



Annual Report 2009

Achmea Hypotheekbank N.V.



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Profile

Achmea Hypotheekbank N.V. (Achmea Hypotheekbank), which was formed in 1995, is licensed as a financial services provider under the Financial Supervision Act (Wft). All the shares in the company are held by Achmea Bank Holding N.V., which in turn is wholly owned by Achmea Holding N.V. (Achmea). The latter is a wholly owned subsidiary of Eureko B.V.

Achmea Hypotheekbank provides mortgage loans to private customers under the Centraal Beheer Achmea, FBTO, Avéro Achmea and Woonfonds labels. Centraal Beheer Achmea sells mortgage loans direct to consumers, FBTO operates via the mortgage service of Vereniging Eigen Huis and Woonfonds employs the distributive power of intermediaries. Mortgage lending is one of the key elements in the total array of financial products that Achmea offers its clients.

Lending is secured on owner-occupied residential properties in the Netherlands. Achmea Hypotheekbank obtains much of its funding in the form of loans raised on the public capital market, which are quoted on several European stock exchanges. Funding is also provided by savings inflows at related parties, which is transferred to Achmea Hypotheekbank.

Achmea, the largest and most reliable insurance company in the Netherlands, offers its clients a range of assurance and banking products and services. Achmea is an innovative service provider that aspires to take its customers' worries away, hence its slogan 'Achmea takes care'. Its ambition is to be more to its clients than just a provider of insurance products. To that end, Achmea pursues a balanced brand policy with the focus on transparency for its clients. Apart from the Achmea corporate label, the other main labels are Centraal Beheer Achmea, Interpolis, Zilveren Kruis Achmea, Avéro Achmea and Agis.

Eureko is a personal financial services provider based in the Netherlands which is active in eleven European countries. At year end Vereniging Achmea is the largest shareholder with 55%; At year end Rabobank Groep holds 39% of the shares.

Financing and collateral

Achmea Hypotheekbank funds its lending business partly by raising loans in euros and other currencies on the international money and capital markets. These loans are secured by pledges on mortgage receivables.



The pledges can be analysed as follows:

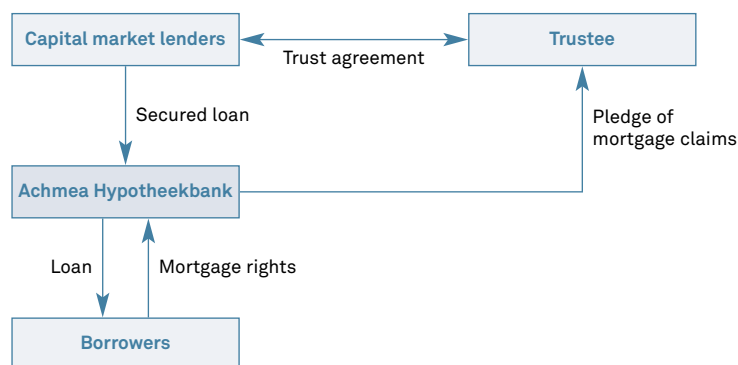
In thousands of euros	2009	2008
Trustee	2,158,171	3,050,380
Covered bond	5,133,015	5,267,432
Securitisations	5,591,135	4,338,205
Other	-	184,065
Total pledged mortgage receivables	12,882,321	12,840,082

In addition to the funding arrangements described above, Achmea Hypotheekbank also uses the European Medium Term Notes (EMTN) programme and savings to fund its lending.

Trustee

Stichting Trustee Achmea Hypotheekbank (Trustee) was formed on 16 December 1995. This first collateral structure set up by Achmea Hypotheekbank was defined in a trust agreement, under which Achmea Hypotheekbank periodically pledges the mortgage receivables to Stichting Trustee Achmea Hypotheekbank as security for Achmea Hypotheekbank's liabilities under financing contracts such as those relating to private loans, derivatives and the secured debt issuance programme (also referred to as the 'European Medium Term Notes' programme). In the event of default by Achmea Hypotheekbank, the lenders can recover the debt from the pledged mortgage receivables.

The Executive Committee of Stichting Trustee Achmea Hypotheekbank comprises Messrs H.P. de Haan, A.H.J.J. Kolnaar (chairman), H.M.J.A. Smits and J.C. Terlouw. Mr Terlouw stood down from the Executive Committee with effect from 1 January 2010.





It has been agreed with the Executive Committee of the Trustee that the value of the pledged mortgage debts will at all times be at least 5% more than the nominal value of the securitised loans. At the end of 2009, EUR 2.2 billion of the total mortgage portfolio was pledged to Stichting Trustee Achmea Hypotheekbank, in exchange for which the Trustee has countersigned EUR 1.4 billion of the loans from third parties. The EMTN programme accounts for EUR 1.2 billion of the countersigned loans.

Pledged mortgage debts (Trustee)

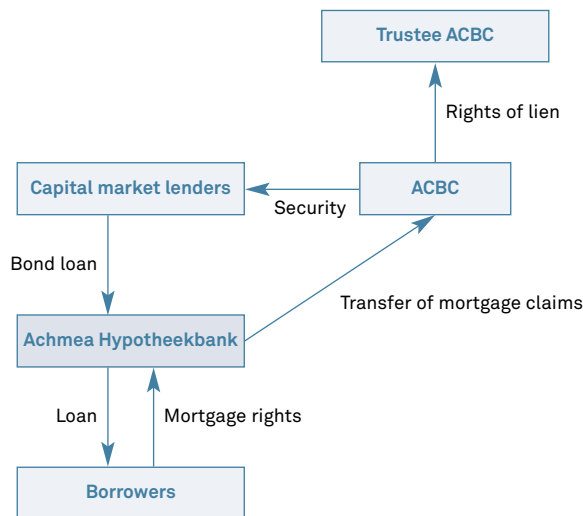
In millions of euros	2009	2008
Pledged mortgage debts	2,158	3,050
Remaining debt of countersigned loans	1,437	2,363
Addition of negative marker value of derivative financial instruments	501	522
Countersigned liabilities	1,938	2,885
Excess value of pledged mortgage debts	220	165
Excess value (%)	11.4%	5.7%

European Medium Term Notes Programme

The EUR 10 billion EMTN programme launched in 1996 is used to fund a substantial portion of the mortgage portfolio. No loans were taken up under the EMTN programme in 2009. As at year-end 2009, a total of EUR 1.2 billion was outstanding in public and private loans (2008: EUR 2.1 billion). Two Achmea Hypotheekbank loans are quoted on EuroNext Amsterdam and six on Société de la Bourse de Luxembourg.

Covered bond programme

Achmea Hypotheekbank set up an EUR 10 billion covered bond financing programme in early 2007. The collateral structure of this programme is based on the issue, by a specially formed company named Achmea Covered Bond Company B.V. ('ACBC'), of a guarantee of payment by Achmea Hypotheekbank of interest and capital on the bond loans. In exchange, Achmea Hypotheekbank periodically pledges mortgage receivables to ACBC. The value of the pledged portfolio of mortgage receivables is proportional to the nominal value of the bond loans taken up by Achmea Hypotheekbank under the programme. If a claim is made against the guarantee, ACBC will assume the management of the pledged portfolio with a view to discharging the guaranteed liabilities out of income from interest and repayment of principal. ACBC in turn has pledged the mortgage portfolio to Stichting Trustee Achmea Covered Bond Company as security for its liabilities. The Executive Committee of Stichting Trustee Achmea Covered Bond Company and ACBC's management board is formed by ATC Management B.V.



Achmea Hypotheekbank rose no new funding under the covered bond programme in 2009 (2008: EUR 0.3 billion).

In the case of the covered bond programme, the value of the mortgage receivables will at all times be at least 11.5% more than the bond loans issued under the programme.

Pledged mortgage debts (Covered Bond)

In millions of euros	2009	2008
Pledged mortgage debts	5,133	5,267
Aggregate Principal Amount outstanding of Covered Bonds	4,212	4,462

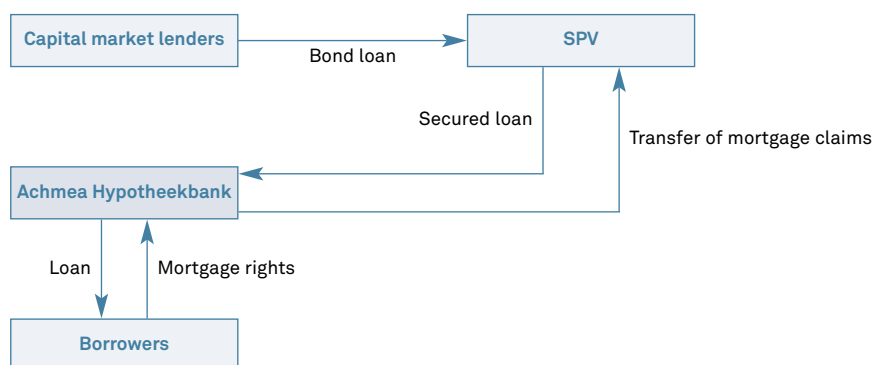
Securitisation

Achmea Hypotheekbank also uses securitisation as a funding instrument and has undertaken nine securitisation transactions since 2000. In all these securitisation transactions, Achmea Hypotheekbank has assigned a fixed portfolio of mortgage receivables to a specially formed legal entity known as a 'special-purpose vehicle' (SPV). The names of these SPVs are 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.), Dutch Mortgage Portfolio Loans VI B.V. (DMPL VI B.V.), Dutch Mortgage Portfolio Loans VII B.V. (DMPL VII B.V.), Securitised Guaranteed Mortgage Loans I B.V. (SGML I B.V.) and Securitised Guaranteed Mortgage Loans II B.V. (SGML II B.V.). The management of these companies is formed by ATC Management B.V.



Achmea Hypotheekbank undertook two of these securitisation transactions in 2009, namely DMPL VI and DMPL VII, amounting to EUR 783 million and EUR 897 million, respectively. As at year-end 2009 notes issued by SPV's amounted to EUR 5.7 billion (2008: EUR 4.2 billion).

The SPVs funded the purchase price by issuing bonds on the international capital market. Achmea Hypotheekbank still manages the assigned portfolio of mortgage receivables. The SPVs use the income from the mortgage receivables to pay the principal and interest on the bonds and the transaction expenses. Securitisation of non-guaranteed loans also reduces the capital requirement in respect of the assigned portfolio of mortgage receivables. The bonds issued by DMPL VI B.V. and DMPL VII B.V. have been purchased by Achmea Hypotheekbank. Some of these bonds have been pledged to the European Central Bank.



State Guaranteed Medium Term Note Programme

During the last quarter of 2009 Achmea Hypotheekbank entered into a EUR 5.0 billion programme under the 2008 Credit Guarantee Scheme of the State of the Netherlands. The State of the Netherlands guarantees principal and interest relating to the notes which are issued as part of this programme. To participate in this scheme Achmea Hypotheekbank has met with requirements involving strategy, liquidity profile and capitalization.

Shortly thereafter, Achmea Hypotheekbank issued USD 3.25 billion bonds under the State Guaranteed Medium Term Note Programme with a maturity of five years, for which Achmea Hypotheekbank pays a guarantee fee. The fee for the fixed part of the loan has been included in the amortised cost of the liability and the fee for the variable part will be expensed when incurred.

The currency risk on these loans is fully hedged. In order to manage the interest rate risk, several derivatives positions have been entered into. Achmea Hypotheekbank has used the funds raised with this issue to refinance the mortgage portfolio.



Key figures

In millions of euros	2009	2008	2007	2006	2005
Total assets	15,999	15,672	14,595	14,493	13,806
Private sector loans and advances	14,137	14,669	13,595	13,632	12,705
Shareholders' equity	484	434	380	264	264
Subordinated liabilities	181	197	197	164	195
Capital base	665	631	577	428	459
Interest margin (including fees and commissions)	115	89	75	52	80
Operating expenses	36	35	35	44	38
Impairment on intangible assets	3	10	-	-	-
Impairment on financial instruments and other assets	10	6	6	1	2
Operating profit before taxes	66	38	34	7	40
Tax	16	9	8	4	13
Net profit	50	29	26	3	27
Efficiency ratio	31.3%	39.3%	46.7%	86.3%	47.5%
Tier 1 ratio (calculated on the basis of Basel II)	10.4%	9.7%	10.1%		
Tier 1 ratio (calculated on the basis of Basel I)			7.9%	7.4%	9.7%
BIS ratio (calculated on the basis of Basel II)	13.1%	12.9%	14.0%		
BIS ratio (calculated on the basis of Basel I)			10.9%	10.9%	12.4%



Report of the Supervisory Board

We hereby present Achmea Hypotheekbank's 2009 annual report, including the report of the Executive Board, the financial statements and the other information. The report issued by KPMG Accountants N.V. on the financial statements as referred to in article 34, paragraph 1, of the Articles of Association is attached.

We propose that the General Meeting of Shareholders adopt the 2009 financial statements as presented. Adoption of the financial statements will ratify the actions of the members of the Executive Board and Supervisory Board pursuant to article 33, paragraph 3, of the Articles of Association.

The Supervisory Board met with the Executive Board on eleven occasions during the year. In addition two meetings were held with the Executive Board and senior management of the Bank. Important items on the agenda included the full-year and quarterly figures, budgeting, the funding structure and the strategy of the mortgage business and internal organization. The supervisory board has approved the strategic review by the Executive Board early 2009. As a result the bank's strategic focus has shifted from a market-driven mortgage volume strategy to a strategy which creates value.

To ensure solid financing of the existing mortgage portfolio the Supervisory Board approved the issuance of a USD 3.25 billion bond under the 2008 Credit Guarantee Scheme of the State of the Netherlands. The issue will provide the bank with adequate unsecured funding for the next few years.

The executive board invested significantly in further improvement of the internal organisation and internal control framework based on a key risk key control methodology. A programme was launched to expeditiously implement the required improvements that are needed to strengthen the internal control framework.

