

**ACHMEA HYPOTHEEKBANK N.V.**  
annual report 2008



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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 mortgages direct to consumers, FBTO operates via the mortgage service of Vereniging Eigen Huis and Avéro Achmea and Woonfonds employ 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 to related parties.

Achmea, the largest insurance company in the Netherlands, offers its clients a range of products and services as part of its 'All finance, all care' concept. 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 cover. 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. Vereniging Achmea is the largest shareholder with 54% and Rabobank N.V. holds 40% of the shares.

### Financing and collateral

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



Sustainable building covers everything from planning & development through design, actual construction and use to demolition and recycling.

The year-end position is shown in the table below.

In thousands of euros	2008	2007
Trustee	3,050,380	4,160,548
Covered Bond	5,267,432	4,719,083
Securitisations	4,338,205	4,200,838
Other	184,065	184,150
	<b>12,840,082</b>	<b>13,264,619</b>

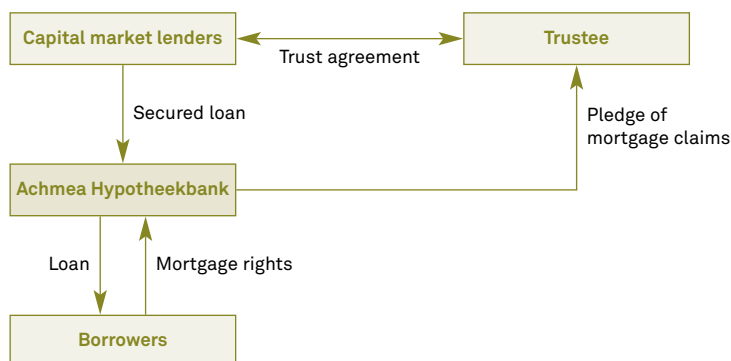
In addition to the funding arrangements described above, Achmea Hypotheekbank also uses the European Medium Term Notes (EMTN) programme and savings to fund its lending.

#### 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. L.J.A. Simons, H.P. de Haan, A.H.J.J. Kolnaar (chairman) and J.C. Terlouw.



It has been agreed with the Executive Committee of the Trustee that the value of the mortgage receivables will at all times be at least 5% more than the nominal value of the securitised loans. At the end of 2008, EUR 3.1 billion of the total mortgage portfolio was pledged to Stichting Trustee Achmea Hypotheekbank, in exchange for which the Trustee has countersigned EUR 2.4 billion of the loans from third parties. The EMTN programme accounts for EUR 2.0 billion of this.

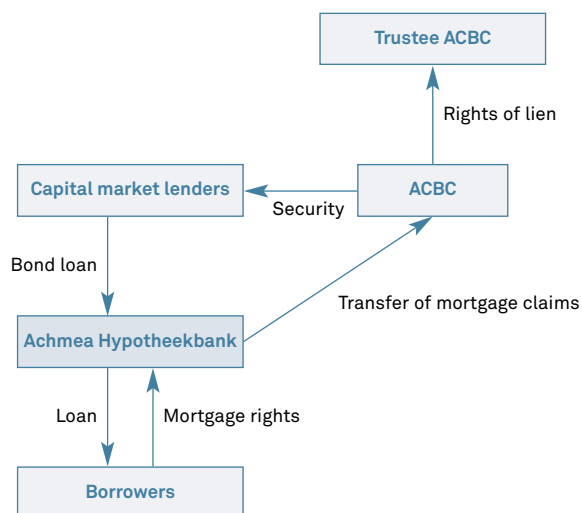


### Pledged mortgage debts (Trustee)

In millions of euros		2008	2007
Pledged mortgage debts		3.050	4.161
Remaining debt of countersigned loans	2,363		3,561
Addition of negative marker value of derivative financial instruments	522		223
Countersigned liabilities	2,885		3,784
Excess value of pledged mortgage debts		165	377
Excess value (%)		5.7%	10.0%

### Covered bond

Achmea Hypotheekbank set up a 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 is formed by ATC Management B.V.





Achmea Hypotheekbank raised EUR 0.3 billion via covered bonds in 2008 (2007: EUR 4.2 billion). This relates to debt securities placed with a related party.

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	2008	2007
Pledged mortgage debts	5,267	4,719
remaining debt of countersigned debts	4,462	4,212
Excess value of pledged mortgage debts	805	507
Excess value (%)	18.0%	12.0%

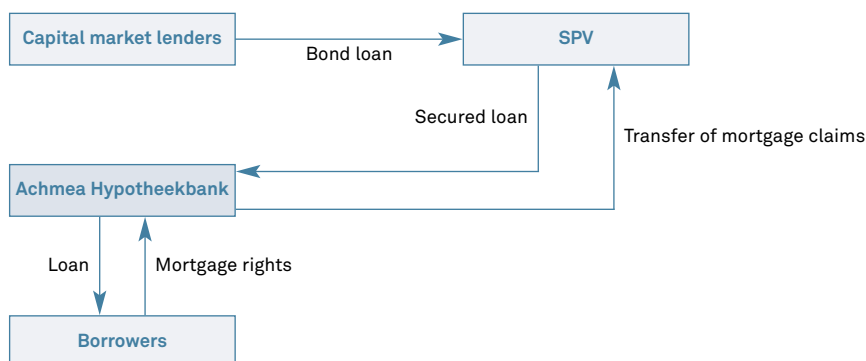
#### Securitisation

Achmea Hypotheekbank also uses securitisation as a funding instrument and has undertaken seven 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.), Securitised Guaranteed Mortgage Loans I B.V. (SGML I B.V.) and Securitised Guaranteed Mortgage Loans II B.V. (SGML II B.V.).

Achmea Hypotheekbank undertook one of these securitisation transactions in 2008, namely SGML II which involved the securitisation of mortgage receivables falling under the national mortgage guarantee amounting to EUR 524 million. As at year-end 2008, Dutch Mortgage Portfolio Loans VI B.V. (DMPL VI B.V.) was in preparation. The management of these companies is formed by ATC Management B.V.



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.



#### 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 2008. As at year-end 2008, a total of EUR 2.1 billion was outstanding in public and private loans (2007: EUR 3.2 billion). Four Achmea Hypotheekbank loans are quoted on EuroNext Amsterdam and eight on Société de la Bourse de Luxembourg.

#### Savings

Via Achmea Retail Bank N.V., a wholly owned subsidiary of Achmea Bank Holding N.V., savings are taken under the Centraal Beheer Achmea, Levob and FBTO labels. Some of this savings capital is used to fund the Achmea Hypotheekbank mortgage portfolio. As at 31 December 2008, EUR 0.4 billion was funded in this way. Achmea Hypotheekbank expects to use more savings for funding in 2009.



## Key figures

In millions of euros	2008	2007	2006	2005	2004
Total assets	15,672	14,595	14,493	13,806	13,098
Private sector loans and advances	14,669	13,595	13,632	12,705	12,422
Shareholders' equity	427	380	264	264	247
Subordinated liabilities	197	197	164	195	195
Capital base	624	577	428	459	442
Interest margin (inc. fees and commissions)	89	75	52	80	67
Operating expenses	35	35	44	38	37
Impairment on intangible assets	10	-	-	-	-
Impairment on financial instruments and other assets	6	6	1	2	2
Operating profit before taxes	38	35	6	40	28
Taxes	9	8	4	13	11
<b>Net profit</b>	<b>29</b>	<b>27</b>	<b>2</b>	<b>27</b>	<b>17</b>
Efficiency ratio	39.3%	46.7%	86.3%	47.5%	55.2%
Tier 1 ratio (calculated on the basis of Basel II)	9.6%	10.1%			
Tier 1 ratio (calculated on the basis of Basel I)		7.9%	7.4%	9.7%	8.1%*
BIS ratio (calculated on the basis of Basel II)	12.8%	14.0%			
BIS ratio (calculated on the basis of Basel I)		10.9%	10.9%	12.4%	11.3%*

\* Calculated on the basis of Dutch GAAP.



## Report of the Supervisory Board

We hereby present Achmea Hypotheekbank's 2008 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 2008 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 eight occasions during the year. Important items on the agenda included the full-year and quarterly figures, budgeting, the funding structure and the strategy of the mortgage business.

On the latter subject, the Supervisory Board discussed the future course of business with the Executive Board at several meetings. The discussions centred on value creation through growth in mortgage volume, chiefly via the direct channel. Other items on the agenda included the internal organisation. In the second half of the year in particular, the focus was on the improvement and strengthening of the internal organisation through an ambitious programme which is continuing into 2009.

Another frequent item on the agenda was the funding of the mortgage business. As the year progressed, the Board devoted increasing attention to securing adequate funding for the organisation. The Board also discussed at regular intervals the progress of replacement of the mid-office system. As well as reporting on the company's finances, the Audit Committee also addressed the specific issue of hedge accounting and discussed the findings of both the internal and external auditors.

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 Committee which monitors the quality and integrity of financial and risk reporting, reporting by the company and the reports of the internal and external auditors. There were also frequent meetings between members of the Supervisory Board and Executive Board during the year.

Roel Wijmenga stood down from the Supervisory Board on 30 June 2008. Thomas van Rijkevorsel and Jan Molenaar were appointed to the Supervisory Board during the year. The Board thanks Roel Wijmenga most sincerely for his valuable service.



