YEAR REPORT 2018

Part 2

achmea

CONTENTS

Achmea's annual reporting comprises three parts. Each of these parts is aligned with the specific interests of our stakeholders and the aim is to create greater clarity and accessibility. The three parts together make up Achmea's integrated annual reporting. Read more about our approach to reporting on page 38 of part 1.

PART 1

Part 1 is the 'Annual Review'. This is aimed at a broader target audience, such as customers, employees, students and interest groups. It describes our strategy, the progress made in 2018 and our vision of the future. The external auditor has issued an opinion on the sustainability information included in this part. The assurance report containing the auditor's opinion can be found on page 200 to and including 203 of part 2.

PART 2

Part 2 is the 'Year Report'. This describes the main financial developments. Among other things, it contains the Executive Board's report (the 'annual Review', which is part of the Executive Board Report, is included in part 1), the financial statements and the Supervisory Board report, as well as a report on our Governance and risk management. The external auditor has audited the 2018 (consolidated) financial statements: these are included on pages 44 to 179 of the Year Report. The auditor's report can be found on pages 185 to 199 of part 2 (other information).

PART 3

Part 3 comprising the 'Supplements' contains sustainability reporting information and appendices to the other parts.

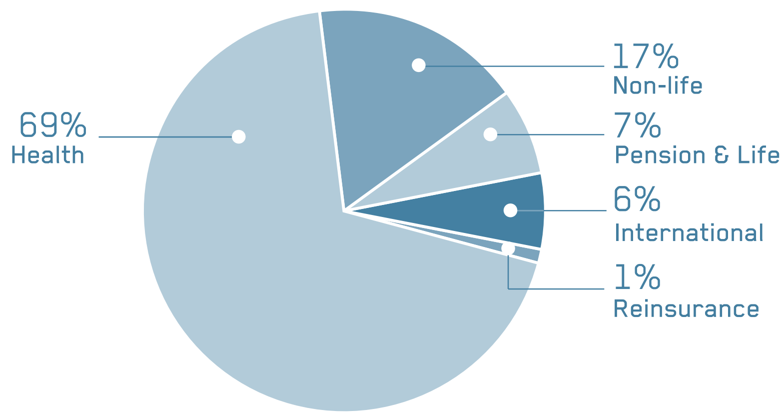
PART 2

Results and developments in 2018

Group results

GROSS EARNED PREMIUMS	NET RESULT	EQUITY	SOLVENCY SII
€19.918 million	€315 million	€9.705 million	203%[1]

Gross earned premiums



[1] *Before foreseeable dividend and coupons on hybrid instruments*

RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	19,918	19,350	3%
Net earned premiums	19,685	19,348	2%
Investment income including associates and joint ventures	1,073	2,243	−52%
Other income	578	474	22%
Total income	**21,336**	**22,065**	**−3%**
Net claims, benefits and movements in insurance liabilities	18,018	18,973	−5%
Operating expenses	2,358	2,277	4%
Interest, similar and other expenses	394	494	−20%
Total expenses	**20,770**	**21,744**	**−4%**
Result before tax	**566**	**321**	**76%**
Income tax expenses	251	105	n.m.
Net result	**315**	**216**	**46%**

n.m.: not meaningful

OVERALL RESULTS

The operational result over 2018 increased to €391 million (2017: €349 million). The strong result was boosted by Pension & Life and Health. Non-Life also made a considerable contribution to the operational result, in spite of the January storms. Retirement Services and our International activities have also displayed an improvement compared to 2017.

At 95.5%, the combined ratio for our property & casualty and income protection insurance was the same as last year. The underlying result of Health and Non-Life has improved further. The January storms and their impact of €85 million and 2.6% on the COR have therefore been completely absorbed. The underlying result improved as a result of premium growth, claims management and operational expense measures. The lower operational result compared to 2017 is due to the lower investment income.

Our health activities realised a higher result than in 2017 thanks to an improved result on previous years. However, basic health insurance was still loss-making in 2018. Without the loss provision of €108 million made in 2017, the result would have been negative. We were able to set basic healthcare premiums for 2019 closer to cost price than in previous years, leading to inclusion in the result over 2018 of a limited loss provision of €21 million. The result for supplementary health insurance increased due to lower use of healthcare services by our customers compared to 2017.

Pension & Life earned a strong and stable result over 2018, in which the higher technical result and lower operating expenses largely compensated for the lower investment results. We also continued to optimise our processes and systems in 2018 and further reduced our operational expenses.

The result of Retirement Services improved compared to 2017. The improvement is due to a higher interest margin at Achmea Bank, lower expenses as a result of outsourcing and lower start-up expenses for the Centraal Beheer General Pension Fund (GPF). Achmea Investment Management's result also improved further and its assets under management increased to €129 billion. The phasing out of services to mandatory sectoral pension funds was successfully completed as of 1 July 2018.

Our international activities also show a sharp improvement in the operational result compared to 2017. With the launch of our online services in the Canadian Property &Casualty market and the completion of the sale of Irish life insurance company Friends First, we took further steps in the implementation of our international strategy, which is founded on our core qualities: non-life and healthcare expertise via digital and banking distribution channels.

The Other activities segment earned a lower result over this year compared to 2017. In addition to financing and shareholder expenses, the result was adversely affected by a higher cost of claims at Achmea Reinsurance caused by storm Friederike on 18 January 2018. The reorganisation provision for reductions in the number of employees and office locations has been increased further within the context of our "Delivering Together" business plan. The lower result compared to 2017 can also be partly attributed to one-off windfalls in 2017, a change to cost allocation and higher investment in innovation.

OPERATIONAL RESULT GENERATED BY THE SEGMENTS (€ MILLION)

	2018	2017
Non-life Netherlands	97	166
Pension & Life Netherlands	334	342
Retirement Services Netherlands	15	12
International activities	29	16
Other activities	−212	−59
Operational result (excl. Health)	**263**	**477**
Health Netherlands	128	−128
Operational result	**391**	**349**

The net result is €315 million (2017: €216 million). This includes the transaction result from the joint venture with Fairfax in Canada (€8 million) and the sale of Independer (€167 million). In 2017, the transaction result related to the sale of Friends First, completion of the transfer of the Staalbankiers private banking activities to Van Lanschot (€8 million) and exceptional expenses deriving from the migration of five sectoral pension funds to Centric.

The tax burden was affected by the announced step-by-step reduction of corporation tax in the Netherlands from 25% to 20.5% in 2021. This translates into a reduction in the deferred tax position and consequently a net charge of €141 million and an allocation of €22 million to total equity. In the long term, this will have a positive effect on the net profit. The announcement at the end of July 2018 also prompted us to make a provision of €35 million. This relates to the tax settlement in the Netherlands for the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. Both these measures result in the effective tax rate being higher than the nominal tax rate in 2018.

BREAKDOWN OF NET RESULTS (€ MILLION)

	2018	2017
Operational result	**391**	**349**
Transaction result	175	−28
Result before tax	**566**	**321**
Tax	251	105
Net result	**315**	**216**

Gross earned premiums

Gross earned premiums increased by 3% to €19,918 million (2017: €19,350 million) in 2018. The increase in earned premiums was mainly driven by our basic health insurance activities in the Netherlands.

Retail and commercial earned premiums at Non-Life increased further due to portfolio growth and premium measures. Internationally, earned premiums also increased for our non-life activities in local currency, but decreased in euros due to exchange-rate effects. Earned premiums from life insurance activities decreased, in line with our expectations, as a result of our earlier decision to stop actively selling pension insurance products in the Netherlands. Premiums were also lower due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS EARNED PREMIUMS (€ MILLION)

	2018	2017
Non-Life	3,897	3,868
Health	14,435	13,636
Pension & Life	1,586	1,846
Total gross earned premiums	**19,918**	**19,350**

Operating expenses

Gross operating expenses increased to €2,211 million in 2018 (2017: €2,136 million). Adjusted for one-off effects, gross operating expenses decreased by €58 million (3%). This decrease is mainly due to a decrease in the workforce and lower office expenses as a result of centralising office locations, partly due to merging activities. The reorganisation provision within the context of "Delivering Together" was further increased in 2018 in order to achieve these structural decreases. This increase is used to finance a further reduction of the number of employees and locations, mainly by merging activities.

The total number of internal and external employees in the Netherlands declined to 13,772 FTEs in 2018 (year-end 2017: 14,484 FTEs). The decrease in the number of internal employees in the Netherlands by nearly 700FTEs is due to the continued optimisation of processes and systems and strategic decisions. For instance, the sale of Independer caused a decrease of 292 FTEs. We previously stated that the number of employees at Achmea will decrease by 2,000 in the business plan period up to 2020. Since the start of the business plan period, the number of employees in the Netherlands has decreased by over 1,500. This means that implementation of the business plan is well advanced.

The number of internal and external employees outside the Netherlands decreased to 2,864 FTEs (year-end 2017: 2,946 FTEs). This decrease is due to the sale of Irish life insurance company Friends First. When adjusted for this, the number of international employees has increased by 240 to support growth.

Investments

Investment income from our own risk investment portfolio[1] was €1,066 million in 2018 (2017: €1,248 million). Higher real estate revaluations due to improved market sentiment had a positive impact. We also profited from a widening swap spread on part of the portfolio, of which the investments are valued at market interest rates and the liabilities at the swap rate. Counterbalancing these positive trends are lower realised gains on fixed income and equities, as well as lower equity valuations, caused by for example market trends at the end of 2018. Foreign exchange results were also sharply negative in 2018. The increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life insurance business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover liabilities to our customers with pensions or life insurance policies. As a result of lower interest rates, the FFA increased by €0.2 billion to €7 billion in 2018.

