in Amsterdam.

#### **Elimination of intra-group transactions and balances**

Intra-group balances and possible unrealised profits and losses on transactions within the Group or receipts and expenditure involved in such transactions are eliminated from the preparation of the consolidated financial statements.

#### **Related parties**

Insofar as any operations and transactions are related to group companies, these will be mentioned specifically in the explanatory notes.

### **2.3 Segment reporting**

Segment information is supplied about the business units of Achmea Hypotheekbank. The business units are the primary format for segmentation and are based on the management and internal reporting structure of Achmea Hypotheekbank. The segmentation makes a distinction between the various sales channels ('direct writers' and 'intermediaries').

The results, assets and liabilities of a segment or business unit refer to items that can be directly allocated to a business unit. The unallocated items consist mainly of group assets, costs and other liabilities.

### **2.4 Recognition and derecognition on the balance sheet**

An asset is recognised on the balance sheet if it is probable that future economic benefits of the asset will accrue to Achmea Hypotheekbank and the value of the asset can be determined in a reliable manner. A liability is recognised on the balance sheet if it is probable that this liability will result in an outflow of resources, whose value can be determined in a reliable manner.

A financial asset is derecognised on the balance sheet if the contractual rights of which the asset consists are no longer available to Achmea Hypotheekbank. A financial liability is derecognised on the balance sheet when the financial liability ceases to exist.

Financial assets which are sold are no longer recognised and receivables from a buyer arising from a sale are recognised from the moment at which Achmea Hypotheekbank commits itself to sell the asset.

### **2.5 Use of estimates and assumptions**

The preparation of the financial statements in accordance with IFRS requires judgements by management. Management makes estimates and assumptions, which influence the application of principles and the reported values of assets and liabilities and amounts of profits and losses. These estimates and assumptions are based on historical data and various other factors that are considered reasonable in view of the circumstances. The results of this process constitute the basis for the opinion on the carrying amount of assets and liabilities, insofar as the carrying amount cannot be derived from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are continually evaluated. The effects of the revisions of estimates are recognised in the financial

year in which the revision takes place. If the revision also has an effect on future financial years, then the effect is also recognised in future financial years.

Any assumptions made by the management in the application of IFRS, which have a significant impact on the financial results of the present and future financial year, will be explained.

## 2.6 Offsetting of financial instruments

Financial assets and liabilities are offset and recorded at net amounts on the balance sheet, if Achmea Hypotheekbank:

- has a legally enforceable right to offset the asset and the liability, and
- has the firm intention of settling the net balance or to realise the asset and settle the liability simultaneously.

## 2.7 Foreign currency

Any assets and liabilities in foreign currencies are converted into euros at the rate of exchange prevailing on the balance sheet date. The resulting translation gains or losses are taken to the income statement. The exception to this general rule refers to non-fixed interest securities classified as 'available for sale'. The unrealised results are recognised in the group capital. Income and expenses arising from transactions in foreign currencies are converted at the rate of exchange on the transaction date.

## 2.8 Financial assets

Achmea Hypotheekbank has divided its financial fixed assets into the following categories: 'loans and receivables', 'financial assets at fair value with value changes through profit and loss' and 'financial assets available for sale'.

### (a) Loans and receivables

Loans and receivables are financial instruments that are not derivative financial instruments with fixed or determinable payments and that are not listed on an active market. These receivables are generated when Achmea Hypotheekbank lends funds or provides services directly to a debtor without seeking to trade these receivables. The Private sector loans and advances, which are covered by this item at Achmea Hypotheekbank, consist entirely of loans granted in exchange for mortgage security. These mortgage loans are measured at amortised cost based on the effective-interest method. On the other hand, the portfolio of Interpolis BTL Hypotheken B.V., which was taken over in 2006, is valued at fair value.

### (b) Financial fixed assets at fair value through profit and loss

This category comprises two subcategories, i.e. 'financial assets held for trading' and financial assets which have been designated by the management initially as 'valued at fair value to profit and loss'. A financial asset is classified in the first category if it has been acquired primarily to be sold in the near future, whereas it is classified in the second category if the financial asset has been designated initially as such by the management. Derivative financial instruments are classified as held for trading, unless they are recognised on the hedge relation. Derivative financial instruments with a negative value are classified as financial liabilities and are presented separately on the balance sheet.

### (c) Available for sale

Financial fixed assets classified as 'available for sale' are investments that have been acquired in order to be retained indefinitely and which may be sold due to liquidity requirements and fluctuations in the interest rate, rates of exchange or share prices.

Purchases and sales of financial assets at fair value with value changes in the income statement (b) and financial assets that are available for sale (c) are recognised on the transaction date (the date on which Achmea Hypotheekbank commits itself to buy or sell the asset). Loans and advances are recognised when liquid assets are granted to borrowers.

After their initial recognition, financial assets that are available for sale (c) and financial assets at fair value to profit and loss (b) are carried at fair value. Gains and losses on the financial assets at fair value to profit and loss are recognised in the income statement in the period in which these changes occur. Gains and losses on the 'assets available for sale' are recognised directly in the shareholders' equity, until the financial asset is derecognised or this asset has been the subject of impairment. At that moment, the cumulative gain or loss is carried forward from the shareholders' equity to the profit and loss account. The interest, calculated on the basis of the effective-interest method, is directly recognised in the income statement. Dividend on equity instruments that are available for sale are recognised in the income statement from the moment at which the entity has acquired the right to receive payment.

The fair value of instruments listed on an active market is based on the current bid prices. In the absence of a market for a financial asset (and in the event of non-listed securities), Achmea Hypotheekbank will determine the fair value on the basis of a market-related valuation method. These include recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same, discounted value methods; option valuation methods; and other valuation techniques commonly used by market parties.

Financial assets are no longer recognised on the balance sheet when the right to receive the cash flows from the financial assets has lapsed or when Achmea Hypotheekbank has transferred the risks and benefits as the rights holder.

## 2.9 Impairment of financial assets measured at amortised cost

### General

Achmea Hypotheekbank distinguishes between specific impairments and impairment in consideration of 'Incurred but not reported' (IBNR).

Under IFRS, recognition of an impairment is necessary if it is not probable that Achmea Hypotheekbank will be able to collect the principal amount and the interest in accordance with the loan agreement. The impairment is determined for each specific item for loans that are individually significant. This is called the specific impairment.

### Specific impairment

Achmea Hypotheekbank conducts regular assessments to establish whether there is any objective evidence of impairment of a financial asset or group of financial assets. A financial asset is subject to impairment and recognised as such only when there are objective arguments for impairment. This is the case when:

- an event has occurred after initial recognition of the asset ('loss event');
- this loss event has consequences for the estimated future cash flows of the financial asset;
- these cash flows can be reliably estimated.

If there is objective evidence that financial assets measured at amortised cost have been the subject of impairment, the loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows (excluding future loan losses that have not been incurred), discounted at the original effective-interest rate of the financial asset. If the asset has a variable interest rate, the discount rate used to measure an impairment is the current effective-interest rate agreed by contract. The impairment is recognised on the income statement.

### Recovery ratio

The amount of the impairment is based on the fact that the overdue payments on items assigned to Default Management will ultimately still be settled, whether in whole or in part. This recovery ratio was adjusted at the end of 2007 in accordance with developments in the historical data for 2007.

### 'Incurred but not reported'

Moreover, under IFRS, any losses resulting from events that have occurred before the balance sheet date, but which have not manifested themselves to Achmea Hypotheekbank as yet, must also be taken into account. These are events that lead to losses and that occurred before the balance sheet date, but have not yet been reported. This is indicated by 'Incurred but not reported' (IBNR).

The generic impairment is measured by virtue of IBNR based on the average inflow in the Default Management portfolio set off against empirical figures. Historical loss data are adjusted on basis of current observable data in order to take account of the impact of current conditions that did not apply in the period on which the historical loss data are based, and to eliminate the impact of the conditions in the historic period that do not currently exist.

### Administrative processing of uncollectable loans and advances

If a loan turns out to be (partly) uncollectable, it is written off from the corresponding allowance for impairment losses. Amounts that are subsequently collected are taken to the income statement.

## 2.10 Derivative financial instruments and hedge accounting (delta fair value hedge accounting)

Derivative financial instruments are financial instruments whose value depends on one or more underlying assets, reference prices or indices. Derivative financial instruments are agreements to exchange future cash flows, in which the timing and size may depend on the development of market prices of specific underlying assets, reference prices or indices. Examples of derivative financial instruments are forward exchange contracts, options, interest rate swaps, futures and forward rate agreements. Achmea Hypotheekbank concludes transactions in derivative financial instruments to cover its own interest rate and currency risks. The financial instruments are classified as 'Held for Trade' and rated at fair value.

Derivative financial instruments are first recognised at fair value on the date on which a derivative contract is signed. The fair values are derived from market prices listed on active markets, including recent market transactions or, where applicable, determined on the basis of valuation methods, including discounted value models. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative.

At the initial recognition of derivative financial instruments, the transaction price is the best indicator of its fair value, unless the fair value of this instrument is either substantiated with other information about observable current market transactions in the same instrument or is based on a valuation method which makes exclusive use of observable markets.

Achmea Hypotheekbank has designated the majority of its derivative financial instruments as hedges of the fair value of (parts of) its mortgage portfolio, insofar as relating to the inherent interest rate risks. At the start of the transaction, Achmea Hypotheekbank will document the relationship between the hedging instruments and the hedged items or positions, as well as the risk management objective and strategy for the application of delta fair value hedge accounting.