Rolf Hof, Job van Benthem and Peter van den Bosch stood down from the bank's Executive Board during the year under review and Rob Becker and Jacques Vervuurt were appointed to succeed them. The Board owes a considerable debt of gratitude to Messrs. Hof, Van Benthem and Van den Bosch for the contribution they have made in recent years to the development and expansion of the mortgage organisation.

The Supervisory Board takes this opportunity to thank the staff of Achmea Hypotheekbank for their commitment and the results achieved in 2008.

's-Hertogenbosch, 14 April 2009

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 Rijckevorsel\*

\* Member of the Audit Committee



Sustainable building is the creation of forms and functions that promote sustainable living, working and recreation.

## Report of the Executive Board

### General

Achmea Hypotheekbank realised a pre-tax profit of EUR 38 million for the 2008 financial year, up EUR 3 million on the year before (2007: EUR 35 million). The balance sheet total as at 31 December 2008 was EUR 15.7 billion (2007: EUR 14.6 billion).

The Executive Board considers this a satisfactory result, given the severe turbulence on the financial markets in 2008. The interest-rate, liquidity and credit risks which this has presented were managed effectively and Achmea Hypotheekbank's capital position is undiminished.

### 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 other Achmea entities, to offer the client an integrated product combining insurance and mortgage.



Achmea Hypotheekbank's mission, working with the other Achmea entities, is to be a dependable partner, both for the client and for the intermediary. Key to the realisation of that ambition is its ability to offer both mortgages and related insurance at a competitive price, by focusing on cost control, standardisation and process quality. In today's highly competitive market, its mission can only be achieved by adopting a strategy of operational excellence, giving priority to optimisation of the process and the organisation.

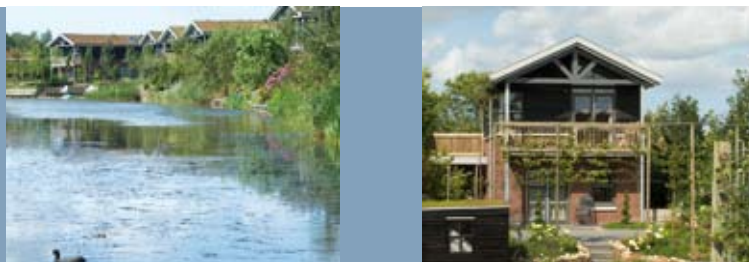
Achmea Hypotheekbank's modern product range, reflecting its proactive response to new opportunities, is supported by an efficient IT infrastructure. The bank aims to strike the right balance between product quality and price.

Consistent with its strategy of operational excellence, Achmea Hypotheekbank started work in 2008 on the implementation of a new mid-office system.

## **2. Market developments**

### **The Dutch home mortgage market**

The market continued to contract in 2008, as it had the year before, with total new mortgage advances down 16% at EUR 92 billion, compared with EUR 109 billion in 2007 (source: Dutch Land Registry Office).



The decline reflects fewer remortgages and fewer transactions on the housing market. The fall in mortgage transactions was largely the product of high house prices and the shift from a seller's to a buyer's market. A significant factor in the closing months of 2008 was the decline in consumer confidence in the wake of the credit crunch and a rising flood of predictions of a recession. The outstanding mortgage debt increased by 0.7% in 2008 to EUR 395.2 billion (2007: EUR 392.4 billion) (source: De Nederlandsche Bank N.V.).

The number of mortgage providers shrank in 2008 and the market at the end of the year looked very different compared with eighteen months before, due to mergers and the exit of several foreign providers. Relative market positions are expected to remain fairly stable in the coming period, with no new entrants.

There is, however, expected to be a shift between distribution channels, from the intermediary channel to direct sale.

## Review of 2008

### 1. Credit crisis

In response to the collapse of the US sub-prime mortgage market, which started in the summer of 2007, the global equity, bond and derivatives markets became increasingly volatile. At the same time, the global macro-economic climate rapidly deteriorated, to such an extent that economic growth stalled in many countries, with some going into recession. These events soon impacted on the smooth functioning of the international financial system, obliging virtually all central banks to intervene. Since October 2008, several governments have acquired large stakes in the risk-bearing capital of banks.

Achmea Hypotheekbank's lending is secured exclusively on owner-occupied residential properties in the Netherlands. Achmea Hypotheekbank has no positions in mortgage-backed securities or collateralised debt obligations and has not had recourse to funding or capital injections by the government. To ensure that the capital ratios remain at the desired level, share premium of EUR 15.0 million was paid in at the end of 2008.

There was little change in the credit risk on the mortgage receivables. Achmea Hypotheekbank raises much of its funding on the international capital market, but the credit crunch made it increasingly difficult to borrow on the public capital market in 2008. Where finance was available, it was only at shorter maturities and at relatively large spreads, the loading for credit and liquidity risk translating into higher funding costs. Despite these difficulties, Achmea Hypotheekbank was able to raise EUR 0.3 billion (2007: EUR 4.2 billion) via covered bonds in the first half of the year.



A new EUR 0.5 billion securitisation transaction was undertaken in the second half of 2008, in which EUR 0.5 billion in mortgages was assigned to SGML II B.V. Funding of EUR 0.4 billion was provided in the form of savings inflows to another subsidiary.

## 2. Product innovation

In conjunction with a leading mortgage chain, a specific mortgage product was developed in 2008 which is being sold exclusively via that channel. This product, the MultiChoice Saver Mortgage, anticipates growing demand in the market for simplicity and transparency.

Intensive preparations have been made for the launch in the near future of a bank savings product which will make it possible to offer a tax-efficient mortgage product such as a homeowner capital account

## 3. Operations

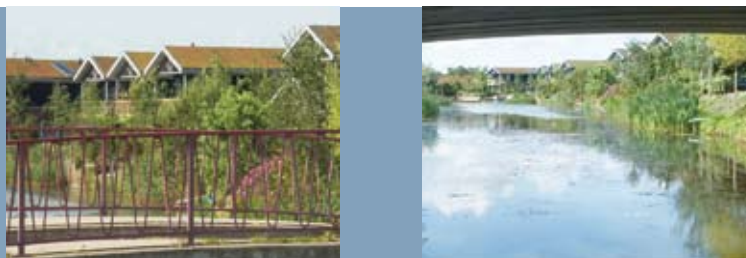
The inflow of new applications was extremely variable over the year. Most of the production was generated in the first half, but slowed in the second half, as such capacity in the Mid-Office was reduced. Considerable effort was invested in 2008 in the development of the Standard Mid-Office Procedure, a set of process agreements between the brands and the bank which provides a higher degree of standardisation and uniformity and hence greater efficiency and better quality. Most of these agreements anticipate NeMo, the project to implement the new ATvance Mid-Office system, a new process and a revised organisation.

## 4. Personnel and organisation

Including the staff departments, Achmea Hypotheekbank employed an average of 198 FTEs in 2008 (2007: 202). High priority was given last year to preparations for the implementation of the new mid-office system. Despite the comparatively heavy workload due to the large inflow of applications, particularly in the first half of the year, the average score in the annual staff satisfaction survey was slightly higher at 7.9 (2007: 7.7) on a scale of 1 to 10.

Health management was also a priority in 2008, focusing on prevention as well as providing effective support for employees when ill. The concept of 'work according to capacity' was also developed further, for example by offering staff alternative jobs after illness and providing alternative reintegration facilities, such as home working. Time lost due to illness increased marginally in 2008 to 4.2% (2007: 4.1%).

Achmea Hypotheekbank N.V. can look back on a busy but successful year. The Executive Board thanks the staff for their hard work and their commitment to the organisation.



## Financial analysis

### Achmea Hypotheekbank Key Figures

In millions of euros	2008	2007	Mutatie
<u>Interest income and changes in fair value</u> of interest-sensitive financial instruments	720	703	2%
Interest expenses	621	619	0%
<u>Interest margin and changes in fair value</u> of interest-sensitive financial instruments	99	84	18%
Fee and commission income	-10	-9	11%
<b>Total income</b>	<b>89</b>	<b>75</b>	<b>19%</b>
Impairment on financial instruments and other assets	6	6	0%
Impairment on intangible assets	10	0	-
Operating expenses	35	35	0%
<b>Total expenses</b>	<b>51</b>	<b>40</b>	<b>28%</b>
<b>Operating profit before taxes</b>	<b>38</b>	<b>35</b>	<b>9%</b>
Taxes	9	8	13%
<b>Net profit</b>	<b>29</b>	<b>27</b>	<b>7%</b>
<b>Ratios</b>			
<b>As %</b>			
	<b>2008</b>	<b>2007</b>	
Return on average equity	7.1%	8.3%	
Efficiency ratio	39.3%	46.7%	

#### 1. Profit analysis

Achmea Hypotheekbank realised a net profit of EUR 29 million in 2008, slightly higher than 2007. The pre-tax profit was 9% higher, up from EUR 35 million to EUR 38 million.



Excluding non-recurring income and charges, the pre-tax profit was EUR 40 million higher. In 2007, pre-tax profit included two items of non-recurring income together amounting to EUR 26 million. The pre-tax profit for 2008 includes an impairment loss of EUR 10 million relating to the upgrade of the mid-office system.

The increase in the pre-tax profit in 2008 was mainly due to the improvement in the interest margin, as the credit risk loading in the pricing was increased in response to the deteriorating market conditions. An additional factor was the funding raised at a favourable time in 2007, the effect of which on interest expense is recognised in full in the 2008 income statement.

Interest margin includes a gain of EUR 3 million (2007: EUR 5 million loss) 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 2007 was due in part to significant interest-rate volatility on the money market.