The value of our investment portfolio[2] increased slightly to €45.1 billion (2017: €44.6 billion). This increase can mainly be attributed to the additional purchases that increased the value of the fixed-income portfolio.

[1] *Investment income consists of investment income (own risk) in the Consolidated Income Statement, including income from associates and joint ventures and realised and unrealised gains and losses, adjusted for investment income directly related to the insurance liabilities (both fair value and other).*

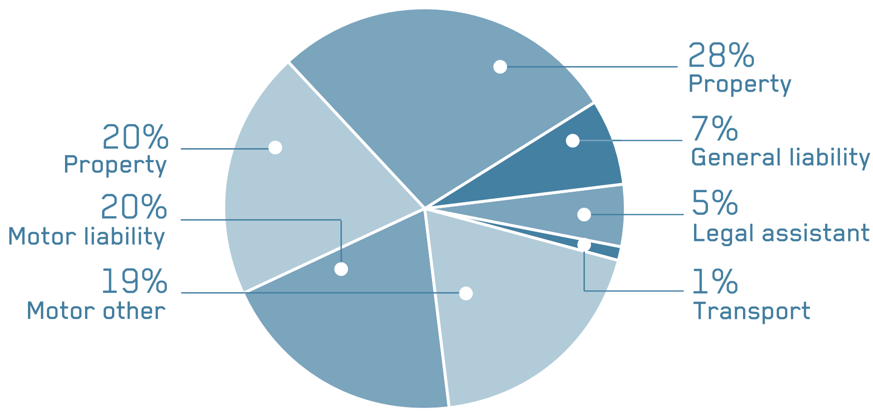
[2] *The year report shows fixed-income funds as part of the fixed-interest portfolio and real estate funds as part of real estate. In the financial statements, these investment categories are shown as part of equities and similar investments.*

Results and developments in 2018

Non-life Netherlands

GROSS EARNED PREMIUMS	OPERATIONAL RESULT	COMBINED RATIO PROPERTY & CASUALTY	COMBINED RATIO INCOME PROTECTION
€3.364 million	€97 million	96.0%	93.2%

Gross earned premiums



RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	3.364	3.290	2%
Net earned premiums	3.228	3.160	2%
Investment income including associates and joint ventures	60	111	−46%
Other income	19	16	19%
Total operational income	**3.307**	**3.287**	**1%**
Net claims, benefits and movements in insurance liabilities	2.339	2.286	2%
Operating expenses	845	818	3%
Other expenses	26	17	53%
Total operational expenses	**3.210**	**3.121**	**3%**
Operational result	**97**	**166**	**-42%**

GENERAL INFORMATION

Achmea is market leader in the property & casualty and income protection insurance markets. We provide our retail and commercial customers among others with car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer various types of sickness and disability insurances. We assist our customers via innovative services that, for example, give them insight into the potential risks they run. In doing so, we help our customers to prevent or restrict damage or loss as much as possible. Our property & casualty and income protection products are distributed by our brands Centraal Beheer, Interpolis, FBTO, Avéro Achmea and InShared, whereby our focus is on a high level of customer satisfaction, innovative services and digitised processes. Our focus on customer satisfaction is already visible. In 2018 Centraal Beheer was chosen as the most customer friendly insurance company in the Netherlands for retail insurances (CustomerFirst Award). Our services increasingly allow customers to communicate with us at any time and using different methods.

Gross earned premiums

Gross earned premiums increased by €74 million to €3,364 million in 2018 (2017: €3,290 million).

Gross earned premiums from our property & casualty insurance business increased to €2,784 million (2017: €2,690 million) as a result of portfolio growth and premium measures in both the retail and commercial segments. Gross earned premiums from the income protection insurance business amounted to €580 million (2017: €600 million).

Operating expenses

Operating expenses increased by 3% to €845 million in 2018. These higher expenses can be attributed to further investment in digitising our customer service processes and investments in reducing the cost of claims. Thanks to the growth of our portfolio, the expense ratio declined slightly to 25.4% (2017: 25.5%).

Operational result

The operational result for 2018 was €97 million (2017: €166 million). The decrease is mainly due to lower investment income in 2018 (€51 million) as a result of relatively high realised gains on fixed-income investments in 2017 and the development of foreign exchange results in 2018. Our continued focus on claims management and premium measures has contributed to the positive growth of the operational result. These measures have enabled us to absorb the higher cost of claims caused by the January storms (impact on the combined ratio of 2.6%-pt). Partly as a result of this, the combined ratio remains stable at 95.5%.

PROPERTY & CASUALTY

The operational result from our property & casualty insurance decreased to €72 million in 2018 (2017: €119 million) and this can be attributed almost entirely to the lower investment income in 2018.

The insurance result remained stable. The impact of the January 2018 storms (net impact on claims ratio: 3.2%) was absorbed entirely by the sharp improvement in regular results thanks to the implemented improvement measures in the retail and commercial property & casualty portfolio. These measures comprise adjustments in premiums and claims management. One important pillar within claims management is the prevention of damage or loss to customers. We achieve this by, for example, developing innovative solutions, such as the AutoModus app, BlueLabel and AgroAlarm. These solutions are also available for non-insurance customers and contribute to a safer and more climate-proof society.

The combined ratio of our property & casualty insurance business was 96.0% in 2018 (2017: 96.0%). If we exclude the January storms, the combined ratio is 92.8%. The claims ratio adjusted for the January storms stood at 66.8% (2017: 69.4%). The expense ratio improved by 0.6% to 26.0% in the current period (2017: 26.6%).

INCOME PROTECTION

The operational result for income protection insurance was €25 million (2017: €47 million). The lower result can be attributed almost entirely to the lower investment income. There has been a slight improvement in the insurance result. In the insurance result, the lower result from disability insurance for the self-employed and sickness insurance are compensated by the higher result from group disability insurance. We assist our customers by placing the emphasis on recovery and re-integration. Continuous improvements to our approach allow us to accelerate the return to work of customers, which has a positive impact on the result.

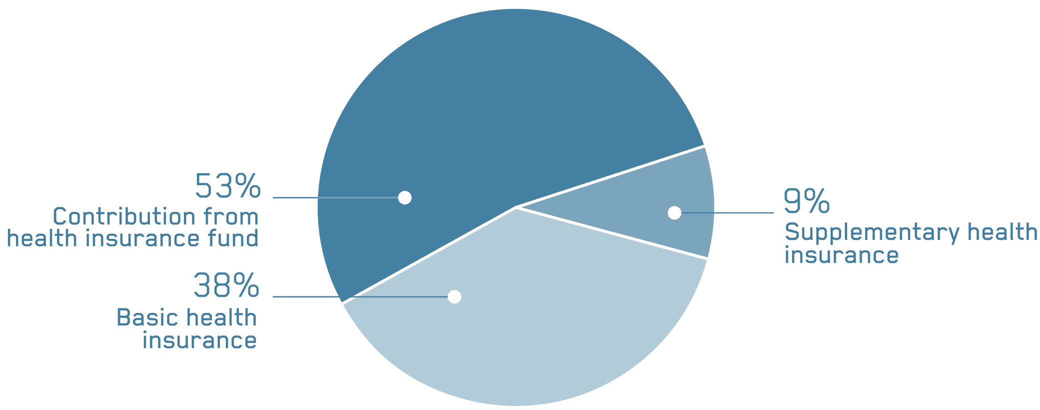
The combined ratio of our income protection business improved to 93.2% in 2018 (2017: 93.3%). The claims ratio was 70.6% in 2018 (2017: 72.8%), while the expense ratio was 22.6% (2017: 20.5%).

Results and developments in 2018

Health Netherlands

GROSS EARNED PREMIUMS	OPERATIONAL RESULT	COMBINED RATIO BASIC HEALTH INSURANCE	COMBINED RATIO SUPPLEMENTARY HEALTH INSURANCE
€13,942 million	€128 million	99.4%	92.4%

Gross earned premiums



RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	13,942	13,184	6%
of which Basic health insurance	12,621	11,869	6%
Net earned premiums	14,031	13,518	4%
Investment income including associates and joint ventures	3	47	n.m.
Other income	107	107	0%
Total operational income	**14,141**	**13,672**	**3%**
Net claims, benefits and movements in insurance liabilities	13,426	13,249	1%
Operating expenses	526	511	3%
Other expenses	61	40	n.m.
Total operational expenses	**14.,013**	**13,800**	**2%**
Operational result	**128**	**–128**	**n.m.**

n.m.: not meaningful

GENERAL INFORMATION

Zilveren Kruis, De Friesland Zorgverzekeraar, FBTO, Avéro Achmea, Interpolis, OZF, Pro Life en Ziezo provide basic and supplementary health insurance. Alarmcentrale Eurocross provides medical support worldwide.

In the Dutch health system, basic insurance is for everyone and there are no acceptance criteria. This means that there is solidarity between young and old, poor and rich and sick and healthy people. This is unique in the world: less than 5% of the world population lives in a country where everybody has access to the same good healthcare. Developments such as ageing of the population, new treatments and medicines and shortage on the labour market in the Netherlands put pressure on the affordability and accessibility of healthcare. This underlines the importance to organize better and give more attention to prevention and a healthy lifestyle.