The Supervisory Board also approved the revision of the bank's corporate governance on the basis of the recommendations embodied in the Dutch Banking Code. The Board fully endorses the principles as formulated in the Banking Code.

The Supervisory Board participates in the assessment of risk management in general and management of credit risk, interest-rate risk, liquidity risk and operational risk in particular. The Supervisory Board has formed an Audit and Risk Committee. This committee, which held four meetings during 2009, monitors the quality and integrity of financial and risk reporting, reporting by the company and the reports of the internal and external auditors.



The Supervisory Board is satisfied that Achmea Hypotheekbank's results showed good progress in 2009, with a net profit of EUR 50 million.

The Supervisory Board takes this opportunity to thank the staff of Achmea Hypotheekbank for their commitment and the results achieved in 2009.

's-Hertogenbosch, 6 April 2010

The Supervisory Board

E.A.J. van the Merwe* (chairman)

A.A. Lugtigheid

J.B.J.M. Molenaar

G. van Olphen

T.C.A.M. van Rijkevorsel*

* Member of the Audit Committee



Report of the Executive Board

General

Achmea Hypotheekbank achieved a pre-tax profit of EUR 67 million for the 2009 financial year, up EUR 29 million on the year before (2008: EUR 38 million). The Executive Board considers this a satisfactory result.

Strategy and objectives

1. Achmea Hypotheekbank's mission, strategy and core values

Its strategic positioning within the Achmea insurance group enables Achmea Hypotheekbank, in cooperation with the other Achmea entities, to offer the client an integrated product combining insurance and mortgage.

Achmea Hypotheekbank's mission is to work closely together with the other Achmea entities in order to be a reliable partner both for the customer and for the intermediary. Key to the realisation of that ambition is its ability to offer both mortgages and related insurance at a reasonable price, by focusing on cost control, standardisation and process quality.

Consistent with its strategy of operational excellence, Achmea Hypotheekbank finalised the implementation of a new mid-office system in 2009 for its Centraal Beheer Achmea (CBA) and FBTO labels. The same system will be rolled out for the intermediary channels in 2010.

In response to the changes in the external environment, Achmea Bank increased its focus on delivering value rather than volume by excellent management of the current portfolio and by origination focused on the direct distribution labels CBA and FBTO.

To align the business with this strategy adjustment the bank was further streamlined reducing staff levels in the mid office and intermediary salesforce and combining front and mid-office teams. The executive board was reduced to a CEO and CFO and hierarchical management layers are being cut out.

2. Market developments

The Dutch home mortgage market continued to contract in 2009, with total new mortgage advances down 33% at EUR 66 billion, compared with EUR 98 billion in 2008 (source: Dutch Land Registry Office). The decline reflects fewer remortgages and fewer housing market transactions.



The decrease in mortgage transactions was largely due to the continuing economic recession and the loss of consumer confidence in the face of the credit crunch. Housing supply still exceeds demand. The outstanding mortgage debt decreased by 2.1% in 2009 to EUR 377.2 billion (2008: EUR 385.4 billion) (source: De Nederlandsche Bank N.V.).

After the exit of several foreign mortgage providers in 2008, there was no significant change in the number of mortgage providers during 2009. Relative market positions are expected to remain fairly stable in the coming period, with no new entrants, but a shift is expected between distribution channels, from the intermediary channel to direct sales.

Review of 2009

1. Credit crisis

The credit crisis that struck the US subprime mortgage market in the summer of 2007 and led to the disruption of the global financial markets also had a negative impact on the Dutch banking sector and the Dutch economy.

For Achmea Hypotheekbank, the consequences of the credit crisis have manifested themselves in two ways: on the one hand, there has been a decline in market demand which translated into a fall in the production of new mortgage loans and, on the other, it has become more difficult to obtain refinancing on the international capital market and the refinancing facilities that were available have been in great demand.

To raise secured funding, Achmea Hypotheekbank undertook two new securitisation transactions. Given the lack of liquidity in the market, Achmea Hypotheekbank purchased the bonds issued by these vehicles. A significant part of the bonds purchased has been used as pledge to obtain a EUR 0.5 billion loan from the European Central Bank.

Achmea Hypotheekbank also raised USD 3.25 billion under the 2008 Credit Guarantee Scheme of the State of the Netherlands.

Achmea Hypotheekbank's lending is secured by owner-occupied residential properties in the Netherlands. The credit risk on the mortgage portfolio increased in 2009, as such the impairment on financial instruments increased from EUR 6 million in 2008 to EUR 10 million in the current year.



The Executive Board emphasises that Achmea Hypotheekbank's capital position has improved (Tier 1 2009: 10.4%; 2008: 9.6%) and it has not had recourse to capital injections by the government.

2. Product innovation

Achmea Hypotheekbank introduced two new products in 2009. Centraal Beheer Achmea introduced a homeowner capital account (kapitaalrekening eigen woning), which is a tax-efficient mortgage product. FBTO introduced an interest savings scheme (starters renteregeling), which makes it easier for new entrants on the housing market to buy a home. The latter was chosen as mortgage product of the year in 2009 by the participants of the national mortgage event.

3. Operations and personnel

As part of her strategy Achmea Hypotheekbank has streamlined her operations in the Mid- and Backoffice in accordance with operational excellence design criteria as well as with significantly reduced business volumes. This resulted in a further 32 FTE staff reduction in the primary processes towards 114 FTE at the end of 2009 (146 FTE in 2008).

Including the supporting departments, Achmea Hypotheekbank employed an average of 182 FTEs in 2009 (2008: 198 FTE). Major projects in 2009 included the implementation of the new mid-office system, the strengthening of the internal control framework and the realignment of the bank's strategy and operations.

The rate of absence due to illness fell sharply from 4.2 % in 2008 to 3.2 % in 2009.

4. Corporate Governance Code

Achmea Hypotheekbank is exempted from the obligation to report in accordance with the Corporate Governance Code. Achmea Hypotheekbank endorses the principles as formulated in the Banking Code. We refer to www.achmeamortgagebank.nl for a description of Achmea Hypotheekbank's internal procedures on the financial reporting process.



Financial analysis

Achmea Hypotheekbank Key Figures

In millions of euros	2009	2008	Change
Interest income and changes in fair value of interest-sensitive financial instruments	808	720	12%
Interest expenses	682	621	10%
Interest margin and changes in fair value of interest-sensitive financial instruments	126	99	27%
Fee and commission expense	-11	-10	10%
Total income	115	89	29%
Impairment on financial instruments and other assets	10	6	67%
Impairment on intangible assets	3	10	-70%
Operating expenses	36	35	3%
Total expenses	49	51	-4%
Operating profit before taxes	66	38	74%
Tax	16	9	78%
Net profit	50	29	72%

Achmea Hypotheekbank Ratios

As %	2009	2008
Return on average equity	10.9%	7.1%
Efficiency ratio	31.3%	39.3%



1. Profit analysis

Achmea Hypotheekbank realised a net profit of EUR 50 million in 2009, considerably higher than 2008.

The increase in pre-tax profit in 2009 was primarily the result of a EUR 27 million increase in interest margin of which EUR 16 million relates to better pricing and continued low funding costs. In addition interest margin improved with EUR 5 million due to interest rate changes. Interest margin includes a gain of EUR 6 million (2008: gain of EUR 3 million) in respect of changes in the fair value of interest-sensitive instruments.

This comprises the result on the hedged portfolio and the change in value of the derivatives and other financial instruments. The increase compared with 2008 was due in part to significant interest-rate volatility on the money market.

Total expenses are EUR 2 million lower. Action was taken in the first half of 2009 to reduce the bank's cost base. There were, however, some non-recurring costs which mean that overall operating expenses rose to EUR 36 million. Impairment losses on receivables increased with EUR 4 million as a result of the current economic situation.

The return on average equity increased from 7.1% to 10.9%., mainly due to the 2009 net profit. With other expenses at the same level and income higher, the efficiency ratio turned out at 31.3% (2008: 39.3%).

2. Rating

Rating agency Standard & Poor's (S&P) has held Achmea Hypotheekbank's rating at A- (stable outlook) for debt securities with a maturity of more than one year issued directly by the bank. The rating for paper with a maturity of less than one year (European commercial paper programme) is A2.

A higher A+ rating has been given to loans issued under the EMTN programme secured on the mortgage portfolio pledged to Stichting Trustee Achmea Hypotheekbank (secured debt issuance programme). The rating is higher because of the additional security provided by the trust structure, but at the same time reflects the set-off risk on mortgage loans linked to life insurance policies issued by Achmea group companies by linking it directly to the current A+ (negative outlook) rating of Achmea Pensioen- en Levensverzekeringen N.V. The covered bond programme is rated AAA (S&P). Moody's lowered the rating of the covered bond programme to Aa2 in April 2009, with a review for possible downgrade. The notes issued under the state guaranteed programme are rated AAA (S&P and Fitch) and Aaa (Moody's).



Outlook

Given the ongoing improvement of capital markets, the executive board of Achmea Hypotheekbank is confident that the financing needs for the coming years can be met. In light of the inherent uncertainty, the Executive Board prefers not to make specific predictions of performance in 2010.

s-Hertogenbosch, 6 April 2010

The Executive Board,

R. Becker	Chief Executive Officer
J.J.M.M. Vervuurt	Chief Financial Officer

The Executive Board with the Achmea Hypotheekbank management team.

From left to right, back row: Rob Becker, Jacques Vervuurt, Ronald Klapwijk and Rob Buttner.

Front row: George Melse, Paul Bänziger, Stan Gronheid and Wim van Huizen.





Financial Statements 2009

Achmea Hypotheekbank N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	31-12-2009	31-12-2008 (Restated) ¹	01-01-2008 (Restated) ¹
Assets				
Cash and cash equivalents	5	29,750	26,012	10,354
Loans and advances to banks	6	1,115,526	320,781	509,918
Derivative assets held for risk management	7	382,899	379,741	382,264
Loans and advances to public sector	8	250,057	56,003	-
Loans and advances to customers	9	14,137,181	14,669,149	13,594,846
Interest-bearing securities	10	79,609	79,331	75,774
Intangible assets	11	-	119	2,867
Property and equipment	12	2	8	50
Deferred tax assets	19	569	32,458	11,635
Prepayments and other receivables	13	3,206	108,149	7,384
Total assets		15,998,799	15,671,751	14,595,092
Liabilities				
Deposits from banks	14	1,280,314	669,643	575,479
Derivative liabilities held for risk management	7	673,443	740,792	321,043
Funds entrusted	15	1,235,089	2,325,290	1,311,241
Debt securities issued	16	12,002,031	11,209,673	11,729,175
Current tax liabilities	20	13,574	48,367	25,241
Deferred tax liabilities	19	8,053	802	2,582
Accruals and other liabilities	18	120,729	46,691	46,701
Subordinated liabilities	17	181,193	196,578	196,563
Total liabilities		15,514,426	15,237,836	14,208,025
Share capital		18,152	18,152	18,152
Share premium		269,206	269,206	254,206
Fair value reserve		2,748	2,401	-933
Other reserves		194,267	144,156	115,642
Shareholders' equity	21	484,373	433,915	387,067
Total equity and liabilities		15,998,799	15,671,751	14,595,092

¹ Reference is made to the consolidated statement of changes in Equity, in which the restatement is disclosed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

In thousands of euros	Note	2009	2008
Interest income and changes in fair value of interest-sensitive financial instruments	22	807,952	720,173
Interest expenses	22	682,188	621,504
Interest margin and changes in fair value of interest-sensitive financial instruments	22	125,764	98,669
Fees and commission expense	23	10,632	10,131
Fee and commission		10,632	10,131
Impairment on financial instruments and other assets	9	10,169	5,650
Impairment on intangible assets	11	2,377	9,746
Operating expenses	24	36,064	34,884
Operating profit before taxes		66,522	38,258
Income tax expenses	27	16,411	9,744
Net profit		50,111	28,514
Other comprehensive income, net of income tax			
Fair value reserve (available-for-sale financial assets):			
Net change in fair value		347	3,334
Other comprehensive income for the period, net of income tax		347	3,334
Total comprehensive income for the period		50,458	31,848
Profit attributable to:			
Shareholders' equity		50,111	28,514
Profit for the period		50,111	28,514
Total comprehensive income attributable to:			
Shareholders' equity		50,458	31,848
Total comprehensive income for the period		50,458	31,848

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros

	Share capital	Share premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance at 1 January 2009	18,152	269,206	2,401	28,514	115,642	433,915
Total comprehensive income for the period						
Profit or loss	-	-	-	50,111	-	50,111
Other comprehensive income, net of income tax						
Fair value reserve (available-for-sale financial assets):						
Net change in fair value	-	-	347	-	-	347
Total comprehensive income for the period	-	-	347	50,111	-	50,458
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Distribution of profit 2008	-	-	-	-28,514	28,514	-
Paid-in surplus	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-28,514	28,514	-
Balance at 31 December 2009	18,152	269,206	2,748	50,111	144,156	484,373
Balance at 1 January 2008	18,152	254,206	-933	26,648	88,994	387,067
Total comprehensive income for the period						
Profit or loss	-	-	-	28,514	-	28,514
Other comprehensive income, net of income tax						
Fair value reserve (available-for-sale financial assets):						
Net change in fair value	-	-	3,334	-	-	3,334
Total comprehensive income for the period	-	-	3,334	28,514	-	31,848
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Distribution of profit 2007	-	-	-	-26,648	26,648	-
Paid-in surplus	-	15,000	-	-	-	15,000
Total contributions by and distributions to owners	-	15,000	-	-26,648	26,648	15,000
Balance at 31 December 2008	18,152	269,206	2,401	28,514	115,642	433,915

As at 31 December 2009, the authorised share capital amounted to EUR 90.8 million, divided into 200,000 ordinary shares (2008: 200,000), each with a nominal value of EUR 453.78. As at 31 December 2009, 40,001 (2008: 40,001) shares had been issued and paid up in full.

