All figures in this presentation are unaudited

Investor update IFRS 9/17

Updated KPIs, transition and restated figures 2022

9 August 2023

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Contents

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Key messages: Impact of IFRS 9/17

- ✓ No change in underlying earnings potential
- ✓ Financial ambitions, including operational result, remain unchanged
- ✓ Definition of operational result adjusted to focus on business performance through the cycle
- ✓ Majority KPIs remain unchanged but some have been adjusted to accommodate new accounting principles
- ✓ Impact on shareholders’ equity is driven by the creation of the Contractual Service Margin (CSM)
- ✓ Net result more sensitive to financial market developments as the market value development of our financial instruments within the insurance operations and insurance liabilities will be presented through P&L

- As of 1 January 2023 two new accounting guidelines have been implemented:
  - IFRS 9: valuation of financial instruments replacing IAS 39
  - IFRS 17: valuation of insurance liabilities replacing IFRS 4
- The combination of IFRS 9 and IFRS 17 leads to a fundamental overhaul of accounting principles for insurance companies, bringing it closer in line with market-based valuations
- At Achmea, application of IFRS 17 primarily impacts the Pension & Life segment with its long-term insurance liabilities
- With the introduction of IFRS 9 changes in the value of the insurance investment portfolio are accounted for in the P&L

1

General overview of IFRS 9 and IFRS 17

Impact on balance sheet liabilities of IFRS 17 as compared to IFRS 4

Comparing balance sheet (liabilities)

3 approaches in IFRS 17 for measurement of insurance contracts:

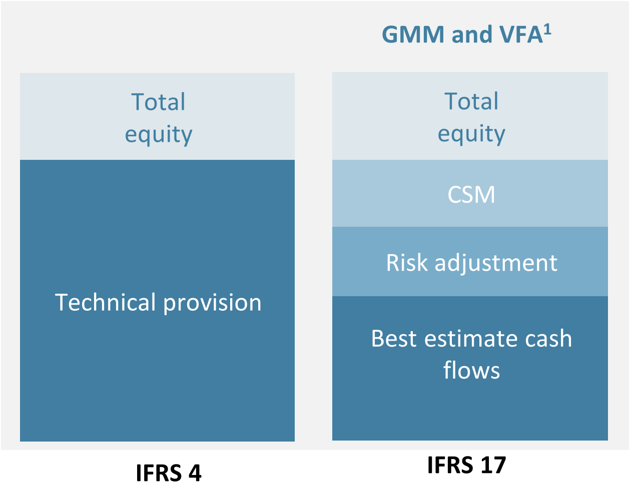
- **General Measurement Model (GMM)**: General model that can be used for all insurance contracts
- **Variable Fee Approach (VFA)**: Participating (profit-sharing) contracts where payments are linked to underlying items
- **Premium Allocation Approach (PAA)**: Simplified approach for short term contracts

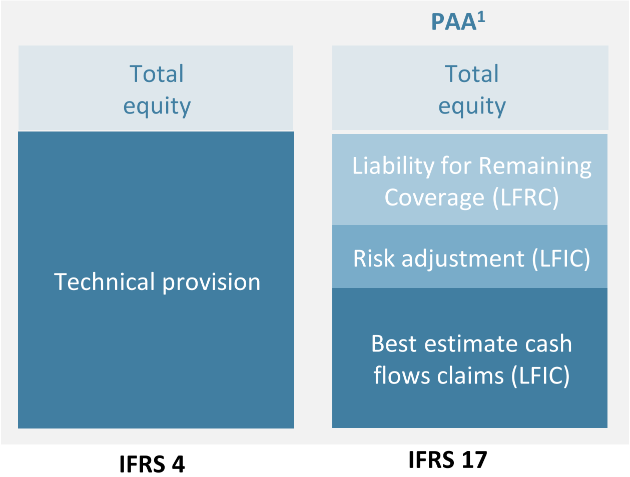
Building blocks IFRS 17 insurance liability (GMM and VFA):

- Insurance liabilities are calculated at **discounted best estimate future cash flows**
- **Risk adjustment (RA)** is added as a buffer for uncertainty for non-economic assumption changes
- **Contractual service margin (CSM)** represents future (unearned) profits from long-term contracts at locked-in discount rates (GMM) and current rates (VFA). CSM will be released in P&L over time when services are provided. If CSM<0, a loss component is recognised in P&L

Building blocks IFRS 17 insurance liability (PAA):

- Insurance liability for the period in which insurance coverage in future period (liability for remaining coverage, LFRC)
- Discounted best estimate future cash flows for claims to be paid related to past and current insurance coverage (part of liability for incurred claims, LFIC)
- Risk adjustment (part of liability for incurred claims, LFIC)