Zilveren Kruis and the other health brands of Achmea want to bring good health closer to everyone. We have the ambition to offer healthcare safely at home. This makes the impact of treatment less invasive, improves the quality of life and helps keep premium levels affordable. With initiatives such as Gezond

Ondernemen and the lifestyle platform Actify we help customers to work and live healthier.

In 2019 approximately 5 million residents of the Netherlands chose for health insurance from one of Achmea's health brands. With this number of insured clients, Achmea is market leader with an estimated market share of 29%. Organizing solidarity between customers and uniting interests in the healthcare sector fits the cooperative identity of Achmea. Through this we fulfill our societal role. Healthcare also contributes to synergy advantages such as lower execution costs and capital requirements. As Achmea we can assist in broader societal issues such as ageing of the population, employment conditions and living.

Gross earned premiums

Gross earned premiums from basic and supplementary health insurance increased by 6% to €13,942 million (2017: €13,184 million). Gross earned premiums from basic health insurance amounted to €12,621 million (2017: €11,869 million). The increase in gross earned premiums is due to higher premiums for basic health insurance and a larger contribution from the health insurance equalisation fund as a result of the increase in healthcare expenses in the Netherlands. Gross earned premiums from supplementary health insurance remained more or less stable at €1,321 million (2017: €1,315 million).

Operating expenses

Operating expenses of our health activities are €526 million (2017: €511 million). The increase is due to the reorganisation provisions made in 2018 (€29 million). These relate to the merger of De Friesland Zorgverzekeraar and Zilveren Kruis and the closure of the office location in Zwolle. This merger will result in lower operating expenses in the future. In 2017, there was a one-off windfall of €24 million from amendments to the pension scheme for our employees at several health entities. When adjusted for these items, operating expenses decreased by €38 million (-7%). The decrease is a direct result of initiatives to standardise systems and business processes, enabling a reduction in the number of employees.

Operational result

BASIC HEALTH INSURANCE

The operational result of basic health insurance was €45 million over 2018 (2017: €175 million negative). In 2017 a provision of €108 million was made for setting premiums below cost in 2018. As a consequence the result of basic health insurance is loss-making.

The operational result for the 2018 underwriting year was €18 million negative (2017: €15 million). The 2018 underwriting year has higher healthcare expenses, including higher expenses due to price inflation and expensive medicines, nursing & care and geriatric rehabilitation caused by the ageing population, than estimated in November 2017 when premium levels were set. This is partly compensated by a higher contribution from the health Insurance Equalisation Fund. Reorganisation provisions were also made in 2018.

The incidental result from previous years amounts to €84 million (2017: €83 million negative). In 2018, this positive result can be attributed to lower healthcare expenses mainly relating to specialised medical care, pharmacy and mental healthcare for the 2017 underwriting year. The negative result in 2017 was largely caused by an adjustment to the contribution from the National healthcare Institute (Zorginstituut Nederland).

In 2018, a limited amount of capital reserves was used for premium-setting in 2019. A provision of €21 million was made for two labels, while in 2017 a provision of €108 million was made for setting premiums below cost in 2018. The limited use of the capital reserves is in line with our objective of setting premiums at cost price for the basic health insurance business.

The combined ratio of basic health insurance is 99.4% (2017: 101.6%) and has improved as a result of lower healthcare expenses than expected on previous years.

SUPPLEMENTARY HEALTH INSURANCE

Supplementary health insurance accounts for €85 million of the operational result from the health business (2017: €55 million). The higher result derives from the 2018 underwriting year as well as previous years. The higher result for the 2018 underwriting year is due to a lower cost of claims. Healthcare expenses for previous underwriting years were €9 million less than in 2017. The percentage of basic health insurance policyholders with supplementary coverage has remained stable at around 80% in 2018. This reaffirms the value of supplementary health insurance for our customers.

The combined ratio of supplementary health insurance policies improved to 92.4% in 2018 (2017: 96.0%).

OTHER (HEALTHCARE OFFICES & SERVICES)

The operational result for Other was €2 million negative in 2018 (2017: €8 million negative). Category Other relates to healthcare offices that implement the Long-term Care Act (Wlz) and activities related to healthcare services. The higher operational result can be attributed to higher reimbursements for administrative expenses relating to the Wlz and a decrease in operating expenses.

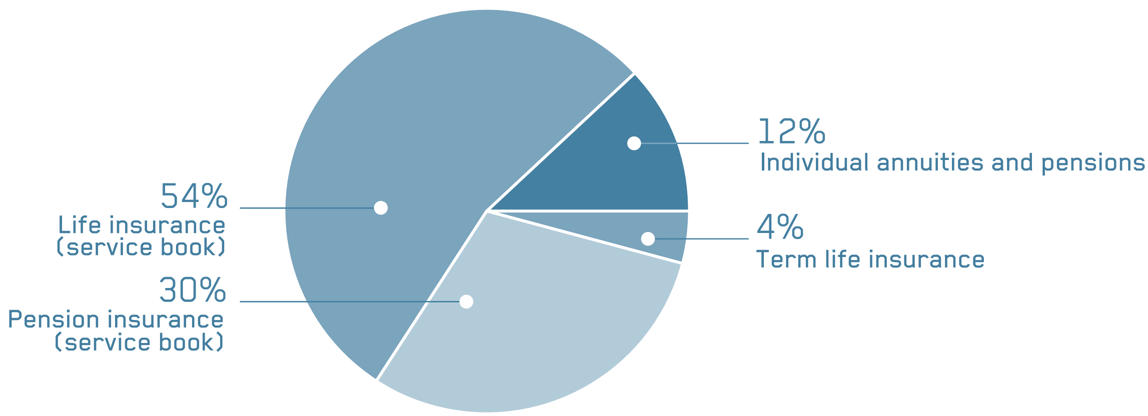
Results and developments in 2018

Pension & Life Netherlands

GROSS EARNED PREMIUMS
€1,420 million

OPERATIONAL RESULT
€334 million

Gross earned premiums



RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	1,420	1,569	−9%
Net earned premiums	1,389	1,537	−10%
Investment income including associates and joint ventures	555	1,468	−62%
Other income	9	18	−50%
Total operational income	**1,953**	**3,023**	**−35%**
Net claims, benefits and movements in insurance liabilities	1,459	2,481	−41%
Operating expenses	150	172	−13%
Other expenses	10	28	−64%
Total operational expenses	**1,619**	**2,681**	**−40%**
Result before tax	**334**	**342**	**−2%**

GENERAL INFORMATION

Pension & Life manages the group pension contracts and traditional savings and life insurance products. In addition, the service organisation manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. The service organisation focuses on generating a stable result with positive capital generation, while maintaining the level of customer satisfaction.

Gross earned premiums

Gross earned premiums decreased by 9% to €1,420 million in 2018 (2017: €1,569 million). Of this amount, €1,193 million comes from the service-book and €227 million from the open-book.

Gross earned premiums on our service-book pension portfolio decreased by 13% as a result of normal portfolio trends and expirations. Total gross earned premiums amounted to €424 million (2017: €490 million). In line with our strategy, no new pension insurance contracts have been sold in this portfolio. Given the long duration of the contracts in our pension portfolio, the liabilities will decrease slowly. Premium lapse for the service-book life portfolio stands at 7% and total gross earned premiums decreased to €769 million (2017: €831 million). The decline in the portfolio for both pension and life is in line with our expectations.

Gross earned premiums from term life insurance increased to €54 million (2017: €49 million). However, the growth in new term life insurance products has declined as there is no longer an obligation to take out such products when arranging NHG-guaranteed mortgages. Production of individual annuities and pensions amounted to €173 million in 2018 (2017: €199 million).

Operating expenses
Operating expenses decreased by a further 13% to €150 million in 2018 (2017: €172 million). The decrease is the result of reducing the number of employees in line with the development of the portfolio, reducing the number of IT systems, optimising processes and changes to cost allocation. An additional investment programme was initiated in 2018 aimed at further reducing the number of IT systems step-by-step over the coming years.

Operational result
The operational result remained fairly stable in 2018 at €334 million (2017: €342 million). The slight decline in the result is due to the lower investment results, which is largely compensated for by improved technical and expense results.

The technical result increased by €8 million in 2018 compared to 2017 . This was mainly due to the addition to the provision for contribution waivers in the case of disability in 2017.

The investment result decreased by €29 million compared to 2017. The decrease is due to lower foreign exchange results and revaluations as a result of downward trends on the financial market in 2018. The increase in the value of real estate investments partly compensates for this, while the widening swap spread also had a positive impact. These two trends, however combined only succeeded in partially absorbing the decrease.

Results and developments in 2018

Retirement Services Netherlands

NET INTEREST MARGIN	OPERATIONAL RESULT	ASSETS UNDER MANAGEMENT	COMMON EQUITY TIER 1 RATIO ACHMEA BANK
€112 million	€15 million	€129 billion	20.8%

RESULTS (€ MILLION)

	2018	2017	Δ
Fees and commissions	121	158	−23%
Net interest margin	112	106	6%
Realised and unrealised results	−2	1	n.m.
Other income	1	7	−86%
Total operational income	**232**	**272**	**−15%**
Operating expenses	219	266	−18%
Other expenses	-1	2	n.m.
Additions to loan provisions	−1	−8	−88%
Total operational expenses	**217**	**260**	**−17%**
Operational result	**15**	**12**	**25%**

n.m.: not meaningful

GENERAL INFORMATION

Achmea's Retirement Services provides pension funds, employers and retail customers with pension services, capital accrual and mortgage solutions. The Centraal Beheer General Pension Fund (Centraal Beheer APF) provides an alternative to pension insurance in the second pillar of the Dutch pension system. Combined with products for capital accrual and mortgage solutions in the third and fourth pillars, customers can choose from a wide range of financial services. These products and services are sold under the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pensionservices and Achmea Pensioen & Leven.