At the same time, Achmea Hypotheekbank will formally record, both at the start and for the duration of the hedging relationship, whether or not the derivative financial instruments used in the hedging transactions are effective in offsetting changes in the fair value of hedged items. A hedge accounting relationship is effective when prospectively the effectiveness is between 95% and 105%; and retrospectively

between 80% and 125%. Effectiveness is measured by dividing the change in fair value of the hedging instruments (parts used in the hedge relationship) by change in fair value of the hedged item (based on the risk being hedged).

**(A)** Achmea Hypotheekbank periodically assesses the fair value change in the hedged part of the portfolio of mortgage loans, which can be attributed to the hedged risk, on the basis of the expected interest re-pricing date. Under the condition that Achmea Hypotheekbank can assess that the hedging has been effective by means of the method that it uses to determine the effectiveness, Achmea Hypotheekbank recognises the fair value change in the hedged part of the portfolio of mortgage loans as a gain or loss in the income statement and as a part of the balance sheet item Private sector loans and advances.

**(B)** Achmea Hypotheekbank measures the change in fair value of the derivative financial instruments and recognises them as a gain or loss in the income statement. The fair value of the derivative financial instruments is recognised on the balance sheet as a financial asset or a financial liability. If there is ineffectiveness, this is expressed in the income statement as the difference between the change in fair value of the hedged position and the change in the fair value of the hedging instrument.

In brief, the effect as described under (A) and (B) is indicated by the phrase 'delta fair value hedge accounting'. The changes in fair value of the derivative financial instruments (hedging instrument) are compensated for by the changes in fair value changes relating to the interest risk of the parts of the mortgage portfolio that are allocated to the derivative financial instruments.

In accordance with its hedging policy, Achmea Hypotheekbank terminates the hedging relationships at the end of each month and then defines the new hedging relationships for hedge accounting purposes for the next month. For the terminated hedging relationship, Achmea Hypotheekbank starts with the amortisation to the income statement of the applicable part of the Private sector loans and advances. This asset is amortised on the basis of the effective-interest method for the remaining term of the hedged instruments.

## 2.11 Cash, cash equivalents and Banks

Cash comprises bank and cash balances as well as call deposits. Overdrafts in current account, which are payable on demand and which form an integral part of the cash management of Achmea Hypotheekbank, are part of the cash and cash equivalents in the cash flow statement.

## 2.12 Intangible assets

All costs that are directly related to identifiable and unique software products, of which Achmea Hypotheekbank has the power to dispose and with which it will probably generate future economic benefits that will exceed these costs, are capitalised as intangible assets. The direct costs include any personnel expenses that are directly attributable to software developments. All other costs related to the development or maintenance of software are included as expenses in the period in which these are incurred. The capitalised software development costs are subject to straight line depreciation during their economic life, with a maximum of three years. Possible impairments are monitored periodically.

## 2.13 Equipment

Equipment is valued at cost, decreased by accumulated depreciation and impairment. Other expenses in connection with equipment are only capitalised if they lead to future benefits. All other expenses are recognised as losses in the income statement as they are incurred.

The depreciation method and useful life of equipment are assessed periodically and adjusted in the event of a significant change in circumstances or expectations. Depreciation is applied according to the straight line method and debited to the income statement during the estimated useful life of the equipment. The estimated useful life is:

- 3–6 years for equipment excluding furniture and fixtures;
- 5–10 years for furniture and fixtures.

## 2.14 Interest-bearing loans

Interest-bearing loans are recognised under Banks, Funds entrusted and Debt securities and are initially measured at fair value less attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortised cost, whilst the difference between cost price and redemption value being recognised in the income statement in accordance with the effective-interest method for the term of the loans ('Loans and receivables').

## 2.15 Staff remunerations

All staff members are employed by Achmea Personeel B.V., an operating company of Achmea Holding N.V. The personnel expenses relating to the company's activities and other operating expenses are charged on to the operating companies of Achmea Holding N.V. The pension liabilities, as part of these personnel expenses, are also placed (on the basis of indexed average wages) with Achmea Personeel B.V. Achmea Personeel B.V. has insured its commitments with Achmea Pensioen- en Levensverzekeringen N.V. The related pension expenses are allocated to parts of the Achmea Group on the basis of the career average of active employees. The pension liabilities are calculated by Achmea Personeel B.V. on the basis of the 'projected unit credit' method. According to this method, the promised pension rights are regarded and valued per year of service as separate elements (years) of the ultimate liability on account of the pension pledges. The allocation to the individual financial years takes place on the basis of the pension rights allocated or to be allocated in each completed year of service. The provision is determined on the basis of the number of active years of service until the balance sheet date, the estimated salary level at the time of the expected date of retirement and the market interest on the high-quality bonds issued by the companies. These liabilities are reduced by possible assets related to the scheme.

Throughout 2007, Achmea Hypotheekbank employed 143 FTEs (2006: 163 FTEs) on average. The number of FTEs includes employees on temporary contracts.

## 2.16 Taxes

The tax on profit or loss comprises current and deferred tax. Income tax is recognised on the income statement, although tax on direct equity adjustments is recognised in shareholders' equity.

Current tax is the expected tax on the taxable income for the year, using applicable current and future tax rates, and any adjustments to tax payable respect of previous years.

Deferred tax is recognised to allow for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax claims and/or liabilities are based on the expected manner in which the carrying amount of the assets and liabilities will be realised or settled in the future, using rates that are fixed or materially enacted on the balance sheet date. A deferred tax claim is only recognised insofar as it is probable that taxable profits will be available in the future, which can be used for the realisation of the asset item. The amount of the deferred tax claims will be reduced, insofar as it is no longer

probable that the related tax benefit will be realised. The most important temporary differences at Achmea Hypotheekbank between the commercial and fiscal valuation refer to fair value and/or amortised cost valuation on Derivative financial instruments, Private sector loans and advances, Interest-bearing loans, Debt securities and Funds entrusted.

## 2.17 Interest income and expenses

For all instruments that are valued at amortised cost, the interest income and interest expenses are recognised in the income statement by means of the effective-interest method.

The effective-interest-rate method is a method for the calculation of the amortised cost price of a financial asset or a financial liability and for the allocation of the interest income and expenses to the relevant period. The effective-interest rate is exactly the discount rate with which the estimated future income and expenses are discounted during the expected life of the financial instrument or, if applicable, a shorter period of time, to reflect the carrying amount of the financial asset or the financial liability. Within the scope of the calculation of the effective-interest rate, Achmea Hypotheekbank estimates the cash flows, considering all contractual terms of the financial instrument (e.g. early repayment options), but not future loan losses. In calculation the amortised cost, due consideration is given to all fees paid or received and conditions between contract parties, which are an integral part of the effective-interest rate, transaction costs and all other premiums and discounts.

The amortisation of the fair value change in the fair value hedge is also recognised in interest income and expenses.

## 2.18 Fees and commission expenses

The commissions paid by Achmea Hypotheekbank to its Direct Distribution Division and Intermediary Distribution Division are capitalised and depreciated for the estimated remaining life of the mortgages involved, insofar as this concerns sales-related commissions on the new mortgage business with a duration of more than one year.

# 3. Financial risk management

Within the scope of its normal business operations, Achmea Hypotheekbank manages its credit, interest, liquidity and currency risks. Derivative financial instruments are primarily used for hedging purposes, i.e. the risk of interest rate and currency fluctuations.

## 3.1 Strategy for the use of financial instruments

The nature of the operations of Achmea Hypotheekbank is such that frequent use is made of financial instruments, including derivative financial instruments. It is the primary objective of Achmea Hypotheekbank to realise an interest margin through its mortgage lending operations. Since Achmea Hypotheekbank rarely trades on the financial markets at its own expense, if at all, the market risk of Achmea Hypotheekbank mainly consists of interest risks arising from banking operations. Foreign currency and price risks are minor due to the hedging of positions. The Treasury department is responsible for the daily management of interest, liquidity and currency risks. The positions taken up are subject to limits and are supervised by the Risk Management department. Periodically, the ALCO of the Bank will discuss and, if required, adjust interest rate risks and liquidity.

### Fair value hedging

Achmea Hypotheekbank hedges the interest rate risk arising from its mortgage lending operations by using interest derivative financial

instruments. As at 31 December 2007, the replacement value of these derivative financial instruments amounted to EUR 61 million positive (2006: EUR 66 million negative).

### 3.2 Credit risk

The credit risk of Achmea Hypotheekbank is understood to mean the present or future risk in the results or shareholders' equity as a result of a contractual party's failure to fulfil its obligations. A credit risk arises when a contract is signed between a lender and a borrower, whilst the (possible) collateral does not cover the loan completely and the loan is not granted on a guarantee (such as with NHG). The objective in the management of the credit risk of Achmea Hypotheekbank is to maintain the credit risk at a level that creates a justifiable risk/return ratio for the Bank.

#### Mortgage loans

The credit risk of Achmea Hypotheekbank is managed by the strict application of credit acceptance conditions which have been laid down by the Executive Board. The loan portfolio of Achmea Hypotheekbank consists of residential property financing for the Dutch market. The securities linked to the mortgage are residential properties, pledgings of savings and investment accounts and life insurance policies. Loans exceeding a set limit are dealt with by the Credit Analysis department. The Credit Analysis department is also required to approve any deviations from the standard terms and conditions imposed on borrowers. Procedures have been prepared for the monitoring of overdue interest and redemption payments. If a borrower is overdue with his payments by more than three months, the dossier is transferred to the Default Management department. This department continues with the collection. Throughout the year, the acceptance conditions have been tightened. As a result of this, the granting of mortgage loans to self-employed entrepreneurs has been restricted, amongst other things.