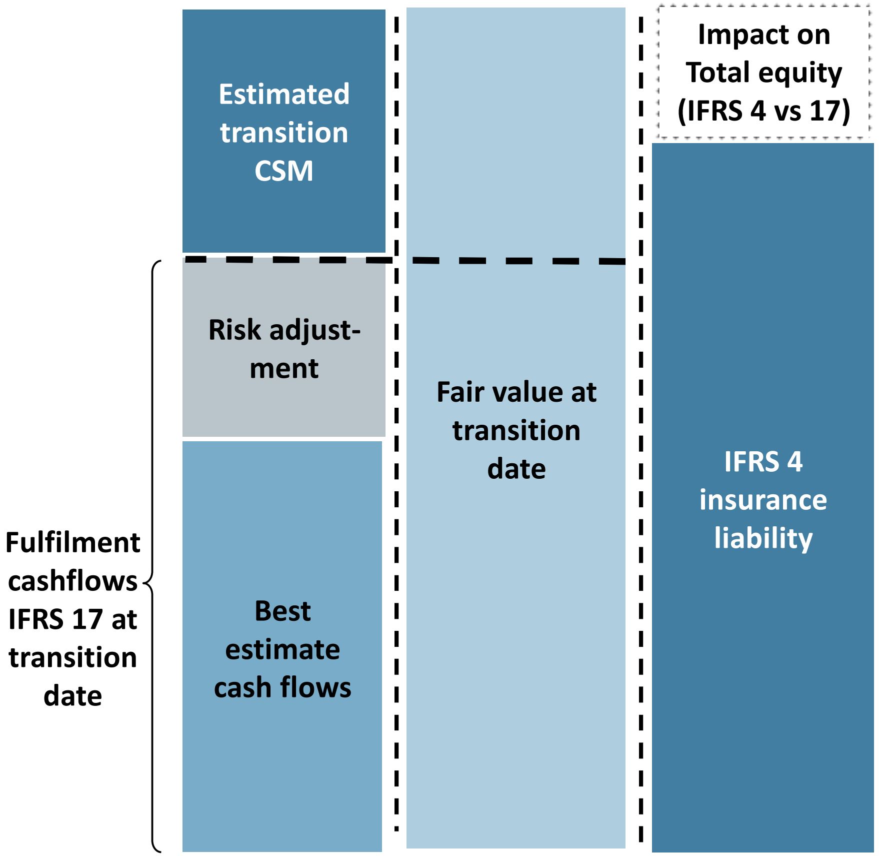




[1] Stylised representation: relative size of the bars for illustrative purposes only

Fair value transition approach under IFRS 17 described in more detail

Graphical representation Fair value Transition methodology[1]



An entity should apply the IFRS 17 accounting principles as if it has always applied the standard (retrospectively) and as such determine the CSM at transition taking into account all relevant and available information regarding the fulfilment cashflows. When an entity is not able to do so, for example due to lack of historical information, it is allowed to use either the Modified Approach or the Fair Value Approach.

Where possible Achmea applies the Full Retrospective Approach. In case this is not possible, Achmea decided to use the Fair Value Approach for determining the CSM at transition date for the insurance contracts in force.

The key elements in determining the CSM under Fair Value Transition approach are:

- the expected discounted best estimate cash flows from premiums, claims and costs and risk adjustment based on the IFRS 17 fulfillment cash flows; and
- the calculated fair value of the insurance contracts based on a model at the time of transition (i.e. the amount we would have to pay to transfer the obligations under the insurance contract to a third party).

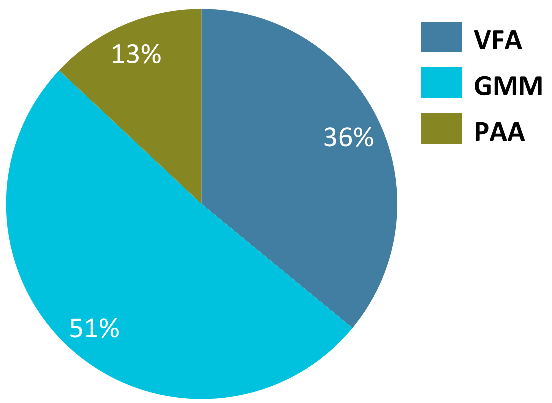
[1] Stylised representation: relative size of the bars for illustrative purposes only

Transition to new accounting regime in 2023

Majority of insurance contracts will be accounted for using the PAA

IFRS 17 measurement approaches	Examples of insurance contracts
General Measurement Model (GMM)	• Long term insurance contracts • Annuities • Term Life • Certain disability contracts
Premium Allocation Approach (PAA)	• Property & Casualty • Health
Variable Fee Approach (VFA)	• Individual and collective unit-linked

Insurance contracts liabilities as at 1 January 2022 – by measurement model
(in %)



At transition for **In force business** Achmea used one of the following approaches to calculate the CSM for the contracts combined:

- Full Retrospective Approach: requires full history to date of transition
- Fair Value Approach: CSM is difference between discounted expected cash flows and fair value of the insurance contract

The PAA measurement was used full retrospective for the majority of the insurance contracts in our non-life and health insurance portfolio. Under this approach, the CSM does not apply. For insurance contracts under the GMM or VFA approach, the historical data necessary for a Full Retrospective Approach was often not available. At transition date, the majority of the CSM is therefore determined based on the Fair Value Approach.