Total expenses were EUR 11 million higher, reflecting the impairment loss of EUR 10 million on the new mid-office system. Despite the higher net profit, the return on average equity fell from 8.3% to 7.1%. No dividend was paid during the year. Average equity increased faster than net profit owing to the payment of share premium of EUR 15 million at the end of 2008. Reflecting the equal remaining expenses and higher income, the efficiency ratio turned out at 39.3% (year-end 2007: 46.7%).

## 2. Rating

Rating agency Standard & Poor's (S&P) has kept 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 rating of A+ 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 reflects at the same time the set-off risk on mortgages 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 has a AAA (S&P) and Aaa (Moody's) rating. In January 2009, Moody's placed the rating for the covered bond programme on 'review for possible downgrade'.

## Outlook

2009 is expected to be a difficult year for the housing market. Consumer confidence has been badly shaken and the number of transactions is dropping sharply. Meanwhile, new housing production is falling fast. The inflow of new mortgage applications and outflow of existing mortgages are therefore bound to remain low in 2009.



It will also remain difficult to raise the necessary funding, and the funding which is available will be loaded more heavily than we have been used to in the past. Part of the loan portfolio will need to be refinanced in 2009, for which Achmea Hypotheekbank intends to undertake two securitisation transactions, an ECB loan and a securitisation transaction with a European bank. Use will also be made of funding in the form of savings inflows to another subsidiary, Achmea Retail Bank.

How the money and capital markets will develop this year is harder to predict than it has been in the past. Given the inherent uncertainty, the Executive Board prefers not to make any specific predictions of performance in 2009.

's-Hertogenbosch, 14 April 2009

The executive board,

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

The Executive Board with the Achmea Hypotheekbank management team. From left to right, standing: George Melse, Bob Lindeman, Ronald Klapwijk en Jacqueline Huijgens and sitting Stan Gronheid, Wim van Huizen, Rob Becker, Jacques Vervuurt en Paul Bänziger.





# Financial Statements 2008

Achmea Hypotheekbank N.V.

## CONSOLIDATED BALANCE SHEET

As at 31 December

In thousands of euros	Notes	2008	2007
<b>Assets</b>			
Cash and cash equivalents	5	26,012	10,354
Banks	6	320,781	509,918
Derivative assets held for risk management	7	379,741	382,264
Public sector loans and advances	8	56,003	-
Private sector loans and advances	9	14,669,149	13,594,846
Interest-bearing securities	10	79,331	75,774
Intangible assets	11	119	2,867
Equipment	12	8	50
Deferred tax assets	19	32,458	11,635
Prepayments and other receivables	13	108,149	7,384
<b>Total assets</b>		<b>15,671,751</b>	<b>14,595,092</b>
<b>Liabilities</b>			
Banks	14	669,643	575,479
Derivative liabilities held for risk management	7	740,792	321,043
Funds entrusted	15	2,334,672	1,320,623
Debt securities	16	11,209,673	11,729,175
Tax liabilities	20	45,975	22,849
Deferred tax liabilities	19	802	2,582
Accruals and other liabilities	18	46,691	46,701
Subordinated liabilities	17	196,578	196,563
<b>Total liabilities</b>		<b>15,244,826</b>	<b>14,215,015</b>
Share capital		18,152	18,152
Share premium		269,206	254,206
Revaluation reserve		2,401	-933
Other reserves		137,166	108,652
Shareholders' equity	21	426,925	380,077
<b>Total equity and liabilities</b>		<b>15,671,751</b>	<b>14,595,092</b>

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In thousands of euros	Paragraaf	2008	2007
Interest income and changes in fair value of interest-sensitive financial instruments	22	720,173	703,523
Interest expenses	22	621,504	619,334
<b>Interest margin and changes in fair value of interest-sensitive financial instruments</b>	22	<b>98,669</b>	<b>84,189</b>
Fees and commissions	23	10,131	8,963
Fee and commission income		<b>10,131</b>	<b>8,963</b>
Impairment on financial instruments and other assets	9	5,650	5,743
Impairment on intangible assets	11	9,746	-
Operating expenses	24	34,884	34,761
<b>Operating profit before taxes</b>		<b>38,258</b>	<b>34,722</b>
Taxes	27	9,744	8,074
<b>Net profit</b>		<b>28,514</b>	<b>26,648</b>
Attributable to:			
Equity holders of the Bank		28,514	26,648
Minority interest		0	0

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Total equity
<b>As at 1 January 2008</b>	<b>18,152</b>	<b>254,206</b>	<b>-933</b>	<b>26,648</b>	<b>82,004</b>	<b>380,077</b>
Retained earnings	-	-	-	28,514	-	28,514
Paid-in surplus	-	15,000	-	-	-	15,000
Distribution of profit 2007	-	-	-	-26,648	26,648	-
Net unrealised result on 'available for sale' financial instrumentsn	-	-	3,334	-	-	3,334
<b>As at 31 December 2008</b>	<b>18,152</b>	<b>269,206</b>	<b>2,401</b>	<b>28,514</b>	<b>108,652</b>	<b>426,925</b>
<b>As at 1 January 2007</b>	<b>18,152</b>	<b>164,206</b>	<b>-720</b>	<b>2,153</b>	<b>79,851</b>	<b>263,642</b>
Retained earnings	-	-	-	26,648	-	26,648
Paid-in surplus	-	90,000	-	-	-	90,000
Distribution of profit 2006	-	-	-	-2,153	2,153	-
Net unrealised result on 'available for sale' financial instrumentsn	-	-	-213	-	-	-213
<b>As at 31 December 2007</b>	<b>18,152</b>	<b>254,206</b>	<b>-933</b>	<b>26,648</b>	<b>82,004</b>	<b>380,077</b>

As at 31 December 2008, the authorised share capital amounted to EUR 90.8 million, divided into 200,000 ordinary shares (2007: 200,000), each with a nominal value of EUR 453.78. As at 31 December 2008, 40,001 (2007: 40,001) shares had been issued and paid up in full.

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

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

In thousands of euros	2008	2007
<b>Cash flow from operating activities</b>		
Net profit	28,514	26,648
Adjustment for:		
Depreciation	42	127
Impairment on intangible assets	9,746	-
Impairment on financial instruments and other assets	5,650	5,743
Changes in revaluation reserve	3,334	-213
<b>Cash flow from operating activities</b>	<b>47,286</b>	<b>32,305</b>
Trading portfolio interest-bearing securities	-3,557	1,400
Banks (assets)	189,137	-123,729
Derivative assets held for risk management	2,523	-135,756
Public sector loans and advances	-56,003	37,500
Private sector loans and advances (exc. allowance for losses on loans and advances)	-1,047,235	31,736
Prepayments and other receivables	-100,765	69,961
Tax assets	-22,603	-3,115
Banks (liabilities)	94,164	-270,785
Derivative liabilities held for risk management	419,749	8,525
Funds entrusted	1,014,049	-2,187,791
Tax liabilities	23,126	11,689
Accruals and other liabilities	-10	-140,915
<b>Net cash flow from operating activities (1)</b>	<b>559,861</b>	<b>-2,668,975</b>
<b>Cash flow from investment activities</b>		
Investments in property and equipment and intangible assets	-6,998	-2,867
Purchase of mortgage portfolio	-32,718	-
<b>Net cash flow from investment activities (2)</b>	<b>-39,716</b>	<b>-2,867</b>
<b>Cash flow from financing activities</b>		
Debt securities	-519,502	2,532,337
Paid-in surplus	15,000	90,000
Subordinated liabilities	15	32,283
<b>Net cash flow from financing activities (3)</b>	<b>-504,487</b>	<b>2,654,620</b>
<b>Net cash flow (1) + (2) + (3)</b>	<b>15,658</b>	<b>-17,222</b>
Cash and cash equivalents as at 1 January	10,354	27,576
Cash and cash equivalents as at 31 December	26,012	10,354
<b>Movements in cash and cash equivalents</b>	<b>15,658</b>	<b>-17,222</b>

**Continued on Consolidated Cash Flow Statement**

**For the year ended 31 December**

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
<b>Cash flow on account of interest:</b>		
Interest received	1,834,121	1,371,263
Interest paid	1,668,206	1,216,491
<b>Cash flow on account of taxes:</b>		
Paid taxes	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 2008 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 Eureko B.V. (Group).

The financial statements were adopted by the Executive Board on 14 April 2009.

## 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 balance sheet 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 2008 financial statements, including the comparative figures for 2007, have been prepared in accordance with IFRS, including the International Accounting Standards (IAS) and interpretations effective as at 31 December 2008 that were adopted for use in the EU.

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. These changes do not have any effect on Shareholders' equity or net profit. Achmea Hypotheekbank has opted for the early adoption of IFRS 8 'Operating Segments' (1 January 2008). Furthermore, accrued interest is reclassified in the comparative figures. In 2007, accrued interest was accounted for in Prepayments and other receivables and Accruals and other payables. By reclassifying accrued interest according to the specific balance sheet items to which the accrued interest relates, insight into the end-of-period balance for each item has been improved. The reclassification concerns EUR 39.6 million in the Prepayments and other receivables and EUR 202.2 million in the Accruals and other payables.

Several new IFRS standards and amendments of existing IFRS standards and interpretations, were not yet published or made compulsory by the International Accounting Standards Board (IASB) in 2008 or in preceding years and have not been applied in the year ended 31 December 2008.