The table below shows the carrying amount of the Private sector loans and advances, divided into various categories of overdue payments.

#### As at 31 December 2007

In thousands of euros	Not due	Over due		Total
		Not impaired 0-3 months past due	Impaired >3 months past due	
Accounts receivables		540	1,368	1,908
The accessory:		<b>Carrying amount</b>		
Private sector loans and advances	13,413,690	84,182	59,688	13,557,560

#### As at 31 December 2006

In thousands of euros	Not due	Over due		Total
		Not impaired 0-3 months past due	Impaired >3 months past due	
Accounts receivables		396	1,744	2,140
The accessory:		<b>Carrying amount</b>		
Private sector loans and advances	13,482,565	80,735	69,025	13,632,325

The line of Accounts receivables refers to arrears on redemptions and interest. This line forms part of the accruals and other liabilities (in connection with advances this is on balance a credit item). The Private sector loans and advances refer to the carrying amount of the mortgages that belong to the debtors that are in arrears. The Private sector loans and advances themselves do not show any arrears.

The value of the collateral amounted to EUR 163 million as at 31 December 2007 (2006: EUR 172 million) and is therefore EUR 19 million higher than the carrying amount of the loans that are in arrears, or that have been the subject of an impairment. The impairments on receivables are explained in the section 'Private sector loans and advances'.

#### Derivative financial instruments

Achmea Hypotheekbank uses stringent limits for net unhedged derivative financial instruments positions, in terms of both size and term. This credit risk exposure is managed by counterparty limits approved by the Executive Board.

#### Solvency sensitivity analysis

The valuation of our mortgage portfolio comprises a mark-up for degree of solvency. In accordance with our accounting principles, the table below shows the impact on our results if the solvency of our mortgagors would change.

#### Sensitivity analysis

In thousands of euros	2007
Increase of 10 basis points	-1,646
Increase of 20 basis points	-3,280
Increase of 30 basis points	-4,903
Increase of 40 basis points	-6,514
Increase of 50 basis points	-8,114

### 3.3 Interest risk and currency risk

The interest risk is the present or future risk in the results or the fair value of the shareholders' equity as a result of changes in the market interest rate. For the impact on the results, an analysis is performed to establish to what extent the total annual interest margin changes at an immediate interest rate hike of 1 basis point. Changes on the balance sheet and management interventions are not recognised on this analysis. The criterion used by the Bank is Income at Risk. Income at Risk measures the sensitivity of the interest margin, if the underlying interest rates are raised by 1 basis point with a time horizon of one year.

In thousands of euros	2007	2006
Income at Risk	-49	5

The table above shows that the results drop by EUR 49,000, if the interest rate rises by 1 basis point.

For the impact on the fair value of the shareholders' equity, the market value of all financial instruments is used as a point of departure. This impact is not directly visible in the results or on the balance sheet, because many instruments are recognised according to amortised cost. Various criteria are used to monitor the impact on the shareholders' equity:

- The delta vector measures the sensitivity of the market value to an increase in the interest rate by 1 basis point for each period of validity;
- The delta measures the sensitivity of the market value to a parallel increase in the interest rate by 1 basis point. This is at the same time equal to the sum of all elements of the delta vector;
- The rotation risk measures the sensitivity of the market value to a unit rotation (steepening or levelling) of the yield curve;
- Value at Risk gives the maximum loss of market value, which, with a probability of 99% and a time horizon of one year, will not be exceeded. This is based on historical simulation, which covers 5 years of interest rate history.

In thousands of euros	2007	2006
Delta	-132	63

The table above shows that the fair value of the shareholders' equity decreases by EUR 132,000 if the interest rate rises by 1 basis point.

In thousands of euros	2007	2006
Rotational risk	-34	-79

A negative value of the rotation risk indicates that the market value of the portfolio decreases as the interest rate curve continues to steepen. The applied steepening is based on a steepening of 0.2 basis points per annum for the durations up to 10 years, a steepening of 0.1 basis points per annum for durations of 10-20 years and a steepening of 0.05 basis points for durations of over 20 years.

In thousands of euros	2007	2006
Value at Risk	20,945	9,284

This shows that the decrease of fair value with certainty of 99% not rises above EUR 20.9 million.

Achmea Hypotheekbank applies a limit of EUR 53 million to the VaR. The increase in the VaR in 2007 is the result of the alignment of the risk profile of the Interpolis portfolio with that of the existing portfolio.

### Stress analysis

In thousands of euros	2007	2006
Change in the interest rate of 100 basis points negative	11,095	-5,865
Change in the interest rate of 100 basis points positive	-17,066	-766

Likewise, the impact of a stress test on the market value is measured. A stress test is used to assess the effects of an event that is exceptional, but relevant to the bank. This stress test is based on the assumption of a sudden, parallel shift of the interest rate curve by 100 basis points (in both directions). Contrary to the delta, which only measures a sensitivity to minor interest rate changes, this stress test recalculates the market value of the entire portfolio under the new conditions. This method also takes account of effects of a secondary and higher order (optionality and convexity).

### Foreign currency

With the exception of transitional positions, the policy of Achmea Hypotheekbank does not permit any currency risk or interest risk in foreign currencies. However, Achmea Hypotheekbank does periodically attract financing in foreign currencies. By means of forward exchange contracts, this type of financing is converted into euros. The table below gives an overview of cash flows of this financing in foreign currencies and the non-euro part of the cash flow of the related forward exchange contract.

In thousands of euros

	2007			2006		
	Total exposure	Notional amounts of hedging instruments	Net exposure	Total exposure	Notional amounts of hedging instruments	Net exposure
<b>Assets</b>						
US Dollar		4,296	4,296		19,785	19,785
Pound Sterling		-	-		41,676	41,676
Swiss Franc		157,100	157,100		-	-
Other		-	-		72,983	72,983
		161,396	161,396		134,444	134,444
<b>Liabilities</b>						
US Dollar	4,284		4,284	19,490		19,490
Pound Sterling	-		-	41,030		41,030
Swiss Franc	157,109		157,109	-		-
Other	-		-	72,919		72,919
	161,393		161,393	133,439		133,439
<b>Net</b>						
US Dollar	4,284	4,296	-12	19,490	19,785	-295
Pound Sterling	-	-	-	41,030	41,676	-646
Swiss Franc	157,109	157,100	9	-	-	-
Other	-	-	-	72,919	72,983	-64
	161,393	161,396	-3	133,439	134,444	-1,005

The following exchange rates have been used:

	Closing rate		Average rate	
	2007	2006	2007	2006
US Dollar	1.4735	1.3186	1.3961	1.2565
Pound Sterling	0.7333	0.6707	0.7075	0.6816
Swiss Franc	1.6550	1.6065	1.6308	1.5813

### 3.4 Liquidity risk

The liquidity risk is the risk of not being able to fulfil short-term financial obligations or only at unacceptably high costs. This includes both the risk that it may not be possible to finance assets on the basis of the right periods of validity and interest rates, as well as the risk of not being able to realise assets at a reasonable price or within a reasonable period of time. The available cash resources of Achmea Hypotheekbank are used on a daily basis in connection with funds that are released, loans that are contracted by customers, interest payments, etc. Experience shows that it can be predicted with a high degree of certainty that a minimum amount of funds that are released will be reinvested. The Executive Board sets limits for the minimum cash resources which must be present to meet such cash requirements, and for the minimum level of interbank and other loan facilities required to cope with an unexpectedly high level of withdrawals.

Below, the Private sector loans and advances are broken down according to the contractual repricing date, as a rough calculation of the liquidity life to be recognised. The other assets and liabilities of Achmea Hypotheekbank are broken down according to their contractual remaining life.

### Net liquidity gap

#### As at 31 December 2007

In thousands of euros	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total
<b>Assets</b>					
Banks and Private sector loans and advances	1,396,069	954,276	3,714,323	8,000,466	14,065,134
Interest-bearing securities		34,611	24,000	16,000	74,611
<b>Total assets</b>	<b>1,396,069</b>	<b>988,887</b>	<b>3,738,323</b>	<b>8,016,466</b>	<b>14,139,745</b>
<b>Equity and liabilities</b>					
Banks	205,000	303,327	55,777		564,104
Funds entrusted	185,442	207,357	508,974	400,654	1,302,427
Debt securities	139,016	1,055,633	6,566,730	3,797,770	11,559,149
Subordinated liabilities			35,339	158,674	194,013
<b>Total equity and liabilities</b>	<b>529,458</b>	<b>1,566,317</b>	<b>7,166,820</b>	<b>4,357,098</b>	<b>13,619,693</b>
<b>Net liquidity gap</b>	<b>866,611</b>	<b>-577,430</b>	<b>-3,428,497</b>	<b>3,659,368</b>	<b>520,052</b>

#### As at 31 December 2006

In thousands of euros	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total
<b>Assets</b>					
Banks and Private sector loans and advances	763,453	1,019,293	5,436,228	6,795,285	14,014,259
Interest-bearing securities	1,361	23,823	35,000	16,000	76,184
<b>Total assets</b>	<b>764,814</b>	<b>1,043,116</b>	<b>5,471,228</b>	<b>6,811,285</b>	<b>14,090,443</b>
<b>Equity and liabilities</b>					
Banks	185,939	362,339	278,446	19,540	846,264
Funds entrusted	262,211	903,311	707,788	1,635,262	3,508,572
Debt securities	551,134	796,410	3,887,236	3,966,004	9,200,784
Subordinated liabilities			27,339	136,941	164,280
<b>Total equity and liabilities</b>	<b>999,284</b>	<b>2,062,060</b>	<b>4,900,809</b>	<b>5,757,747</b>	<b>13,719,900</b>
<b>Net liquidity gap</b>	<b>-234,470</b>	<b>-1,018,944</b>	<b>570,419</b>	<b>1,053,538</b>	<b>370,543</b>

The matching and controlled mismatching of the periods of validity and interest rates of assets and liabilities is a fundamental part of the management of Achmea Hypotheekbank. The running of a typical liquidity mismatch is acceptable within Achmea Hypotheekbank. Achmea Hypotheekbank will ensure that the eventual mismatch remains within the limits imposed by the Executive Board.

