

ACHMEA HYPOTHEEKBANK N.V.
interim report 2009¹

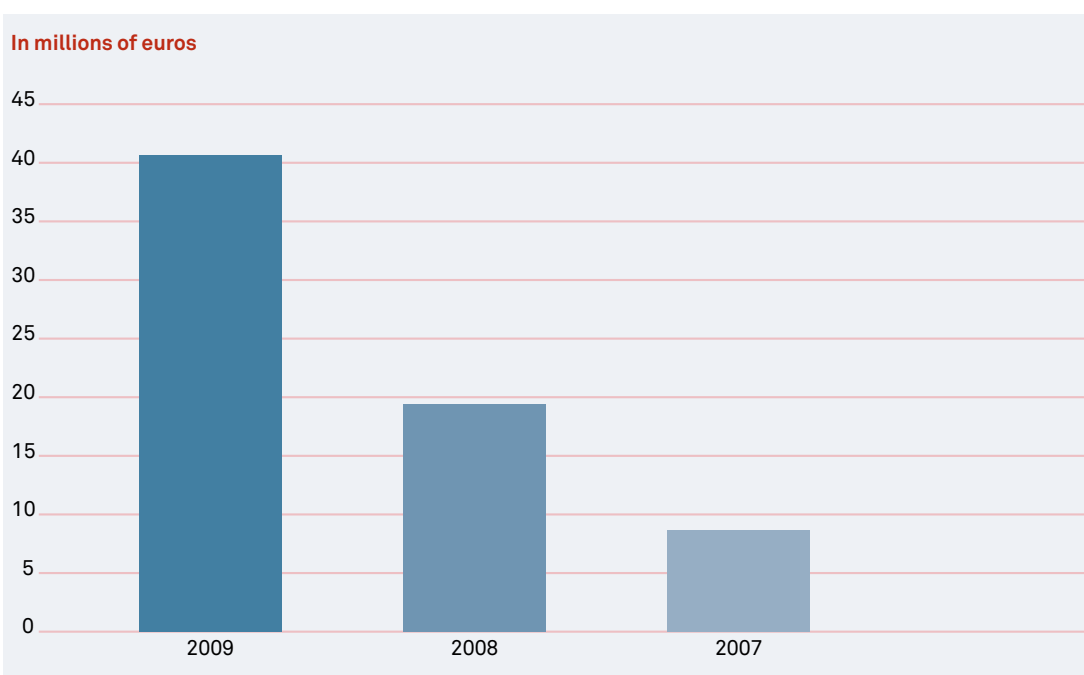




Profits doubled

Achmea Hypotheekbank achieved a net profit of EUR 30.3 million in the first half of 2009, which is a significant improvement on the preceding year (first six months of 2008: EUR 14.5 million). The pre-tax profit was up from EUR 19.4 million to EUR 40.7 million.

Achmea Hypotheekbank interim result



An important contributory factor was the improvement of EUR 27.5 million in the interest margin, from EUR 42.3 million in the first half of 2008 to EUR 69.8 million in 2009.

¹⁾ In the 2009 Interim report for the period ending 30 June 2009 as published in August 2009, Private sector loans and Debt securities included an amount of EUR 0.8 billion regarding notes issued by Dutch Mortgage Portfolio Loans VI BV which is related to Achmea Hypotheekbank. This amount should have been eliminated. As such the 2009 interim report has been replaced by this Interim report 2009. There is no impact on Shareholders' equity, Net Profit and solvency ratios.



The bank succeeded in improving the interest margin on new and existing lending by EUR 10.2 million owing to the combined effect of a larger mortgage portfolio on average and the recovery from the low margins seen in recent years. There was also a one-off improvement in the interest margin of EUR 11.4 million because a further reduction in the short-term interest rate was expected at the beginning of this year. The interest rate risks have been minimised for the second half of 2009. Finally, there was an improvement of EUR 4.9 million in the interest margin due to changes in the fair value of interest-rate-sensitive instruments, comprising hedging results and gains and losses on derivatives and other financial instruments.

Commission paid and management fees amounted to EUR 5.4 million (first six months of 2008: EUR 4.9 million).

Impairment losses on receivables rose from EUR 1.3 million in the first half of 2008 to EUR 4.8 million in the first half of 2009. The amount of the credit risk on the mortgage portfolio was increased in particular by the expected lower proceeds from repossessions.

Action was taken in the first half of 2009 to reduce the bank's cost base, with a saving of EUR 1.0 million achieved by reducing staff levels. There was, however, a non-recurring increase in ICT costs (EUR 1.2 million) and project costs (EUR 0.7 million), which meant that overall operating expenses rose to EUR 17.8 million (first six months of 2008: EUR 16.7 million). The reported impairment loss of EUR 1.1 million relates to the mid-office system currently under development.