Operational result

The operational result for Retirement Services increased to €15 million in 2018 (2017: €12 million). The improved result was mainly driven by a higher net interest margin of Achmea Bank, an increase of fee income at Achmea Investment Management and cost reductions. Start-up investments for the Centraal Beheer APF were also lower in 2018 than in 2017. The operational result for Achmea Pensionservices decreased as a result of expenses relating to phasing out the sectoral pension fund business.

ACHMEA BANK

Achmea Bank's result increased to €36 million in 2018 (2017: €24 million). This increase is the result of a decrease in expenses and an improvement in the interest result. Interest result improved due to lower financing expenses. This is despite lower interest income caused by a decrease in the mortgage portfolio and lower rates on newly-originated mortgages and rate revisions.

Operating expenses decreased as a result of outsourcing mortgage administration, implementation of a new savings system, a decrease in corresponding project expenses and a lower contribution to the start-up costs of the Centraal Beheer APF.

At year-end 2018, the Common Equity Tier 1 ratio was 20.8% (31 December 2017: 20.4%), and increased due to a decrease in the mortgage portfolio and retained profit.

ACHMEA INVESTMENT MANAGEMENT

Assets under management (AuM) increased to €129 billion at 31 December 2018 (31 December 2017: €120 billion). The AuM has increased due to the inflow of new customers, including Stichting Pensioenfonds Huisartsen.

Achmea Investment Management's contribution to the segment result increased to €8 million (2017: €4 million) due to an increase in fee revenue and a decrease in expenses. The higher revenue was driven by the inflow of new customers, new mandates and revenue growth at the Centraal Beheer APF. Expenses have decreased due to insourcing external asset managers and no further contribution to start-up expenses for the Centraal Beheer APF. These lower expenses are partly compensated for by a slight increase in personnel and other expenses.

ACHMEA PENSIONSERVICES

Achmea has opted to phase out administrative services to mandatory sectoral pension funds. The phasing out of services to these pension funds was successfully completed as of 1 July 2018. As a result, Achmea Pensionservices focuses on services to the Centraal Beheer APF and to company, occupational and exempt sectoral pension funds. The number of pension funds in the Centraal Beheer APF will soon be increased with the planned transfer of Stichting Pensioenfonds Cindu and the Delta Lloyd APF as of 1 January 2019. Besides this, 2018 was a very successful year for the employers market.

Achmea Pensionservices welcomes two new clients, Pensioenfonds Alliance and Metro Pensioenfonds. Furthermore, the number of administered members from company, occupational and exempt pension funds has increased.

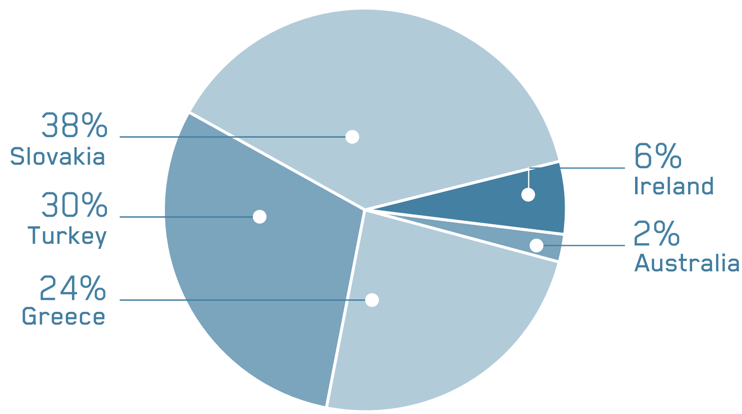
The operational result of Achmea Pensionservices decreased to €29 million negative in 2018 (2017: €16 million negative). The lower result is due to expenses relating to the strategic decision to phase out the sectoral pension fund business. Achmea Pensionservices is investing in further optimising its processes and further reducing its operating expenses, while continuing to guarantee services that are highly rated by customers.

Results and developments in 2018

International activities

GROSS EARNED PREMIUMS	OPERATIONAL RESULT	ACTIVE FOREIGN OPERATIONS
€1,106 million	€29 million	5

Gross earned premiums



RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	1,106	1,206	−8%
Net earned premiums	924	1,004	−8%
Investment income including associates and joint ventures	77	209	−63%
Other income	47	50	−6%
Total operational income	**1,048**	**1.,263**	**−17%**
Net claims, benefits and movements in insurance liabilities	722	905	−20%
Operating expenses	266	307	−13%
Other expenses	31	35	−11%
Total operational expenses	**1,019**	**1,247**	**−18%**
Operational result	**29**	**16**	**81%**

GENERAL INFORMATION

Achmea International focuses on the core qualities of non-life, health and agri insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge of niche markets and online expertise gained in the Netherlands. This expertise is used in specific international markets using a limited capital lock-up. We are accelerating growth and gaining market share in existing and new markets. Moreover, our online brand Anytime has expanded its operations to Cyprus. Via its partnership with Fairfax, a Canadian holding, Achmea has entered the Canadian property & casualty insurance market with the launch of its completely online proposition under the Onlia brand name. The sale of Friends First to Aviva was completed successfully.

Gross earned premiums

Gross earned premiums in euros decreased by 8% to €1,106 million last year (2017: €1,206 million). This decrease in euros is mainly due to the sale of Friends First in May (five months of premiums in 2018) and the depreciation of the Turkish lira. When adjusted for exchange-rate effects, gross earned premiums increased by 11% in Health and 7% in Non-life.

In Slovakia, both Health and Non-life product ranges performed well, with growth of 8% for Health and 11% for Non-life. Our online channel is evolving fast and noted an increase in premiums of 13%.

In Greece, the Health and Non-life product ranges displayed strong growth compared to last year (5% and 19% respectively). The Greek economy is growing again after eight years of recession. Interamerican's direct online insurance brand, Anytime, grew to approximately 355,000 customers in 2018 (2017: approximately 315,000). Building on the success of Anytime in Greece, these operations were expanded to include Cyprus in July 2018.

In Turkey, gross earned premiums grew by 10% to TRY 1,522 million (2017: TRY 1,379 million). Health (+21%) and non-motor (+23%) performed well, while the motor portfolio decreased by 13%. This is mainly due to lower car sales and a focus on other property & casualty products.

In Australia, gross earned premiums increased in local currency by 29% to AUD 32 million (2017: AUD 25 million) thanks to a successful partnership with Rabobank and our innovative distribution strategy.

Operating expenses

Operating expenses decreased by 13% to €266 million in 2018. This decrease can largely be attributed to the depreciation of the Turkish lira and the sale of Friends First. When adjusted for this, there is slight growth in operating expenses. This increase can be attributed to the investments in the digital channel, the launch of Onlia in Canada and also the higher expenses related to autonomous growth in the individual countries.

Operating result

The total operational result was €29 million (2017: €16 million). Significant positive contributions to the operational result came in particular from Slovakia, Turkey and Greece. In 2018, the international business also profited from higher investment results and cost reductions.

Results and developments in 2018

Other activities

OPERATIONAL RESULT OTHER ACTIVITIES	OPERATIONAL RESULT ACHMEA REINSURANCE	GROSS EARNED PREMIUMS ACHMEA REINSURANCEE	ASSETS UNDER MANAGEMENT ACHMEA REAL ESTATE & FINANCE
€-212 million	€-13 million	€205 million	€21.5 billion

RESULTS (€ MILLION)

	2018	2017	Δ
Total income	254	261	-3%
Of which gross earned premiums	205	255	-20%
Operating expenses	352	203	73%
Of which premium-related reinsurance fees	*45*	*50*	*-10%*
Interest & other expenses	114	117	-3%
Of which Interest expenses	57	62	-8%
Total operational expenses	466	320	46%
Operational result	**-212**	**-59**	**n.m.**

n.m.: not meaningful

GENERAL INFORMATION

Other activities includes the results of our Shared Service Centers, activities at holding company level, Achmea Reinsurance, Syntrus Achmea Real Estate & Finance and Independer. As part of Achmea, Achmea Reinsurance provides reinsurance solutions for the group and accepts external reinsurance risks on a limited basis. Syntrus Achmea Real Estate & Finance manages both the real estate portfolios of the insurance entities and those of external customers.

Independer was sold to De Persgroep at the end of 2018 as part of Achmea's strategic decision-making and focus on online customer services via its own distribution channels. The sale yielded a transaction result of €167 million for Achmea.

Operational result

The result of Other Activities is to a large extent determined by the holding company expenses, interest expenses on external loans, and the results of the operating companies in this segment.

The operational result was €212 million negative in 2018 (2017: €59 million negative). The lower result can chiefly be attributed to reorganisation expenses of €41 million caused by a further reduction in the workforce and the centralisation of office locations. In 2017, there was a release of reorganisation provisions of €28 million. Furthermore, the result of Achmea Reinsurance decreased by €18 million to €13 million negative as a result of the impact of storm Friederike in January 2018 (€30 million own retention). Higher investments of €18 million in new initiatives and services, part of the result being removed by the sale of Independer and a change to passing on charges also contributed to the decrease in the result.