The fair value reserve comprises the cumulative net gains and losses on the fair value of the financial assets that are classified as available for sale.

Restatement of prior year consolidated statement of financial position

The opening balance as at 1 January 2008 of the other reserves was increased by EUR 7.0 million as a consequence of a retrospective restatement in accordance with IAS 8. In addition the opening balance of funds entrusted was decreased with EUR 9.4 million and current tax liabilities was increased with EUR 2.4 million. The valuation of all financial instruments was assessed related to the implementation of a new funding and derivatives administration application. For the zero coupon bonds, the parameters for the amortisation table had been entered incorrectly when the books were closed, as such the relating amortisation charge recognised for the period 1997–2009 was too high. The related amortisation charge arose chiefly in the years prior to 2008. The effect in the 2008 and 2009 financial years was negligible.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

In thousands of euros	2009	2008 (Restated)
Cash flow from operating activities		
Net profit	50,111	28,514
Adjustments for:		
Depreciation	6	42
Impairment on intangible assets	2,377	9,746
Impairment on financial instruments and other assets	10,169	5,650
Other non cash items	-	6,990
Net changes in fair value reserve	347	3,334
Trading portfolio interest-bearing securities	-278	-3,557
Loans and advances to banks	-794,745	189,137
Derivative assets held for risk management	-3,158	2,523
Loans and advances to public sector	-194,054	-56,003
Loans and advances to customers (exc. allowance for losses on loans and advances)	521,799	-1,047,235
Prepayments and other receivables	104,943	-100,765
Deferred tax assets	39,140	-22,603
Deposits from banks	610,671	94,164
Derivative liabilities held for risk management	-67,349	419,749
Funds entrusted	-1,090,201	1,004,667
Current tax liabilities	-34,793	25,518
Accruals and other liabilities	74,038	-10
Net cash flow from operating activities (1)	-770,977	559,861
Cash flow from investing activities		
Investments in property and equipment and intangible assets	-2,258	-6,998
Purchase of mortgage portfolio	-	-32,718
Net cash flow from investing activities (2)	-2,258	-39,716
Cash flow from financing activities		
Debt securities	792,358	-519,502
Paid-in surplus	-	15,000
Subordinated liabilities	-15,385	15
Net cash flow from financing activities (3)	776,973	-504,487
Net cash flow (1) + (2) + (3)	3,738	15,658
Cash and cash equivalents as at 1 January	26,012	10,354
Cash and cash equivalents as at 31 December	29,750	26,012
Movements in cash and cash equivalents	3,738	15,658

Continued on Consolidated statement of cash flows

For the year ended 31 December

In thousands of euros	2009	2008
Cash flow on account of interest relating to operating and financial activities:		
Interest received	1,371,975	1,834,121
Interest paid	1,284,816	1,668,206
Cash flow on account of tax:		
Paid tax	12,183	10,375

The cash flow statement is prepared in accordance with the indirect method, with a distinction being made between cash flows from operating, investing and financing activities. Cash flows in foreign currencies are converted at the year-end rate. For the net cash flows from operating activities, the net profit is adjusted for income and expenses that have not resulted in receipts and expenditures in the same financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

The consolidated financial statements of Achmea Hypotheekbank for 2009 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 Bank Holding N.V. is part of Eureka B.V. (Group).

The financial statements were authorized for issue by the Executive Board on 6 April 2010.

2. Summary of significant accounting policies

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

The consolidated financial statements are presented in euros, which is the parent company's functional currency. All statements are in thousands of euros, unless stated otherwise.

The order in which the assets and liabilities are presented on the face of the consolidated statement of financial position reflects the liquidity of the individual items.

2.1 Application of International Financial Reporting Standards (IFRS)

Achmea Hypotheekbank has been applying the International Financial Reporting Standards, as endorsed for use in the European Union (EU), with effect from 1 January 2005. The 2009 financial statements, including the comparative figures for 2008, have been prepared in accordance with IFRS, including the International Accounting Standards (IAS) and interpretations effective as at 31 December 2009 that were adopted for use in the EU. The Achmea Hypotheekbank consolidated financial statements also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code.

In a number of cases, the current presentation differs from that of the previous year. Where this is the case, the comparative figures have been restated. With the exception of the equity correction, which has been disclosed in the consolidated statement of changes in shareholders' equity, these changes do not have any effect on shareholders' equity or net profit.

A number of new Standards, amendments to Standards and interpretations were published by the International Accounting Standard Board (IASB) in 2009 or prior years but are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements.

This regards:

IFRS 9: Financial Instruments

The IASB has issued a new accounting standard on the accounting treatment of Financial Instruments on 12 November 2009. This new accounting standard currently covers phase I of the improvement project of IAS 39 'Financial Instruments: Recognition and measurement' and only deals with recognition and measurement of financial assets. The EU has postponed the endorsement of IFRS 9. Achmea Hypotheekbank has decided not to adopt this accounting standard at present, as only part of IFRS 9 is finalized. When Achmea Hypotheekbank adopts IFRS 9 it will have material impact on the presentation of Financial Instruments in the Financial Statements as the current categories of IAS 39 will disappear. It could have a significant impact on the measurement and accounting of fair value changes of Financial Instruments of Achmea Hypotheekbank as the 'Available for sale'-category is eliminated and the standard requires the use of amortised cost in certain cases. Due to the changes in measurement requirements for the Financial Instruments of Achmea Hypotheekbank shareholders' equity and Net profit will be materially affected.

IAS 24: Related Party Disclosures

On 4 November 2009, the IASB issued amendments to IAS 24 'Related Party Disclosure'. The amendments exempt state-controlled entities to disclose certain related party transactions and clarify the definition of a related party and a related party transaction for all entities. The amendments have not been endorsed by the EU at year-end. This is one of the reasons Achmea Hypotheekbank will not early adopt these amendments. The amendments will have no direct impact on the presentation of Related Parties as a note to the financial statements nor will it have a direct impact on Total Equity or Net profit of Achmea Hypotheekbank.

IFRS 2: Share-based payments

On 18 June 2009, the IASB clarified the accounting for group cash-settled share-based payment transactions by amending IFRS 2. The amendments respond to requests the IASB received to clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments have not been applied by Achmea Hypotheekbank as they have not been endorsed by the European Union.

IAS 32: Financial Instruments presentation

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. With the issued rights, existing shareholders have the privilege to buy a specified number of new shares from Achmea Hypotheekbank at a specified price within a specified time. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendments have not been endorsed by the EU at 31 December 2009 and hence Achmea Hypotheekbank will not adopt these amendments. Currently Achmea Hypotheekbank has no rights issues outstanding and there is no impact on the Financial Statements.

Improvements to International Financial Reporting Standards (affects various standards) - issued April 2009

On 16 April 2009, the IASB issued 'Improvements to IFRSs', a collection of minor amendments to a number of IFRSs. The IASB uses the annual improvements project to make necessary, but non-urgent, amendments to IFRSs. At the end of 2009, the improvements had not been endorsed by the European Union and hence not applied by Achmea Hypotheekbank. These amendments have different application dates (mostly from 1 January 2010) and have no material effect on Achmea Hypotheekbank.

IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction & amendments to termination benefits

On 26 November 2009, the IASB issued Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14).

The amendments correct an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. In October 2009 the IASB tentatively decided to publish the amendments to IAS 19 relating to termination benefits together at the same time as amendments to IFRIC 14 as a convenience to constituents. The IASB proposed that the definition should be amended to clarify that benefits that are payable in exchange for an employee's decision to accept voluntary redundancy are termination benefits only if they are offered for a short period. Furthermore the IASB proposed amendments to recognition of (in) voluntary termination benefits. The amendments have not been endorsed by the EU at 31 December 2009 and hence Achmea Hypotheekbank will not adopt these amendments. Implementing these changes in accounting standards will have no material impact on Achmea Hypotheekbank's as the employee benefits are accounted for by Achmea Personeel B.V.

IFRIC 19: extinguishing financial liabilities with equity instruments

The IFRIC issued an interpretation that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. The transaction needs to be measured at fair value (rather than the book value of the liability) and could result in a profit or loss recognised in the statement of comprehensive income. Implementing this interpretation will have an immaterial effect on shareholders' equity or net profit. The amendments have not been endorsed by the EU at 31 December 2009 and hence Achmea Hypotheekbank will not adopt these amendments.

2.2 Basis of consolidation

Companies over which Achmea Hypotheekbank has control are fully consolidated. Control is the power to govern the financial and operating policies of an entity, whether directly or indirectly, so as to obtain benefits from its activities. In deciding whether the company has control, 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., DMPL VI B.V., DMPL VII B.V., SGML I B.V., SGML II B.V. and Achmea Covered Bond Company B.V., all of which have their registered offices in Amsterdam.

These companies (with the exception of Achmea Covered Bond Company B.V.) 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, VI, VII and SGML I and SGML II. 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, Stichting DMPL VI Holding, Stichting DMPL VII Holding, Stichting SGML I Holding and Stichting SGML II Holding, respectively, all of which have their registered offices in Amsterdam.

In addition, Achmea Hypotheekbank has a covered bond financing programme. Achmea Hypotheekbank manages and administers the portfolios of Achmea Covered Bond Company B.V. The shares of Achmea Covered Bond Company B.V. are held by Stichting Holding Achmea Covered Bond Company with its registered office in Amsterdam.

Although Achmea Hypotheekbank has no direct control over the SPVs and Achmea Covered Bond Company B.V., these entities are consolidated based on an evaluation of the substance of its relationship with Achmea Hypotheekbank and the entities risks and

rewards. The following circumstances may indicate a relationship in which, in substance, Achmea Hypotheekbank controls and consequently consolidates an entity:

- The entity conducts its activities to meet the Achmea Hypotheekbank's specific needs;
- Achmea Hypotheekbank's has decision-making powers to obtain the majority of the benefits of the entities activities;
- Achmea Hypotheekbank is able to obtain the majority of the benefits of the entities activities through an 'auto-pilot' mechanism;
- By having a right to the majority of the entities benefits, Achmea Hypotheekbank is exposed to the entities business risks;
- The entity has the majority of residual interest in the SPV.

Elimination of intragroup transactions and accounts

Intragroup accounts and any unrealised gains and losses on transactions within the Group or income and expenses from such transactions are eliminated from the consolidated financial statements.

Related-party disclosures

Any operations and transactions relating to group companies are specifically disclosed in the notes. All transactions with group companies are subject to market conditions.

2.3 Segment information

In the internal reports used by the Chief Operating Decision Maker (Executive Board) to allocate resources and monitor performance targets to the operating segments, Achmea Hypotheekbank is identified as a single operating segment.

2.4 Recognition and derecognition

An asset is recognised on the consolidated statement of financial position when it is probable that the future economic benefits will flow to Achmea Hypotheekbank and the asset has a cost or value that can be measured reliably. A liability is recognised on the consolidated statement of financial position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where Achmea Hypotheekbank has transferred substantially all risks and rewards of ownership. If Achmea Hypotheekbank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, Achmea Hypotheekbank continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Achmea Hypotheekbank is exposed to changes in the value of the asset.

A financial liability (or a part of a financial liability) is derecognised from the balance sheet when, and only when it is extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expired). On derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the statement of comprehensive income as a realised gain or loss. Any cumulative unrealized gain or loss previously recognised in shareholders' equity is transferred from shareholders' equity to the the statement of comprehensive income.

Financial assets that 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 affecting the application of accounting policies and the reported amounts of assets and liabilities and of income and expenses. These estimates and assumptions are based on historical data and various other factors that are considered reasonable in the circumstances. The results of this process form the basis for judgements regarding the carrying amounts of assets and liabilities where the carrying amount cannot be derived from other sources. The actual figures may differ from these estimates.

The estimates and underlying assumptions are continually evaluated. The effects of the revisions of estimates are recognised in the year in which the revision takes place. If a revision also has an effect on future years, the effect is also recognised in future years.

Any assumptions made by management in the application of IFRS which have a significant impact on the financial results of current or future years are disclosed in the relevant notes.

2.6 Offsetting of financial instruments

Financial assets and liabilities are netted off in the consolidated statement of financial position if Achmea Hypotheekbank:

- has a legally enforceable right to set off the asset and the liability, and
- intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Foreign currency

Monetary assets and liabilities in foreign currencies are translated into euros at the rate of exchange prevailing on the balance sheet date. The resulting translation gains or losses are taken to the statement of comprehensive income. The exception to this general rule refers to variable-income securities classified as 'available for sale'. The unrealised gains and losses are recognised in consolidated changes in equity. Income and expenses and Non-monetary assets & liabilities arising from transactions in foreign currencies are converted at the rate of exchange on the transaction date.

2.8 Financial assets and financial liabilities

Achmea Hypotheekbank divides its financial assets into the following categories: 'loans and receivables', 'financial assets at fair value through profit or loss' and 'available-for-sale financial assets'.

(a) Loans and receivables

Loans and receivables are financial instruments, other than derivatives, with fixed or determinable payments and not listed on an active market. These receivables arise when Achmea Hypotheekbank lends funds or provides services directly to a debtor without the intention to trade the receivables. The Loans and advances to customers, which fall into this category at Achmea Hypotheekbank, consist entirely of loans granted in exchange for mortgage security. These mortgage loans are carried at amortised cost measured using the effective-interest method. In contrast, the portfolio of Interpolis BTL Hypotheken B.V., acquired in 2006, is carried at fair value.

(b) Financial assets at fair value through profit or loss

This category comprises two subcategories, i.e. 'financial assets held for trading' and financial assets designated by the management as 'at fair value through profit or loss' on initial recognition. A financial asset is classified in the first category if it has been acquired primarily for the purpose of being traded in the short term and it is classified in the second category if the asset was designated as such by the management on initial recognition. Derivative financial instruments are classified as held for trading unless they are recognised in a hedge relationship. Derivatives with a fair value loss are classified as financial liabilities and are presented separately on the consolidated statement of financial position.