After initial recognition, all **new business** is grouped by portfolio of insurance contracts (e.g. same risks and managed together) issued within one year. The CSM is determined and measured for each group separately.

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Impact on P&L: New structure of the income statement

New P&L- items are introduced and some P&L-items are presented differently

IFRS 9/17
Insurance service revenue
Insurance service expenses
Net result from reinsurance contracts held
1 **Insurance service result**
Investment income insurance activities
Financial result from insurance contracts
Financial result from reinsurance contracts
2 **Net financial result (re)insurance contracts**
3 Investment income from other activities
Other income
4 Operating expenses
Other expenses
Result before tax

The P&L under IFRS 9/17 consists of the following main items:

1. **Insurance service result** comprising the following elements:
   - Insurance service revenue: consists of release of CSM, release of risk adjustment, expected claims and expenses (GMM/VFA) and earned premiums (PAA)
   - Insurance service expenses: consists of incurred claims, directly attributable expenses and loss component
   - Net result from reinsurance contracts held: consists of the insurance service results related to reinsurance contracts held
2. **Net financial result (re)insurance contracts** comprising the following elements:
   - Investment income insurance activities: direct investment income and fair value movements of investments related to insurance activities. Investment income under IFRS 17 is split between investment income related to insurance activities and other activities and consists of all fair value movements during the year for the investments related to the insurance operations whereas under IFRS 4 these were included in the insurance liabilities (Dutch Life insurance operations) or equity
   - Financial result from insurance contracts: consists of interest accretion, impact of changes in discount rate on future cash flow, impact of changes in discount rate on risk adjustment and impact of profit sharing on CSM (VFA)
   - Finance result from reinsurance contracts: consists of the finance results reinsurance contracts held
3. **Investment income from other activities** includes income from financial assets of non-insurance activities, for example Achmea Bank and asset management activities
4. **Operating expenses** only represents non-directly attributable expenses and operating costs non-insurance operations

Certain items are not included in IFRS 17 P&L:

- Gross written premiums/net earned premiums

2 Change in Key Performance Indicators

Definition of some KPIs has been changed to accommodate new accounting

KPIs will provide similar outcomes 'through the cycle'

Operational result	Adjusted to focus on business performance
Combined ratio	Adjusted to reflect changes due to IFRS 17
Gross operating expenses[1]	Adjusted to reflect changes due to IFRS 17
Gross written premiums	Unchanged
Fixed charge coverage ratio (FCCR)	Now based on IFRS 9/17 (operational) result

Solvency II ratio	Unchanged
Free Capital Generation	Unchanged
Debt Leverage ratio	Now based on IFRS 9/17 equity adding CSM and RA
Liquidity	Unchanged
Assets under Management (AIM and SAREF)	Unchanged

[1] In the primary financial statements, Operating expenses only include the non-directly attributable expenses and operating costs non-insurance operations. Gross operating expenses represent all operating expenses before allocation to the insurance activities.

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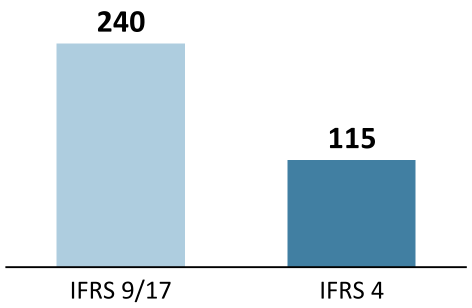
Operational result: adjusted to be able to focus on business performance through the cycle

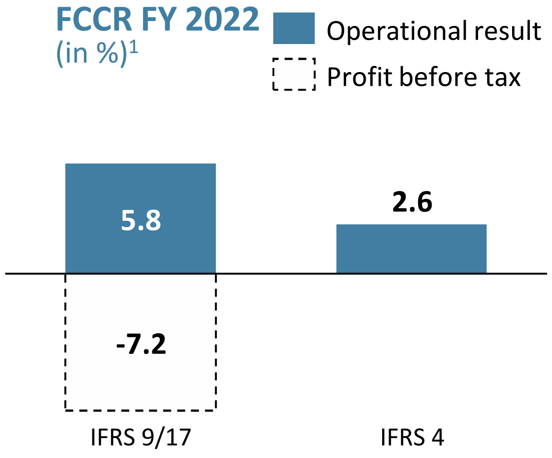
FCCR, COR and debt leverage reflect new accounting regime