The maturities of assets and liabilities and the possibility to replace, at acceptable costs, interest-bearing liabilities as they mature, are important factors in the assessment of the liquidity of Achmea Hypotheekbank and the interest and currency risks to which it is exposed.

### 3.5 Capital management

By virtue of the Financial Supervision Act, De Nederlandsche Bank N.V. has imposed requirements on the total capital. The qualifying capital of Achmea Hypotheekbank is related to the risk-weighted assets and off-balance sheet items. The standard laid down by the supervisor for this so-called BIS ratio is 8%.

In 2007, the Executive Board maintained a BIS ratio of 10.5%. Throughout the year, Achmea Hypotheekbank met the standard set by the Executive Board. In the year under review, the BIS ratio ended up at 10.9% (2006: 10.9%). The increase in the risk-weighted assets from EUR 3,584 million to EUR 4,816 million is the result of the replacement of securitised loans by the issues that were made under the Covered Bond Programme whereas a solvency ratio of 0% was used. For the Covered Bond Programme is the solvency ratio more than 0%. As result of these transactions, a number of share premiums were paid amounting to EUR 90 million in total and a subordinated loan of EUR 30 million was contracted to maintain the BIS ratio at its desired level.

At the end of 2007, the Bank's liability capital amounted to EUR 574 million (2006: EUR 428 million). Its shareholders' equity amounted to EUR 380 million (2006: EUR 264 million).

Of the Subordinated loans amounting to EUR 194 million, EUR 96 million is owed to the Achmea Group.

#### Qualifying capital and BIS

In millions of euros	2007	2006
Paid-up and called-up capital	18	18
Share premium reserve	254	164
Other reserves	109	82
Tier 1 capital	380	264
Subordinated liabilities (the part qualifying as capital)	168	152
Deductions	24	24
Tier 2 capital (maximum 50% of Tier 1)	144	128
<b>Total qualifying capital</b>	<b>524</b>	<b>392</b>
Risk-weighted assets	4,816	3,584
Tier 1 ratio	7.9%	7.4%
Tier 2 ratio	3.0%	3.6%
<b>Bis ratio</b>	<b>10.9%</b>	<b>10.9%</b>

The deductions refer to the funds set aside and/or financing arranged to cover the first losses arising from securitisation transactions.

### 3.6 Fair value of financial assets and liabilities

The summary below shows the carrying amount and the fair value of the financial assets and liabilities. To estimate the fair value of assets, bid prices are used, whilst selling prices are used for liabilities.

The fair value and carrying amount of assets and liabilities are as follows:

#### Balance sheet at fair value

In thousands of euros	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
<b>Financial assets</b>				
Banks and Public sector loans and advances	507,574	508,359	423,689	423,803
Private sector loans and advances	13,557,560	13,484,630	13,632,326	13,667,970
In thousands of euros	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
<b>Financial liabilities</b>				
Banks	564,104	576,454	846,264	861,630
Funds entrusted	1,302,427	1,328,263	3,508,414	3,577,365
Debt securities	11,559,149	11,688,335	9,196,837	9,321,543
Subordinated liabilities	194,013	195,737	164,280	168,102

The approximate fair values presented by financial institutions cannot be compared to each other due to their use of different valuation methods and assumptions. Since there is no objective valuation method, the approximate fair value is largely subjective.

#### Notes to estimation of the fair values

##### Banks

These receivables are virtually payable on demand.

##### Private sector loans and advances

The fair value of Private sector loans and advances is based on the discounted value of the expected future cash flows, making use of the interest rate prevailing at that moment for loans with a similar risk profile and a similar remaining life. Where possible, Achmea Hypotheekbank makes use of variables that are observable in the market.

For the determination of the fair value of Private sector loans and advances, the effects (in particular the liquidity and solvency) as a result of the crisis on the US mortgage market have been evaluated. These effects have not had any consequences at Achmea Hypotheekbank for the determination of the fair value. Achmea Hypotheekbank is only engaged in the supply of home loans for the Dutch market.

The Dutch mortgage market cannot be compared to the US mortgage market.

### **Banks, Funds entrusted and Debt securities**

The fair value of debts to Banks, Funds entrusted and Debt securities is calculated on the basis of the discounted value of the expected future cash flows, making use of the interest rate prevailing at that moment for instruments with a similar risk profile and similar remaining life. Where possible, Achmea Hypotheekbank makes use of variables that are observable in the market.

The effects (in particular liquidity and solvency) of the crisis on the American mortgage market have been evaluated with the fair value determination of these items. As a consequence of the crisis, a mark-up has been applied to the effective rate of interest. This mark-up is determined specifically for each risk profile and each period of validity as a result of quotes used by the market parties.

### **Subordinated liabilities**

The fair value of the Subordinated liabilities is calculated on the basis of the discounted value of the expected future cash flows, making use of the then prevailing interest rate for subordinated loans with a similar risk profile and a similar remaining life. Where possible, Achmea Hypotheekbank makes use of variables that are observable in the market.

## **4. Critical estimates and judgements used in the application of the principles of the financial reporting**

Achmea Hypotheekbank makes estimates and assumptions which have an effect on the assets and liabilities reported during the current financial year. The estimates and assumptions are continuously assessed and are based on historical data and other factors, including future events that are considered reasonable in view of the circumstances.

### **Fair value determination**

The fair value of financial instruments that are not listed on an active market is assessed by means of a modelled valuation technique. Insofar as practically feasible, the models are used exclusively in combination with market-related details. In fields such as credit risk, volatility and correlations, the management must, however, make estimates, taking account of the specific characteristics of the market in which the financial instrument is being used.

### **Impairment on loans and advances**

Periodically, Achmea Hypotheekbank evaluates whether or not the mortgage loans that it has granted have been subject to impairment. In order to decide whether or not an impairment loss must be recognised in the income statement, Achmea Hypotheekbank evaluates whether or not there are any observable indications giving rise to a decrease in the estimated future cash flows of the loan portfolio, before it is possible to determine the decrease in an individual loan in that portfolio.

When scheduling its future cash flows, the management uses estimates based on historical loss data for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio. The method and assumptions used to estimate both the amount and the timing of future cash flows are reviewed regularly in order to reduce differences between estimates of losses and actual losses.

## **5. Segment information**

Segment information is supplied about the business units of Achmea Hypotheekbank, based on the management structure and internal reporting structure of Achmea Hypotheekbank. Since the operations of Achmea Hypotheekbank are entirely concentrated in the Netherlands, no geographical units are distinguished.

Achmea Hypotheekbank is organised in two business units:

- Direct writers: the sale of mortgages through the direct writing sales channel;
- Intermediary: the sale of mortgages through intermediaries.

The revenues and expenses, assets and liabilities of a segment or business unit include items that can be allocated to the business unit either directly or on the basis of reasonableness. The unallocated items consist primarily of group assets and expenditure. Amongst the business units, rates are used that are based on normal commercial terms and conditions. All segments can be classified as 'continued operations'.

### Business segment reporting

In thousands of euros	Direct writers		Intermediaries		Consolidated	
	2007	2006	2007	2006	2007	2006
Interest margin and changes in fair value of interest-sensitive financial instruments	24,319	14,610	59,870	39,217	84,189	53,827
Fee and commission income	-2,589	-1,597	-6,374	-595	-8,963	-2,192
Operating expenses inc. impairment on financial instruments and other assets	-11,700	-9,941	-28,804	-35,254	-40,504	-45,195
Segment profit	10,030	3,072	24,692	3,368	34,722	6,440
Operating profit before taxes	10,030	3,072	24,692	3,368	34,722	6,440
Taxes					8,074	4,287
<b>Net profit</b>					26,648	2,153
Segment assets	3,916,233	3,700,241	9,641,327	9,932,084	13,557,560	13,632,325
Unallocated assets	299,701	233,683	737,832	627,247	1,037,533	860,930
<b>Total assets</b>	4,215,934	3,933,924	10,379,159	10,559,331	14,595,093	14,493,255
Segmented equity and liabilities	4,215,934	3,933,924	10,379,159	10,559,331	14,595,093	14,493,255
<b>Total equity and liabilities</b>	4,215,934	3,933,924	10,379,159	10,559,331	14,595,093	14,493,255
Other information:						
Depreciation	74	124	4,122	3,363	4,196	3,488

## 6. Interest margin and changes in fair value of interest-sensitive financial instruments

In thousands of euros	2007	2006
Interest income and changes in fair value of interest-sensitive financial instruments	703,523	648,081
Interest expenses	619,334	594,254
Interest margin and changes in fair value of interest-sensitive financial instruments	84,189	53,827

Interest income can be broken down as follows:

In thousands of euros	2007	2006
Mortgage receivables	674,252	617,677
Deposits and loans	32,877	11,257
Changes in fair value of mortgage portfolio, derivative and other financial instruments	-5,195	7,536
Foreign currency results	1,232	916
Other	357	10,695
	703,523	648,081

Mortgage Receivables include revenues from granting mortgage loans and related transactions, as well as related commissions and other income and expenses with interest rate characteristics.