(c) Available-for-sale financial assets

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

Purchases and sales of financial assets at fair value through profit or loss (b) and available-for-sale financial assets (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 funds are granted to borrowers.

After their initial recognition, available-for-sale financial assets (c) and financial assets at fair value through profit or loss (b) are carried at fair value. Gains and losses on the financial assets at fair value through profit or loss are recognised in the statement of comprehensive income in the period in which these changes occur. Gains and losses on the 'available-for-sale assets' are recognised directly in shareholders' equity (line item fair value reserve) until a financial asset is derecognised or suffers impairment. At that moment, the cumulative gain or loss is transferred from shareholders' equity to the statement of comprehensive income. The interest, calculated using the effective-interest method, is recognised directly in the statement of comprehensive income. Dividends on equity instruments that are available for sale are recognised in the statement of comprehensive income from the moment at which the entity acquires the right to receive payment.

The fair value of instruments listed on an active market is based on current bid prices. In the absence of a market for a financial asset (and in the case of non-listed securities), Achmea Hypotheekbank measures 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 similar, present value methods, option valuation models and other valuation techniques commonly used by market participants.

Financial assets are no longer recognised on the consolidated statement of financial position when the right to receive the cash flows from them has lapsed or when Achmea Hypotheekbank has transferred the risks and rewards of ownership.

Financial liabilities are initially recognised at fair value. Subsequently financial liabilities are valued at amortised cost using the effective-interest method.

2.9 Impairment of financial assets measured at amortised cost

General

Achmea Hypotheekbank distinguishes between specific impairment losses and impairment relating to incurred but not reported losses.

Under IFRS, recognition of an impairment loss is required if it is probable that Achmea Hypotheekbank will not be able to collect the principal amount and the interest in accordance with a loan agreement. The impairment is determined item by item for loans that are individually material. This is referred to as 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 impaired and is treated accordingly if, and only if, there are objective indications of impairment. This is the case when:

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

If there is objective evidence that assets measured at amortised cost have been subject to impairment, the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future loan losses that have not yet 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 loss is the current effective interest rate determined under the contract. The impairment loss is recognised in the statement of comprehensive income. The amount of the recognised impairment takes account of the fact that the payment arrears on accounts placed in default management may ultimately still be settled, either in whole or in part. This recovery ratio was adjusted at the end of 2009 in accordance with developments in the market.

Incurred but not reported (IBNR)

IFRS also requires any losses resulting from events that have occurred before the balance sheet date, but which have not yet manifested themselves to Achmea Hypotheekbank, to be taken into account as well. These are known as IBNR losses.

A general IBNR impairment loss is calculated using the average inflow into the default management portfolio combined with empirical figures. Historical loss rates are adjusted on the basis of current observable data in order to take account of the impact of current conditions that did not apply in the period to which the historical data relates and to eliminate the impact of the conditions in the historical period that do not currently exist.

Treatment of uncollectible loans and advances in the accounts

If all or part of a loan proves to be uncollectible, the amount concerned is written off from the corresponding provision for impairment losses. Amounts that are in fact subsequently collected are recognised as income.

2.10 Derivative financial instruments and hedge accounting

Derivatives are financial instruments in the form of contracts, the value of which depends on one or more underlying assets, reference prices or indices. Derivatives are agreements to exchange future cash flows, with timing and size possibly depending on the development in market prices of specific underlying assets, reference prices or indices. Examples of derivatives are forward exchange contracts, options, interest rate swaps, futures and forward rate agreements. Achmea Hypotheekbank concludes transactions in derivatives to hedge its own interest rate and currency risks. The financial instruments are classified as held for trading and measured at fair value.

Initial recognition of derivatives is at fair value on the date on which a derivative contract is signed. The fair values are derived from market prices quoted on active markets, including recent market transactions or, where applicable, determined on the basis of valuation methods, including present value models. Derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative.

On initial recognition of a derivative, the transaction price is the best indicator of fair value unless the fair value of the instrument is supported by 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 derivatives as fair value hedges of the interest rate risk inherent in all or parts of its mortgage portfolio. For the application of fair value hedge accounting, Achmea Hypotheekbank documents the relationship between the hedging instruments and the hedged items or positions, as well as the risk management objective and strategy at the inception of the transaction.

Achmea Hypotheekbank also formally records whether the derivatives used in the hedging transactions are effective in offsetting changes in the fair value of hedged items, both at the start and for the duration of the hedging relationship. A hedging relationship is effective when the effectiveness is prospectively 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 hedging relationship) by the change in fair value of the hedged item (based on the risk being hedged). To ascertain the effectiveness, Achmea Hypotheekbank performs both prospective and retrospective tests.

Achmea Hypotheekbank periodically assesses the fair value change in the hedged part of the portfolio of mortgage loans attributable to the hedged risk, on the basis of the expected interest re-pricing date. On condition that Achmea Hypotheekbank finds the hedge to have been effective according to the method that it uses for determining the effectiveness, it recognises the fair value change in the hedged part of the portfolio of mortgage loans as a gain or loss in the statement of comprehensive income and in the consolidated statement item of Loans and advances to customers.

Achmea Hypotheekbank measures the change in fair value of the derivatives and recognises it as a gain or loss in the statement of comprehensive income. The fair value of the derivatives is recognised in the consolidated statement of financial position as an asset or a liability. If there is ineffectiveness, this is expressed in the statement of comprehensive income as the difference between the change in fair value of the hedged position and the change in fair value of the hedging instrument.

The changes in fair value of the derivatives (hedging instruments) are cancelled out by the changes in fair value relating to the interest risk of the parts of the mortgage portfolio that are allocated to the derivatives (delta fair value hedge accounting).

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 relationships, Achmea Hypotheekbank starts with the amortisation to the statement of comprehensive income of the applicable part of the Loans and advances to customers. This asset is amortised using the effective-interest method over the remaining term to maturity of the hedged instruments.

2.11 Cash, cash equivalents and banks

Cash comprises bank and cash balances as well as call deposits. Current account overdrafts which are repayable on demand and which form an integral part of Achmea Hypotheekbank's cash management 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 which are under Achmea Hypotheekbank's control and which are expected to generate future economic benefits that will exceed these costs are capitalised as intangible assets. The direct costs include any staff costs that are directly attributable to software developments. All other costs related to the development or maintenance of software are expensed in the period in which these are incurred. The capitalised software development costs are subject to straight-line depreciation over their useful life, with a maximum of five years. Assessments for possible impairment are made periodically.

2.13 Property and equipment

Property and equipment are carried at cost, less cumulative depreciation and impairment. Other expenditure on property and equipment is only capitalised if it leads to future benefits. All other expenditure is expensed as and when incurred.

The depreciation method and the useful life of property and 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 statement of comprehensive income over the estimated useful life of the equipment. The estimated useful life is:

- 3–6 years for property, plant and equipment other than 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, the difference between cost and redemption value being recognised in the statement of comprehensive income using the effective-interest method over the term of the loans (loans and receivables).

2.15 Employee benefits

All staff are employed by Achmea Personeel B.V., an operating company of Achmea Holding N.V. The staff costs relating to the company's activities along with other operating expenses are charged to the operating companies of Achmea Holding N.V. The pension obligations forming part of the employee benefits are also assumed by Achmea Personeel B.V., which has insured its benefit obligations with Achmea Pensioen- en Levensverzekeringen N.V. The related benefit expense is allocated to parts of the Achmea Group on the basis of the pensionable salaries of active employees. The benefit obligations are measured by Achmea Personeel B.V. using the projected unit credit method (based on average pay with annual increases). According to this method, the defined benefits are accounted for as separate elements (years) of the ultimate defined benefit liability in the form of an annual service cost and measured accordingly. The allocation to individual years takes place on the basis of the defined benefits allocated or to be allocated for each completed year of service. The provision is calculated on the basis of

the number of active years of service up to the balance sheet date, the estimated salary level at the time of the expected date of retirement and the market interest rate on the high-quality bonds issued by the companies, with the amount of any plan assets deducted from the recognised liability.

2.16 Tax

The tax on profit or loss comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, with tax on direct changes in equity recognised in shareholders' equity.

Current tax is the expected tax on the taxable income for the year, calculated using enacted current and future tax rates and taking into account any adjustments to tax payable in respect of previous years.

Deferred tax is recognised to allow for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax assets and/or liabilities are based on the expected manner in which the carrying amounts 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 asset is only recognised when it is probable that taxable profits will be available in the future which can be used for the realisation of the asset. The amount of the deferred tax assets will be reduced when it is no longer probable that the related tax benefit will be realised. The most important temporary differences at Achmea Hypotheekbank between the reported carrying amounts and the tax bases of the items concerned relate to the measurement of derivative financial instruments, Loans and advances to customers, interest-bearing loans, debt securities and funds entrusted at fair value and at amortised cost.

2.17 Interest income and expenses

For all instruments measured at amortised cost, interest income and interest expenses are recognised in the statement of comprehensive income using the effective-interest method.

The effective-interest method is a method for the calculation of the amortised cost of a financial asset or a financial liability and for the allocation of interest income and expenses to the relevant period. The effective interest rate is the same as the discount rate used in discounting the estimated future cash receipts and cash payments over 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. In calculating the effective interest rate, Achmea Hypotheekbank estimates the cash flows, taking account of all contractual terms and conditions of the financial instrument (e.g. early repayment options) but not future loan losses. In calculating the amortised cost, due account is taken of all fees paid or received plus other terms and conditions between contract parties forming an integral part of the effective interest rate, together with 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 Commission income and expenses and management fees

Sales-related commission on new mortgage business with a term of more than one year paid by Achmea Hypotheekbank to its Direct Distribution Division and Intermediary Distribution Division is capitalised and amortised over the estimated remaining life of the mortgage loans concerned. All transactions with the Direct Distribution Division and Intermediary Distribution Division are subject to market conditions.

3. Financial risk management

Within the context of its normal business operations, Achmea Hypotheekbank manages credit, interest rate, liquidity and currency risks. Derivative financial instruments are primarily used to hedge the risk of interest rate and currency fluctuations.

3.1 Strategy for the use of financial instruments

The nature of Achmea Hypotheekbank's operations is such that frequent use is made of financial instruments, including derivatives. It is the primary objective of Achmea Hypotheekbank to generate an interest margin on its mortgage lending operations. Since Achmea Hypotheekbank rarely engages in proprietary trading on the financial markets, if at all, the market risk for Achmea Hypotheekbank mainly consists of interest rate risks arising from banking operations. Foreign currency and price risk exposure is minimal, owing to the hedging of positions. The Treasury Department is responsible for the day-to-day management of interest rate, liquidity and currency risks. The assumed positions are subject to limits and are overseen by the Risk Management department. Periodically, the bank's asset and liability management committee (ALCO) will discuss interest rate risks and liquidity and, if required, take appropriate action.

3.2 Credit risk

The credit risk faced by Achmea Hypotheekbank refers to the present or future risk to profits or equity as a result of default by a counterparty to a contract. A credit risk arises when a contract is signed between a lender and a borrower, any security which is furnished does not cover the entire amount of the loan completely and the loan is not guaranteed (as under the National Mortgage Guarantee Scheme (NHG scheme)). The objective of credit risk management at Achmea Hypotheekbank is to keep the credit risk at a level that gives a prudent risk/return ratio for the bank.

Mortgage loans

The credit risk faced by Achmea Hypotheekbank is managed by the strict application of credit acceptance criteria laid down by the Executive Board. Achmea Hypotheekbank's loan portfolio consists of home mortgage loans for the Dutch market. Security is provided in the form of mortgage loans on residential properties. In addition, pledges of savings and investment accounts and life insurance policies are linked to mortgage loans as security. The foreclosure-sale values of the pledged residential properties are regularly indexed using data from the NVM (Netherlands association of estate agents).

Loans exceeding a set limit are referred to the Credit Analysis Department. Any departures from the standard terms and conditions for borrowers also require the approval of the Credit Analysis Department. Stringent procedures are in place for monitoring payment arrears of both interest and principal. The accounts of any borrowers with arrears of more than three months are transferred to the Default Management Department. This department is then responsible for collection.

Credit quality by class of financial assets

The credit quality of financial assets is managed by Achmea Hypotheekbank using internal credit ratings. The table below shows the credit quality by class for all financial assets exposed to credit risk, Loans and advances to customers are broken down to low risk (government guaranteed and securitized mortgages), high risk (the part of mortgage receivables above loan to foreclosure value > 0.75) and average risk (all other mortgages receivables and purchased own bonds).

Neither past due nor impaired

In thousands of euros As at 31 december 2009	Low risk	Average risk	High Risk	Past due but not impaired	Individually impaired	Total
Cash and cash equivalents	29,750	-	-	-	-	29,750
Loans and advances to banks	1,115,526	-	-	-	-	1,115,526
Loans and advances to customers	5,108,522	6,983,231	1,869,727	103,022	72,678	14,137,181
Loans and advances to public sector	250,057	-	-	-	-	250,057
	6,503,855	6,983,231	1,869,727	103,022	72,678	15,532,514

Aging analyses of past due but not impaired loans

In thousands of euros As at 31 december 2009	Less than 1 month	1 < 2 months	2 < 3 months	> 3 months	Total
Loans and advances to customers	44,696	40,851	17,475	-	103,022

Neither past due nor impaired

In thousands of euros As at 31 december 2008	Low risk	Average risk	High Risk	Past due but not impaired	Individually impaired	Total
Cash and cash equivalents	26,012	-	-	-	-	26,012
Loans and advances to banks	320,781	-	-	-	-	320,781
Loans and advances to customers	5,598,939	7,429,890	1,496,738	98,940	44,642	14,669,149
Loans and advances to public sector	56,003	-	-	-	-	56,003
	6,001,735	7,429,890	1,496,738	98,940	44,642	15,071,945

Aging analyses of past due but not impaired loans

In thousands of euros As at 31 december 2008	Less than 1 month	1 < 2 months	2 < 3 months	> 3 months	Total
Loans and advances to customers	9,058	56,640	33,242	-	98,940

The value of the corresponding mortgaged property for all items in arrears amounted to EUR 178 million as at 31 December 2009 (2008: EUR 194 million) and is therefore EUR 2 million higher than the carrying amount of the loans that are past due or impaired. The movement of impairment losses in respect of these receivables is described in note 9 on loans and advances to customers.