Operational result HY 2022
(€ million)



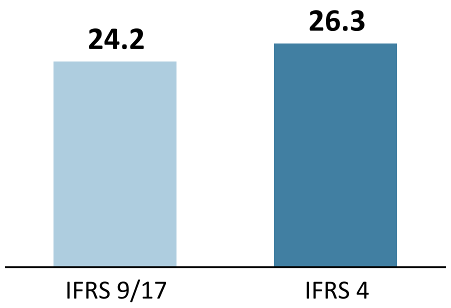
Operational result: adjusted to be able to focus on business performance through the cycle and to exclude the volatility in results due to increased sensitivity to financial market developments

FCCR FY 2022
(in %)[1]



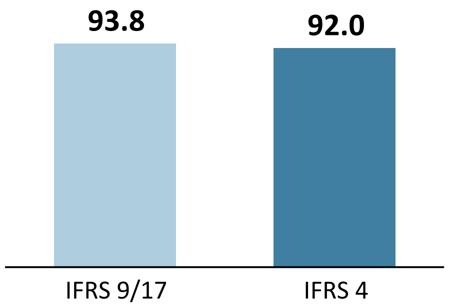
Fixed Charge Coverage Ratio: Next to the FCCR based on EBITDA derived from profit before tax, FCCR will also be calculated based on EBITDA excluding non-operational items to align with new operational result

Debt leverage ratio HY 2022
(in %)



Debt leverage ratio: adjusted to include future profits (CSM) and Risk adjustment (both net of taxes), which are not included in Total equity but presented as part of insurance contract liabilities

Combined ratio Non-Life Netherlands HY 2022
(in %)



Combined ratio: adjusted to accommodate changes in IFRS 17 (for example using insurance service revenue instead of net earned premiums)

[1] FCCR is calculated based on the results and financing expenses of the last four quarters. As the IFRS 9/17 figures are only available as of 1 January 2022, the FCCR presented is based on an annual figure instead off half year results.

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Impact of (short-term) market movements is reported separately from the operational result

Focusing on business performance through the cycle

Bridge from operational result to IFRS 9/17 profit before tax

Operational result	1
Non-operational result	
+/- non-operational finance result	2
+/- M&A effects and reorganisation expenses	3
IFRS 9/17 result before tax	

1. Our new definition of operational result includes the expected return on our investments in excess of the expected interest accrual of our insurance liabilities

   This expected return and interest accrual is determined at the beginning of the year and is based on observable interest rates and spreads for fixed income instruments and long-term expectations for e.g. equities and real estate

2. The impact of market movements (interest, spread, equities, real estate) and any other deviations from expected excess return will be reported separately in the non-operational items

3. In line with our definition of operational result under IAS39/IFRS4, one-off M&A effects will be reported separately from operational result. In addition, under the new definition reorganisation expenses will also be excluded from operational result

Ambitious group targets remain in place

	Realised IFRS 4 / IAS 39					
	2018	2019	2020	2021	2022	Target 2025
Operational result Non-Health	€263 mln	€485 mln	€395 mln	€575 mln	€53 mln	€550-600 mln
Operational result Health NL	€128 mln	€62 mln	€235 mln	€10 mln	€121 mln	€100-150 mln
Free Capital Generation (FCG)	€676 mln	€546 mln	€200 mln	€740 mln	€ -137 mln	€500 mln[1]
Solvency II	198%	214%	208%	214%	209%	>165%
Debt leverage ratio	26.5%	24.9%	24.0%	24.2%	30.7%	<30%
Liquidity	€682 mln	€732 mln	€650 mln	€675 mln	€909 mln	€250-€400 mln

- The definitions of operational result and the debt leverage ratio have been amended to accommodate the changes due to the introduction of IFRS 9/17
- Targets on KPIs remain unchanged

[1]Normalised: free capital generated by operational activities (incl. release of capital)

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3 Impact of IFRS 9 and IFRS 17 at transition date