Interest income also includes an amount of EUR 1.4 million (2006: EUR 1.7 million) relating to interest income on financial assets which have been subject to an impairment.

In July 2007, as a result of the conversion of fixed interest rate loans from Achmea Group Companies into variable interest rate loans, an amount of EUR 17.7 million was recognised under interest income. This is the discounted value of the difference in interest rate.

Deposits and loans includes an item of EUR 0.9 million (2006: EUR 1.0 million) relating to the Achmea Group Companies.

Deposits and loans includes an amount of EUR 2.0 million (2006: EUR 3.6 million) relating to financial assets that are classified as 'Available for sale'.

Under interest income an expenditure of EUR 5.2 million is recognised in connection with a change in the fair value of the mortgage portfolio, derivatives and other financial instruments. An expenditure of EUR 108 million is recognised here as a consequence of the change in the value of the hedged items, as well as income of EUR 111 million due to the change in the value of the hedging instruments.

The item 'other' includes current account interest, commitment interest and other income.

Interest expenses can be broken down as follows:

In thousands of euros	2007	2006
Loans	618,649	571,654
Changes in fair value of mortgage portfolio, derivative and other financial instruments	-538	16,703
Other	1,223	5,897
	619,334	594,254

As from October 2007, customers are charged administrative costs in the event of accelerated redemptions. As a result of this, the valuation of the mortgage portfolio has increased by EUR 8.6 million being the fair value based on the effective-interest method.

This income is recognised under loans.

In 2007, the amortisation of the first-time adoption adjustment as of 1 January 2005 (EUR 31 million) was recognised, amongst other things, in the interest expenses, as well as the amortisation of the Fair Value Hedge Accounting (positive effect of EUR 31.5 million) for 2007. The total income for 2007 therefore amounted to EUR 0.5 million (2006: EUR 16.7 million).

The item 'Other' includes commission expenses and other expenses.

## 7. Fee and commission income

In thousands of euros	2007	2006
Fees and commissions paid within Achmea Group	8,963	2,192

The commissions paid by Achmea Hypotheekbank to its Direct Distribution Division and Intermediary Distribution Division are amortised over the estimated residual term of the relevant mortgage, insofar as these are sales-related commissions on new mortgage business with a duration of more than one year.

## 8. Operating expenses

In thousands of euros	2007	2006
Personnel expenses	10,652	17,535
Administrative expenses	23,982	26,229
Depreciation	127	226
	34,761	43,990

## 9. Personnel expenses

During the year under review, the average number of employees of Achmea Hypotheekbank (including corporate staff departments) was 202 FTEs (2006: 219 FTEs). The decrease in the number of FTEs compared to 2006 was caused primarily by the transfer of the Woonfonds sales organisation (43 FTEs in total) from Achmea Hypotheekbank to the Intermediary Distribution Division. The costs of the employees of Woonfonds are recognised in the item 'Other Personnel Expenses'. All permanent employees are formally employed by Achmea Personeel B.V. The direct salary expenses, pension expenses, emoluments and other payroll-related expenses are recovered from Achmea Hypotheekbank on a monthly basis.

In thousands of euros	2007	2006
Wages and salaries	5,211	6,673
Pension expenses	1,342	1,684
Other social security expenses	881	1,028
Other personnel expenses	3,218	8,150
	10,652	17,535

## 10. Taxes

In thousands of euros	2007	2006
Taxes due on profits		
For the year	12,042	4,436
Previous years	-785	-1,390
Total taxes due on profits	11,257	3,046
Deferred tax		
Origination and reversal of temporary differences, for the year	-3,188	-2,672
Origination and reversal of temporary differences, previous years	5	2,913
Reduction in corporate tax rate	-	1,000
Total deferred tax expenses	-3,183	1,241
Total taxes in Income Statement	8,074	4,287

### Reconciliation of the effective tax burden

In thousands of euros	2007	2006
Operating profit before taxes	34,722	6,440
Nominal tax rate	25.5%	29.6%
Nominal tax burden	8,854	1,907
Tax concerning previous years	-780	1,380
Reduction in tax rate	-	1,000
Effective tax burden	8,074	4,287
Effective tax rate	23.25%	66.57%

The deferred taxes recognised on the balance sheet as at the end of 2007 have been converted at a tax rate of 25.5%.

Achmea Hypotheekbank is part of a fiscal unity with Eureka B.V.

## 11. Cash and cash equivalents

In thousands of euros	2007	2006
Cash and cash equivalents	10,354	27,576

This item includes all demand deposits held at De Nederlandsche Bank N.V.

## 12. Banks

In thousands of euros	2007	2006
Banks	507,574	386,189
	507,574	386,189

Receivables included under Banks can be analysed as:

In thousands of euros	2007	2006
• Not available on demand	377,574	108,689
• < or equal to 3 months	130,000	277,500
	507,574	386,189

The Banks item refers to receivables due from Banks, insofar as not embodied in interest-bearing securities. The Banks item is classified as 'Loans and receivables' and valued at amortised cost based on the effective-interest method.

## 13. Derivative assets held for risk management

For hedging purposes, Achmea Hypotheekbank uses the following derivative financial instruments (derivatives are classified as 'Held for Trade' and valued at fair value):

### Currency and interest rate swaps

Swaps are obligations to exchange one set of cash flows for another set. Swaps result in an economic exchange of currencies or interest rates or a combination of these (so-called 'cross-currency' interest rate swaps). Except with specific currency swaps, there is no question of exchange of the principal sum. The credit risks of Achmea Hypotheekbank correspond with the possible costs of replacement of the swap contracts if the other party should fail to fulfil its obligations. This risk is continuously monitored. Within this context, the current fair value of the amounts that are the subject of the contracts and the liquidity of the market are taken into account. To control its credit risk, Achmea Hypotheekbank only concludes contracts with reputable market parties and has imposed individual limits on each party it deals with.

### Foreign exchange and interest rate forward contracts

Foreign exchange forward contracts are obligations to purchase foreign currencies and euros. Foreign exchange and interest rate forward contracts imply contractual obligations to receive or pay a net amount, based on changes in exchange or interest rates, or to buy or sell a currency or a financial instrument at a fixed price, at a future date, whereby the transaction must be effected in an organised market.

### Forward rate agreements

Forward rate agreements are individually negotiated interest rate futures, on the basis of which the difference between a contracted interest rate and the current market interest rate must be settled in cash, based on a notional principal sum, at a future fixed date.

### Currency and interest rate options

Currency and interest rate options are contracts under which the seller (the writer) gives the buyer (the holder) the right, but not the obligation, to buy (call option) or sell (put option) a financial instrument before a specific date or during a specific period, a specific amount of currencies, at a price fixed in advance. The seller will receive a premium from the buyer for carrying the currency and interest rate risk. Options can be traded on the stock market or elsewhere. Achmea Hypotheekbank only bears a credit risk in options purchased, and exclusively in the carrying amount of the options, which is equal to the market value.

The notional amount of specific types of financial instruments allow for a comparison with instruments recognised on the balance sheet, but is not necessarily indicative of the amount of the future cash flows or the current fair value of the instruments, and therefore does not provide any insight into the credit or price risks carried by Achmea Hypotheekbank. The derived instruments will turn into assets or liabilities as a result of fluctuations in the market interest rate or rates of exchange relative to the agreed interest rate or rate of exchange. The total contract price of derivative financial instruments on hand may fluctuate significantly from time to time.

A summary of the derivative financial instruments is shown below:

#### As at 31 December 2007

In thousands of euros	Notional amount	Assets	Fair value Liabilities
Interest rate swaps	22,880,511	382,264	320,634
Swaptions	498,331	-	-
Currency forwards	4,296	-	409
<b>Total derivative assets/liabilities</b>		<b>382,264</b>	<b>321,043</b>

#### As at 31 December 2006

In thousands of euros	Notional amount	Assets	Fair value Liabilities
Interest rate swaps	14,861,267	246,508	310,989
Swaptions	498,331	-	-
Currency forwards	71,559	-	1,529
<b>Total derivative assets/liabilities</b>		<b>246,508</b>	<b>312,518</b>

## 14. Public sector loans and advances

In thousands of euros	2007	2006
Short-term lending to the Government	-	37,500

This item includes short money lent out to the government on a call rate basis and is classified as 'Loans and receivables' and measured at amortised cost based on the effective-interest method.

## 15. Private sector loans and advances

This includes all receivables except for those from credit institutions, and insofar as not embodied in bonds and other fixed interest securities and are classified as 'Loans and receivables' and measured at amortised cost based on the effective-interest method.

The Private sector loans and advances can be broken down as follows:

In thousands of euros		2007	2006
Mortgage loans at fair value		516,262	585,203
Mortgage loans at amortised cost	13,050,381		13,053,792
Less: allowance for losses on loans and advances	9,083		6,670
		13,041,298	13,047,122
		13,557,560	13,632,325

As at 31 December 2007, the variable interest rate loans amounted to EUR 1.4 billion (2006: EUR 2.0 billion) in total and the loans with long-term interest rates amounted to EUR 12.2 billion (2006: EUR 11.6 billion).

The Private sector loans and advances were supplied entirely on the security of residential properties situated in the Netherlands. Achmea Hypotheekbank is entitled to lend the collaterals to or pledge the collaterals with third parties.

As at 31 December 2007, of the total amount of Private sector loans and advances, an amount of EUR 13.3 billion (2006: EUR 11.9 billion) could not be freely disposed of as it had been pledged in connection with money and capital market transactions.