Counterparty risk

Counterparty risk is the risk of loss due to professional counterparties defaulting on some or all of their liabilities to Achmea Hypotheekbank. This mainly concerns positions arising out of derivatives, bonds in the investment portfolio, loans to group companies and short-term loans.

To manage credit risk, Achmea Hypotheekbank imposes stringent limits on net unhedged derivative positions. To manage counterparty risk, Achmea Hypotheekbank imposes individual counterparty limits on both exposure and maturity, which are approved by the Executive Board. Achmea Hypotheekbank uses external rating agencies to set these limits, basing the limits for professional counterparty risk on the long-term rating.

There were no impairments due to counterparty risk in 2009.

3.3 Interest rate risk and currency risk

Achmea Hypotheekbank hedges the interest rate risk arising from its mortgage lending operations by using interest rate derivatives. The interest rate risk is the present or future risk to the results or the fair value of shareholders' equity from changes in the market interest rate. Changes in the consolidated statement of financial position and management interventions are not taken into account in this analysis.

Interest rate risk is managed from three perspectives:

- 1 Consequences of a change in the interest rate on the portfolio's interest income
- 2 Consequences of a change in the interest rate on the fair value of shareholders' equity
- 3 Sensitivity analysis

1 Consequences of a change in the interest rate on the portfolio's interest income

The measure used by the bank is Income at Risk. Income at Risk measures the sensitivity of the net interest income if the underlying interest rates are raised by 1 basis point, with a time horizon of one year.

In thousands of euros	2009	2008
Income at Risk	-87	-21

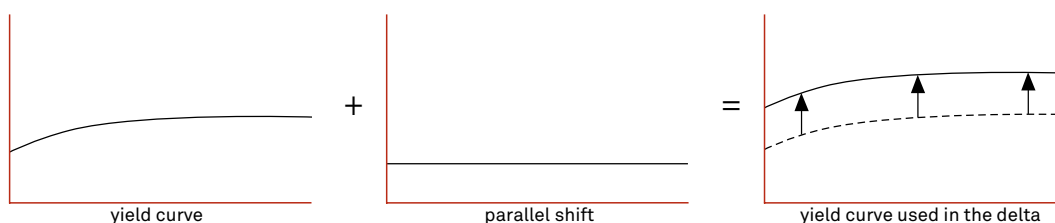
The above table shows that profits fall by EUR 87,000 if the interest rate rises by 1 basis point across the entire curve.

2 Consequences of a change in the interest rate on the fair value of shareholders' equity

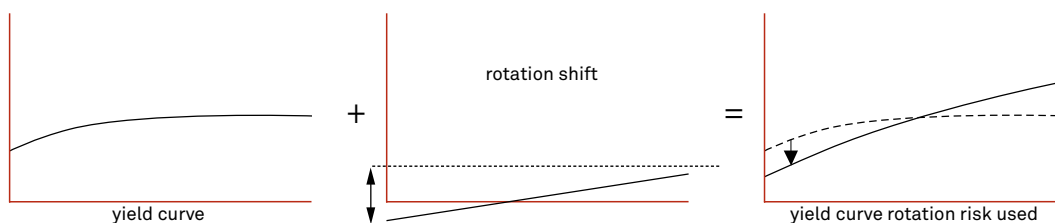
The impact on the fair value of shareholders' equity is based on the market value of all financial instruments. It is not directly visible in the results or in the consolidated statement of financial position because many instruments are recognised at amortised cost.

Various methodologies are used to monitor the impact on shareholders' equity:

- The delta measures the sensitivity of the market value to a parallel increase in the interest rate by 1 basis point;



- The rotation risk measures the sensitivity of the market value to a unit rotation (steepening or levelling) of the yield curve (difference in amount of change in interest rates at the short and long ends of the market);



- Value at Risk gives the maximum loss of market value that will not be exceeded with a probability of 99% over a time horizon of one year. This is based on historical simulation covering 5 years of interest rate history.

In thousands of euros	2009	2008
Delta	-70	-36

The above table shows that the fair value of shareholders' equity decreases by EUR 70,000 if the interest rate rises by 1 basis point across the entire curve.

In thousands of euros	2009	2008
Rotational risk	19	228

The rotation scenario assumes a non-linear shift of the yield curve. A positive value for the rotation risk indicates that the market value of the portfolio increases as the yield curve steepens. The steepening used is 0.2 basis points per annum for maturities up to 10 years, 0.1 basis points per annum for maturities of 10–20 years and 0.05 basis points for maturities of over 20 years. The level of the rotation risk is scaled to the interest rate increase used in the delta.

In thousands of euros	2009	2008
Value at Risk	7,717	18,687

This shows that the fair value loss will not exceed EUR 7.7 million with a confidence level of 99%.

Achmea Hypotheekbank applies a limit of EUR 53 million for the VaR.

3 Sensitivity analysis

A sensitivity analysis measures the effects of an event that is exceptional, but relevant to the bank. It uses a sudden, parallel shift of the interest rate curve by 100 basis points (in both directions). In contrast with the delta, which only measures the sensitivity to minor interest rate changes, the sensitivity analysis 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).

Sensitivity analysis

In thousands of euros	2009	2008
Change in the interest rate of 100 basis points negative	13,750	3,999
Change in the interest rate of 100 basis points positive	-19,172	-6,938

Foreign currency

Apart from transitional positions, Achmea Hypotheekbank's policy does not permit any exposure to currency risk or interest rate risk in foreign currencies. Achmea Hypotheekbank periodically raises funding in foreign currencies. Such funding is converted into euros using forward exchange contracts. The table below gives an analysis of cash flows of this foreign currency funding and the non-euro part of the cash flow of the related forward exchange contract.

In thousands of euros	2009			2008		
	Total exposure	Notional amount of hedging instruments	Net exposure	Total exposure	Notional amount of hedging instruments	Net exposure
Assets						
US Dollar	-	2,256,944	2,256,944	-	-	-
Swiss Franc	-	175,261	175,261	-	174,731	174,731
	-	2,432,205	2,432,205	-	174,731	174,731
Liabilities						
US Dollar	2,256,944	-	2,256,944	-	-	-
Swiss Franc	175,261	-	175,261	174,731	-	174,731
	2,432,205	-	2,432,205	174,731	-	174,731
Net						
US Dollar	2,256,944	2,256,944	-	-	-	-
Swiss Franc	175,261	175,261	-	174,731	174,731	-
	2,432,205	2,432,205	-	174,731	174,731	-

The following exchange rates have been used:

	Closing rate		Average rate	
	2009	2008	2009	2008
US Dollar	1.4400	1.4000	1.4200	1.4368
Swiss Franc	1.4835	1.4880	1.4858	1.5715

3.4 Liquidity risk

The liquidity risk is the risk of not being able to fulfill short-term financial obligations or only at unacceptably high costs. This includes both the risk that it may not be possible to finance assets using instruments with appropriate maturities or at appropriate interest rates and the risk of not being able to liquidate 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 drawn down by customers, interest payments etc. Experience shows that it can be predicted with a high degree of certainty that a given amount of funds that become available will be required for reinvestment. 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.

The following table presents an analysis of assets and liabilities of Achmea Hypotheekbank according to their contractual remaining life.

Net liquidity gap

In thousands of euros

As at 31 December 2009	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total	Total carrying amount
Assets						
Loans and advances to banks, public sector and customers	746,547	1,080,811	3,045,005	10,080,402	14,952,765	15,502,764
Interest-bearing securities	-	-	24,000	51,000	75,000	79,609
Other receivables	-	-	-	-	-	-
Total assets	746,547	1,080,811	3,069,005	10,131,402	15,027,765	15,582,373
Liabilities						
Deposits from banks	245,000	784,469	214,445	20,000	1,263,914	1,280,314
Funds entrusted	271,264	220,190	419,042	310,317	1,220,813	1,235,088
Debt securities issued	111,345	2,311,000	9,160,041	196,016	11,778,402	12,002,031
Subordinated liabilities	-	6,250	70,134	103,057	179,441	181,193
Total liabilities	627,609	3,321,909	9,863,662	629,390	14,442,570	14,698,626
Net liquidity gap	118,938	-2,241,098	-6,794,657	9,502,012	585,195	

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	Total carrying amount
Assets						
Loans and advances to banks, public sector and customers	825,863	985,075	3,746,557	9,448,966	15,006,461	15,045,933
Interest-bearing securities	-	-	24,000	51,000	75,000	79,331
Other receivables	100,000	-	-	-	100,000	100,000
Total assets	925,863	985,075	3,770,557	9,499,966	15,181,461	15,225,264
Liabilities						
Deposits from banks	291,000	291,554	73,445	-	655,999	669,643
Funds entrusted	1,093,474	495,275	364,362	358,123	2,311,234	2,325,290
Debt securities issued	215,000	1,003,350	7,055,628	2,606,931	10,880,909	11,209,673
Subordinated liabilities	-	14,839	75,250	104,191	194,280	196,578
Total liabilities	1,599,474	1,805,018	7,568,685	3,069,245	14,042,422	14,401,184
Net liquidity gap	-673,611	-819,943	-3,798,128	6,430,721	1,139,039	

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is a fundamental part of the management of Achmea Hypotheekbank. The running of a liquidity mismatch is accepted practice within Achmea Hypotheekbank. Achmea Hypotheekbank ensures that the eventual mismatch remains within the limits imposed by the Audit en Risk Committee.

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

Part of the loan portfolio will need to be refinanced in 2010 and further, for which Achmea Hypotheekbank intends to enter in securitisation and covered bond transactions.

The following table presents the future interest cash flow related to the liabilities, which have been presented in prior table. For financial instrument with a contractual reprising date before contractual maturity, current interest rates have been used as best estimate to determine future interest charges.

Future interest cash flow of the liabilities

In thousands of euros

As at 31 December 2009	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total
Deposits from banks	13,332	15,118	16,151	1,119	45,720
Funds entrusted	6,791	7,710	27,520	37,081	79,102
Debt securities issued	80,957	266,808	793,305	30,530	1,171,600
Subordinated liabilities	3,080	8,525	22,096	12,970	46,671
Derivative liabilities held for risk management	92,377	277,160	922,835	802,970	2,095,342
Total interest cashflows	196,537	575,321	1,781,907	884,670	3,438,435

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
Deposits from banks	15,149	13,006	3,195	-	31,350
Funds entrusted	25,083	19,537	33,693	41,304	119,617
Debt securities issued	130,387	330,187	1,172,897	148,397	1,781,868
Subordinated liabilities	683	1,650	4,950	2,540	9,823
Derivative liabilities held for risk management	49,499	62,024	-25,889	-27,475	58,159
Total interest cashflows	220,801	426,404	1,188,846	164,766	2,000,817

3.5 Capital management

Under the Financial Supervision Act, De Nederlandsche Bank N.V. has imposed requirements on the total capital. Achmea Hypotheekbank's actual own funds are related to the risk-weighted assets and off-balance-sheet items. The standard laid down by the regulator for this capital ratio (BIS ratio) is 8%.

During 2009 the Executive Board tightened the internal capital norm from a BIS ratio of 10.0% to a Tier 1 ratio of 10.0%. Achmea Hypotheekbank met the standard set by the Executive Board throughout the year, resulting in a Tier 1 ratio of 10.4% as at year-end 2009.

The Achmea Hypotheekbank policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on the shareholders' return is also recognised and the Achmea Hypotheekbank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

At the end of 2009, the total of Shareholders' equity and subordinated loans amounted to EUR 665 million (2008: EUR 631 million). Shareholders' equity amounted to EUR 484 million (2008: EUR 434 million).

Of the subordinated loans, amounting to EUR 181 million, EUR 82 million is financed by the Achmea Group.

Qualifying capital and BIS

In millions of euros	2009	2008
Paid-up and called-up capital	18	18
Share premium reserve	269	269
Other reserves	194	144
Deductions	13	13
Tier 1 capital	469	419
Subordinated liabilities (the portion counting towards qualifying capital)	135	151
Deductions	13	13
Tier 2 capital (maximum 50% of Tier 1)	122	138
Total qualifying capital	591	557
Risk-weighted assets	4,512	4,303
Tier 1 ratio	10.4%	9.7%
Tier 2 ratio	2.7%	3.2%
BIS ratio (calculated on the basis of Basel II)	13.1%	12.9%

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

3.6 Financial assets and liabilities at fair value

The table shows the fair value of the financial assets and liabilities, which are not measured at fair value on the consolidated statement of financial position of Achmea Hypotheekbank.

The table is supplemented with a description of the method used to determine the fair value of the financial instruments.

Financial assets and liabilities at fair value

In thousands of euros	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Financial assets				
Loans and advances to banks and public sector	1,365,583	1,365,421	376,784	376,423
Loans and advances to customers	13,684,488	13,485,405	14,179,990	14,176,236
Financial liabilities				
Deposits from banks	1,280,314	1,283,927	669,643	673,956
Funds entrusted	1,235,089	1,240,729	2,325,290	2,333,070
Debt securities issued	12,002,031	11,852,368	11,209,673	10,745,346
Subordinated liabilities	181,193	185,159	196,578	191,408

The fair value is the value at which an asset can be traded or for which a liability can be settled between parties who are well informed in this regard, who are willing to enter into a transaction and who operate independently of each other.

If a financial instrument is traded in an active and liquid market, the quoted price or value is the best indicator for the fair value and this is used.

The most appropriate market price for an asset held or a liability to be issued will often be the current bid price and, for an asset to be acquired or liability held, the current offer or asking price. If Achmea Hypotheekbank possesses assets and liabilities with opposite market risks, middle rates are used as a basis for determining the fair value.