Tier 1 capital as at 30 June 2009 amounted to 10.6% of total assets, comfortably satisfying the minimum required by law. The BIS ratio strengthened from 12.9% to 13.8% and the return on equity was 13.5% (June 2008: 7.3%). These improvements are the result of the sharp increase in the net profit.

Achmea Hypotheekbank lends exclusively against the security of mortgages on owner-occupied homes in the Netherlands and funds its operations from the international capital market. The deterioration in the general macroeconomic climate caused by the credit crunch made it difficult to raise funds on the public capital market. The bank has accordingly placed a new securitisation programme with the ECB. Liquidity remains an important concern for Achmea Hypotheekbank. The outlook for profitability in the second half of 2009 is positive.

's Hertogenbosch, 20 August 2009

The Executive Board

CONSOLIDATED INCOME STATEMENT

For the period ended 30 June

In thousands of euros	2009	2008
Interest income and changes in fair value of interest-sensitive financial instruments	404,304	343,508
Interest expenses	334,531	301,203
Interest margin and changes in fair value of interest-sensitive financial instruments	69,773	42,305
Fees and commissions	5,373	4,871
Fee and commission income	5,373	4,871
Impairment on financial instruments and other assets	4,823	1,286
Impairment on intangible assets	1,133	-
Operating expenses	17,784	16,716
Operating profit before taxes	40,660	19,432
Taxes	10,368	4,956
Net profit	30,292	14,476
For the period ended 30 June		
As %	2009	2008
Return on average equity	13.5%	7.3%
Efficiency ratio	27.6%	44.7%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	30 June 2009	31 December 2008
Assets		
Cash and cash equivalents	27,669	26,012
Banks	575,493	320,781
Derivative assets held for risk management	431,486	379,741
Public sector loans and advances	550,003	56,003
Private sector loans and advances	14,498,636	14,669,149
Interest-bearing securities	80,670	79,331
Intangible assets	-	119
Equipment	5	8
Deferred tax assets	31,666	32,458
Prepayments and other receivables	7,375	108,149
Total assets	16,203,003	15,671,751
Liabilities		
Banks	1,488,367	669,643
Derivative liabilities held for risk management	876,682	740,792
Funds entrusted	2,831,354	2,325,290
Debt securities	10,277,061	11,209,673
Tax liabilities	58,735	48,367
Deferred tax liabilities	-	802
Accruals and other liabilities	22,850	46,691
Subordinated liabilities	183,775	196,578
Total liabilities	15,738,824	15,237,836
Share capital	18,152	18,152
Share premium	269,206	269,206
Revaluation reserve	2,373	2,401
Other reserves	174,448	144,156
Shareholders' equity	464,179	433,915
Total equity and liabilities	16,203,003	15,671,751

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Total equity
As at 1 January 2009	18,152	269,206	2,401	28,514	115,642	433,915
Retained earnings till 30 June 2009	-	-	-	30,292	-	30,292
Paid-in surplus	-	-	-	-	-	-
Distribution of profit 2008	-	-	-	-28,514	28,514	-
Net unrealised result on 'available for sale' financial instruments	-	-	-28	-	-	-28
As at 30 June 2009	18,152	269,206	2,373	30,292	144,156	464,179
As at 1 January 2008	18,152	254,206	-933	26,648	88,994	387,067
Retained earnings till 30 June 2008	-	-	-	14,476	-	14,476
Paid-in surplus	-	-	-	-	-	-
Distribution of profit 2007	-	-	-	-26,648	26,648	-
Net unrealised result on 'available for sale' financial instruments	-	-	-629	-	-	-629
As at 30 June 2008	18,152	254,206	-1,562	14,476	115,642	400,914

The balance sheet figure for the other reserves was restated as at 1 January 2008 following a retroactive adjustment in conformity with IAS 8. Details of this adjustment are given in the paragraph headed 'Changes in estimates and adjustments'.

The revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale assets.