### Overview of pledged mortgage transactions against nominal value

In thousands of euros	2007	2006
• Stichting Trustee Achmea Hypotheekbank	4,160,548	5,504,695
• Dutch Mortgage Portfolio Loans I B.V.	515,836	584,399
• Dutch Mortgage Portfolio Loans II B.V.	542,271	627,496
• Dutch Mortgage Portfolio Loans III B.V.	635,817	780,842
• Dutch Mortgage Portfolio Loans IV B.V.	711,636	880,105
• Dutch Mortgage Portfolio Loans V B.V.	884,618	1,046,399
• Securitised Guaranteed Mortgage Loans I B.V.	910,660	906,561
• Covered bond	4,719,083	-
• Pledging Achmea Pensioen- en Levensverzekering N.V.	-	1,412,665
• Third-party pledging	181,418	181,485
	13,261,887	11,924,647

These transactions were effected on market terms.

Private sector loans and advances can be broken down according to the remaining fixed period interest rates as follows:

#### Private sector loans and advances

In thousands of euros	2007	2006
• < or equal to 3 months	888,495	1,811,001
• 3 months < x < or equal to 1 year	954,276	1,249,217
• 1 year < x < or equal to 5 years	3,714,323	3,469,039
• > 5 years	8,000,466	7,103,068
	13,557,560	13,632,325

#### Allowance for losses on loans and advances

The changes in the Impairment on receivables, which are valued at amortised cost on the basis of the effective-interest method, can be summarised as follows:

In thousands of euros	2007	2006
<b>Balance as at 1 January</b>	6,670	7,328
Acquisitions (Interpolis)	-	1,625
Additions	7,883	3,452
Releases	-2,140	-2,247
Write-offs	-4,196	-3,488
Other changes	866	-
<b>Balance as at 31 December</b>	9,083	6,670

The 'Other changes' include an item of EUR 0.9 million, which refers to an increase in the credit risk as a consequence of the termination of the pledging agreement with Achmea Group Companies.

The movements in the Private sector loans and advances can be broken down as follows:

#### Mortgages at fair value

In thousands of euros	2007	2006
<b>Balance as at 1 January</b>	585,203	-
Acquisitions (Interpolis)	-	596,948
Repayments	-62,140	-7,388
Fair value movement	-6,801	-4,357
<b>Balance as at 31 December</b>	516,262	585,203

The fair value movements are caused in particular by changes in the market interest rate (mid-rate).

### Mortgages at amortised cost

In thousands of euros		2007	2006
<b>Balance as at 1 January</b>		13,047,122	12,705,351
Acquisitions (Interpolis)		-	330,080
Loans granted		1,720,291	2,002,270
Repayments		-1,596,214	-1,798,765
Fair value hedge accounting		-125,370	-195,131
Amortised cost			
Change	11	6,453	
Amortisation	-2,129	-3,794	
		-2,118	2,659
Value adjustment			
Additions	7,883	3,452	
Acquisitions (Interpolis)	-	1,625	
Releases	-2,140	-2,247	
Write-offs	-4,196	-3,488	
Other changes	866	-	
		-2,413	658
<b>Balance as at 31 December</b>		13,041,298	13,047,122

## 16. Interest-bearing securities

The bonds listed on the stock market amounted to EUR 75.8 million (2006: EUR 77.2 million). The Interest-bearing securities form part of the investment portfolio of the Bank and are classified as 'Available for Sale' (measured at fair value). Of the bonds and other fixed interest securities, an amount of EUR 34.9 million (2007: EUR 25.9 million) will be payable on demand in 2008.

The changes in the value of investments in the bonds mentioned above amounted to EUR -0.2 million (2006: EUR -3.7 million).

The movements in the investments in securities can be broken down as follows:

In thousands of euros	Available	Available
	for sale	for sale
	2007	2006
<b>Balance as at 1 January</b>	77,174	83,133
Purchases	24,000	15,911
Sales/repayments	-25,185	-18,220
Value adjustments	-215	-3,650
<b>Balance as at 31 December</b>	75,774	77,174

## 17. Intangible assets

In thousands of euros	2007	2006
<b>Balance as at 1 January</b>	-	-
Investments	2,867	-
<b>Balance as at 31 December</b>	2,867	-
Accumulated acquisition value	2,867	-
Accumulated depreciation	-	-
	2,867	-

The investments refer to the work in progress in connection with the new Mid-Office system. At the end of 2007, the Mid-Office system had not been put into operation yet, due to which this item has not been subject to any write-offs yet.

## 18. Equipment

In thousands of euros	2007	2006
<b>Balance as at 1 January</b>	177	751
Depreciation	-127	-226
Disposals	-	-348
<b>Balance as at 31 December</b>	50	177
Accumulated acquisition value	3,800	4,763
Accumulated depreciation	-3,750	-4,586
	50	177

Equipment comprise equipment, software and information-processing equipment. The residual value is not taken into account. All equipment is being used by Achmea Hypotheekbank.

## 19. Prepayments and other receivables

In thousands of euros	2007	2006
Accrued interest	39,631	39,623
Other	7,384	37,722
	47,015	77,345

Under 'Other', an amount of EUR 3.1 million (2006: EUR 28.8 million) is included, which refers to receivables from Achmea Group Companies. This item is measured at amortised value.

## 20. Banks

This item includes the non-subordinated debts to credit institutions, insofar as not embodied in debt securities.

The Banks item can be broken down according to remaining contractual life as follows:

In thousands of euros	2007	2006
• < or equal to 3 months	205,000	185,939
• 3 months < x < or equal to 1 year	303,326	362,339
• 1 year < x < or equal to 5 years	36,240	278,446
• > 5 years	19,538	19,540
	564,104	846,264

This item is measured at amortised cost based on the effective-interest method. The debts to banks with a fixed interest rate amounted to EUR 359 million (2006: EUR 660 million) and those with variable interest rates to EUR 205 million (2006: EUR 186 million).

## 21. Funds entrusted

This item includes all non-subordinated liabilities except those to credit institutions, insofar as not embodied in debt securities. This item is measured at amortised value.

The Funds entrusted item can be broken down according to remaining contractual life as follows:

In thousands of euros	2007	2006
• < or equal to 3 months	185,441	262,211
• 3 months < x < or equal to 1 year	207,357	903,311
• 1 year < x < or equal to 5 years	508,974	707,630
• > 5 years	400,655	1,635,262
	1,302,427	3,508,414

The item Funds entrusted does not include debts to legal entities and companies, which have a capital stake in Achmea Hypotheekbank. The Funds entrusted include an amount of EUR 0.3 billion (2006: EUR 2.5 billion) for debts to non-banking institutions within the Achmea Group. For a breakdown of these debts within Achmea Group, we refer to the notes on Related parties. In 2006, an amount of EUR 1.4 billion was pledged with Achmea Pensioen- en Levensverzekeringen N.V. The loan related to this pledge was redeemed in 2007.

## 22. Debt securities

This item includes bonds and other debt securities. This item is measured at amortised value.

In thousands of euros	Average interest rate (%)		2007	2006
	2007	2006		
Bonds	4.64	4.06	11,348,967	8,890,838
Other debt securities	4.33	3.39	210,182	306,000
			11,559,149	9,196,838

The Debt securities can be broken down according to remaining contractual life as follows:

In thousands of euros	2007	2006
• < or equal to 3 months	139,016	551,134
• 3 months < x < or equal to 1 year	1,055,633	796,410
• 1 year < x < or equal to 5 years	6,566,730	3,883,290
• > 5 years	3,797,770	3,966,004
	11,559,149	9,196,838

## 23. Subordinated liabilities

The item of Subordinated liabilities can be broken down as follows:

In thousands of euros	Interest percentage (%)	2007	2006
Loan 1999/2015	5.68	6,807	6,807
Loan 1999/2014	5.57	1,134	1,134
Loan 1999/2009 (*)	5.55	14,839	14,839
Loan 2001/2013 (*)	6.27	25,000	25,000
Loan 2001/2010 (*)	5.77	6,250	6,250
Loan 2001/2011 (*)	5.87	6,250	6,250
Loan 2001/2012 (*)	5.95	6,250	6,250
Loan 2001/2015 (*)	6.12	6,250	6,250
Loan 2002/2012 (*)	5.96	8,000	8,000
Loan 2002/2012 (*)	5.89	4,500	4,500
Loan 2002/2012 (*)	5.89	2,500	2,500
Loan 2002/2012 (*)	5.89	11,500	11,500
Loan 2002/2012 (*)	5.89	5,000	5,000
Loan 2006/2016	4.22	60,000	60,000
Loan 2007/2017	5.50	29,733	-
		194,013	164,280

The loans may be redeemed on an accelerated scheme subject to permission of De Nederlandsche Bank N.V. The loans are subordinated to the other present and future liabilities of the company. They are equal in rank. The subordinated loans marked (\*) have been granted by Achmea Group Companies. Interest was paid on subordinated loans in the financial year amounting to EUR 9.4 million (2006: EUR 10.9 million). This item is measured at amortised value.

## 24. Accruals and other liabilities

In thousands of euros	2007	2006
Accrued interest	202,150	124,112
Other accruals	5,252	4,496
Other liabilities	41,447	59,008
	248,849	187,616

## 25. Deferred tax assets and liabilities

The Deferred tax is calculated on all temporary differences at an effective tax rate of 25.5%.