If no market price is available on an active market, the fair value is calculated on the basis of the discounted value or another valuation method based on the market conditions on the reporting date.

Generally accepted methods in the financial market are the present value model and option valuation models. An accepted valuation method includes all factors that market participants deem to be important for pricing. This method should also be consistent with the accepted economic models for the valuation of financial instruments.

The basic principles for determining the fair value are:

- Maximising market effects and minimising internal estimates and assessments;
- Only adjusting the estimation method (valuation method) if an improvement in the valuation can be demonstrated or if the valuation is essential or because there is insufficient information available.

Notes to estimation of the fair values

Loans and advances to banks and public sector

These receivables are essentially demand deposits.

Loans and advances to customers

The fair value of private sector loans and advances is based on the present value of expected future cash inflows, using current interest rates for loans with a similar risk profile and a similar remaining term to maturity. The interest rate is based on the money-market and swap curves, both of which are in the public domain. Where possible, Achmea Hypotheekbank makes use of variables that are observable in the market. The effects of the credit crisis (in particular the liquidity and default risks) have been evaluated in measuring the fair value of Loans and advances to customers. As a consequence of the crisis, a mark-up has been applied to the effective rate of interest, based on transactions in the market that took place at the end of 2009. Achmea Hypotheekbank's lending involves home loans for the Dutch market only. The Dutch mortgage market cannot be compared to the US mortgage market.

Deposits from banks, funds entrusted and debt securities issued

The fair value of payables to loans and advances to banks, funds entrusted and debt securities issued is based on the present discounted value of the expected future cash outflows, using current interest rates for instruments with a similar risk profile and similar remaining term to maturity.

In measuring the fair value of these items, the effects (in particular the liquidity and default risks) of the credit crisis have been evaluated. As a consequence of the crisis, a mark-up has been applied to the effective rate of interest. This mark-up has been determined specifically for each risk profile and each interest-rate band on the basis of quotes used by the market participants.

Subordinated liabilities

The fair value of the subordinated liabilities is based on the present discounted value of the expected future cash outflows, using current interest rates for subordinated loans with a similar risk profile and a similar remaining term to maturity.

The next table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into three levels (fair value hierarchy) based on the significance of the inputs used in making the fair value measurements.

Financial assets and liabilities at fair value

As at 31 December 2009

In thousands of euros	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets held for risk management				
- Interest rate swaps		371,044		371,044
- Currency swaps		133,396		133,396
- Back to back swap			-121,541	-121,541
-		504,440	-121,541	382,899
Financial assets designated at fair value through profit or loss				
- Private sector loans and advances			452,693	452,693
	-	-	452,693	452,693
Financial assets held sale				
- Interest-bearing securities	79,609	-	-	79,609
	79,609	504,440	331,152	915,201
Financial liabilities				
Derivative liabilities held for risk management				
- Interest rate swaps		794,984		794,984
- Currency swaps				-
- Back to back swap			-121,541	-121,541
	-	794,984	-121,541	673,443

As at 31 December 2008

In thousands of euros	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets held for risk management				
- Interest rate swaps		345,975		345,975
- Currency swaps		33,484		33,484
- Back to back swap	-	-	282	282
	-	379,459	282	379,741
Financial assets designated at fair value through profit or loss				
- Private sector loans and advances	-	-	489,159	489,159
	-	-	489,159	489,159
Financial assets held sale				
- Interest-bearing securities	79,331	-	-	79,331
	79,331	379,459	489,441	948,231
Financial liabilities				
Derivative liabilities held for risk management				
- Interest rate swaps	-	740,510	-	740,510
- Currency swaps	-	-	-	-
- Back to back swap	-	-	282	282
	-	740,510	282	740,792

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation.

During the year of 2009 no financial instruments have been transferred between the different levels. The total amount of gains and losses accounted for in 2009 of financial instruments with a level 3 fair value amounted to a loss of EUR 2 million (2008: gain of EUR 22 million), which was included in the statement of comprehensive income .

As this effect is mitigated by a natural hedge the net effect in 2009 amounted to a loss of 6 million (2008: gain of EUR 2 million). Although Achmea Hypotheekbank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, changing one or more of the unobservable inputs would have the following effects:

Prepayment risk

Achmea Hypotheekbank uses a prepayment risk of 7%, in case the prepayment risk is increased by one percentage point the fair value of the level 3 private sector loans and advances will increase with EUR 0.2 million. A decrease of one percentage point will have an adverse effect on the fair value of EUR 0.3 million.

Default rate sensitivity analysis

The fair value of financial assets, carried at fair value through profit or loss, is loaded to take account of the default rate of our counterparties. Applying our accounting policies, the table below shows the impact on our results of a change in the default rate among our mortgage borrowers.

Sensitivity analysis

In millions of euros	2009	2008
Increase of 10 basis points	-1,254	-1,569
Increase of 20 basis points	-2,499	-3,126
Increase of 30 basis points	-3,735	-4,671
Increase of 40 basis points	-4,963	-6,208
Increase of 50 basis points	-6,183	-7,732

The total load for the default rate of our counterparties is EUR 18.8 million (2008: EUR 15.6 million).

It should be noted that in case the actual credit risk load differs from the estimated prepayment ratio, this will also have an impact on the interest rate risk. This interest rate risk will be mitigated in line with the interest risk policy. As a result the impact on shareholders' equity and Net result is minimal.

4. Critical estimates and judgements used in applying the accounting policies

Achmea Hypotheekbank makes estimates and assumptions which affect 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 the circumstances.

Fair value measurement

The fair value of financial instruments that are not listed on an active market is assessed using valuation models. As far as practically possible, the models are used exclusively in combination with market data. In fields such as credit risk, volatility and correlations, however, management is required to use estimates, taking into account the specific characteristics of the market in which the financial instrument is used.

Impairment of receivables

Achmea Hypotheekbank periodically evaluates whether the mortgage loans that have been granted are impaired. In deciding whether an impairment loss should be recognised in the statement of comprehensive income, Achmea Hypotheekbank evaluates whether there are any observable indications of a decrease in the estimated future cash inflows of a loan portfolio, before determining the decrease for an individual loan in that portfolio.

When determining the timing of the future cash flows, management uses estimates based on historical loss data for assets with similar credit risk characteristics and objective evidence of impairment 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. Cash and cash equivalents

In thousands of euros	2009	2008
Cash and cash equivalents	29,750	26,012

This item includes all demand deposits held at De Nederlandsche Bank N.V. At the end of 2009, the minimum cash reserve to be maintained at De Nederlandsche Bank N.V. amounted to EUR 27.8 million, which is not at Achmea Hypotheekbank's disposal.

6. Loans and advances to banks

In thousands of euros	2009	2008
Banks	1,115,526	320,781

Receivables included under Banks can be analysed as:

In thousands of euros	2009	2008
• Not available on demand	681,981	246,051
• On demand	28,545	74,730
• < or equal to 3 months	405,000	-
	1,115,526	320,781

Loans and advances to banks refers to receivables from banks, other than interest-bearing securities. The item is classified as 'loans and receivables' and measured at amortised cost using the effective-interest method. An amount of EUR 526 million from the Banks item is frozen in connection with securitisation. The funds concerned are not at Achmea Hypotheekbank's disposal.

7. Derivatives held for risk management

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

Currency and interest rate swaps

Swaps are obligations to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of these (cross-currency interest rate swaps). Except for certain currency swaps, there is no exchange of principal. Achmea Hypotheekbank's credit risk corresponds to the swap contract replacement costs in the event of counterparty default. This risk is continuously monitored, taking account of the current fair value, a proportion of the contract amounts and the liquidity of the market. To control its credit risk, Achmea Hypotheekbank only concludes contracts with reputable counterparties and sets individual limits per counterparty.

Back to back swaps

Back to back swaps are agreement that reverses the cash flow pattern of a simple swap, modifying the net paying or receiving position of the back to back counterparties. Back to back swaps are swap agreements between the SPV, Achmea Hypotheekbank and a third party, which have been structured in such a manner, that the yearly net result of the SPV will be zero.

By means of this swap agreement Achmea Hypotheekbank pays the SPV the interest expenses on the notes and the SPV pays Achmea Hypotheekbank the interest received on the mortgage receivables less the third party expenses and less a fixed excess spread.

Foreign exchange and interest rate forward contracts

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

Forward rate agreements

Forward rate agreements are individually negotiated interest rate futures under which the difference between a contracted interest rate and the current market interest rate must be settled in cash, based on a notional principal, at a future 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 a financial instrument (call option) or sell a financial instrument (put option) before a specific date or during a specific period, specifying a contract for a given amount of a currency at a predetermined price. The seller receives a premium from the buyer for carrying the currency and interest rate risk. Options can be traded on the stock exchange or over the counter. Achmea Hypotheekbank only bears a credit risk on purchased options, and exclusively on the carrying amount of the options, which is equal to their fair value.

The notional amount of specific types of financial instruments allow for a comparison with instruments recognised in the consolidated statement of financial position 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 derivative instruments become assets or liabilities, depending on 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 held may fluctuate strongly from time to time.

An analysis of the derivative financial instruments is as follows:

Derivates

In thousands of euros	Notional amount	Fair value	Fair value
As at 31 December 2009		Assets	Liabilities
Currency and interest rate swaps	24,538,250	504,440	794,984
Back to back swaps		-121,541	-121,541
Total derivative assets/liabilities		382,899	673,443
As at 31 December 2008			
Currency and interest rate swaps	22,668,772	380,023	741,074
Back to back swaps		-282	-282
Total derivative assets/liabilities		379,741	740,792

8. Loans and advances to public sector

In thousands of euros	2009	2008
Short-term lending to the public sector	250,057	56,003

This item comprises funds lent to public authorities on a call money basis that are classified as 'loans and receivables' and measured at amortised cost using the effective-interest method.

9. Loans and advances to customers

This includes all receivables other than those from credit institutions and those embodied in bonds and other fixed-income securities. They are classified as loans and receivables and measured at amortised cost using the effective-interest method. The loans and advances to customers can be analysed as follows:

In thousands of euros	2009	2008
Mortgage loans at fair value	452,693	489,159
Mortgage loans at amortised cost	13,699,051	14,158,880
Less: Allowances for impairment	14,563	8,890
	13,684,488	14,179,990
	14,137,181	14,669,149

As at 31 December 2009, the floating-rate loans amounted to EUR 1.1 billion (2008: EUR 0.9 billion) and the loans with long-term interest rates amounted to EUR 13.0 billion (2008: EUR 13.8 billion).

The loans and advances to customers can be analysed according to the remaining period at fixed interest rates (repricing date) as follows:

Loans and advances to customers

In thousands of euros	2009	2008
• < or equal to 3 months	271,439	699,911
• 3 months < x < or equal to 1 year	634,052	987,791
• 1 year < x < or equal to 5 years	2,932,968	3,756,888
• 5 years	10,298,722	9,224,559
	14,137,181	14,669,149

The loans and advances to customers were provided entirely on the security of mortgage loans on properties in the Netherlands. Achmea Hypotheekbank is entitled to lend the mortgaged assets or pledge them to third parties.

As at 31 December 2009, an amount of EUR 12.9 billion (2008: EUR 12.8 billion) of the loans and advances to customers 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	2009	2008
• Stichting Trustee Achmea Hypotheekbank	2,158,171	3,050,380
• Dutch Mortgage Portfolio Loans I B.V.	437,221	468,797
• Dutch Mortgage Portfolio Loans II B.V.	446,961	485,341
• Dutch Mortgage Portfolio Loans III B.V.	510,960	551,590
• Dutch Mortgage Portfolio Loans IV B.V.	573,503	627,309
• Dutch Mortgage Portfolio Loans V B.V.	723,548	780,324
• Dutch Mortgage Portfolio Loans VI B.V.	718,090	-
• Dutch Mortgage Portfolio Loans VII B.V.	775,452	-
• Securitised Guaranteed Mortgage Loans I B.V.	893,585	914,867
• Securitised Guaranteed Mortgage Loans II B.V.	511,815	509,977
• Covered bond Company B.V.	5,133,015	5,267,432
• Third-party pledging	-	184,065
	12,882,321	12,840,082

These transactions were effected on market terms and conditions. The notes issued by DMPL VI B.V. and DMPL VII B.V. are held by Achmea Hypotheekbank.

Impairment of receivables

The changes in the impairment losses on receivables carried at amortised cost measured using the effective-interest method, can be analysed as follows:

Allowance for losses on loans and advances

In thousands of euros	2009	2008
Balance as at 1 January	8,890	9,083
Additions	14,092	7,070
Releases	-3,925	-1,420
Write-off	-4,494	-5,843
Balance as at 31 December	14,563	8,890
Specific allowance for impairment	9,063	5,588
IBNR	5,500	3,301
Balance as at 31 December	14,563	8,890

The movements in the private sector loans at fair value can be analysed as follows:

Mortgage at fair value

In thousands of euros	2009	2008
Balance as at 1 January	489,159	516,262
Repayments	-33,812	-49,285
Fair value movement	2,654	22,182
Balance as at 31 December	452,693	489,159

The changes in fair value are mainly caused in by changes in the euro swap curve (mid-rate).

Mortgage at amortised cost

In thousands of euros		2009	2008
Balance as at 1 January		14,179,990	13,078,584
Acquisitions (PFZW)		-	32,718
Loans granted		306,687	1,759,242
Repayments		-847,700	-1,248,625
Change in accrued interest		-2,813	3,054
Fair value hedge accounting	Change	138,445	555,349
	Amortisation	-47,161	30,170
	Amortisation 'first time adoption'	-33,967	-32,453
		57,317	553,066
Amortised cost	Change	847	7,084
	Amortisation	-4,167	-5,326
		-3,320	1,758
Value adjustment	Additions	14,092	7,070
	Releases	-3,925	-1,420
	Write-offs	-4,494	-5,843
		-5,673	193
Balance as at 31 December		13,684,488	14,179,990

The carrying amount of the fair value hedge adjustment is EUR 510 million (2008: EUR 453 million).