A number of these amendments have no consequences for net profit or total shareholders' equity of Achmea Hypotheekbank. These are IAS 1 (Presentation of Financial Statements), IAS 27/IFRS 1 (Consolidated and Separate Financial Statements, First-time Adoption of IFRS's), IAS 32/IAS 1 (Financial Instruments: Disclosure and Presentation of the Financial Statements), IAS 39 (Financial Instruments), IFRIC 12 (Service Concession Arrangements), IFRIC 13 (Customer Loyalty Programmes), IFRIC 14/IAS 19 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), IFRIC 15 (Agreements for the Construction of Real Estate) and IFRIC 16 (Hedges of a Net Investment in a Foreign Operation).

Achmea Hypotheekbank has not yet determined the consequences for a number of amendments. These concern IFRS 2 (Share-Based Payments), IFRS 3/IAS 27 (Business Combinations/Consolidated and Separate Financial Statements) and IFRIC 17 (Distributions of Non-cash Assets to Owners).

One amendment, in respect of IAS 23 (Borrowing Costs), may have an impact on the income following application. The IASB has made a number of amendments to IAS 23 to require the capitalisation of borrowing costs under certain circumstances. These costs may not be directly charged to income. The revised standard will come into effect on 1 January 2009; it has not yet been ratified by the EU. The application of this standard will have the effect of increasing net profit in the year in which the borrowing costs are incurred, with the capitalised costs being charged to income in subsequent years. Over the life of the asset for which the borrowing costs are incurred, the effect is neutral.

Finally, IAS 39/IFRS 7 (Financial Instruments: Disclosures) are applied retrospectively. This amendment permits the reclassification of non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits the transfer of investments from the available-for-sale category to the loans and receivables category (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold the financial asset for the foreseeable future. This amendment must be applied from 1 July 2008. The application of the standard has no consequences for net profit or total shareholders' equity. Achmea Hypotheekbank has not reclassified any financial assets as a consequence of 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., 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 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 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.

#### **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**

Achmea Hypotheekbank has opted for the early adoption of IFRS 8 'Operating Segments' (1 January 2008); IFRS 8 replaces IAS 14. Unlike IAS 14, IFRS 8 applies segmentation on the basis of the control of operating segments by management, but in the case of Achmea Hypotheekbank no distinction is made between operating segments. In the internal reports used by the Executive Board to allocate resources to the operating segments, Achmea Hypotheekbank is identified as a single segment.

## **2.4 Balance sheet recognition and derecognition**

An asset is recognised in the balance sheet 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 balance sheet 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.

A financial asset is derecognised if the contractual rights embodied in the asset are no longer available to Achmea Hypotheekbank. A financial liability is derecognised when the settlement obligation ceases to exist.

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 notes.

## 2.6 Offsetting of financial instruments

Financial assets and liabilities are netted off in the balance sheet 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

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 income statement. The exception to this general rule refers to variable-income securities classified as 'available for sale'. The unrealised gains and losses are recognised in group equity. Income and expenses arising from transactions in foreign currencies are converted at the rate of exchange on the transaction date.

## 2.8 Financial assets

Achmea Hypotheekbank 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 private sector loans and advances, 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 balance sheet.

### **(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 income statement in the period in which these changes occur. Gains and losses on the 'available-for-sale assets' are recognised directly in shareholders' equity until a financial asset is derecognised or suffers impairment. At that moment, the cumulative gain or loss is transferred from shareholders' equity to the income statement. The interest, calculated using the effective-interest method, is recognised directly in the income statement. Dividends on equity instruments that are available for sale are recognised in the income statement 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 balance sheet when the right to receive the cash flows from them has lapsed or when Achmea Hypotheekbank has transferred the risks and rewards of ownership.

## **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 (IBNR).

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 income statement. 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 2008 in accordance with developments in the market.

### Incurred but not reported

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 incurred but not reported losses (IBNR).

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.

(A) 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 income statement and in the balance sheet item of private sector loans and advances.

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

In summary, the effect described under (A) and (B) is the effect of delta fair value hedge accounting. 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.

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 income statement of the applicable part of the private sector loans and advances. 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 economic life, with a maximum of five years. Assessments for possible impairment are made periodically.

## 2.13 Property, plant and equipment

Property, plant and equipment are carried at cost, less cumulative depreciation and impairment. Other expenditure on property, plant 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, plant 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 income statement 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 income statement 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 income statement, 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, private sector loans and advances, 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 income statement 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 income and expenses 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 mortgages 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.

#### Fair value hedging

Achmea Hypotheekbank hedges the interest rate risk arising from its mortgage lending operations by using interest rate derivatives. As at 31 December 2008, the fair value of these derivatives represented a loss of EUR 361 million (2007: EUR 61 million gain). The change in value of these derivatives is partially mitigated with hedge accounting by means of the opposite value movement of the mortgages included in the hedge relationship.

### 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 mortgages for the Dutch market. Security is provided in the form of mortgages on residential properties. In addition, pledges of savings and investment accounts and life insurance

policies are linked to mortgages 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. Acceptance criteria were tightened during the year.

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

#### Private sector loans and advances distributed various categories of overdue payments

##### In thousands of euros

##### As at 31 December 2008

Categorie	Boekwaarde	Achterstand
Not due	14,522,057	-
0 < 3 months past due	98,940	615
> 3 months past due	48,152	935
<b>Total</b>	<b>14,669,149</b>	<b>1,550</b>

##### As at 31 December 2007

Categorie	Boekwaarde	Achterstand
Not due	13,450,976	-
0 < 3 months past due	84,182	540
> 3 months past due	59,688	1,368
<b>Total</b>	<b>13,594,846</b>	<b>1,908</b>

The arrears column concerns outstanding repayments and interest that should have already been paid by debtors. The arrears are an indicator of the credit risk faced on the mortgage portfolio.

The value of the corresponding mortgaged property for all items in arrears amounted to EUR 194 million as at 31 December 2008 (2007: EUR 163 million) and is therefore EUR 47 million higher than the carrying amount of the loans that are in arrears or impaired. The impairment losses on receivables are explained in the note on private sector loans and advances.

The movement of impairment losses in respect of these receivables is described in note 9 on private sector loans and advances.

#### Counterparty risk

Counterparty risk is the risk of loss due to professional counterparties defaulting on some or all of their liabilities to Achmea Bank. 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 2008.

#### 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 thousands of euros	2008	2007
Increase of 10 basis points	-1,569	-1,646
Increase of 20 basis points	-3,126	-3,280
Increase of 30 basis points	-4,671	-4,903
Increase of 40 basis points	-6,208	-6,514
Increase of 50 basis points	-7,732	-8,114

The total load for the default rate of our counterparties is EUR 15.6 million (2007: EUR 15.6 million).

### 3.3 Interest rate risk and currency risk

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 balance sheet 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 Stress tests

#### 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	2008	2007
Income at Risk	-21	-49

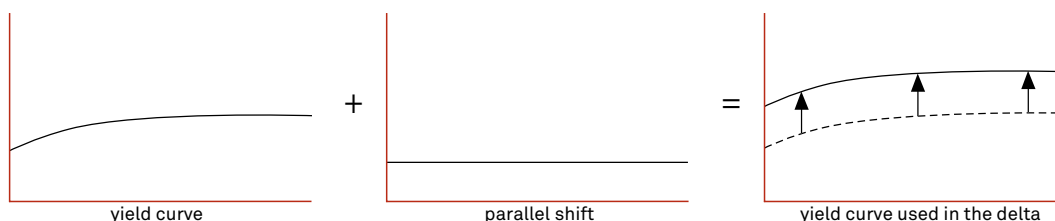
The above table shows that profits fall by EUR 21,000 if the interest rate rises by 1 basis point across the entire curve.

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

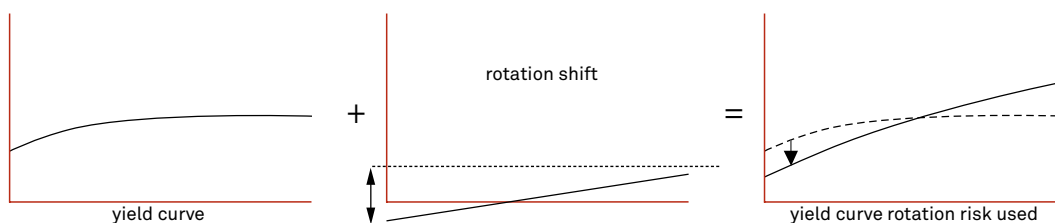
The impact on the fair value of shareholders' equity is based on the market value of all financial instruments. It is not directly visible in the results or in the balance sheet because many instruments are recognised at amortised cost.

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	2008	2007
Delta	-36	-132

The above table shows that the fair value of shareholders' equity decreases by EUR 36,000 if the interest rate rises by 1 basis point across the entire curve.

In thousands of euros	2008	2007
Rotational risk	228	-34

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	2008	2007
Value at Risk	18,687	20,945

This shows that the fair value loss will not exceed EUR 18.7 million with a confidence level of 99%.

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

### 3 Stress analysis

The impact on the market value in a stress situation is also measured. A stress test 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 stress test recalculates the market value of the entire portfolio under the new conditions.

This method also takes account of effects of a secondary and higher order (optionality and convexity).