The Deferred tax assets and liabilities are related to the following items:

In thousands of euros	Assets		Liabilities		Balance	
	2007	2006	2007	2006	2007	2006
Interest-bearing securities	-	-	1,393	674	-1,393	-674
Allowance for losses on loans and advances	-	-	108	454	-108	-454
Atypical tax treatment of expenses	-	-	8,625	8,767	-8,625	-8,767
Valuation differences due to application of IFRS	45,628	33,181	-	-	45,628	33,181
Tax position asset/liability	45,628	33,181	10,126	9,895	35,502	23,286
Tax rate	25.50%	25.50%	25.50%	25.50%	25.50%	25.50%
Net deferred tax	11,635	8,461	2,582	2,523	9,053	5,938

### Changes to temporary differences

In thousands of euros	Balance as at 01-01-2007	Recognised in result	Recognised in equity	Balance as at 31-12-2007
Interest-bearing securities	-674	-719	-	-1,393
Allowance for losses on loans and advances	-454	346	-	-108
Atypical tax treatment of expenses	-8,767	142	-	-8,625
Valuation differences due to application of IFRS	33,181	12,733	-286	45,628
	23,286	12,502	-286	35,502

In thousands of euros	Balance as at 01-01-2006	Recognised in result	Recognised in equity	Balance as at 31-12-2006
Interest-bearing securities	1,598	-2,272	-	-674
Allowance for losses on loans and advances	-801	347	-	-454
Atypical tax treatment of expenses	-1,235	-7,532	-	-8,767
Valuation differences due to application of IFRS	24,243	11,915	-2,977	33,181
	23,805	2,458	-2,977	23,286

## 26. Tax liabilities

The current (company) tax debt of EUR 22.8 million (2006: EUR 11.2 million) refers to the tax payable for the year under review and previous periods.

## 27. Contingent liabilities and commitments

### Legal procedures

As at 31 December 2007, a number of cases against Achmea Hypotheekbank were brought before the court. Based on legal advice, the Executive Board does not expect the outcome of the various procedures to have a material effect on the company's financial position.

### Contractual obligations

As at 31 December 2007, Achmea Hypotheekbank had contractual obligations amounting to over EUR 7.7 million (2006: EUR 6.1 million), primarily in connection with the use of ICT-related services. An amount of EUR 5.6 million (2006: EUR 4.6 million) of this is connected to ICT-related contracts with group companies.

### Contingent liabilities

This item includes all liabilities arising from transactions in which Achmea Hypotheekbank acts as a guarantor for third parties. The contingent liabilities refer to bank guarantees issued to the amount of EUR 3.0 million (2006: EUR 3.6 million).

### Irrevocable facilities

This refers to all liabilities relating to irrevocable undertakings, which may lead to a credit risk. This includes quotations accepted by customers for mortgage loans and credit facilities amounting to EUR 430 million (2006: EUR 369 million).

### Fiscal unity

Together with Achmea Bank Holding N.V. and its subsidiaries, Achmea Hypotheekbank forms a fiscal unity with Eureko B.V. for company tax purposes; each of the companies is liable, according to the standard terms and conditions, for the payment of taxes of all companies involved in the fiscal unity.

## 28. Shareholders' equity

For notes on the Shareholders' equity, we refer to the consolidated statement of changes in the shareholders' equity.

## 29. Related parties

### Identity of related parties

Achmea Hypotheekbank N.V. is a wholly-owned subsidiary of Achmea Bank Holding N.V. (incorporated in the Netherlands). The group's ultimate parent is Eureko B.V.

Achmea Hypotheekbank has relationships with related parties. Related parties are other companies within the group, and members of the Supervisory and Executive Boards of Achmea Hypotheekbank. Within the scope of ordinary business operations a number of banking transactions take place with related parties.

Under the item Banks, an amount of EUR 75 million (2006: EUR 123 million) is included for deposits and intercompany loans relating to group companies.

In addition to this, the Subordinated liabilities (see also the summary in the explanatory notes) include an amount of EUR 96 million (2006: EUR 96 million) for loans from group companies or affiliated companies.

Finally, under Funds entrusted an amount of EUR 0.3 billion (2006: EUR 2.5 billion) has been included for debts to non-banking institutions within Eureko B.V. This item is specified below. Changes in 2006 and 2007 were caused exclusively by redemptions and withdrawals.

### Group company loans recognised under 'Funds entrusted'

In thousands of euros	2007	2006
AP&L Investments	326,029	1,271,080
Achmea Schade Investments Non Life	-	220,768
Achmea Pensioen Avéro	-	184,562
Interpolis bankassurance life	4,539	573,642
Interpolis bankassurance non life	588	190,053
Achmea Zorg ZK	-	74,699
	331,156	2,514,804

The interest expenses on account of loans and debts to related parties can be broken down as follows:

#### Interest expenses on account of loans and debts to related parties

In thousands of euros	2007	2006
AP&L Investments	46,841	64,348
Achmea Schade Investments Non Life	6,179	10,319
Achmea Pensioen Avéro	6,765	10,548
Interpolis bankassurance life	3,529	2,622
Interpolis bankassurance non life	1,096	783
Achmea Leven FBTO	2,828	2,633
Achmea Zorg ZK	1,949	3,310
Staalbankiers	3,712	2,660
Achmea Retail Bank	1,924	1,768
Levob Bank	461	-
Achmea Avéro Intermediair Leven	2,470	1,973
	77,754	100,964

#### Commission expenses in regard to related parties

In thousands of euros	2007	2006
Direct Distribution Division	2,032	1,447
Intermediary Distribution Division	6,931	745
	8,963	2,192

The commission paid by Achmea Hypotheekbank to the Direct Distribution Division and the Intermediary Distribution Division is amortised, insofar as it concerns sales-related commission on the new mortgage business, for the estimated remaining life of the relevant mortgage. During the financial year, the various related parties also settled their costs amongst themselves (e.g. discount for surplus interest on employee mortgages and marketing costs).

#### Transaction with Achmea Holding N.V.

In 2007, Achmea Hypotheekbank started to co-operate with a leading mortgage chain. This joint operation is strategically important for both the mortgage- and insurance entities within Achmea. To ensure that sufficient production is generated through this channel, it was decided to grant a discount on the customer rates. To compensate for this discount, Achmea Hypotheekbank received a one-off amount from Achmea Holding of EUR 5 million. No limiting conditions were imposed on this payment. The amount was entered as a liability and will be released over the average life of the mortgage portfolio. In 2007, EUR 0.4 million was recognised for income in connection with this entry as a liability in the income statement.

#### Transaction with the Intermediary Distribution Division

The products of Achmea Hypotheekbank are sold inter alia through the Intermediary Distribution Division. This division forms part of the Group.

As from 1 January 2007, Achmea Hypotheekbank transferred the carrying amount of the amortised cost part of the commission belonging to the Woonfonds mortgage portfolio to the Intermediary Distribution Division. This refers to a transaction of EUR 10 million. As a result of this, the operating expenses that form part of this portfolio were transferred (2006: EUR 8,2 million) and Achmea Hypotheekbank recognised EUR 6,1 million (expenditure) for Woonfonds sales commission in 2007.

### 30. Executive Board and Supervisory Board

The loans granted to members of the Executive and Supervisory Boards refer primarily to receivables under mortgage security with a long life (30 years). The interest rates, taking account of staff discounts, vary from 4.0% to 5.4%.

The loans granted can be broken down as follows:

Loans and advances	Executive Board and Supervisory Board members	
	2007	2006
In thousands of euros		
<b>Outstanding loans as at 1 January</b>	386	478
Loans granted	200	-
Other changes	-2	-92
<b>Outstanding loans as at 31 December</b>	584	386

The remunerations of members of the Executive and Supervisory Boards can be broken down as follows:

#### Remuneration of Executive Board and Supervisory Board members

	2007	2006
In thousands of euros		
Periodic remuneration of Executive Board members	866	725
Periodic remuneration of Supervisory Board members	65	78
Profit sharing and bonuses of Executive Board members	159	85

The pension liabilities, as part of the remuneration of Managing Directors, amount to EUR 0.2 million (2006: EUR 0.2 million).

No deposits are held in the name of members of the Executive and Supervisory Boards. For the composition of the Executive Board and the Supervisory Board, we refer to the section Officers.

### 31. Events after the balance sheet date

Since the balance sheet date, no events have occurred with important financial consequences or events with a specific significance.

## COMPANY BALANCE SHEET

(after appropriation of profit)

As at 31 December

In thousands of euros	2007	2006
<b>Assets</b>		
Cash and cash equivalents	10,354	23,895
Banks	213,106	180,050
Receivables from group companies	17,402	52,249
Participating interests	-	-11,140
Derivative assets held for risk management	548,389	325,325
Public sector loans and advances	-	37,500
Private sector loans and advances	13,557,560	12,727,293
Interest-bearing securities	75,774	77,174
Intangible assets	2,867	-
Equipment	50	177
Deferred tax assets	11,635	8,461
Prepayments and other receivables	47,015	63,232
<b>Total assets</b>	<b>14,484,152</b>	<b>13,484,216</b>
<b>Liabilities</b>		
Banks	564,104	846,264
Derivative liabilities held for risk management	219,911	240,420
Funds entrusted	1,302,427	2,576,012
Liabilities from group companies	4,064,969	4,695,118
Debt securities	7,494,180	4,501,720
Tax liabilities	22,849	16,936
Deferred tax liabilities	2,582	2,523
Accruals and other liabilities	239,040	177,301
Subordinated liabilities	194,013	164,280
<b>Total liabilities</b>	<b>14,104,075</b>	<b>13,220,574</b>
<b>Shareholders' equity</b>	<b>380,077</b>	<b>263,642</b>
<b>Total equity and liabilities</b>	<b>14,484,152</b>	<b>13,484,216</b>

## COMPANY INCOME STATEMENT

For the year ended 31 December

In thousands of euros	2007	2006
Net profit	26,648	1,833
Net profit of subsidiaries	-	320
Net profit of the year	26,648	2,153

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Totaal equity
<b>As at 1 January 2007</b>	18,152	164,206	-720	2,153	79,851	263,642
Paid-in surplus		90,000				90,000
Retained earnings				26,648		26,648
Distribution of profit 2006				-2,153	2,153	-
Net unrealised result on 'available for sale' financial instruments			-213			-213
<b>As at 31 December 2007</b>	18,152	254,206	-933	26,648	82,004	380,077

<b>As at 1 January 2006</b>	18,152	164,206	873	27,184	53,292	263,707
Retained earnings				2,153		2,153
Distribution of profit 2005				-27,184	27,184	-
Net unrealised result on 'available for sale' financial instruments			-1,593			-1,593
Other movements					-625	-625
<b>As at 31 December 2006</b>	18,152	164,206	-720	2,153	79,851	263,642

As of 31 December 2007, the authorised share capital amounted to EUR 90.8 million, divided into 200,000 ordinary shares (2006: 200,000), each with a nominal value of EUR 453.78. As of 31 December 2007, 40,001 (2006: 40,001) shares had been issued and paid up in full.