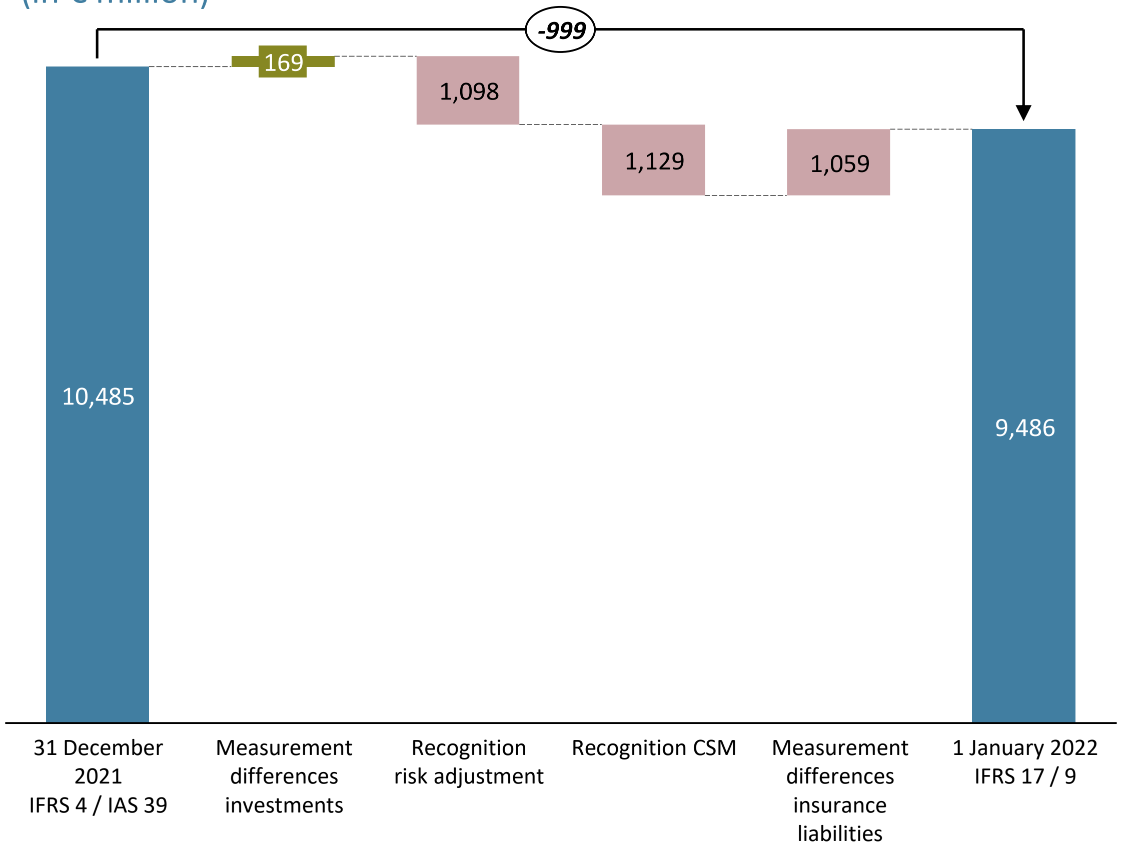
Total equity including net CSM in line with IAS 39/IFRS 4 Total equity

Movements in Total equity driven by:

- Recognition Risk Adjustment of € 1.5 billion before tax
- Recognition CSM of € 1.5 billion before tax
- Measurement differences investment and insurance liabilities. These include the remeasurement of certain investments to fair value and the impact of the IFRS 17 discount curve in measuring the insurance liabilities. Furthermore, these include the impact of using current estimates for assumptions such as mortality, lapse and expenses

Change in Total equity from IFRS 4 to IFRS 17 as at 1 January 2022[1]

(in € million)



[1] Impact differs as compared to the December 2022 investor update. The main part of the transition to IFRS 9/17 is based on the fair value transition approach. Based on recent market transactions and market practices, we adjusted the fair value used to measure the CSM at transition date of the inforce business.

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Assets and liabilities decrease due to reclassifications