#### Stress analysis

In thousands of euros	2008	2007
Change in the interest rate of 100 basis points negative	3,999	11,095
Change in the interest rate of 100 basis points positive	-6,938	-17,066

#### 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			2008		2007	
	Total exposure	Notional amount of hedging instruments	Net exposure	Total exposure	Notional amount of hedging instruments	Net exposure
<b>Assets</b>						
US Dollar			-		4,296	4,296
Swiss Franc		174,731	174,731		157,100	157,100
		<b>174,731</b>	<b>174,731</b>		<b>161,396</b>	<b>161,396</b>
<b>Verplichtingen</b>						
US Dollar			-	4,284		4,284
Swiss Franc	174,731		174,731	157,109		157,109
	<b>174,731</b>	-	<b>174,731</b>	<b>161,393</b>	-	<b>161,393</b>
<b>Netto</b>						
US Dollar	-	-	-	4,284	4,296	-12
Swiss Franc	174,731	174,731	-	157,109	157,100	9
	<b>174,731</b>	<b>174,731</b>	-	<b>161,393</b>	<b>161,396</b>	<b>-3</b>

The following exchange rates have been used:

	Closing rate		Average rate	
	2008	2007	2008	2007
Amerikaanse dollar	1.4000	1.4735	1.4368	1.3961
Zwitserse frank	1.4880	1.6550	1.5715	1.6308

### 3.4 Liquidity risk

The liquidity risk is the risk of not being able to fulfil short-term financial obligations or only at unacceptably high costs. This includes both the risk that it may not be possible to finance assets 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 private sector loans and advances according to the contractual repricing date, as an approximation of the required liquidity profile. The other assets and liabilities of Achmea Hypotheekbank are analysed according to their contractual remaining life.

#### Net liquidity gap

##### In thousands of euros

As at 31 December 2008	< 3 months	Between 3 months and 1 year	Between 1 and 5 years	> 5 years	Total
<b>Assets</b>					
Banks and Private sector loans and advances	1,020,692	987,791	3,756,888	9,224,559	14,989,930
Interest-bearing securities			26,599	52,732	79,331
Other receivables	100,000				100,000
<b>Total assets</b>	<b>1,120,692</b>	<b>987,791</b>	<b>3,783,487</b>	<b>9,277,291</b>	<b>15,169,261</b>
<b>Equity and liabilities</b>					
Banks	298,656	296,459	74,528	-	669,643
Funds entrusted	1,106,950	497,196	366,525	364,001	2,334,672
Debt securities	218,355	1,007,641	7,129,279	2,854,398	11,209,673
Subordinated liabilities		15,238	75,902	105,437	196,578
<b>Total equity and liabilities</b>	<b>1,623,961</b>	<b>1,816,534</b>	<b>7,646,234</b>	<b>3,323,836</b>	<b>14,410,566</b>
<b>Net liquidity gap</b>	<b>-503,269</b>	<b>-828,743</b>	<b>-3,862,747</b>	<b>5,953,455</b>	<b>758,695</b>

**In thousands of euros****As at 31 December 2007**

	<b>&lt; 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
<b>Assets</b>					
Banks and Private sector loans and advances	1,400,857	956,900	3,724,538	8,022,469	14,104,764
Interest-bearing securities	-	35,244	25,352	15,178	75,774
<b>Total assets</b>	<b>1,400,857</b>	<b>992,144</b>	<b>3,749,890</b>	<b>8,037,647</b>	<b>14,180,538</b>
<b>Equity and liabilities</b>					
Banks	210,075	308,040	36,990	20,374	575,479
Funds entrusted	191,483	210,004	511,837	407,299	1,320,623
Debt securities	141,035	1,078,472	6,637,926	3,871,742	11,729,175
Subordinated liabilities			35,969	160,594	196,563
<b>Total equity and liabilities</b>	<b>542,593</b>	<b>1,596,516</b>	<b>7,222,722</b>	<b>4,460,009</b>	<b>13,821,840</b>
<b>Net liquidity gap</b>	<b>858,264</b>	<b>-604,372</b>	<b>-3,472,832</b>	<b>3,577,638</b>	<b>358,698</b>

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 Executive Board.

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 2009, for which Achmea Hypotheekbank intends to undertake two securitisation transactions, an ECB loan and a securitisation transaction with a European bank. Use will also be made of funding in the form of savings inflows to another subsidiary, Achmea Retail Bank.

### 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%.

In 2008, the Executive Board applied a BIS ratio of 10.0%. Achmea Hypotheekbank met the standard set by the Executive Board throughout the year, with a BIS ratio of 12.8% (2007: 14.0%). The drop in the BIS ratio was mainly the result of an increase in the risk-weighted assets from EUR 3,754 million to EUR 4,303 million. This concerns a shift from mortgages with a risk weighting of 0% (NHG, securitisation) to the category of mortgages with a risk weighting of 35% or 75%.

At the end of 2008, the Bank's liability capital amounted to EUR 624 million (2007: EUR 577 million). Shareholders' equity amounted to EUR 427 million (2007: EUR 380 million). A share premium payment of EUR 15 million was made in 2008.

Of the subordinated loans, amounting to EUR 197 million, EUR 98 million is provided by the Achmea Group.

#### Qualifying capital and BIS

In millions of euros	2008	2007
Paid-up and called-up capital	18	18
Share premium reserve	269	254
Other reserves	137	109
Deductions	13	-
<b>Tier 1 capital</b>	<b>412</b>	<b>380</b>
Subordinated liabilities (the portion counting towards qualifying capital)	151	168
Deductions	13	24
<b>Tier 2 capital (maximum 50% of Tier 1)</b>	<b>138</b>	<b>144</b>
<b>Total qualifying capital</b>	<b>550</b>	<b>524</b>
Risk-weighted assets	4,303	3,754
Tier 1 ratio	9.6%	10.1%
Tier 2 ratio	3.2%	3.8%
<b>BIS ratio (calculated on the basis of Basel II)</b>	<b>12.8%</b>	<b>14.0%</b>

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

### 3.6 Fair value of financial assets and liabilities

The following table shows the carrying amount and the fair value of the financial assets and liabilities, which are not measured at fair value on the consolidated balance sheet of Achmea Hypotheekbank. The table is supplemented with a description of the method used to determine the fair value of the financial instruments.

#### Balance sheet at fair value

In thousands of euros	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
<b>Financial assets</b>				
Banks and Public sector loans and advances	376,784	376,423	509,918	508,356
Private sector loans and advances	14,191,373	14,176,235	13,067,784	12,968,368
<b>Financial liabilities</b>				
Banks	669,643	673,956	575,479	576,454
Funds entrusted	2,334,672	2,333,070	1,320,623	1,328,261
Debt securities	11,209,673	10,745,348	11,729,175	11,460,087
Subordinated liabilities	196,578	191,408	196,563	196,004

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

### Banks and public sector loans and advances

These receivables are essentially demand deposits.

### Private sector loans and advances

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 private sector loans and advances. 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 2008. Achmea Hypotheekbank's lending involves home loans for the Dutch market only. The Dutch mortgage market cannot be compared to the US mortgage market.

### Banks, funds entrusted and debt securities

The fair value of payables to banks, funds entrusted and debt securities 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

Part of the Subordinated liabilities is listed on an active market. The fair value for these Subordinated liabilities is based on the quoted price. The fair value of the remaining part 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.

## 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 income statement, 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	2008	2007
Cash and cash equivalents	26,012	10,354

This item includes all demand deposits held at De Nederlandsche Bank N.V. At the end of 2008, the minimum cash reserve to be maintained at De Nederlandsche Bank N.V. amounted to EUR 25.3 million, which is not at Achmea Hypotheekbank's disposal.

## 6. Banks

In thousands of euros	2008	2007
Banks	320,781	509,918

Receivables included under Banks can be analysed as:

In thousands of euros	2008	2007
• Not available on demand	320,781	379,918
• < or equal to 3 months	-	130,000
	<b>320,781</b>	<b>509,918</b>

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 191 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.

### 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 balance sheet but is not necessarily indicative of the amount of the future cash flows or the current fair value of the instruments and therefore does not provide any insight into the credit or price risks carried by Achmea Hypotheekbank. The 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

As at 31 December 2008

	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	22,668,772	379,741	740,792
Swaptions	-	-	-
Currency forwards	-	-	-
<b>Total derivative assets/liabilities</b>		<b>379,741</b>	<b>740,792</b>

As at 31 December 2007

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

## 8. Public sector loans and advances

In thousands of euros	2008	2007
Short-term lending to the Government	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. Private sector loans and advances

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 private sector loans and advances can be analysed as follows:

In thousands of euros	2008	2007
Mortgage loans at fair value	489,159	516,262
Mortgage loans at amortised cost	14,188,880	13,087,667
Less: Allowances for impairment	8,890	9,083
	14,179,990	13,078,584
	<b>14,669,149</b>	<b>13,594,846</b>

As at 31 December 2008, the floating-rate loans totalled EUR 0.9 billion (2007: EUR 1.4 billion) and the loans with long-term interest rates amounted to EUR 13.8 billion (2007: EUR 12.2 billion).