The revaluation reserve comprises the cumulative net fair value movement of the financial fixed assets that are available for sale.

## NOTES ON THE COMPANY BALANCE SHEET AND INCOME STATEMENT

### General

The company financial statements form part of the consolidated financial statements of Achmea Hypotheekbank N.V. With regard to the company income statement of Achmea Hypotheekbank, use has been made of the exemption recognised on Section 402 of Book 2 of the Dutch Civil Code.

In respect of the valuation principles for assets and liabilities and the principles for determination of the results, Achmea Hypotheekbank has made use of the option in Section 2:362 (8) of the Dutch Civil Code. This means that these principles for valuation and determination of the results are identical to the IFRS standards as applied to the consolidated financial statements of Achmea Hypotheekbank. These IFRS standards are in line with the standards as of 31 December 2007 as laid down by IASB and adopted by the European Union.

Insofar as the items in the company balance sheet and income statement are not explained, reference is made to the notes on the consolidated balance sheet and income statement.

### Receivables from group companies

This item includes the balance of amounts to be received from the SPVs and the related foundations.

### Participating interests

This refers to the holdings in Interpolis BTL Hypotheken B.V. and Interpolis Schade Hypotheken B.V.

### Movement in investments

In thousands of euros	2007	2006
Opening balance	-11,140	-
Acquisitions	-	-11,460
Changes (net)	11,140	320
Closing balance	-	-11,140

On 4 April 2007, the companies mentioned above entered into a legal merger with Achmea Hypotheekbank N.V. Both holdings were valued at their net asset value.

### Derivative financial instruments

This refers to the fair value of the derivative financial instruments, including the 'back to back swaps', which were concluded with the SPVs. The value is the balance of the discounted value of the interest cash flows of, on the one hand, the transferred mortgage portfolio and, on the other hand, the bonds for the financing of the transferred mortgage portfolio.

### Liabilities from group companies

This item refers to the liability to the SPVs on account of the securitisation transactions.

To: the General Meeting of Shareholders of Achmea Hypotheekbank N.V.

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the 2007 financial statements of Achmea Hypotheekbank N.V. in The Hague, as set out in this annual report. The financial statements consist of the consolidated and company financial statements. The consolidated financial statements include the consolidated balance sheet as at 31 December 2007, the income statement, the statement of changes in the shareholders' equity and the cash flow statement for 2007, as well as a summary of the significant accounting principles and other explanatory notes. The company financial statements consist of the company balance sheet as at 31 December 2007 and the company income statement for 2007 with notes.

### Responsibility of the Executive Board

The Executive Board of the company is responsible for the preparation and fair presentation of the financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, as well as for the preparation of the annual report in compliance with Part 9 of Book 2 of the Civil Code. This responsibility comprises inter alia: the design, implementation and maintenance of an internal control system, which is relevant to the preparation and fair presentation of the financial statements, to the extent that this does not contain any deviations resulting from fraud or error that are of material significance, the selection and application of appropriate accounting and reporting principles and the making of estimates, which are reasonable under the given circumstances.

### Responsibility of the auditor

It is our responsibility to give an opinion on the financial statements based on the findings of our audit. We have performed our audit in accordance with Dutch law. This law requires that we comply with the Code of Conduct applicable to us and that we plan and perform our audit to the extent that we can establish with a reasonable degree of certainty that the financial statements do not contain any deviations of material significance.

An audit includes the performance of tasks to obtain audit information about the amounts and the explanatory notes in the financial statements. The selection of tasks to be performed depends on the auditor's professional opinion, which includes his assessment of the risks of deviations that are of material significance whether due to fraud or error. In this assessment, the auditor will take account of the internal control system, relevant to the preparation and fair presentation of the financial statements, in order to make a well-founded selection of the auditing tasks that are appropriate under the given circumstances, but which are not intended to give an opinion on the effectiveness of the entity's internal control system. An audit also comprises, amongst other things, an evaluation of the acceptability of the accounting and reporting principles used and of the fairness of estimates that are made by the Executive Board of the entity, as well as an evaluation of the overall presentation of the financial statements.

We take the view that the audit information obtained by us is adequate and appropriate as a basis for the formation of our opinion.

### Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Achmea Hypotheekbank N.V. as at 31 December 2007 and its results and cash flows for 2007 in compliance with the International Financial Reporting Standards adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

### Opinion on the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Achmea Hypotheekbank N.V. as at 31 December 2007 and its results for 2007, in compliance with Part 9 of Book 2 of the Dutch Civil Code.

### Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 (5) (e) of the Dutch Civil Code, we are able to report that, insofar as we are able to assess, the annual report is consistent with the financial statements as required by Section 2:391 (4) of the Dutch Civil Code.

Amstelveen, 1 April 2008

KPMG ACCOUNTANTS N.V.  
M.A. Huiskers RA

## PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

The appropriation of profits is subject to Article 35 of the Articles of Association of Achmea Hypotheekbank N.V., which reads as follows:

### Profits and losses

#### Article 35

- 35.1. The General Meeting is free to dispose of the profits;
- 35.2. The profits shall be distributed after the adoption of the financial statements from which it becomes evident that such distribution is permissible;
- 35.3. Dividends shall be made payable four weeks after their declaration, unless another date is determined by the General Meeting on the recommendation of the Executive Board. Dividends that have not been collected within five years from having been declared, shall fall to the company;
- 35.4. Without prejudice to the provisions of Article 6, if decided by the General Meeting on the recommendation of the Executive Board, an interim dividend shall be distributed, including an interim distribution from the reserves, subject to the provisions of Section 105 (4) of Book 2 of the Dutch Civil Code;
- 35.5. The General Meeting is entitled to resolve that dividends be distributed in a form other than in cash, whether in whole or in part;
- 35.6. The company shall only be entitled to make payments to the shareholders and other parties entitled to distributable profits, insofar as its shareholders' equity exceeds the amount of the subscribed capital, increased by the reserves to be kept by virtue of the law;
- 35.7. A deficit shall only be offset against the reserves required by law, insofar as permitted by law.

## PROPOSAL FOR PROFIT APPROPRIATION

A proposal is made to the General Meeting of Shareholders to add the profit after taxes for 2007 amounting to EUR 26.6 million to the other reserves. The profit after taxes for 2007 is recognised as Retained earnings in the shareholders' equity.

## Photographs



Cover: The Netherlands, Gelderland, Maasbommel  
 Floating homes in the water of De Gouden Ham leisure landscape along the River Maas. The (recreational) homes are part of a housing complex built outside the dykes and float when the water rises. They are attached to mooring posts so that they can adapt to differences in water level.  
 Photo: Siebe Swart (Hollandse Hoogte)



Page 4: The Netherlands, Houten  
 The new housing complexes in Houten Vinex blend in with the original rivers, grazing land and roads in the area. The characteristics of this originally wet landscape are repeated in the straight lines of the housing.  
 Photo: Pieter Hilz (Hollandse Hoogte)



Page 10: The Netherlands, Amsterdam, De Rietlanden  
 De Rietlanden was designed as the centre of the Oostelijk Havengebied and, together with the Piet Hein Tunnel, forms an important gateway to the city. The buildings reflect a combination of traditional and modern and are designed for living, working, business, landscape and leisure.  
 Photo: Peter de Bey



Page 12: The Netherlands, 's-Hertogenbosch  
 The Haverleij Plan in Engelen, Den Bosch. A newly built complex in which some thousand homes and apartments are organised in nine castles. Leliënhuize Castle lies like an exquisite lily in a magnificent water labyrinth, surrounded by the parks, meadows, gardens and woods of the Haverleij Estate.  
 Photo: Michiel Wijnbergh (Hollandse Hoogte)



Page 18: The Netherlands, Amsterdam  
 Silodam is an apartment complex on the south bank of the IJ. The building stands at the end of a pier and overlooks the water on both sides. To prevent large ships from coming too close, a dyke was raised under the water of the IJ and marked with buoys.  
 Photo: Peter de Bey



Page 24: The Netherlands, Amsterdam  
 In the heart of Amsterdam's Westerpark you will find De Piramides, an urban renewal project comprising 82 luxury rented apartments. A prominent landmark in a central part of the city where tranquillity and dynamism and past and present go hand in hand.  
 Photo: Peter de Bey

**Achmea Hypotheekbank N.V.**

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