Assets

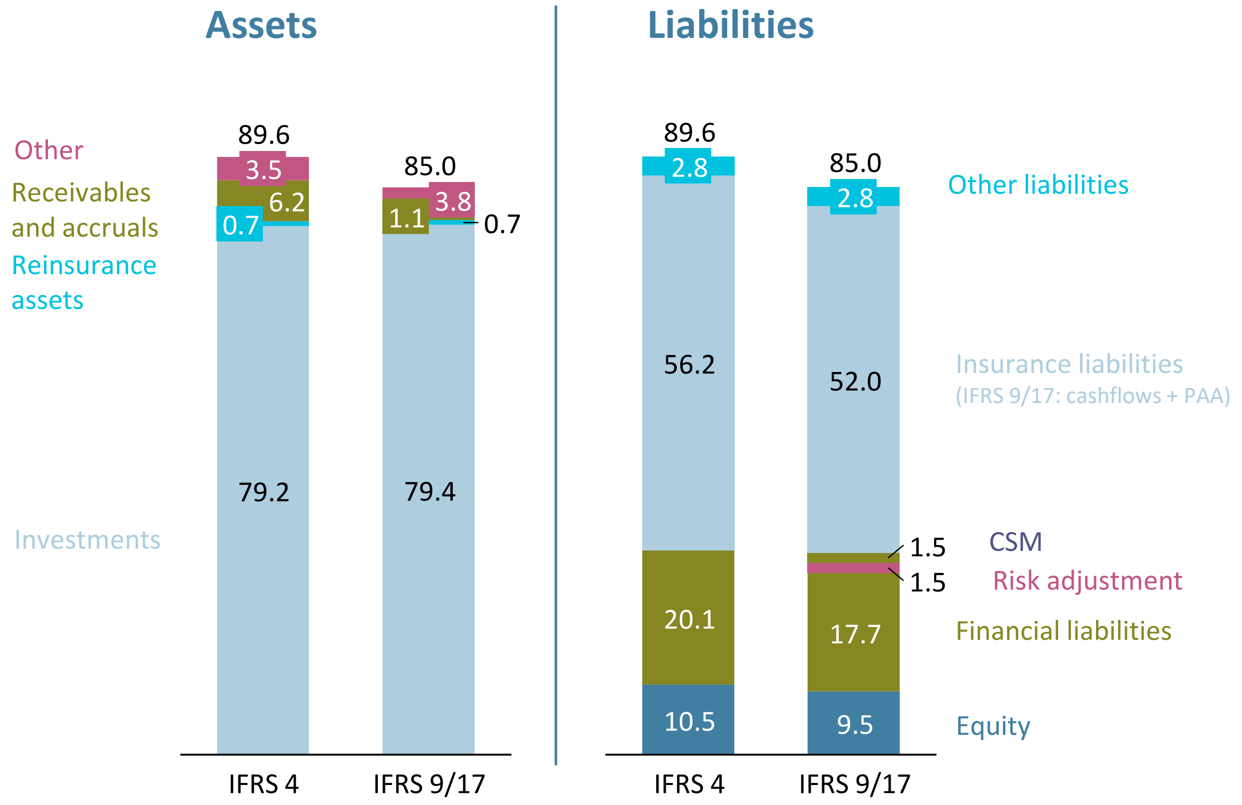
- Investments and the banking credit portfolio largely unaffected
- Decrease in receivables due to reclassification of insurance related receivables to insurance liabilities

Liabilities

- Creation of CSM and Risk Adjustment as part of the insurance liabilities
- Decrease in insurance liabilities due to change in non-economic parameters and impact of change in IFRS 17 discount curve and release of the IFRS 4 provision for discounting of insurance liabilities
- Decrease in financial liabilities due to reclassification of insurance related receivables to insurance liabilities

Development balance sheet from IFRS 4 to IFRS 17

(in € billion, 1 January 2022)[1]



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2022 figures according to IFRS 9/17

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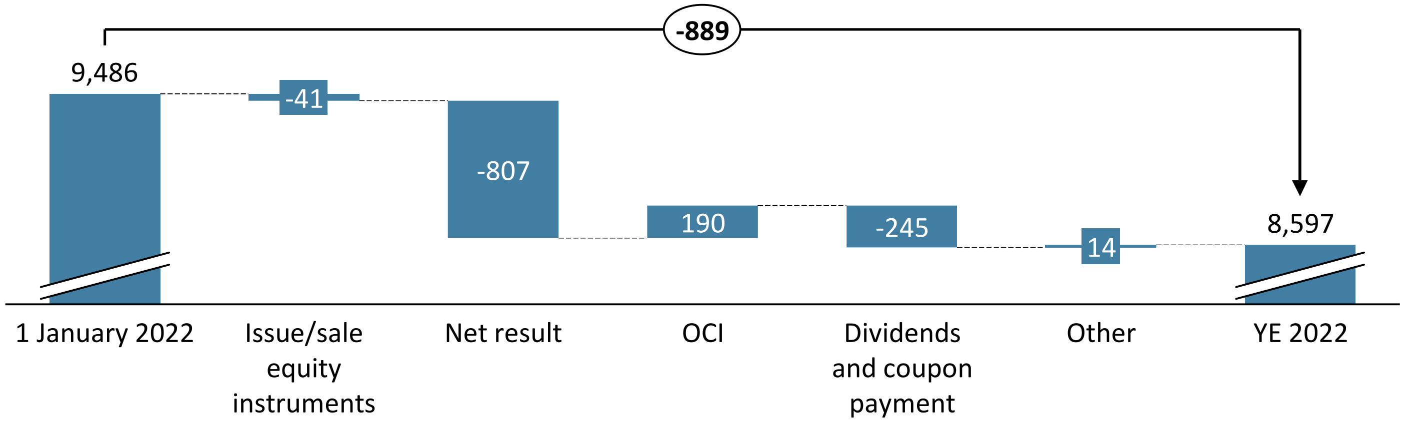
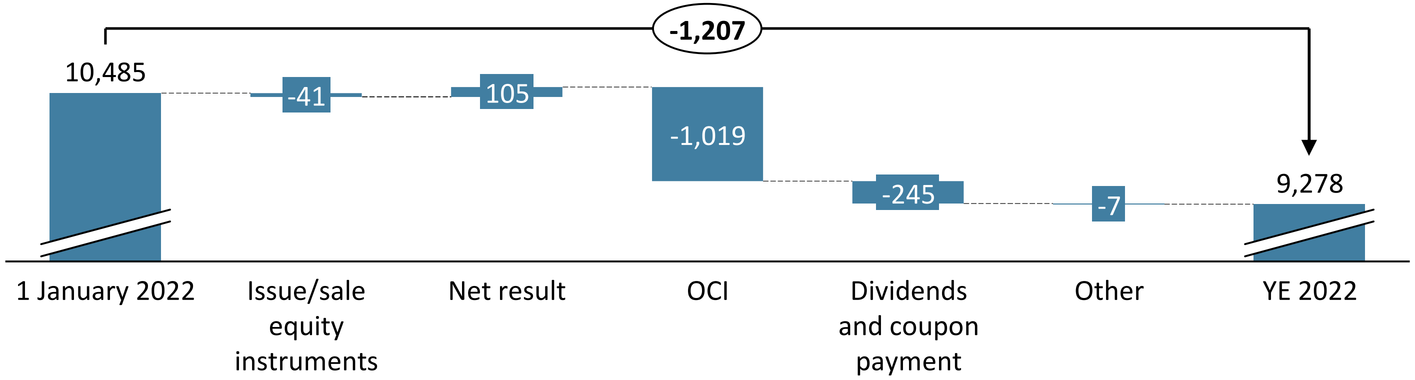
Movements in equity in 2022 under IFRS 9/17 are driven by net result