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June

In thousands of euros	2009	2008
Cash flow from operating activities		
Net profit	30,292	14,476
Adjustments for:		
Depreciation	3	25
Impairment on intangible assets	1,133	-
Impairment on financial instruments and other assets	4,823	1,286
Changes in revaluation reserve	-28	-629
Cash flow from operating activities	36,223	15,158
Trading portfolio interest-bearing securities	-1,339	90
Banks (assets)	-254,712	65,432
Derivative assets held for risk management	-51,745	-49,154
Public sector loans and advances	-494,000	-
Private sector loans and advances (exc. allowance for losses on loans and advances)	165,690	-74,310
Prepayments and other receivables	100,774	-3,537
Tax assets	-10	-20,108
Banks (liabilities)	818,724	-118,820
Derivative liabilities held for risk management)	135,890	-8,509
Funds entrusted	506,064	116,047
Tax liabilities	10,368	24,891
Accruals and other liabilities	-23,841	-11,986
Net cash flow from operating activities (1)	948,086	-64,806
Cash flow from investment activities		
Investments in property and equipment and intangible assets	-1,014	-1,478
Net cash flow from investment activities (2)	-1,014	-1,478
Cash flow from financing activities		
Debt securities	-932,612	73,147
Subordinated liabilities	-12,803	26
Net cash flow from financing activities (3)	-945,415	73,173
Net cash flow (1) + (2) + (3)	1,657	6,889
Cash and cash equivalents as at 1 January	26,012	10,354
Cash and cash equivalents as at 30 June	27,669	17,243
Movements in cash and cash equivalents	1,657	6,889
Cash flow on account of interest		
Interest received	753,566	866,403
Interest paid	634,940	758,394

NOTES

Introduction

The consolidated interim financial position and income statement have been prepared in accordance with IAS 34 Interim Financial Reporting. The figures do not contain all the information required for the complete annual financial statements and should therefore be read in conjunction with Achmea Hypotheekbank's 2008 annual report, which can be found at www.achmeahypotheekbank.nl. The consolidated interim report was approved by the Supervisory Board on 6 August 2009.

Consolidation

The interim financial position and income statement include Achmea Hypotheekbank N.V., the private limited liability companies DMPL and SGML established as vehicles for the securitisation programmes and Achmea Covered Bond Company B.V.

Segmentation

In managing Achmea Hypotheekbank, the management does not distinguish separate business units. The internal reports used by management to allocate resources to the various business units treat Achmea Hypotheekbank as a single segment.

Estimates

In preparing the financial position balance sheet and income statement, use has been made of estimates and assumptions (and this includes a number of the reported amounts in the financial position and income statement for the period under review). The principal sources of estimates and the judgements made are the same as those used in preparing the consolidated financial statements for 2008. Actual figures may differ from these estimates.

Changes in estimates and adjustments

The financial position figure for the other reserves as at 1 January 2008 was increased by EUR 7.0 million following a retroactive adjustment in conformity with IAS 8. In connection with the implementation of a new application for the funding and derivatives accounting system, the measurement of the carrying amounts of all financial instruments was reviewed. It was discovered that, in the case of zero coupon bonds, the parameters for the amortisation table had originally been incorrectly entered, resulting in the recognition of amortisation charges that were too high over the period 1997–2008. The greater part of the excessive amortisation charges occurred in the years prior to 2008. The effect in 2008 and 2009 is negligible.

ACCOUNTING POLICIES

General

The accounting policies applied by Achmea Hypotheekbank for the interim consolidated financial position and income statement are the same as those used for the consolidated financial statements for 2008.

Several IFRS standards and amendments to existing IFRS standards and interpretations have become mandatory with effect from 1 January 2009. The changes do not affect Achmea Hypotheekbank's net profit or total equity. They concern IFRIC 12 (Service Concession Arrangements), IFRIC 16 (Hedges of a Net Investment in a Foreign Operation), amendments to IFRS – 2007, IAS 27/IFRS 1 (Consolidated and Separate Financial Statements/ First-Time Adoption of International Financial Reporting Standards), IAS 32/IAS 1 (Financial Instruments: Presentation / Presentation of Financial Statements), IAS 1 (Presentation of Financial Statements), IFRS 2 (Share-Based Payment), IFRS 8 (Operating Segments) and IAS 23 (Borrowing Costs).

A number of other IFRS standards and amendments to existing IFRS standards and interpretations are effective for reporting periods ending on or after 30 June 2009 but have not yet been endorsed by the EU and so have not been applied to these interim consolidated financial statements. The changes do not affect Achmea Hypotheekbank's net profit or total equity. They concern IAS 39/IFRS 7 (Financial Instruments: Recognition and Measurement / Financial Instruments: Disclosures), IFRS 7 (Financial Instruments: Disclosures) and IFRIC 9/IAS 39 (Reassessment of Embedded Derivatives).

Various IFRS standards and amendments to existing IFRS standards and interpretations have been published by the International Accounting Standards Board (IASB), either in 2009 or earlier, but are not yet effective and so have not been applied to these interim consolidated financial statements. The changes do not affect Achmea Hypotheekbank's net profit or total equity. They concern IFRIC 18 (Transfers of Assets from Customers) and amendments to IFRS – 2008.

Related parties

Achmea Hypotheekbank N.V. is a wholly-owned subsidiary of Achmea Bank Holding N.V. in a group headed by Eureko B.V. Achmea Bank has relations with related parties. 'Related parties' refers to other companies in the Group and members of the Supervisory Board and Executive Board of Achmea Bank. Banking transactions involve related parties as part of ordinary operations. Disclosures concerning the related parties are included in the consolidated financial statements for 2008. There have been no changes in the nature or the size of the transactions involving related parties other than those arising from ordinary operations.