10. Interest-bearing securities

The securities amounted to EUR 79.6 million (2008: EUR 79.3 million). The Interest-bearing securities form part of the bank's investment portfolio and are classified as available for sale (measured at fair value).

The changes in the value of investments in the bonds mentioned above amounted to EUR 0.3 million negative (2008: EUR 3.6 million negative).

The movements in the investments in securities can be analysed as follows:

Interest-bearing securities

In thousands of euros	Available for sale 2009	Available for sale 2008
Balance as at 1 January	79,331	75,774
Purchases	-	35,000
Sales/repayments	-	-35,000
Value adjustments	278	3,557
Balance as at 31 December	79,609	79,331

11. Intangible assets

In thousands of euros	2009	2008
Balance as at 1 January	119	2,867
Investments	2,258	6,998
Impairment on intangible assets	-2,377	-9,746
Balance as at 31 December	-	119
Accumulated acquisition value	12,123	9,865
Accumulated impairment on intangible assets	-12,123	-9,746
	-	119

Intangible assets related to the new mid-office system, which has been completed during 2009. In 2009 the bank initiated a new strategy, which takes into account a lower number of new applications. In addition the date on which this project should go live has been postponed and the original business case is subject to substantial cost overruns. The 2009 impairment test resulted in a carrying amount of EUR 0 million.

12. Property and equipment

In thousands of euros	2009	2008
Balance as at 1 January	8	50
Investments	-	-
Depreciation	-6	-42
Disposals	-	-
Balance as at 31 December	2	8
Accumulated acquisition value	438	3,800
Accumulated depreciation	-436	-3,792
	2	8

Property and equipment comprise office equipment and ICT software and hardware. No residual value is recognised. All property and equipment is in use by Achmea Hypotheekbank.

13. Prepayments and other receivables

In thousands of euros	2009	2008
Prepayments and other receivables	3,206	108,149
	3,206	108,149

Prepayments and other receivables includes an amount of EUR 1.6 million (2008: EUR 102.6 million) relating to receivables from Achmea group companies. This item is measured at amortised cost.

14. Deposits from banks

This item includes the non-subordinated liabilities to credit institutions other than those embodied in debt securities.

The deposits from banks item can be analysed according to remaining contractual term to maturity as follows:

In thousands of euros	2009	2008
• < or equal to 3 months	250,075	298,656
• 3 months < x < or equal to 1 year	790,778	296,459
• 1 year < x < or equal to 5 years	218,529	74,528
• > 5 years	20,932	-
	1,280,314	669,643

Deposits from banks include a EUR 0.5 billion secured loan for which EUR 0.7 billion DMPL VI A-notes have been pledged. As these Notes are eligible for use as collateral in Monetary Policy Operations of the European Central Bank (ECB), Achmea Hypotheekbank has applied these Notes to be used to cover present and future liquidity funding from the ECB in accordance with the rules and regulations of the Monetary Policy Transactions Manual of De Nederlandsche Bank, which form part of the General Terms and Conditions of De Nederlandsche Bank.

15. Funds entrusted

This item includes all non-subordinated liabilities other than debts to credit institutions and those embodied in debt securities.

This item is measured at amortised cost.

Funds entrusted can be analysed according to remaining contractual term to maturity as follows:

In thousands of euros	2009	2008
• < or equal to 3 months	273,603	1,106,950
• 3 months < x < or equal to 1 year	221,511	497,196
• 1 year < x < or equal to 5 years	423,158	366,525
• > 5 years	316,817	354,619
	1,235,089	2,325,290

Funds entrusted does not include debts to legal entities and companies which have an investment in Achmea Hypotheekbank's share capital but does include an amount of EUR 1.4 billion (2008: EUR 1.9 billion) in respect of liabilities to non-banking institutions within the Achmea Group. For an analysis of these debts within Achmea Group, reference is made to the separate related-party disclosures.

16. Debt securities issued

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

In thousands of euros	Average interest rate (%)		2009	2008
	2009	2008		
Bonds	2.91	4.33	11,902,651	11,110,746
Other debt securities	4.21	5.15	99,380	98,927
			12,002,031	11,209,673

The analysis of debt securities according to remaining contractual term to maturity as follows:

In thousands of euros	2009	2008
• < or equal to 3 months	110,775	218,355
• 3 months < x < or equal to 1 year	2,330,693	1,007,641
• 1 year < x < or equal to 5 years	9,267,790	7,129,279
• > 5 years	292,773	2,854,398
	12,002,031	11,209,673

17. Subordinated liabilities

The composition of subordinated liabilities is as follows:

In thousands of euros	Interest percentage (%)	2009	2008
Loan 1999/2015	5.57	7,145	7,145
Loan 1999/2014	5.68	1,191	1,191
Loan 1999/2009 (*)	5.55	-	15,255
Loan 2001/2013 (*)	6.27	25,405	25,405
Loan 2001/2010 (*)	5.77	6,260	6,260
Loan 2001/2011 (*)	5.87	6,260	6,260
Loan 2001/2012 (*)	5.95	6,260	6,260
Loan 2001/2015 (*)	6.12	6,261	6,261
Loan 2002/2012 (*)	5.96	8,242	8,242
Loan 2002/2012 (*)	5.89	4,511	4,511
Loan 2002/2012 (*)	5.89	2,506	2,506
Loan 2002/2012 (*)	5.89	11,528	11,528
Loan 2002/2012 (*)	5.89	5,012	5,012
Loan 2006/2016	1.32	60,070	60,255
Loan 2007/2017	5.50	30,542	30,487
		181,193	196,578

The loans may be redeemed on an accelerated scheme subject to the prior approval 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 provided by Achmea group companies. Interest amounting to EUR 8.4 million was paid on the subordinated loans in the year (2008: EUR 11.0 million). This item is measured at amortised cost.

18. Accruals and other liabilities

In thousands of euros	2009	2008
Other accruals	5,729	15,341
Other liabilities	115,000	31,350
	120,729	46,691

19. 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	
	2009	2008	2009	2008	2009	2008
Interest-bearing securities	-	-	3,423	3,145	-3,423	-3,145
Allowances for impairment	-	-	-	-	-	-
Atypical tax treatment of expenses	-	9,291	195	-	-195	9,291
Valuation differences						
due to application of IFRS	2,233	117,996	27,964	-	-25,731	117,996
Tax position asset/liability	2,233	127,287	31,582	3,145	-29,349	124,142
Tax rate	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%
Net deferred tax	569	32,458	8,053	802	-7,484	31,656

Changes to temporary differences

In thousands of euros	Balance as at	Recognised	Recognised	Balance as at
	01-01-2009	in result	in equity	31-12-2009
Interest-bearing securities	-3,145	188	-466	-3,423
Allowances for impairment	-	-	-	-
Atypical tax treatment of expenses	9,291	-9,486	-	-195
Valuation differences				
due to application of IFRS	117,996	-143,727	-	-25,731
	124,142	-153,025	-466	-29,349
Tax rate	25.50%	25.50%	25.50%	25.50%
Net deferred tax	31,656	-39,021	-119	-7,484

In thousands of euros	Balance as at 01-01-2008	Recognised in result	Recognised in equity	Balance as at 31-12-2008
Interest-bearing securities	-1,393	2,723	-4,475	-3,145
Allowance for losses on loans and advances	-108	108	-	-
Atypical tax treatment of expenses	-8,625	17,916	-	9,291
Valuation differences due to application of IFRS	45,628	72,368	-	117,996
	35,502	93,115	-4,475	124,142
Tax rate	25.50%	25.50%	25.50%	25.50%
Net deferred tax	9,053	23,744	-1,141	31,656

20. Current tax liabilities

The current corporation tax liability of EUR 13.6 million (2008: EUR 48.4 million) refers to the tax payable for the reporting period and previous periods. Achmea Hypotheekbank is part of a fiscal unity with Eureko B.V. Settlement of the tax liability with the tax authorities is therefore via Eureko B.V.

21. Shareholders' equity

For details of shareholders' equity, reference is made to the consolidated statement of changes in equity.

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

In thousands of euros	2009	2008
Interest income and changes in fair value of interest-sensitive financial instruments	807,952	720,173
Interest expenses	682,188	621,504
Interest margin and changes in fair value of interest-sensitive financial instruments	125,764	98,669

Interest income can be analysed as follows:

Interest income

In thousands of euros	2009	2008
Mortgage receivables	700,100	702,346
Deposits and loans	19,774	12,305
Changes in fair value of mortgage portfolio, derivatives and other financial instruments	87,259	4,861
Foreign currency results	105	-53
Other	714	714
	807,952	720,173

Mortgage receivables includes revenues from granting mortgage loans and from related transactions, as well as from related commission income and other income and expenses with interest rate characteristics. Mortgage receivables also includes an amount of EUR 0.6 million (2008: EUR 0.9 million) relating to interest income on financial assets which have been subject to impairment.

Deposits and loans includes an item of EUR 0.8 million (2008: EUR 1.0 million) relating to the Achmea group companies.

Deposits and loans also includes an amount of EUR 3,2 million (2008: EUR 3.0 million) relating to financial assets that are classified as available for sale.

Interest income includes a gain of EUR 87.3 million (2008: EUR 4.9 million loss) in connection with the change in the fair value of the mortgage portfolio, derivatives and other financial instruments.

The fair value changes, related to macro and micro hedges, included in this amount are specified below:

In thousands of euros

	Gain	Loss	Net 2009	Net 2008
Macro hedge				
Fair value changes in hedged items	352,400	213,955	138,445	555,349
Fair value changes in hedging instruments	236,822	328,226	-91,404	-538,978
Micro hedge				
Fair value changes in hedged items	97,842	174,522	-76,680	-213,928
Fair value changes in hedging instruments	170,111	99,052	71,058	209,597
Total hedge				
Fair value changes in hedged items	450,242	388,477	61,765	341,421
Fair value changes in hedging instruments	406,933	427,278	-20,345	-329,381

Other includes current account interest, commitment fees and other income.

The total interest income from external customers amounted to EUR 807.1 million (2008: EUR 719.2 million).

Interest expenses can be analysed as follows:

Interest expenses

In thousands of euros	2009	2008
Loans	593,559	616,238
Changes in fair value of mortgage portfolio, derivatives and other financial instruments	81,128	2,283
Other	7,501	2,983
	682,188	621,504

In 2009, interest expenses also included the amortisation of the first-time adoption adjustment as of 1 January 2005 (EUR 34.0 million), as well as the amortisation of the fair value hedge accounting result for the year (EUR 47.1 million loss), making a net loss in 2009 of EUR 81.1 million (2008: EUR 2.3 million loss).

Other includes commission and other expenses.

23. Fees and commission expenses

In thousands of euros	2009	2008
Fees and commissions paid within Achmea Group	10,632	10,131

This concerns the commission paid by Achmea Hypotheekbank to the Direct Distribution Division and the Intermediary Distribution Division.

24. Operating expenses

In thousands of euros	2009	2008
Staff costs	8,179	10,398
Administrative expenses	27,879	24,444
Depreciation	6	42
	36,064	34,884

The administrative expenses mainly consist of costs charged on by staff departments and support services (2009: EUR 23.8 million, 2008: EUR 21.5 million).

25. Staff costs

During the year, the average number of employees of Achmea Hypotheekbank was 122 FTEs (2008: 134 FTEs). All permanent staff are formally employed by Achmea Personeel B.V. The direct salary expenses, pension expenses, allowances and other payroll-related expenses are charged to Achmea Hypotheekbank on a monthly basis.

In thousands of euros	2009	2008
Wages and salaries	4,989	5,374
Pension costs	840	1,296
Compulsory social security obligations	716	949
Other staff costs	1,634	2,779
	8,179	10,398

26. Auditors' fees

In thousands of euros	2009	2008
Financial statement audit	606	585
Other audit assignment	-	-
Fiscal consultancy services	-	-
Other non-audit services	367	404
	973	989

The auditors' fees are part of the administrative expenses.

27. Income tax expenses

Taxes due on profits

In thousands of euros	2009	2008
For the year	-22,610	33,500
Previous years	-	-12
	-22,610	33,488
Deferred tax		
Origination and revers of temporary differences, for the year	39,573	-23,744
Origination and revers of temporary differences, previous years	-552	-
Total deferred tax expenses	39,021	-23,744
Total tax in statement of comprehensive income	16,411	9,744

Reconciliation of the effective burden

In thousands of euros	2009	2008
Operating profit before taxes	66,552	38,258
Nominal tax rate	25.5%	25.5%
Nominal tax burden	16,963	9,756
Tax concerning previous years	-552	-12
Effective tax burden	16,411	9,744
Effective tax rate	24.67%	25.47%

The deferred tax assets and liabilities recognised in the consolidated statement of financial position as at year-end 2009 have been restated at a tax rate of 25.5%. Achmea Hypotheekbank is part of a fiscal unity with Eureko B.V.

28. Contingent liabilities and commitments

Legal proceedings

As at 31 December 2009, a number of cases against Achmea Hypotheekbank were before the courts. Based on legal advice, the Executive Board does not expect the outcome of the various proceedings to have a material effect on the company's financial position.

Contractual obligations

As at 31 December 2009, Achmea Hypotheekbank had contractual obligations amounting to over EUR 7.9 million (2008: EUR 11.5 million), primarily in connection with the use of ICT-related services. An amount of EUR 6.3 million (2008: EUR 9.5 million) of this is connected with ICT-related contracts with group companies.

Contingent liabilities

This heading includes all liabilities arising from transactions in which Achmea Hypotheekbank acts as guarantor for third parties. The contingent liabilities refer to bank guarantees amounting to EUR 0.2 million (2008: EUR 0.5 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 56 million (2008: EUR 201 million).