Under IAS 39/IFRS 4 revaluations investments were not included in P&L, but reflected in OCI

Changes in Total equity under IFRS 9/17 during 2022 (in € million)



Changes in Total equity under IAS39/IFRS 4 during 2022 (in € million)



- Fair value movements in investments related to the insurance operations and the impact of interest rate changes on the insurance liabilities were influenced by the exceptional market conditions in 2022
- Under IFRS 9/17 all fair value movements in investments related to the insurance operations and the impact of interest rate changes on the insurance liabilities are accounted for in Insurance finance result, part of Net result
- Under IAS 39/IFRS 4 fair value movements related to investment in the non-life and health operations were accounted for in equity, whereas those changes related to own risk investments (fixed income and interest derivatives) within the Dutch life insurance portfolio were accounted for in the insurance liabilities through OCI
- Detailed information on the balance sheet and P&L is included in the appendix

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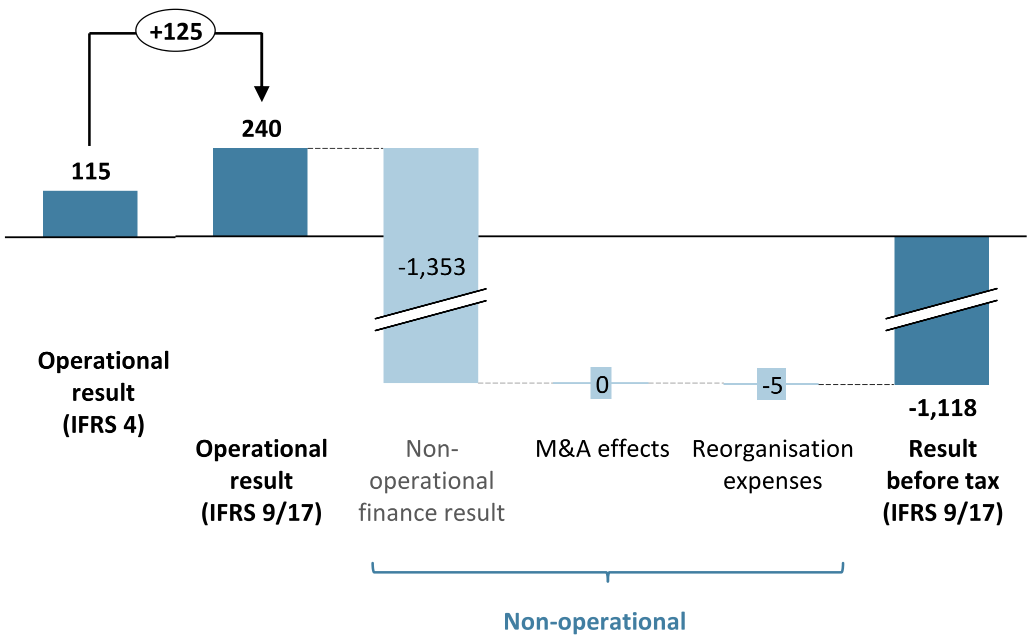
Operational result H1 2022 €240m (IFRS 9/17); €125m higher than under IFRS 4

Result 2022 before tax IFRS 9/17 negatively impacted due to exceptional developments of financial markets