FINANCIAL RISK MANAGEMENT

Capital management

Under the Financial Supervision Act (WFT), De Nederlandsche Bank N.V. has laid down minimum capital requirements. The amount of own funds to be maintained by Achmea Hypotheekbank is related to risk-weighted assets and off-balance-sheet items. The BIS ratio standard required by the regulator is 8%.

The Executive Board has set a BIS ratio target of 10.0% for 2009. Achmea Hypotheekbank satisfied the target ratio throughout the period. As at 30 June 2009, the BIS ratio was 13.8% (December 2008: 12.9%). The improvement in the BIS ratio was attributable to the net profit of EUR 30 million for the period ended 30 June 2009.

Of the subordinated liabilities totalling EUR 184 million, funding amounting to EUR 84 million has been provided by Achmea Groep.

Qualifying capital and BIS

In millions of euros	30 June 2009	31 December 2008
Paid-up and called-up capital	18	18
Share premium reserve	269	269
Other reserves	174	144
Deductions	13	13
Tier 1 capital	449	419
Subordinated liabilities (the portion counting towards qualifying capital)	149	151
Deductions	13	13
Tier 2 capital (maximum 50% of Tier 1)	136	138
Total qualifying capital	585	557
Risk-weighted assets	4,240	4,303
Tier 1 ratio	10.6%	9.7%
Tier 2 ratio	3.2%	3.2%
BIS ratio	13.8%	12.9%

Credit risk

The table below shows the carrying amount of the private sector loans and advances, analysed according to arrears categories.

In thousands of euros**As at 30 June 2009**

Category	Carrying amount	Over due
Not due	14,331,569	-
0-3 months past due	98,142	477
> 3 months past due	68,925	836
Total	14,498,636	1,313

As at 31 December 2008

Category	Carrying amount	Over due
Not due	14,522,057	-
0-3 months past due	98,940	615
> 3 months past due	48,152	935
Total	14,669,149	1,550

The arrears column concerns overdue instalments of interest and repayments. The level of arrears is an indicator of the credit risk exposure on the mortgage portfolio.

Liquidity risk

The following table presents an analysis of private sector loans and advances according to the contractual repricing date, as an approximation of the required liquidity profile. The other assets and liabilities of Achmea Hypotheekbank are analysed according to their contractual remaining life.

Net liquidity gap

In thousands of euros

As at 30 June 2009	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total
Assets					
Banks and Private sector loans and advances	1,485,425	767,736	3,843,762	8,977,206	15,074,129
Interest-bearing securities	-	-	27,189	53,481	80,670
Other receivables	-	-	-	-	-
Total assets	1,485,425	767,736	3,870,951	9,030,687	15,154,799
Liabilities					
Banks	364,213	425,679	678,104	20,371	1,488,367
Funds entrusted	1,219,110	859,445	422,970	329,829	2,831,354
Debt securities	284,139	113,660	8,553,268	1,328,336	10,279,403
Subordinated liabilities	-	-	78,827	104,948	183,775
Total liabilities	1,867,462	1,398,784	9,733,169	1,789,484	14,782,899
Net liquidity gap	-382,037	-631,048	-5,862,218	7,247,203	371,900

In thousands of euros

As at 31 December 2008	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total
Assets					
Banks and Private sector loans and advances	1,020,692	987,791	3,756,888	9,224,559	14,989,930
Interest-bearing securities	-	-	26,599	52,732	79,331
Other receivables	100,000	-	-	-	100,000
Total assets	1,120,692	987,791	3,783,487	9,277,291	15,169,261
Liabilities					
Banks	298,656	296,459	74,528	-	669,643
Funds entrusted	1,106,950	497,196	366,525	354,619	2,325,290
Debt securities	218,355	1,007,641	7,129,279	2,854,398	11,209,673
Subordinated liabilities	-	15,238	75,902	105,437	196,578
Total liabilities	1,623,961	1,816,534	7,646,234	3,314,454	14,401,184
Net liquidity gap	-503,269	-828,743	-3,862,747	5,962,837	768,077

In February, Achmea Hypotheekbank undertook a securitisation issue of EUR 750 million, the debt instruments concerned being used against an ECB loan. With effect from February, Achmea Hypotheekbank has also had facilities to borrow EUR 2.0 billion from a European bank in the form of a repo facility totalling EUR 1.6 billion and a credit line of EUR 0.4 billion. Achmea Hypotheekbank currently has a new securitisation issue in preparation.

The figures in this publication have not been audited.

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