Fiscal unity

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

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. Rabobank is an important shareholder of Eureko and also a related party. 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 746 million (2008: EUR 574 million) is included for deposits and intercompany loans relating to group companies.

In addition to this, the subordinated liabilities (see also the analysis in the explanatory notes) include an amount of EUR 82 million (2008: EUR 98 million) for loans from group companies or affiliated companies.

Finally, under Funds entrusted, an amount of EUR 1.4 billion (2008: EUR 1.9 billion) has been included for debts to non-banking institutions within Eureko B.V.

These items are analysed below. Movements in 2008 and 2009 were caused exclusively by repayments and additional borrowings.

Analysis of receivables, debts and loans on the consolidated statement of financial position

In thousands of euros	2009	2008
Assets		
Banks	11,013	764
Derivative assets held for risk management	788	742
Prepayments and other receivables	1,605	102,573
	13,406	104,079
Liabilities		
Banks	746,309	574,227
Funds entrusted	1,399,654	1,859,484
Accruals and other liabilities	6,159	7,896
Subordinated liabilities	82,245	97,500
	2,234,367	2,539,107

Receivables from related parties

In thousands of euros	2009	2008
Achma Avéro Intermediair Leven	-	1,734
Achmea Holding	788	100,019
Achmea Leven FBTO	-	634
Achmea Personeel	85	37
AP&L Investments	1,505	149
Levob Bank	15	-
Staalbankiers	11,013	1,506
	13,406	104,079

Overview loans and advances to related parties

In thousands of euros	2009	2008
Aanv. verz. ZKA GLA Interpolis	-	50,218
Achmea Avéro Intermediair Leven	-	103
Achmea Bank Holding	-	4,661
Achmea Diensten BV	607	-
Achmea Facilitair bedrijf	-	1,339
Achmea Holding	11,290	23,497
Achmea Pensioen Avéro Investments	25,405	25,405
Achmea Retail Bank	614,297	402,038
Achmea Schade Investment Non Life	7,016	7,017
Syntrus Achmea Vastgoed BV	35,093	-
Agis Basisverzekeringen	50,421	252,917
Achmea Pensioen- en Levensverz NV	1,062,638	1,013,233
Avéro Woonfonds	-	1,018
Basisverz. GL PWZ	-	200,874
Basisverz. OZF	-	17,172
Basisverz. ZKA	-	201,686
CBA hypotheken	-	332
Friends First Life Assurance Ltd	36,048	23,505
Imperio Fassarances et Capitalisation	-	25,037
Imperio Life Hellenic Life Insurance SA	3,102	3,024
Interamerican Health General Insurance	24,820	24,189
Interamerican Hellenc Life Insurance SA	26,229	3,024
Interamerican Property and Casualty SA	32,042	22,201
Interpolis Verzekeringen NV	754	-
Interpolis Bankassurance BA Life	4,539	4,539
Levob Bank	111,421	120,968
Staalbankiers	119,967	51,221
FBTO Leven	68,678	59,889
	2,234,367	2,539,107

Interest income on account of receivables to related parties

In thousands of euros	2009	2008
Achmea Holding	511	-
Staalbankiers	300	976
	811	976

Interest expenses on account of loans and advances to related parties

In thousands of euros	2009	2008
Aanv. verz. ZKA GLA Interpolis	-	218
Achmea Avéro Intermediair Leven	-	2,980
Achmea Holding	1,077	1,300
Achmea Leven FBTO	67	3,313
Achmea Pensioen Avéro Investments	-	1,567
Achmea Retail Bank	19,800	8,729
Achmea Schade Investment Non Life	-	412
Achmea Zorg Zorgkantoor NV	748	-
Agis Basisverzekeringen	6,292	2,917
OZF Achmea Zorgverzekeringen NV	860	-
Zilveren Kruis Achmea Zorgverzekeringen	7,357	-
Groene Land PWZ Achmea Zorgverz. NV	4,269	-
Interpolis Zorgverzekeringen NV	549	-
Achmea Zorgverzekeringsholding NV	697	-
Achmea Pensioen- en Levensverz NV	52,179	30,123
Avéro Achmea Zorgverzekeringen NV	90	-
Avéro Schadeverzekering Benelux NV	81	-
Syntrus Achmea Vastgoed BV	1,409	-
Avéro Pensioenverzekeringen NV	1,568	-
Achmea Schadeverzekeringen NV	412	-
Imperio Life Hellenic Life Insurance SA	79	-
Imperio Assurances et Capitalisation SA	107	-
Basisverz. GL PWZ	-	874
Basisverz. OZF	-	172
Basisverz. ZKA	-	1,686
Friends First Life Assurance Ltd	1,043	5
Imperio Fassurances et Capitalisation	-	37
Imperio Life Hellenic Life Insurance SA	-	24
Interamerican Health General Insurance	658	189
Interamerican Hellenic Life Insurance SA	585	24
Interamerican Property and Casualty SA	606	201
Interpolis bankassurance life	258	258
Levob Bank	4,080	2,140
Staalbankiers	3,423	5,127
FBTO Leven	3,841	3,312
	112,135	65,608

Commission expenses in regard to related parties

In thousands of euros	2009	2008
Direct Distribution Division	3,223	2,651
Intermediary Distribution Division	7,409	7,480
	10,632	10,131

Other income in regard to related parties

In thousands of euros	2009	2008
Staalbankiers	264	-
	264	-

Other expenses in regard to related parties

In thousands of euros	2009	2008
Achmea Holding	23,961	21,748
IP verzekeringen NV	2,243	2,304
	26,204	24,052

Sales-related commission on the mortgage business paid by Achmea Hypotheekbank to the Direct Distribution Division and the Intermediary Distribution Division is amortised over the estimated remaining life of the mortgage loans concerned.

During the financial year, the various related parties also settle their costs amongst themselves (e.g. discount for surplus interest on employee mortgage loans and marketing costs).

Transaction with the Intermediary Distribution Division

The products of Achmea Hypotheekbank are sold through the Intermediary Distribution Division among other outlets. This division forms part of the Group.

30. Executive Board and Supervisory Board

The loans granted to members of the Executive and Supervisory Boards relate primarily to long-term receivables secured by mortgage loans. The interest rates, taking account of staff discounts, vary from 3.8% to 5.1%.

The loans granted can be analysed as follows:

Loans and advances to Supervisory Board members

In thousands of euros	2009	2008
Outstanding loans as at 1 January	663	584
Loans granted	50	375
Redemptions	-288	-296
Outstanding loans as at 31 December	425	663

There were no loans and advances granted to the Executive Board.

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

Remuneration of Supervisory Board members

In thousands of euros	2009	2008
Short term employee benefit	45	65
Long term employee benefit	-	-
	45	65

Remuneration of Executive Board members

In thousands of euros	2009	2008
Short term employee benefit	616	1,246
Long term employee benefit	148	255
	764	1,500

The long term employee benefits reflect the pension liabilities, forming part of the remuneration of Executive Board members.

No deposits were held in the name of members of the Executive and Supervisory Boards. For the composition of the Executive Board and the Supervisory Board, reference is made to report of the Supervisory Board and the report of the executive board.

31. Subsequent events

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

STATEMENT OF FINANCIAL POSITION OF ACHMEA HYPOTHEEKBANK N.V.

(before appropriation of profit)

In thousands of euros	31-12-2009	31-12-2008 (Restated) ²	01-01-2008 (Restated) ²
Assets			
Cash and cash equivalents	29,750	26,012	10,354
Loans and advances to banks	1,316,670	142,088	215,450
Receivables from group companies	33,692	67,694	17,402
Derivative assets held for risk management	276,241	478,209	548,389
Loans and advances to public sector	250,057	56,003	-
Loans and advances to customers	14,137,181	14,669,149	13,594,846
Interest-bearing securities	79,609	79,331	75,774
Intangible assets	-	119	2,867
Property and equipment	2	8	50
Deferred tax assets	569	32,458	11,635
Prepayments and other receivables	3,206	108,149	7,385
Total assets	16,126,977	15,659,220	14,484,152
Liabilities			
Deposits from banks	1,280,314	669,643	575,479
Derivative liabilities held for risk management	794,984	740,510	219,911
Funds entrusted	1,235,089	2,325,290	1,311,241
Liabilities from group companies	3,997,023	4,225,384	4,064,969
Debt securities issued	8,005,008	6,984,289	7,664,206
Current tax liabilities	13,574	48,367	25,241
Deferred tax liabilities	8,053	802	2,582
Accruals and other liabilities	127,366	34,442	36,893
Subordinated liabilities	181,193	196,578	196,563
Total liabilities	15,642,604	15,225,305	14,097,085
Share capital	18,152	18,152	18,152
Share premium	269,206	269,206	254,206
Fair value reserve	2,748	2,401	-933
Other reserves	194,267	144,156	115,642
Shareholders' equity	484,373	433,915	387,067
Total equity and liabilities	16,126,977	15,659,220	14,484,152

² Reference is made to the consolidated statement of changes in Equity, in which the restatement is disclosed.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

In thousands of euros	2009	2008
Net profit	50,111	28,514
Net profit of the year	50,111	28,514

STATEMENT OF CHANGES IN COMPANY EQUITY

In thousands of euros

	Share capital	Share premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance at 1 January 2009	18,152	269,206	2,401	28,514	115,642	433,915
Total comprehensive income for the period						
Profit or loss	-	-	-	50,111	-	50,111
Other comprehensive income, net of income tax						
Fair value reserve (available-for-sale financial assets):						
Net change in fair value	-	-	347	-	-	347
Total comprehensive income for the period	-	-	347	50,111	-	50,458
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Distributions of profit 2008	-	-	-	-28,514	28,514	-
Paid-in surplus	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-28,514	28,514	-
Balance at 31 December 2009	18,152	269,206	2,748	50,111	144,156	484,373
Balance at 1 January 2008	18,152	254,206	-933	26,648	88,994	387,067
Total comprehensive income for the period						
Profit or loss	-	-	-	28,514	-	28,514
Other comprehensive income, net of income tax						
Fair value reserve (available-for-sale financial assets):						
Net change in fair value	-	-	3,334	-	-	3,334
Total comprehensive income for the period	-	-	3,334	28,514	-	31,848
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Distribution of profit 2007	-	-	-	-26,648	26,648	-
Paid-in surplus	-	15,000	-	-	-	15,000
Total contributions by and distributions to owners	-	15,000	-	-26,648	26,648	15,000
Balance at 31 December 2008	18,152	269,206	2,401	28,514	115,642	433,915

As at 31 December 2009, the authorised share capital amounted to EUR 90.8 million, divided into 200,000 ordinary shares (2008: 200,000), each with a nominal value of EUR 453.78. As at 31 December 2009, 40,001 (2008: 40,001) shares had been issued and paid up in full.

The fair value reserve comprises the cumulative net gains and losses on the fair value of the financial assets that are classified as available for sale.

Restatement of prior year consolidated statement of financial position

The opening balance as at 1 January 2008 of the other reserves was increased by EUR 7.0 million as a consequence of a retrospective restatement in accordance with IAS 8. In addition the opening balances of funds entrusted was decreased with EUR 9.4 million and current tax liabilities was increased with EUR 2.4 million. The valuation of all financial instruments was assessed related to the implementation of a new funding and derivatives administration application. For the zero coupon bonds, the parameters for the amortisation table had been entered incorrectly when the books were closed, as such the relating amortisation charge recognised for the period 1997-2009 was too high. The related amortisation charge arose chiefly in the years prior to 2008. The effect in the 2008 and 2009 financial years was negligible.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

General

The company financial statements form part of the consolidated financial statements of Achmea Hypotheekbank N.V. As the financial data of Achmea Hypotheekbank N.V. are included in the consolidated financial statements, the statement of comprehensive income of Achmea Hypotheekbank N.V. is condensed in conformity with section 402 of Book 2 of the Netherlands Civil Code.

In respect of the measurement basis for assets and liabilities and for determination of the results, Achmea Hypotheekbank has made use of the option in Section 2:362 (8) of the Netherlands Civil Code. This means that the accounting policies used are identical to the IFRS standards applied to the consolidated financial statements of Achmea Hypotheekbank. These IFRS standards are in line with the standards as of 31 December 2009 as adopted by IASB and endorsed by the European Union.

Where the items in the company financial statements are not explained, reference is made to the notes to the consolidated financial statements.

Receivables from group companies

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

Derivatives financial instruments

This refers to the fair value of the derivative financial instruments, including the back-to-back swaps contracted with the SPVs. The carrying amount is the net amount of the present values of the interest cash flows from the transferred mortgage portfolio and from the bonds which fund it.

Liabilities to 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.

AUDITORS' REPORT

Report on the financial statements

We have audited the accompanying financial statements 2009 of Achmea Hypotheekbank N.V., The Hague. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the statement of financial position as at 31 December 2009, the consolidated statement of comprehensive income, changes in equity and cash flow statement for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the statement of financial position as at 31 December 2009, the company statement of comprehensive income for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to 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 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Achmea Hypotheekbank as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Executive Board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 6 April 2010

KPMG ACCOUNTANTS N.V.

L.M. Jansen 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. Profits shall be at the unrestricted disposal of the General Meeting;
- 35.2. Profits shall only be distributed after the adoption of financial statements showing 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 of becoming payable shall accrue 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), Book 2, of the Netherlands Civil Code;
- 35.5. The General Meeting may resolve that dividends be distributed, in whole or in part, in a form other than cash;
- 35.6. The company shall only be entitled to make payments to the shareholders and other parties entitled to distributable profits if its shareholders' equity exceeds the amount of the issued capital plus the reserves to be maintained by law;
- 35.7. A deficit shall only be set against the reserves required by law to the extent that the law permits.

PROPOSAL FOR PROFIT APPROPRIATION

It is proposed that the General Meeting of Shareholders add the profit after tax for 2009, amounting to EUR 50.1 million, to the other reserves. The profit after tax for 2008 has been recognised in shareholders' equity as retained earnings.

Colophon

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