- The IFRS 9/17 operational result is € 240 million. Total non-operational result is €1,358 million. This consists of a non-operational finance result of € 1,353 million negative due the exceptional market circumstances mentioned above and € 5 million reorganisation expenses.
- Operational result is € 125 million higher than the reported IFRS 4 result for half year 2022. The main drivers of the higher result are:
  - Results related to insurance activities as compared to IAS 39/IFRS 4 due to the use of current assumptions and release of CSM and RA in the insurance service result;
  - Results related to the net impact of investment returns and interest accretion insurance liabilities. Our new definition of operational result includes the expected return on our investments in excess of the expected interest accrual of our insurance liabilities per 1-1-2022. Under IAS 39/IFRS 4, Operational result included gains and losses on equities and real estate investments and for the Non-life and Health business realised gains and losses on fixed income securities;
  - Other differences. For example, under the new definition of operational results, the restructuring costs shift from the operating result to non-operational.
- Result before tax IFRS 9/17 is € 1,118 million negative. This is mainly due to the negative revaluations of investments driven by the exceptional market circumstances in the first half of 2022, partly off set by the movements in the current value of the insurance liabilities.

Reconciliation (Operational) result IAS 39/IFRS 4 versus IFRS 9/17
(in € million)



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Impact of transition to IFRS 9/17 on balance sheet in 2022

Consolidated Statement of Financial position according to IFRS 9/17*		
	31 December 2022	1 January 2022
Investment property	850	1,028
Investments	68,888	78,385
Deferred tax assets	1,031	936
Insurance contracts assets	11	9
Reinsurance contract assets	780	667
Receivables and accruals	2,012	1,139
Other assets	3,261	2,799
Total assets	**76,833**	**84,962**
Equity attributable to holders of equity instruments of the company	8,595	9,477
Non-controlling interest	2	9
Total equity	**8,597**	**9,486**
Insurance contracts liabilities	43,146	55,022
Financial liabilities	19,857	17,659
Deferred tax liabilities	26	49
Other liabilities	5,207	2,746
Total equity and liabilities	**76,833**	**84,962**

Consolidated Statement of Financial position according to IAS 39/IFRS 4		
	31 December 2022	31 December 2021
Investment property	850	1,028
Investments	68,932	78,132
Deferred tax assets	758	610
Not applicable		
Amounts ceded to reinsurers	820	737
Receivables and accruals	5,642	6,211
Other assets	3,238	2,838
Total assets	**80,240**	**89,556**
Equity attributable to holders of equity instruments of the company	9,276	10,476
Non-controlling interest	2	9
Total equity (shareholders' equity)	**9,278**	**10,485**
Liabilities related to insurance contracts	44,286	56,168
Financial liabilities	21,413	20,083
Deferred tax liabilities	21	32
Other liabilities	5,242	2,788
Total equity and liabilities	**80,240**	**89,556**

* Unaudited figures

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Impact of transition to IFRS 9/17 on Total equity in 2022

Consolidated Statement of Changes in Total Equity according to IFRS 9/17*	
	FY 2022
Total equity as at 31 December 2021 based on IAS 39/IFRS 4	**10,485**
Impact of 9/17	-999
Total equity as at 1 January 2022	**9,486**
Net other comprehensive income	190
Net result	-807
Total result	**-617**
Dividends and coupon payments	-245
Issue, sale and purchase of equity instruments	-41
Other movements	14
Total equity as at 31 December 2022	**8,597**

Consolidated Statement of Changes in Total Equity according to IAS 39/IFRS 4	
	FY 2022
Total equity as at 1 January 2022	**10,485**
Net other comprehensive income	-1,019
Net result	105
Total result	**-914**
Dividends and coupon payments	-245
Issue, sale and purchase of equity instruments	-41
Other movements	-7
Total equity as at 31 December 2022	**9,278**

* Unaudited figures

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Overview of H1 2022 restated P&L based on IFRS 9/17

CONSOLIDATED INCOME STATEMENT BASED ON IFRS 9/17*	
	H1 2022
Insurance service revenues	10,679
Insurance service expenses	-10,486
Net result from reinsurance contracts held	46
Insurance service result	**239**
Investment income (re)insurance activities	-9,695
Financial result from insurance contracts	8,536
Financial result from reinsurance contracts	-37
Net financial result from (re)insurance activities	**-1,196**
Income from associates and joint ventures	-6
Investment income from other activities	98
Other income	238
Operating expenses	-352
Other expenses	-139
Result before tax	**-1,118**
Income tax expenses	249
Net result	**-869**

CONSOLIDATED INCOME STATEMENT BASED ON IAS 39/IFRS 4	
	H1 2022
Net earned premiums	10,399
Income from associates and joint ventures	-6
Investment income	-4,477
Other income	230
Total income	**6,146**
Net expenses from insurance contracts	-4,702
Fair value changes and benefits credited to investment contracts	18
Interest and similar expenses	-96
Operating expenses	-1,172
Other expenses	-79
Total expenses	**-6,031**
Result before tax	**115**
Income tax expenses	-21
Net result	**94**

* Unaudited figures

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