Syntrus Achmea Real Estate & Finance and Independer both added positively to the result in 2018 (the contribution from Independer is eleven months due to its sale as of 1 December 2018).

ACHMEA REINSURANCE COMPANY

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance cover to the Dutch and foreign legal entities in the group. The purpose of Achmea Reinsurance's external reinsurance portfolio is diversification of insurance risks and earnings growth for Achmea.

The operational result was €13 million negative in 2018 (2017: €5 million). The decrease in the result was primarily caused by €30 million in net claim costs generated by the severe storm that passed over the Netherlands and other parts of northwest Europe on 18 January 2018. Investment results were also lower than in 2017. The external reinsurance portfolio earned a positive result of €4 million, despite a number of global catastrophes. Over 2017 this was a loss of €17 million due to a record number of global natural disasters. Gross earned premiums stood at €205 million in 2018 (2017: €255 million). Premiums were €37 million higher in 2017 due to the one-off effect of moving the renewal date for the group reinsurance programme in that year.

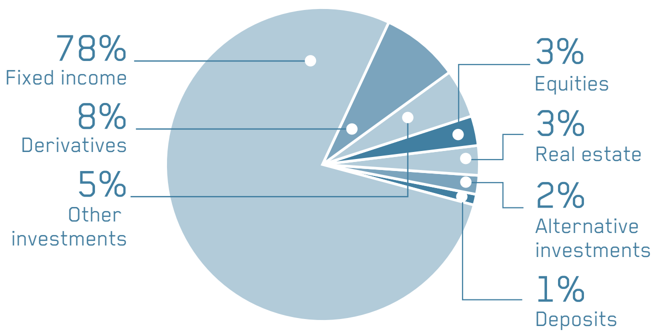
SYNTRUS ACHMEA REAL ESTATE & FINANCE

Assets under management in real estate and mortgages increased to €21.5 billion (2017: €19.7 billion). This increase is due to the new mandates for institutional investors and higher valuation of existing portfolios. Of the individual asset classes, mortgages and residential property in particular experienced strong growth. Management fees increased to €82 million (2017: €72 million). This is due to an increase in the number of mortgages issued to retail customers thanks to higher mandates as well as higher revaluations across all product groups, but primarily at residential property investments. The result increased to €11 million due to higher fees (2017: €8 million).

Investments

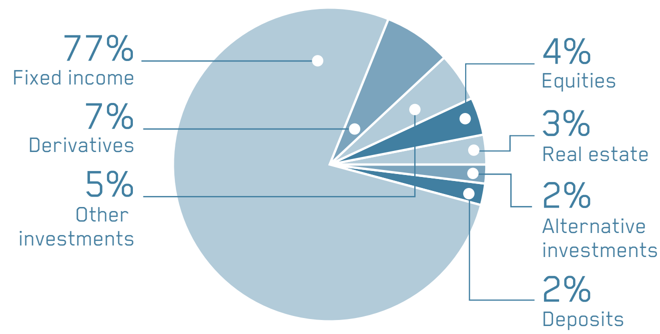
Total investment portfolio[1]

(31/12/2018: €45.1 billion)



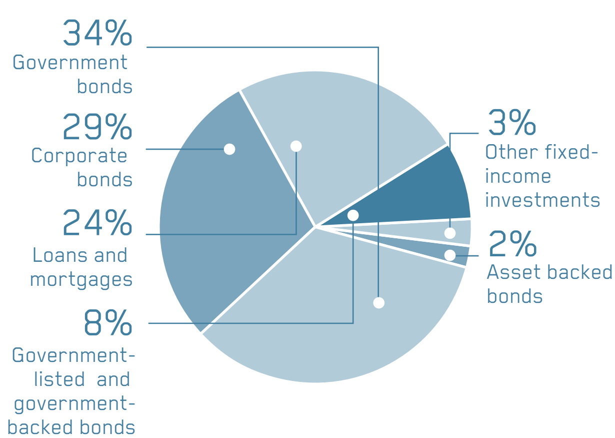
Total investment portfolio[1,2]

(31/12/2017: €44.6 billion)



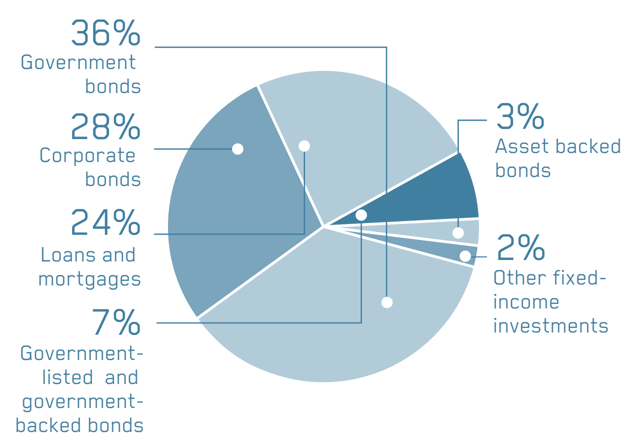
Relative allocation fixed-income portfolio

(31/12/2018: €35.4 billion)



Relative allocation fixed-income portfolio[2]

(31-12-2017: €34,4 miljard)



1. *The year report shows fixed-income funds as part of the fixed-interest portfolio and real estate funds as part of real estate. In the financial statements, these investment categories are shown as part of equities and similar investments.*
2. *Excluding "held for sale" investments of the sold entities of Friends First.*

INVESTMENT RETURNS

Income from our own risk investment portfolio[3] amounted to €1,066 million in 2018 (2017: €1,248 million). Positive real estate revaluations due to improved market sentiment had a positive impact.

The residential and office segments in particular noted high increases in value in 2018. These positive trends were partially offset by lower realised gains on fixed income and equities, as well as an increase in impairments on equities caused by the poor stock market conditions at the end of 2018. The negative foreign exchange results also increased considerably.

[3] *The investment results (including realised and unrealised changes in value) from our own risk investment portfolio are adjusted for fair value results and other investment returns that are directly related to insurance commitments.*

Investments

FIXED-INCOME PORTFOLIO

The value of our fixed-income portfolio increased by 3% to €35.4 billion in 2018 (year-end 2017: €34.4 billion). The increase was mainly caused by the increment in money market investments. Disregarding this factor, the fixed-income portfolio remained more or less stable.

Within the fixed-income portfolio, the allocation to government bonds, government-related bonds and government-backed loans - more than €15.0 billion (year-end 2017: €14.7 billion), equivalent to 42% (year-end 2017: 43%) - remained more or less stable in 2018. The bulk of this amount was invested in Dutch government bonds. Furthermore, there were relatively large allocations to German and French government bonds, while we also invested in Austrian, Finnish and Belgian government bonds, amongst others. We invest in Greek government bonds partly due to our activities in Greece (€7 million at year-end 2018).

In 2018, the residential mortgages portfolio was further expanded by scaling down our government bonds portfolio. The residential mortgages portfolio increased to €7.5 billion (2017: €7.2 billion). In so doing, we increase the returns on our portfolio. We increased the share of direct mortgages in our portfolio in 2018 through the Woonfonds, Centraal Beheer Achmea and Hypotrust Woonbewust channels.

Our fixed-income portfolio is prudently invested. The bulk of the portfolio (more than 75%) has an investment-grade rating (BBB or higher). The fixed-income securities without a rating that make up 23% of the portfolio are mainly direct mortgages (year-end 2017: 23%).

EQUITY AND ALTERNATIVE INVESTMENT PORTFOLIO

Our equity portfolio had a total value of €1.5 billion at year-end 2018 (year-end 2017: €1.6 billion), i.e. a 3% share in our total investment portfolio. This decrease is the result of a value decrease in the portfolio in 2018 of about 8% due to the poor stock market conditions at the end of 2018. In addition to our equity portfolio, we also manage a portfolio of alternative investments such as private equity, hedge funds, infrastructure and commodities. The value of this portfolio at year-end 2018 was €0.8 billion (year-end 2017: €0.8 billion).

REAL ESTATE PORTFOLIO

Despite value increases, our real estate portfolio remained more or less the same at €1.4 billion in 2018, mainly driven by sales, and by year-end 2018 it represented a 3% share of our total investment portfolio. At year-end 2018, the real estate portfolio comprised €1.1 billion in direct real estate investments, including 50% residential real estate, 26% retail, 22% offices and 2% other real estate holdings. Additionally, our real estate portfolio comprised €275 million in indirect real estate investments (2017: €232 million).

TOP 5 INVESTMENTS IN GOVERNMENT BONDS

((€ MILLION)

	31-12-2018	31-12-2017	RATING
Netherlands	6,697	6,881	AAA
Germany	1,959	2,986	AAA
France	1,158	1,351	AA
Austria	432	415	AA
Spain	333	263	A

DISTRIBUTION OF FIXED-INCOME PORTFOLIO BY RATING

	31-12-2018	31-12-2017[1]
AAA	35%	36%
AA	14%	14%
A	13%	13%
BBB	14%	13%
<BBB	1%	1%
No rating	23%	23%
Total	**100%**	**100%**

1. *Excluding "held for sale" investments of the sold entities of Friends First.*

Capital and risk management

As a financial services provider, Achmea is exposed to insurance risk, market risk, counterparty default risk, liquidity risk, operational risk, compliance risk and strategic risk. Effective capital and risk management ensures that Achmea identifies risks in time and manages them carefully. This also ensures that Achmea and all it's supervised entities hold sufficient capital to be able to protect the interests of all stakeholders in the short and long term and that the capital is used efficiently.

