

Achmea Hypotheekbank N.V.
Press release, Interim results H1 2010
18 August 2010

Results improved in the first half of 2010: net profit of EUR 40 million. Excluding impact of fair value results, interest margin has decreased from EUR 72.8 million in 2009 to EUR 55.2 million in 2010, because of higher funding cost. Tier 1 ratio further improved from 10.4% to 10.9%.

Achmea Hypotheekbank focuses on value

Achmea Hypotheekbank achieved a net profit of EUR 39.6 million in the first half of 2010, which is a significant improvement on the preceding year (first six months of 2009: EUR 30.3 million). As the interest margin decreased, the growth of the net profit can be explained by positive fair value results.

The pre-tax profit was up from EUR 40.7 million to EUR 53.1 million.

Lower interest margin due to increased funding costs

The interest margin decreased with EUR 17.6 million and can be explained by two significant developments:

As a result of increased funding costs, mainly due to guarantee fees relating to the USD 3.25 billion issue (fourth quarter of 2009) under the State Guaranteed Medium Term Note Programme, interest margin was reduced by EUR 16.0 million.

This decrease is partly compensated by an improvement of the interest margin of EUR 3.0 million, as Achmea Hypotheekbank increased its focus on delivering value rather than volume by excellent management of the current portfolio. As a result, the nominal mortgage portfolio decreased from EUR 13.9 billion per June 2009 to EUR 13.3 billion per June 2010.

Positive effects due to changes in the fair value of interest-rate-sensitive instruments

Current year's pre-tax profit is positively affected by the EUR 20.9 million gain (first six months 2009: EUR 3.0 million loss) realized due to changes in the fair value of interest-rate-sensitive instruments, comprising hedging accounting results and gains and losses on derivatives and other financial instruments. Due to their nature these effects will be offset in future periods.

Limited impairment losses on loans

Impairment losses on receivables decreased from EUR 4.8 million in the first half of 2009 to EUR 2.2 million in the first half of 2010. Although the number of debtors in default increased during 2010, the growth of the default portfolio slowed down in comparison to the growth in the first six months of 2009.

Focus on Tier 1 Capital

At the end of 2009 the Executive Board tightened the internal capital norm from a BIS ratio of 10.0% to a Tier 1 ratio of 10.0%. Tier 1 capital strengthened from 10.4% to 10.9%. The BIS ratio as at 30 June 2010 amounted to 13.4%, comfortably satisfying the minimum requirement by law. Return on equity improved from 13.5% (June 2009) to 15.7% as a result of the net profit increase.

Growth of balance sheet

Balance sheet total increased by EUR 1.2 billion from EUR 16.0 billion to EUR 17.2 billion mainly due to revaluation of USD notes and the changes in fair value of the derivatives related to these funds.

Funding requirements

Because of its sufficient liquidity position during the reporting period, no new funding was raised in the first six months of 2010. Achmea Hypotheekbank is preparing to raise new secured funding in the coming months.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June

In thousands of euros	2010	2009
Interest income	347,852	368,006
Interest expenses	292,696	295,215
Interest margin	55,156	72,791
Changes in fair value of interest-sensitive financial instruments	20,878	-3,018
Interest margin and changes in fair value of interest-sensitive financial instruments	76,034	69,773
Fees and commission expense	1,807	5,373
Fee and commission	1,807	5,373
Impairment on financial instruments and other assets	2,193	4,823
Impairment on intangible assets	-	1,133
Operating expenses	18,919	17,784
Operating profit before taxes	53,115	40,660
Income tax expense	13,544	10,368
Net profit	39,571	30,292
Other comprehensive income, net of income tax		
Fair value reserve (available-for-sale financial assets):		
Net change in fair value	-766	-28
Other comprehensive income for the period, net of income tax	-766	-28
Total comprehensive income for the period	38,805	30,264
Profit attributable to:		
Shareholders' equity	39,571	30,292
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Total comprehensive income attributable to:		
Shareholders' equity	38,805	30,264
Total comprehensive income for the period	38,805	30,264
For the period ended 30 June		
As %	2010	2009
Return on average equity	15.7%	13.5%
Efficiency ratio	35.5%	26.4%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	30 June 2010	31 December 2009
Assets		
Cash and cash equivalents	13,305	29,750
Loans and advances to banks	1,475,520	1,115,526
Derivative assets held for risk management	938,638	382,899
Loans and advances to public sector	560,108	250,057
Loans and advances to customers	14,128,965	14,137,181
Interest-bearing securities	44,894	79,609
Property and equipment	-	2
Current tax assets	17,815	-
Deferred tax assets	567	569
Prepayments and other receivables	45,047	3,206
Total assets	17,224,859	15,998,799
Liabilities		
Deposits from banks	1,744,399	1,280,314
Derivative liabilities held for risk management	995,020	673,443
Funds entrusted	1,333,757	1,235,089
Debt securities issued	12,312,677	12,002,031
Current tax liabilities	-	13,574
Deferred tax liabilities	19,465	8,053
Accruals and other liabilities	112,563	120,729
Subordinated liabilities	183,800	181,193
Total liabilities	16,701,681	15,514,426
Share capital	18,152	18,152
Share premium	269,206	269,206
Fair value reserve	1,982	2,748
Other reserves	233,838	194,267
Shareholders' equity	523,178	484,373
Total equity and liabilities	17,224,859	15,998,799

The Condensed Consolidated Interim Financial Statements of Achmea Hypotheekbank N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed for use in the European Union.

KPMG accountants N.V., Achmea Hypotheekbank's auditors have issued an unqualified review opinion on the Condensed Consolidated Interim Financial Statements.

For more information, please contact:

Media:

Stefan Kloet

Mobile: 0031 (0)6 12 22 36 57

Email: stefan.kloet@achmea.nl

Investors:

Rudi Kramer

Mobile: 0031 (0)6 53 26 45 52

Telephone: 0031 (0)30 693 70 19

Email: rudi.kramer@achmea.nl

Achmea Hypotheekbank N.V.
Hervenplein 2
5232 JE 's-Hertogenbosch
The Netherlands
P.O. Box 80
5201 AB 's-Hertogenbosch
The Netherlands
Phone +31 73 643 40 00
Fax +31 73 643 47 99
www.achmeahypotheekbank.nl
Chamber of Commerce The Hague no. 154399