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

#### Private sector loans and advances

In thousands of euros	2008	2007
• < or equal to 3 months	699,911	890,939
• 3 months < x < or equal to 1 year	987,791	956,900
• 1 year < x < or equal to 5 years	3,756,888	3,724,538
• > 5 years	9,224,559	8,022,469
	<b>14,669,149</b>	<b>13,594,846</b>

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

As at 31 December 2008, an amount of EUR 12.8 billion (2007: EUR 13.3 billion) of the private sector loans and advances 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	2008	2007
• Stichting Trustee Achmea Hypotheekbank	3,050,380	4,160,548
• Dutch Mortgage Portfolio Loans I B.V.	468,797	515,836
• Dutch Mortgage Portfolio Loans II B.V.	485,341	542,271
• Dutch Mortgage Portfolio Loans III B.V.	551,590	635,817
• Dutch Mortgage Portfolio Loans IV B.V.	627,309	711,636
• Dutch Mortgage Portfolio Loans V B.V.	780,324	884,618
• Securitised Guaranteed Mortgage Loans I B.V.	914,867	910,660
• Securitised Guaranteed Mortgage Loans II B.V.	509,977	-
• Covered Bond Company B.V.	5,267,432	4,719,083
• Third-party pledging	184,065	184,150
	<b>12,840,082</b>	<b>13,264,619</b>

These transactions were effected on market terms and conditions.

### 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	2008	2007
<b>Balance as at 1 January</b>	<b>9,083</b>	<b>6,670</b>
Additions	7,070	7,883
Releases	-1,420	-2,140
Write-off	-5,843	-4,196
Other changes	-	866
<b>Balance as at 31 December</b>	<b>8,890</b>	<b>9,083</b>
Specific allowance for impairment	5,588	6,820
IBNR	3,301	2,263
<b>Balance as at 31 December</b>	<b>8,890</b>	<b>9,083</b>

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

#### Mortgage at fair value

In thousands of euros	2008	2007
<b>Balance as at 1 January</b>	<b>516,262</b>	<b>585,203</b>
Repayments	-49,285	-62,140
Fair value movement	22,182	-6,801
<b>Balance as at 31 December</b>	<b>489,159</b>	<b>516,262</b>

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

### Mortgage at amortised cost

<b>In thousands of euros</b>		<b>2008</b>	<b>2007</b>
<b>Balance as at 1 January</b>		<b>13,078,584</b>	<b>13,047,122</b>
Reclassification accrued interest as at 1 January			34,827
Acquisitions (PFZW)		32,718	-
Loans granted		1,759,242	1,720,291
Repayments		-1,248,625	-1,596,214
Change in accrued interest		3,054	2,459
Fair value hedge accounting	Change	555,349	-125,908
	Amortisation	30,170	31,543
	Amortisation 'first time adoption'	-32,453	-31,005
		553,066	-125,370
Amortised cost	Change	7,084	11
	Amortisation	-5,326	-2,129
		1,758	-2,118
Value adjustment	Additions	7,070	7,883
	Releases	-1,420	-2,140
	Write-offs	-5,843	-4,196
	Other changes	-	866
		193	-2,413
<b>Balance as at 31 December</b>		<b>14,179,990</b>	<b>13,078,584</b>

## 10. Interest-bearing securities

The listed bonds amounted to EUR 79.3 million (2007: EUR 75.8 million). The Interest-bearing securities form part of the bank's investment portfolio and are classified as available for sale (measured at fair value). An amount of EUR 0.0 million (2007: EUR 34.9 million) of the bonds and other fixed-income securities were payable on demand in 2009.

The changes in the value of investments in the bonds mentioned above amounted to EUR 3.6 million negative (2007: EUR 0.2 million negative).

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

### Interest-bearing securities

<b>In thousands of euros</b>	<b>Available for sale 2008</b>	<b>Available for sale 2007</b>
<b>Balance as at 1 January</b>	<b>75,774</b>	<b>77,174</b>
Purchases	35,000	24,000
Sales/repayments	-35,000	-25,185
Value adjustments	3,557	-215
<b>Balance as at 31 December</b>	<b>79,331</b>	<b>75,774</b>

## 11. Intangible assets

In thousands of euros	2008	2007
<b>Balance as at 1 January</b>	<b>2,867</b>	<b>2,867</b>
Investments	6,998	-
Impairment on intangible assets	-9,746	-
<b>Balance as at 31 December</b>	<b>119</b>	<b>2,867</b>
Accumulated acquisition value	9,865	2,867
Accumulated depreciation	-9,746	-
	<b>119</b>	<b>2,867</b>

Intangible assets relate to the work in progress in connection with the new mid-office system, which was not yet operational at the end of 2008. As a result of a number of setbacks, the date on which this project will go live has been postponed and the original business case is subject to substantial cost overruns. An impairment test has been performed to establish whether the recoverable amount of the new mid-office system is higher than the carrying amount.

The recoverable amount is determined on the basis of value in use (the fair value cannot be assessed as there is no active market for the customised mid-office system). The value in use is based on the present discounted value of the expected future cash outflows over a period of five years. A rate of 10.13% is used to discount future cash flows. This percentage is based on the capital asset pricing model with the assumption being made that there is a relationship between the risk and the expected return.

## 12. Property, plant and equipment

In thousands of euros	2008	2007
<b>Balance as at 1 January</b>	<b>50</b>	<b>177</b>
Investments	-	-
Depreciation	-42	-127
Disposals	-	-
<b>Balance as at 31 December</b>	<b>8</b>	<b>50</b>
Accumulated acquisition value	3,800	3,800
Accumulated depreciation	-3,792	-3,750
	<b>8</b>	<b>50</b>

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

### 13. Prepayments and other receivables

In thousands of euros	2008	2007
Prepayments and other receivables	108,149	7,384
	<b>108,149</b>	<b>7,384</b>

Other includes an amount of EUR 102.6 million (2007: EUR 3.0 million) relating to receivables from Achmea group companies. This item is measured at amortised cost.

### 14. Banks

This item includes the non-subordinated liabilities to credit institutions other than those embodied in debt securities. The Banks item can be analysed according to remaining contractual term to maturity as follows:

In thousands of euros	2008	2007
• < or equal to 3 months	298,656	210,075
• 3 months < x < or equal to 1 year	296,459	308,040
• 1 year < x < or equal to 5 years	74,528	36,990
• > 5 years	-	20,374
	<b>669,643</b>	<b>575,479</b>

The item is measured at amortised cost using the effective-interest method. The debts to banks with a fixed interest rate amounted to EUR 0 million (2007: EUR 365 million) and those with floating interest rates to EUR 670 million (2007: EUR 210 million).

### 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	2008	2007
• < or equal to 3 months	1,106,950	191,483
• 3 months < x < or equal to 1 year	497,196	210,004
• 1 year < x < or equal to 5 years	366,525	511,837
• > 5 years	364,001	407,299
	<b>2,334,672</b>	<b>1,320,623</b>

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 1.2 billion (2007: EUR 0.3 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

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

In thousands of euros	Average interest rate (%)		2008	2007
	2008	2007		
Bonds	4.33	4.64	11,110,746	11,518,993
Other debt securities	5.5	4.33	98,927	210,182
			<b>11,209,673</b>	<b>11,729,175</b>

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

In thousands of euros	2008	2007
• < or equal to 3 months	218,355	141,035
• 3 months < x < or equal to 1 year	1,007,641	1,078,472
• 1 year < x < or equal to 5 years	7,129,279	6,637,926
• > 5 years	2,854,398	3,871,742
	<b>11,209,673</b>	<b>11,729,175</b>

## 17. Subordinated liabilities

The composition of subordinated liabilities is as follows:

In thousands of euros	Interest percentage (%)	2008	2007
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	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	4,510
Loan 2002/2012 (*)	5.89	2,506	2,506
Loan 2002/2012 (*)	5.89	11,528	11,526
Loan 2002/2012 (*)	5.89	5,012	5,011
Loan 2006/2016	4.50	60,255	60,301
Loan 2007/2017	5.50	30,487	30,430
		<b>196,578</b>	<b>196,563</b>

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 granted by Achmea group companies. Interest amounting to EUR 11.0 million was paid on the subordinated loans in the year (2007: EUR 9.4 million). This item is measured at amortised cost.

## 18. Accruals and other payables

In thousands of euros	2008	2007
Other accruals	15,341	5,252
Other liabilities	31,350	41,449
	<b>46,691</b>	<b>46,701</b>

## 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	
	2008	2007	2008	2007	2008	2007
Interest-bearing securities	-	-	3,145	1,393	-3,145	-1,393
Allowances for impairment	-	-	-	108	-	-108
Atypical tax treatment of expenses	9,291	-	-	8,625	9,291	-8,625
Valuation differences						
due to application of IFRS	117,996	45,628	-	-	117,996	45,628
Tax position asset/liability	<b>127,287</b>	<b>45,628</b>	<b>3,145</b>	<b>10,126</b>	<b>124,142</b>	<b>35,502</b>
Tax rate	25.50%	25.50%	25.50%	25.50%	25.50%	25.50%
<b>Net deferred tax</b>	<b>32,458</b>	<b>11,635</b>	<b>802</b>	<b>2,582</b>	<b>31,656</b>	<b>9,053</b>

### Changes to temporary differences

In thousands of euros	Balance as at	Recognised	Recognised	Balance as at
	01-01-2008	in result	in equity	31-12--2008
Interest-bearing securities	-1,393	2,723	-4,475	-3,145
Allowances for impairment	-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
	<b>35,502</b>	<b>93,115</b>	<b>-4,475</b>	<b>124,142</b>
Tax rate	25.50%	25.50%	25.50%	25.50%
<b>Net deferred tax</b>	<b>9,053</b>	<b>23,744</b>	<b>-1,141</b>	<b>31,656</b>

In thousands of euros	Balance as at 01-01-2007	Recognised in result	Recognised in equity	Balance as at 31-12--2007
Interest-bearing securities	-674	-433	-286	-1,393
Allowance for losses on loans and advances	-454	346	-	-108
Atypical tax treatment of expenses	-8,767	142	-	-8,625
Valuation differences due to application of IFRS	33,181	12,447	-	45,628
	<b>23,286</b>	<b>12,502</b>	<b>-286</b>	<b>35,502</b>
Tax rate	25.50%	25.50%	25.50%	25.50%
<b>Net deferred tax</b>	<b>5,938</b>	<b>3,188</b>	<b>-73</b>	<b>9,053</b>

## 20. Tax liabilities

The current corporation tax liability of EUR 46.0 million (2007: EUR 22.8 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	2008	2007
Interest income and changes in fair value of interest-sensitive financial instruments	720,173	703,523
Interest expenses	621,504	619,334
<b>Interest margin and changes in fair value of interest-sensitive financial instruments</b>	<b>98,669</b>	<b>84,189</b>

Interest income can be analysed as follows:

### Interest income

In thousands of euros	2008	2007
Mortgage receivables	702,346	674,252
Deposits and loans	12,305	32,877
Changes in fair value of mortgage portfolio, derivatives and other financial instruments	4,861	-5,195
Foreign currency results	-53	1,232
Other	714	357
	<b>720,173</b>	<b>703,523</b>

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 0.9 million (2007: EUR 1.4 million) relating to interest income on financial assets which have been subject to impairment.