At year-end 2018 Achmea had a solid Solvency II capital position and a solvency ratio of 198%. The composition of the risk profile and the key risks identified remained largely unchanged in 2018.

Note 2 (p. 57) Capital and risk management in the financial statements contains a more detailed description of the developments in 2018, Achmea's capital position, risk profile and its capital and risk management policy.

Governance

Supervisory Board Report

MAIN DEVELOPMENTS IN 2018

The Group's strategy and long-term value creation were key items on the Supervisory Board's agenda in 2018. In this respect, the strategic developments for Achmea and corresponding dilemmas, macro-economic environmental analysis and risks and opportunities for the business were frequent topics of discussion.

Other important topics that were considered include the progress on the strategic agenda and the achievement of targets for the "Samen Waarmaken" (2017-2019) planning period, Achmea's capital policy and the sale of a few subsidiairies, including Independer. The board closely monitored progress on the positive development of the Group's liquidity and solvency position, as well as profitability and free capital generation.

The Supervisory Board approved the decision to buy back Achmea shares. On 2 February 2018, the general meeting authorised the Executive Board to implement the decision to buy back Achmea shares.

In 2018, the Supervisory Board again devoted attention to succession planning and the composition of the Executive Board, partly with respect to filling the -vacancy on the Executive Board. Attention was also devoted to the composition of the Supervisory Board with a view to the expiry of the term of appointment of four members in 2019. In addition, the Supervisory Board committees discussed aspects such as risk management, compliance, remuneration policy, diversity policy and management development.

The Supervisory Board rates its relationship with the Executive Board as good. It was established that the reports and information provided to the Supervisory Board and the quality of the information provided were good. In these, the interests of the company's stakeholders are incorporated in a balanced fashion.

TASKS AND DUTIES OF THE SUPERVISORY BOARD

The Supervisory Board performs its duties on the basis of three roles: supervisor, advisor (solicited and unsolicited advice) and employer in relation to the Executive Board. The Supervisory Board convened on thirteen occasions in 2018, for nine ordinary meetings and four extraordinary meetings. Almost all the meetings were held at Achmea's head office in Zeist. A two-day strategy session was held in Amsterdam and at Rabobank in Utrecht, and one meeting was held in Leeuwarden. The members of the Supervisory Board and Executive Board discussed Achmea's strategic direction at the strategy session. The visit to Rabobank in Utrecht was in the context of the distribution relationship with Rabobank and the collaboration between Rabobank and Achmea.

The visit to the Achmea office in Leeuwarden was related to the main IT trends in digital security and being an online insurer. The growth of De Friesland Zorgverzekeraar within Achmea and the former's strategy were also discussed. The latest news on the bankruptcy of MC IJsselmeer and MC Slotervaart hospitals was debated as well.

The Supervisory Board maintains a total of three committees, which advise the Board: the Audit & Risk Committee, the Remuneration Committee and the Selection & Appointments Committee. The Audit & Risk Committee convened on eighteen occasions in 2018, the Remuneration Committee four times and the Selection & Appointments Committee held a total of fifteen meetings. The table below provides an overview of the attendance rates of each individual board member. Members who were unable to attend a meeting informed the relevant chairman and provided the chairman with input prior to the meeting.

Supervisory Board Report

ATTENDANCE RATES

NAME	SUPERVISORY BOARD	AUDIT & RISK COMMITTEE	SELECTION & APPOINTMENTS COMMITTEE	REMUNERATION COMMITTEE
J. van den Berg	92%			100% [1]
P.H.M. Hofsté	100%	89%		
S.T. van Lonkhuijzen	92%			100%
M. Lückerath	92%		100%	100%
A.C.W. Sneller	92%	94%		
A.W. Veenman	100%	94%	100%	100%
A.J.A.M. Vermeer	100% [2]		100% [2]	100% [2]
R.Th. Wijmenga	92%	100%		
W.H. de Weijer	100%		100% [3]	

1. *Joined the Remuneration Committee as of the meeting on 27 September 2018*
2. *Retired as of 17 April 2018 due to the expiry of his third term of appointment*
3. *Joined the Selection & Appointments Committee as of the meeting on 14 June 2018*

Strategy and "Samen Waarmaken"
One of the Supervisory Board's three key duties is involvement in developing Achmea's strategy and monitoring its implementation.

With a view to developing the 2019-2021 Business Plan, the Supervisory Board was involved in the strategic issues at an early stage and discussed these during several sessions with the Executive Board.

The Supervisory Board also discussed a number of dilemmas with the Executive Board in this context, including: i) the extent to which scarce resources are used to develop innovations and new revenue models versus the creation of capital buffers and increasing the return on capital and ii) the future sustainability of the allocation of reserves in the health insurance business in order to restrict increases in basic health insurance premiums, partly with a view to retaining the sound solvency margin that is required to be able to continue absorbing potential movements in claim trends and budget equalisation and, among other things, to be able to finance innovation.

The Achmea strategy focuses on strengthening current business models and on developing new products, services and business models. Achmea's cooperative roots lead it to focus on the long term. The long-term value creation that is embedded in Achmea's strategy focuses on providing products and services that have added value for society and investing responsibly. Achmea works together with its customers, members and partners to create a healthy, safe and future-proof society. Together with the Executive Board, the Supervisory Board attaches a great deal of importance to the dialogue Achmea conducts with its stakeholders, which helps define the impact Achmea aims to have on society and how it creates value for its stakeholders in the long term.

The socially-relevant themes through which Achmea wants to have an impact on customers and society and create value in the long term are: good health closer to everyone; clean, safe and smart mobility; safe home, living and working environments; and (financial) solutions for now, tomorrow and later. The Supervisory Board endorses the choice of these themes. These serve to give direction to (future) activities and innovations. The aim to be relevant to customers and to be trendsetting is leading in all our improvement initiatives and innovations. Customers' wishes are changing rapidly. Innovation in digital customer service and improvement of services to customers are therefore recurring topics on the agenda. The UN's Sustainable Development Goals (SDGs) and the decision by Achmea to aim to excel at the SDGs Good health and well-being, Sustainable cities and communities and Climate action were discussed in 2018. These three SDGs touch on major trends and risks that our customers and society face and are closely bound up with Achmea's core business.

The Supervisory Board and the Executive Board also discussed together the Group's financial ambitions, the economic uncertainties and related opportunities and challenges, scenarios and sensitivities facing the Group, and the measures defined by the Executive Board for the short and long term. The Supervisory Board monitored the Executive Board's commitment to achieving its financial ambitions, further reducing expenses and complexity while also continuing to invest in excellent digital customer service, innovations and strategic initiatives to increase financial return in the long term. In this, the Supervisory Board further discussed with the Executive Board simplifying the structure of the company and timely responses to technological trends.

The implementation of the international strategy in 2018 focused on i) growth in existing markets, based in part on the core qualities of

Supervisory Board Report

the Dutch business and ii) the development of a digital property & casualty insurance company in existing international markets with the use of online competencies from the Dutch business was discussed extensively, including the start-up of Onlia Canada.

The Supervisory Board noted that major progress has been made in 2018 in improving the operational result, the Solvency II ratio, free capital generation and liquidity. The positive effects of the return and expense measures and measures to reduce volatility in the result and solvency ratio were important topics for discussion. The Supervisory Board noted a further improvement in customer satisfaction, that Customer Centricity scores are high and that the employee engagement score remains high. The uncertainties surrounding, for instance, the initiative proposing legislation banning profit distribution by health insurance companies, the development of healthcare premiums and premium setting in relation to restricting increases in health insurance premiums for customers were discussed, as was the volatility of the result in particular at Health, Non-Life and Investments (financial markets). Discussions were also held on the development of services relating to the Centraal Beheer General Pension Fund, as well as the activities for pension services, asset and real estate management.

At the end of 2018, the 2019-2021 Business Plan and the 2019 budget were approved. Innovation in services will remain a central focus in the new planning period, giving further substance to the strategy in the process. Achmea continues to focus on insurance products and services in the property & casualty, income protection and healthcare divisions, along with retirement services and international operations through the direct and banking channels. The digital transformation forms part of the current business plan. The Supervisory Board endorses the plans defined by the Executive Board, the measures implemented and the urgency of their implementation.

Finance and risk

In each quarter of 2018, the Supervisory Board discussed Achmea's financial situation in detail based on the interim and quarterly results, in addition to discussing and approving the year report for 2017. The discussions on the annual and interim reporting were also attended by the external auditor.

In these discussions, the focus was on good progress on the strategic agenda and the positive effects of the implemented return measures relating to claims, which have resulted in improved technical results and a gradual reduction of the combined ratio. At the same time, the two severe storms that passed over the Netherlands in January 2018 adversely affected the cost of claims. In addition, the positive development of the financial ratios, the decrease in the structural expense base, the impact of the change to the corporate tax rate, reorganisation expenses, positive claim and equalisation adjustments at Health and a much lower loss provision in the Health business compared to the previous year were also examined. In this respect, the Supervisory Board endorses the importance the Executive Board attaches to optimising the balance sheet.

The Supervisory Board noted that the measures implemented by the Executive Board to improve the structural performance have contributed positively to the improved financial return. Achmea's financial position has improved in several respects compared to the end of 2017.

Risks and their impact on Achmea were again an important agenda item for the Supervisory Board in 2018. This includes discussions on the Group's risk appetite, the risk and compliance reports, as well as any new special risks which may arise. For instance, in 2018 the Board examined in detail the ratings, capital policy and the proposed legislation banning profit distribution by health insurance companies. The internal control of compliance and operational risks, including the control of risks relating to taxation, the Product Approval Review Process (PARP), privacy and cybersecurity were also discussed extensively. The Supervisory Board concluded that the integral risk reporting has improved further and is of a high quality.

The Supervisory Board approved the dividend proposal made by the Executive Board and established that it is properly substantiated, the interests of all the stakeholders having been considered. The general meeting decided to pay out dividends over 2017 to the holders of preference shares and ordinary shareholders.

The Supervisory Board was also intensively involved by the Executive Board in the decision to redeem Achmea shares. The Supervisory Board approved this and on 2 February 2018 the general meeting authorised the Executive Board to implement the decision to redeem Achmea shares.

Compliance with laws and regulations and auditing

Together with the Executive Board, the Supervisory Board noted in 2018 that the compliance requirements arising from laws and regulations, external regulation and national and international (industry) associations continue undiminished. The Supervisory Board views the clarity and transparency of the requirements imposed by regulators positively. However, the amount of time this entails, both for the Executive Board and the organisation, remains as high as ever.

The Supervisory Board and its committees discussed a variety of issues in detail, including the implementation of the General Data Protection Regulation (AVG) and the impact of the future introduction of IFRS 9 and IFRS 17.

The Audit & Risk Committee and the Supervisory Board also conducted in-depth discussions with the external auditor and Internal Audit on the conclusions set out in the management letter and the audit memorandum.

Supervisory Board Report

The role of employer and remuneration

In its role as an employer, the Supervisory Board discussed remuneration and the composition of the Executive and Supervisory Boards.

Achmea has its own remuneration policy that is aligned with its identity and strategy, as well as laws and legislation governing remuneration. Over the past few years, Achmea has implemented various amendments and retrenchments to the remuneration policy for board members and senior management. At Achmea, variable remuneration for all employees in the Netherlands is restricted to a maximum of 20% of their fixed salary, whereby no use is made of the legal scope for exemptions for personnel in the Netherlands who do not come under the Collective Labour Agreement (CAO) within the stipulations of the Act on Remuneration Policies of Financial Undertakings (Wbfo).

In its capacity as the most senior body, the Supervisory Board monitors the Group's remuneration policy to ensure that it complies with the principles for a prudent remuneration policy. Achmea's Remuneration Committee monitors the Group's remuneration policy and advises the Supervisory Board on this issue. The Remuneration Committee also advises the Supervisory Board on the remuneration of the members of the Executive and Supervisory Boards. Approval of the remuneration of the members of the Supervisory Board takes place at the general meeting.

The Supervisory Board concluded that the implemented remuneration benchmark gives no reason to modify the remuneration policy for the Executive Board in 2018. The remuneration of Achmea's Executive Board is below the median of the peer group and considered appropriate. This conclusion was endorsed by the Executive Board in its vision of its remuneration. In line with existing policy, as of 1 January 2018 the fixed salary paid to Executive Board members was adjusted by the increment of 2% under the Collective Labour Agreement. Furthermore, as of 1 January 2018, the fixed salary of five members of the Executive Board was increased, as had previously been agreed but deferred at their own request, in relation to a previous adjustment to their variable remuneration structure (variable remuneration set at a maximum of 20% of the fixed salary). Please see Explanatory note 35 of the consolidated financial statements.

The compensation paid to the members of the Supervisory Board remained unchanged in 2018. Please also see Explanatory note 35 of the consolidated financial statements.

Achmea publishes detailed information on its remuneration policy, including the remuneration of the Executive Board and the Supervisory Board, in the 2018 Achmea Remuneration Report, tob e published in May 2019 on www.achmea.nl.

Composition of the Executive Board

The composition of the Executive Board remained unchanged in 2018. The Supervisory Board reappointed Mr Henk Timmer, member of the Executive Board and Chief Risk Officer since 2014, for a four-year term starting on 1 March 2018.

Mr Konterman, Vice-chairman of the Executive Board, has decided to leave Achmea effective 1 January 2019. After 36 years at Achmea, more than five of which as a member of the Executive Board, he intends to devote more time to supervisory positions.

The procedure for filling the vacancy in the Executive Board created by the departure of Mr Konterman is at an advanced stage.

Composition of the Supervisory Board

As of 31 December 2018, the Supervisory Board had eight members. The Supervisory Board comprised four male and four female members.

Members of the Supervisory Board are selected based on a profile of the required professional background, education, international experience, skills, diversity and independence. The composition of the Supervisory Board is such that the members can perform their duties properly because of the appropriate mix of experience and expertise.

The Supervisory Board's composition was on the agenda on several occasions.

The composition of the Supervisory Board remained unchanged in 2018. On the recommendation of Vereniging Achmea, Mr Van den Berg was appointed by the general meeting, effective 16 February 2018. On expiry of his third term of appointment, Mr Vermeer retired as a member of the Supervisory Board effective 17 April 2018. The selection and appointment procedure for filling this vacancy is at an advanced stage.

Supervisory Board Report

COMPOSITION OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2018

NAME	NATIONALITY	GENDER	POSITION	TERM	CURRENT TERM
J. van den Berg [a] (1964)	Dutch	Male	Member	First	2018-2022
P.H.M. Hofsté [c] (1961)	Dutch	Female	Member	First	2015-2019
S.T. van Lonkhuijzen [a] (1960)	Dutch	Female	Member	Second	2015-2019
M. Lückerath [c] (1968)	Dutch	Female	Member	Second	2015-2019
A.C.W. Sneller [c] (1965)	Dutch	Female	Member	Second	2017-2021
A.W. Veenman [a] (1947)	Dutch	Male	Chairman	Third	2017-2021
R.Th. Wijmenga [b] (1957)	Dutch	Male	Member	First	2015-2019
W.H. de Weijer [a] (1953)	Dutch	Male	Vice-chairman	First	2016-2020

a. *Nominated by Vereniging Achmea*
b. *Nominated by Rabobank*
c. *Nominated by the Central Works Council*

EXPERTISE OF THE SUPERVISORY BOARD

NAME	EDUCATION	MANAGEMENT	GOVERNANCE	INSURANCE	BANKING	FINANCE/ RISK/AUDIT	HR/REMUNER-ATION	LEGAL/ COMPLIANCE	COMMERCE/ CUSTOMER CENTRICITY	IT	HEALTH
J. van den Berg	Medicine/Management	•	•	•			•		•		
P.H.M. Hofsté	Economics/Accountancy	•	•		•	•		•			
S.T. van Lonkhuijzen	Business Administration	•		•			•				•
M. Lückerath	Economics		•		•	•	•	•			
A.C.W. Sneller	Econometrics/Controlling	•				•		•	•	•	
A.W. Veenman	Mechanical Engineering	•	•			•		•	•	•	
R.Th. Wijmenga	Econometrics	•	•	•		•		•	•		
W.H. de Weijer	Healthcare Management	•	•	•			•				•

Permanent education

Eight permanent education sessions were organised for Supervisory Board members in 2018. All the sessions were attended by virtually all the Supervisory Board members. The individual sessions devoted attention to competition law, Socially-Responsible Investment and the UN Principles for Responsible Investment, the market risk internal model under Solvency II, developments relating to data analytics in the Netherlands and abroad, IFRS 9 and IFRS 17 and multicultural expertise and employment practices. At the IT summer courses, the focus was on trends in Artificial Intelligence, the Cloud, Data and the Blockchain.

Evaluation of the Supervisory Board

Each year, the Supervisory Board carries out a self-assessment of its performance. Following the 2017 evaluation held with the assistance of an external advisor, the Supervisory Board conducted a self-assessment of its functioning in 2018. The outcome of this evaluation was discussed in detail by the Supervisory Board, while the outcome and suggestions for further improvement were also discussed with the Executive Board.

The evaluation of the Supervisory Board focused on the following issues: the composition and role of the Supervisory Board, governance and the structure of the company, the effectiveness of supervision and transparency, and how the Supervisory Board

Supervisory Board Report

fulfils its roles as employer and advisor. The general picture created by this evaluation is positive and encourages the Supervisory Board to continue on the same path. The Supervisory Board performs well and cooperation within it and with the committees runs smoothly. There is an open and constructive atmosphere, with room for debate, different opinions and the discussion of sensitive subjects. The Supervisory Board acts independently, its members come from diverse backgrounds and complement each other, it possesses a great deal of expertise and is well-equipped for its duties. The preparations conducted by the Executive Board are also assessed positively. Furthermore, the information provision and transparency by the Executive Board and the quality of the reports were judged positively.

In response to the suggestions for improvement arising from the previous valuation, an additional focus was placed in 2018 on fleet review and succession planning, and further expanding the Supervisory Board's advisory role, partly via an additional focus on dialogue with the Executive Board on strategic developments and the corresponding dilemmas, long-term value creation and new revenue models.

Suggestions for further improvements included: simplifying governance and a greater focus on commercial and business topics alongside financial and risk-related topics.

Culture

The Supervisory Board and the Executive Board discussed, among other things, the open culture and transparency in communications between the Supervisory Board and the Executive Board. The company's culture was also discussed within the context of managing the employee perspective. It is important for Achmea to create an environment in which our employees can work on their personal development and excel. The 'tone at the top' also came up as derived from the leadership model. The leadership model conveys Achmea's vision on leadership. Transparency, ambition and authenticity are at the heart of the leadership model. The focus on integrity as a part of transparency and an ethical corporate culture was also discussed. This is based on indicating desirable conduct from the perspective of Achmea's cooperative identity, as determined in Achmea's General Code of Conduct. The code of conduct describes the core values, core qualities and behavioural rules of Achmea.