Deposits and loans includes an item of EUR 1.0 million (2007: EUR 0.9 million) relating to the Achmea group companies.

Deposits and loans also includes an amount of EUR 3.0 million (2007: EUR 2.0 million) relating to financial assets that are classified as available for sale.

Interest income includes a gain of EUR 4.9 million (2007: EUR 5.2 million loss) in connection with the change in the fair value of the mortgage portfolio, derivatives and other financial instruments, made up of a gain of EUR 341.4 million (2007: EUR 108 million loss) on the change in the value of the hedged items and a loss of EUR 329.4 million (2007: EUR 111 million gain) on the change in the value of the hedging instruments.

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

The total interest income from external customers amounted to EUR 719.2 million (2007: EUR 702.6 million).

Interest expenses can be analysed as follows:

#### Interest expenses

In thousands of euros	2008	2007
Loans	616,238	618,649
Changes in fair value of mortgage portfolio, derivatives and other financial instruments	2,283	-538
Other	2,983	1,223
	<b>621,504</b>	<b>619,334</b>

In 2008, interest expenses also included the amortisation of the first-time adoption adjustment as of 1 January 2005 (EUR 32.5 million), as well as the amortisation of the fair value hedge accounting result for the year (EUR 30.2 million gain), making a net loss in 2008 of EUR 2.3 million (2007: EUR 0.5 million gain).

Other includes commission and other expenses.

## 23. Commission expenses and management fees

In thousands of euros	2008	2007
Fees and commissions paid within Achmea Group	10,131	8,963

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	2008	2007
Personnel expenses	10,398	10,652
Administrative expenses	24,444	23,982
Depreciation	42	127
	<b>34,884</b>	<b>34,761</b>

The administrative expenses mainly consist of costs charged on by staff departments and support services (2008: EUR 21.5 million, 2007: EUR 18.2 million).

## 25. Staff costs

During the year, the average number of employees of Achmea Hypotheekbank was 134 FTEs (2007: 143 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	2008	2007
Wages and salaries	5,374	5,211
Pension expenses	1,296	1,342
Other social security expenses	949	881
Other personnel expenses	2,779	3,218
	<b>10,398</b>	<b>10,652</b>

## 26. Auditors' fees

In thousands of euros	2008	2007
Financial statement audit	585	260
Other audit assignment	-	-
Fiscal consultancy services	-	-
Other non-audit services	404	358
	<b>989</b>	<b>618</b>

The auditors' fees are part of the administrative expenses. In contrast to 2007, a provision was formed in 2008 for the cost of auditing the financial statements for the current financial year. The other non-audit services relate mainly to the SPVs.

## 27. Tax

### Taxes due on profits

In thousands of euros	2008	2007
For the year	33,500	12,042
Previous years	-12	-785
	<b>33,488</b>	<b>11,257</b>
<b>Deferred tax</b>		
Origination and revers of temporary differences, for the year	-23,744	-3,188
Origination and revers of temporary differences, previous years	-	5
<b>Total deferred tax expenses</b>	<b>-23,744</b>	<b>-3,183</b>
<b>Total taxes in Income Statement</b>	<b>9,744</b>	<b>8,074</b>

### Reconciliation of the effective burden

In thousands of euros	2008	2007
Operating profit before taxes	38,258	34,722
Nominal tax rate	25.5%	25.5%
Nominal tax burden	9,756	8,854
Tax concerning previous years	-12	-780
<b>Effective tax burden</b>	<b>9,744</b>	<b>8,074</b>
<b>Effective tax rate</b>	<b>25.47%</b>	<b>23.25%</b>

The deferred tax assets and liabilities recognised in the balance sheet as at year-end 2008 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 2008, 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 2008, Achmea Hypotheekbank had contractual obligations amounting to over EUR 11.5 million (2007: EUR 7.7 million), primarily in connection with the use of ICT-related services. An amount of EUR 9.5 million (2007: EUR 5.6 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 0.5 million (2007: EUR 3.0 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 201 million (2007: EUR 430 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 574 million (2007: EUR 77 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 98 million (2007: EUR 97 million) for loans from group companies or affiliated companies.

Finally, under Funds entrusted, an amount of EUR 1.2 billion (2007: EUR 0.3 billion) has been included for debts to non-banking institutions within Eureko B.V.

These items are analysed below. Movements in 2007 and 2008 were caused exclusively by repayments and additional borrowings.

**Analysis of receivables, debts and loans on the balance sheet**

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Banks	764	306
Derivative assets held for risk management	742	380
Prepayments and other receivables	102,573	2,984
	<b>104,079</b>	<b>3,670</b>

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
<b>Liabilities</b>		
Banks	574,227	77,152
Funds entrusted	1,169,662	333,948
Accruals and other liabilities	7,896	2,737
Subordinated liabilities	97,500	97,496
	<b>1,849,285</b>	<b>511,333</b>

#### Loans and debts to related parties

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
Aanv. verz. ZKA GLA Interpolis	50,218	-
Achmea Avéro Intermediair Leven	103	63
Achmea Bank Holding	4,661	-
Achmea Facilitair bedrijf	1,339	156
Achmea Holding	23,497	23,497
Achmea Leven FBTO	-	30
Achmea Pensioen Avéro Investments	25,405	25,405
Achmea Personeel	-	3
Achmea Retail Bank	402,038	25,649
Achmea Schade Investment Non Life	7,017	7,016
Agis Basisverzekeringen	252,917	-
AP&L Investments	383,300	370,399
Avéro Woonfonds	1,018	2,282
Basisverz. GL PWZ	200,874	-
Basisverz. OZF	17,172	-
Basisverz. ZKA	201,686	-
CBA hypotheke	332	203
Friends First Life Assurance Ltd	23,505	-
Imperio Fassurances et Capitalisation	25,037	-
Imperio Life Hellenic Life Insurance SA	3,024	-
Interamerican Health General Insurance	24,189	-
Interamerican Hellenic Life Insurance SA	3,024	-
Interamerican Property and Casualty SA	22,201	-
Interpolis Bankassurance BA Life	4,539	4,539
Interpolis Bankassurance BA Non Life	-	588
Levob Bank	120,968	-
Staalbankiers	51,221	51,503
	<b>1,849,285</b>	<b>511,333</b>

**Receivables from related parties**

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
Achma Avéro Intermediair Leven	1,734	634
Achmea Holding	100,019	1,250
Achmea Leven FBTO	634	-
Achmea Personeel	37	-
AP&L Investments	149	1,100
Staalbankiers	1,506	686
	<b>104,079</b>	<b>3,670</b>

**Commission expenses regarding to related parties**

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
Staalbankiers	976	877
	<b>976</b>	<b>877</b>

**Interest income from loans and debts to related parties**

<b>In thousands of euros</b>	<b>2008</b>	<b>2007</b>
Aanv. verz. ZKA GLA Interpolis	218	-
Achmea Avéro Intermediair Leven	2,980	2,470
Achmea Holding	1,300	1,300
Achmea Leven FBTO	3,313	2,828
Achmea Pensioen Avéro Investments	1,567	6,765
Achmea Retail Bank	8,729	1,924
Achmea Schade Investment Non Life	412	6,179
Achmea Zorg ZK	-	1,949
Agis Basisverzekeringen	2,917	-
AP&L Investments	22,298	46,841
Basisverz. GL PWZ	874	-
Basisverz. OZF	172	-
Basisverz. ZKA	1,686	-
Friends First Life Assurance Ltd	5	-
Imperio Fassurances et Capitalisation	37	-
Imperio Life Helenic Life Insurance SA	24	-
Interamerican Health General Insurance	189	-
Interamerican Hellenc Life Insurance SA	24	-
Interamerican Property and Casualty SA	201	-
Interpolis bankassurance life	258	3,529
Interpolis bankassurance nonlife	-	1,096
Levob Bank	2,140	461
Staalbankiers	5,127	2,412
	<b>54,471</b>	<b>77,754</b>

### Commission expenses regarding to related parties

In thousands of euros	2008	2007
Divisie Directe Distributie	2,651	2,032
Divisie Intermediaire Distributie	7,480	6,931
	<b>10,131</b>	<b>8,963</b>

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 mortgages concerned.

During the financial year, the various related parties also settle their costs amongst themselves (e.g. discount for surplus interest on employee mortgages 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 mortgages. The interest rates, taking account of staff discounts, vary from 3.8% to 5.2%.

The loans granted can be analysed as follows:

### Loans and advances to Executive Board and Supervisory Board members

In thousands of euros	2008	2007
<b>Outstanding loans as at 1 January</b>	<b>584</b>	<b>386</b>
Loans granted	375	200
Other changes	-296	-2
<b>Outstanding loans as at 31 December</b>	<b>663</b>	<b>584</b>

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

### Remuneration of Executive Board and Supervisory Board members

In thousands of euros	2008	2007
Short-term employee benefit	1,100	839
Other long-term employee benefit	255	216
Share-based payment transactions	211	35
	<b>1,565</b>	<b>1,090</b>

The pension liabilities, forming part of the remuneration of Executive Board members, amounted to EUR 0.3 million (2007: EUR 0.2 million).

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. Events after the balance sheet date**

In 2009 Achmea Hypotheekbank has to refinance part of the loan portfolio. As of February 2009 Achmea Hypotheekbank has the possibility to lend EUR 2 billion from a European Bank, of which EUR 1.6 billion through securitisation and EUR 0.4 billion unsecured.

## COMPANY BALANCE SHEET ACHMEA HYPOTHEEKBANK N.V.

(before appropriation of profit)

As at 31 December

In thousands of euros	2008	2007
<b>Assets</b>		
Cash and cash equivalents	26,012	10,354
Banks	142,088	215,450
Receivables from group companies	67,694	17,402
Derivative assets held for risk management	478,209	548,389
Public sector loans and advances	56,003	-
Private sector loans and advances	14,669,149	13,594,846
Interest-bearing securities	79,331	75,774
Intangible assets	119	2,867
Equipment	8	50
Deferred tax assets	32,458	11,635
Prepayments and other receivables	108,149	7,385
<b>Total assets</b>	<b>15,659,220</b>	<b>14,484,152</b>
<b>Liabilities</b>		
Banks	669,643	575,479
Derivative liabilities held for risk	740,510	219,911
Funds entrusted	2,334,672	1,320,623
Liabilities from group companies	4,225,384	4,064,969
Debt securities	6,984,289	7,664,206
Other tax liabilities	45,975	22,849
Deferred tax liabilities	802	2,582
Accruals and other liabilities	34,442	36,893
Subordinated liabilities	196,578	196,563
<b>Total liabilities</b>	<b>15,232,295</b>	<b>14,104,075</b>
Share capital	18,152	18,152
Share premium	269,206	254,206
Revaluation reserve	2,401	-933
Other reserves	137,166	108,652
<b>Shareholders' equity</b>	<b>426,925</b>	<b>380,077</b>
<b>Total equity and liabilities</b>	<b>15,659,220</b>	<b>14,484,152</b>

## COMPANY INCOME STATEMENT

For the year ended 31 December

In thousands of euros	2008	2007
Net profit	28,514	26,648
Net profit subsidiaries	-	-
<b>Net profit of the year</b>	<b>28,514</b>	<b>26,648</b>

## STATEMENT OF CHANGES IN COMPANY SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Total equity
<b>As at 1 January 2008</b>	<b>18,152</b>	<b>254,206</b>	<b>-933</b>	<b>26,648</b>	<b>82,004</b>	<b>380,077</b>
Retained earnings	-	-	-	28,514	-	28,514
Paid-up surplus	-	15,000	-	-	-	15,000
Distribution of profit 2007	-	-	-	-26,648	26,648	-
Net unrealised result on 'available for sale' financial instruments	-	-	3,334	-	-	3,334
<b>As at 31 December 2008</b>	<b>18,152</b>	<b>269,206</b>	<b>2,401</b>	<b>28,514</b>	<b>108,652</b>	<b>426,925</b>
<b>As at 1 January 2007</b>	<b>18,152</b>	<b>164,206</b>	<b>-720</b>	<b>2,153</b>	<b>79,851</b>	<b>263,642</b>
Retained earnings	-	-	-	26,648	-	26,648
Paid-up surplus	-	90,000	-	-	-	90,000
Distribution of profit 2006	-	-	-	-2,153	2,153	-
Net unrealised result on 'available for sale' financial instruments	-	-	-213	-	-	-213
<b>As at 31 December 2007</b>	<b>18,152</b>	<b>254,206</b>	<b>-933</b>	<b>26,648</b>	<b>82,004</b>	<b>380,077</b>

As at 31 December 2008, the authorised share capital amounted to EUR 90.8 million, divided into 200,000 ordinary shares (2007: 200,000), each with a nominal value of EUR 453.78. As at 31 December 2008, 40,001 (2007: 40,001) shares had been issued and paid up in full.

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

## NOTES TO THE COMPANY BALANCE SHEET AND INCOME STATEMENT

### General

The company financial statements form part of the consolidated financial statements of Achmea Hypotheekbank N.V. With regard to the company income statement of Achmea Hypotheekbank, use has been made of the exemption provided by Section 402, 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 2008 as adopted by IASB and endorsed by the European Union.

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

### Receivables from group companies

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

### Investments in associated companies

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

### Movement in investments

In thousands of euros	2008	2007
Opening balance	-	-11,140
Changes (net)	-	11,140
Closing balance	-	-

On 4 April 2007, the companies mentioned above were legally merged with Achmea Hypotheekbank N.V. Both investments were measured at net asset value.

### 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.

## RESPONSIBILITY STATEMENT FROM THE EXECUTIVE BOARD OF ACHMEA HYPOTHEEKBANK N.V.

The Executive Board of Achmea Hypotheekbank N.V. is responsible for preparing the annual report of Achmea Hypotheekbank N.V. for the year to 31 December 2008 in accordance with International Financial Reporting Standards as endorsed for use in the European Union and pursuant to the provisions of Part 9, Book 2, of the Netherlands Civil Code, and preparing the annual report in accordance with Part 9, Book 2, of the Netherlands Civil Code and Part 5.1A of the Financial Supervision Act.

The Executive Board has reviewed the annual report of Achmea Hypotheekbank N.V. and gives its permission for publication on 14 April 2009.

The Executive Board declares that, as far as it is aware, the consolidated and company financial statements of Achmea Hypotheekbank N.V. give a true and fair view of assets, liabilities, the financial position and the profit or loss of Achmea Hypotheekbank N.V., the situation on the balance sheet date, the developments during the financial year of the issuing institution and its related companies whose data is included in the financial statements and that the annual report describes the material risks confronting Achmea Hypotheekbank N.V.

The annual report of Achmea Hypotheekbank N.V. will be made available for the approval of the sole shareholder, Achmea Bank Holding N.V., on 14 April 2009.

's-Hertogenbosch, 14 April 2009

Executive Board,

R. Becker	Chairman
J.J.M.M. Vervuurt RA RC	Chief financial officer

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 2008 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 consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account 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 management 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 2008, 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 2008, 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 management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 14 April 2009

KPMG ACCOUNTANTS N.V.

M.A. Huiskers RA

## PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

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

### Profits and losses

#### Article 35

- 35.1. 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 2008, amounting to EUR 28.5 million, to the other reserves. The profit after tax for 2008 has been recognised in shareholders' equity as retained earnings.



Cover photograph:

**Kooizicht sustainable apartment complex in Dokkum**

Prize-winning innovative design for an apartment complex on the new De Kooilanden housing estate in Dokkum, a national model sustainable construction project. The complex contains ten luxury apartments with large roof terraces.

Location: Kooilanden in Dokkum

Architect: Adema Architecten, Dokkum



Pages 4 to 9:

**Planhus: family home in Zuiderburen, Leeuwarden**

This sustainable house is built of wood from carefully managed forests which are maintained through replanting. The house is energy efficient, thanks to optimum insulation and triple glazing. The construction materials used, such as insulating materials and paints, are environmentally-friendly and 100% biodegradable.

Architect: Planhus, Groningen



Pages 10 and 11:

**Energy-efficient starter homes in Zwaagwesteinde**

The homes are fitted with individual heating pumps, a heat exchanger for the shower water, a package of solar panels and thermo++ glazing. The homes provide for their own energy needs. Dozens of municipal authorities from all over the Netherlands have visited the estate to see how such housing could be built in their own municipalities.

Architect: Seinen Projectontwikkeling



Pages 12 to 19:

**14 urban villas in 'Green living on the waterfront' project**

Winning design in a contest organised by the Dongeradeel municipal authority. The homes are unique in several ways - not only in terms of design, building style and sustainability, but also because they are separated by dike constructions. The dikes are delivered fully planted, as is the plot for every home. The rooftops are planted with sedum. Location: Kooilanden in Dokkum.

Architect: Adema Architecten, Dokkum

**Colophon**

Design and layout: De Bey Communicatie & Vormgeving B.V., Franeker

Photography supplied by Adema Architecten, Planhus and Seinen Projectontwikkeling

Photography management team: Fotobureau Het Hoge Noorden, Leeuwarden



Achmea Hypotheekbank N.V.  
Hervenplein 2  
5232 JE 's-Hertogenbosch  
The Netherlands  
P.O. Box 80  
2501 AB 's-Hertogenbosch  
The Netherlands  
Phone +31 73 643 40 00  
Fax +31 73 463 47 99  
Chamber of Commerce The Hague no. 154399