Cultural diversity was another topic for discussion. The Board reiterated that Achmea aims to be an inclusive company, in which everyone can be themselves and in which we are open to all kinds of talented people. Awareness of multicultural diversity was increased via a permanent education session.

Shareholder relations

With the exception of the general meeting, the Supervisory Board as a corporate body has restricted contact with shareholders. The Chairman of the Executive Board is the primary point of contact for shareholders. However, the Chairman of the Supervisory Board does hold regular meetings with shareholders on topics such as proposals for the appointment of Supervisory Board members and has contact with them in the context of the general meeting. In doing so, the chairman is invited to attend meetings of the board of Vereniging Achmea, the majority shareholder of Achmea B.V., as an observer.

With a view to engagement with customers and members of Vereniging Achmea, Supervisory Board members are invited to attend Members Council meetings organised by Vereniging Achmea.

Relations with the external auditor

PricewaterhouseCoopers Accountants N.V. (PwC) is the Group's external auditor. At the recommendation of the Supervisory Board, on 17 April 2018 the general meeting reappointed the external auditor for the years 2019 and 2020.

The Chairman of the Supervisory Board and the Chairman of the Audit & Risk Committee meet annually with the external auditor's lead partner. In addition, in 2018 the Audit & Risk Committee held two private meetings with the external auditor, at which topics of discussion included integrated reporting and the process relating to year-end closing, changes in the Group's Finance column and the impact of developments relating to the online insurer on tasks and the modus operandi of Risk and Compliance. The Supervisory Board discusses the external auditor's performance annually. The external auditor is not present on this occasion.

The Supervisory Board and the Audit & Risk Committee agree that the working relationship with PwC is good. The cooperation is good and transparent. PwC adds value to improving the financial reporting process and challenges the company in a constructive and positive manner. In its reporting, PwC focused in 2018 on the comparison with other insurance companies (benchmarking).

Based on the external auditor's report, among other things, the Supervisory Board concluded that the level of control of the financial reporting risks and internal control within Achmea is sufficient.

Relations with Internal Audit

The Supervisory Board maintains an independent relationship with the Internal Audit department. Following advice from the Audit & Risk Committee, the Supervisory Board lays down the Annual Audit Plan each year. The Audit Memorandum together with the external auditor's management letter provide the Supervisory Board with an excellent overview of the Group's position and of the main areas for attention. The Supervisory Board is satisfied with the strong relationship between the Audit & Risk Committee and the Director of Internal Audit. The Chairman of the Supervisory Board and the Chairman of the Audit & Risk Committee meet regularly with the Director of Internal Audit. The Director of Internal Audit is also present at the meetings of the Remuneration Committee as a part of the discussion of the audit of Achmea's Remuneration Policy. The Audit & Risk Committee discusses Internal Audit's performance annually. The Director of Internal Audit is not present on this occasion.

Supervisory Board Report

Relations with Compliance
The Supervisory Board has noted that the compliance function is properly anchored in the organisation and efficiently structured. The Risk and Compliance reports are high-quality and provide insight into the integral risk profile of Achmea. The Risk and Compliance reporting contains an overview of the developments and points for attention relating to Achmea's primary risks, as well as information on developments in the divisions and particulars relating to the financial, operational and compliance risks.

Relationship with the Central Works Council (COR)
The Supervisory Board assessed its relationship with the Central Works Council to be good. The Supervisory Board noted that there are sound working relations and a constructive and open dialogue between the Executive Board and the Central Works Council. The Supervisory Board members took turns attending meetings of the Central Works Council in 2018. In line with the legally reinforced right of recommendation, the Central Works Council may propose candidates for three of the nine Supervisory Board seats.

Conflicts of interest
In line with the Dutch Corporate Governance Code, transactions involving Supervisory Board members in which there are conflicts of interest must be listed in the Annual Report. No such transactions occurred in 2018.

The Supervisory Board has established a Risk Self Assessment Committee which provides advice to the Chairman of the Supervisory Board relating to new additional positions held by Board members in connection with potential conflicts of interest.

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee is comprised of the following four members of the Supervisory Board: Mr Roel Wijmenga (Chairman), Mr Aad Veenman, Ms Lineke Sneller and Ms Petri Hofsté. The Audit & Risk Committee also acts as the Audit & Risk Committee for the Supervisory Boards of the Health, Non-Life, Pensions and Life insurance companies.

Meetings of the Audit & Risk Committee are usually attended by the Chairman of the Executive Board, the Chief Financial Officer, the Chief Risk Officer, the Director of Internal Audit and the external auditor (PwC). At the Chairman's request, the directors of Financial Management, Reporting, Compliance & Operational Risk Management, Insurance Risk Management and Enterprise Risk Management were invited to discuss the agenda items relevant to them. Specialists may be invited to attend part of the meeting for discussions on specific topics.

In 2018, the Audit & Risk Committee's ordinary meetings were dominated by discussions on (drawing up) financial policy, the (development of the) results during the reporting period and the sensitivity of these to potential internal and external risks. In this respect, in 2018 a great deal of attention was again devoted to the regular reporting by both Risk Management and Compliance as that of the internal and external auditors. The Audit & Risk Committee also evaluated and discussed the annual and interim results prior to external publication. The same applied to the quarterly results, which were discussed together with the external auditor's reports prior to distribution to shareholders. In addition, in 2018 there were explicit discussions on Achmea's risk appetite and its control, partly based on the Risk & Compliance reports and Audit Memoranda.

During the meeting to discuss the 2017 financial statements, much attention was devoted to Achmea's solvency and liquidity position and the financial results over 2017, which constituted a significant improvement on those over the previous year. Furthermore, the proposal for, and consideration of, the Executive Board regarding the payment of dividends to the holders of preference and ordinary shares were discussed. The same applied to the consideration to buy back Achmea shares. Another item on the agenda was the closing process and adoption of the Solvency II ratio.

The Audit & Risk Committee is regularly informed by the Executive Board of the progress on top priorities that deliver a crucial contribution to the strategic development and the improvement in the operational result, solvency, free capital generation and liquidity. The Audit & Risk Committee regularly discussed this report in 2018 and in doing so established that good progress has been made on developing the different financial parameters. During review of the rolling forecast, in-depth discussions were held in the Audit & Risk Committee on the progress on the financial strategy, expectations relating to the results, the FTEs and cost reduction targets, Achmea's capital, liquidity and solvency positions and measures to improve these. The squeeze on the financial ratios caused by the January storms was addressed on several occasions. It is positive to note that the main financial ratios improved in 2018, in spite of this pressure.

Other topics discussed by the committee included the 2018 Recovery Plan, the Solvency and Financial Condition Reporting, the Regular Supervisory Report, the 2017 Achmea Valuation, the ratings, the regulator's approval of the market risk internal model and the implementation of the market risk internal model, as well as the review of the capital policy and the payment of dividends by the operating companies. Frequent and intensive discussions on portfolio measures were also held with the Executive Board. Additionally, the Executive Board regularly updated the Audit & Risk Committee in 2018 on the contacts with the regulators.

In discussing the Risk & Compliance reports, in addition to the usual focus on compliance and operational risks, the Audit & Risk Committee devoted express attention to the development of the financial ratios, the risks involved and how these are and can be controlled. The Audit & Risk Committee examined the IFRS liability adequacy tests and in 2018 held extensive discussions on the legislative proposal Banning profit distribution by health insurance companies and its potential impact on Achmea. The General Data

Supervisory Board Report

Protection Regulation (AVG) came into effect on 25 May 2018 and the Audit & Risk Committee discussed the progress on its implementation at Achmea on several occasions.

The company's risk management and risk appetite are important topics for the Supervisory Board, particularly in the current financial climate. The Committee advised the Supervisory Board on discussions on the risk appetite, including comprehensive risk reporting and Own Risk & Solvency Assessment. Other topics discussed extensively with the Executive Board include the annual Internal Audit/PwC 2019 Audit Plan, the 2018-2019 Investment Plan and the corresponding controls and monitoring.

The Audit & Risk Committee again discussed the implementation and reassessment of the Audit Plan in 2018. Moreover, via so-called deep dives, the Audit & Risk Committee was informed of the predictability of the Health results, the setting of the 2019 health insurance premiums and the implementation of IFRS 9 and IFRS 17.

At the end of 2018, the 2019-2021 Business Plan and the 2019 Budget were discussed in detail. In its deliberations, the Committee examined in detail the expectations surrounding the evolution of the healthcare market.

The Audit & Risk Committee and PwC discussed the Management Letter of PwC. It was established that Achmea has made good progress on improving the quality of its reporting to the Executive Board and Supervisory Board members. The Audit & Risk Committee questioned both PwC and the Executive Board on the findings contained in the management letter. To the satisfaction of the Committee, it was concluded that all the topics addressed have the intensive attention of the Executive Board.

Finally, the Committee spoke on several occasions about the Group's tax position, the announced step-by-step reduction of the corporate tax rate in the Netherlands and the resulting reduction of the deferred tax position, the exceptional tax files and legal procedures and corresponding risks.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is comprised of the following four members of the Supervisory Board: Ms Mijntje Lückerath (Chair), Ms Joke van Lonkhuijzen, Mr Aad Veenman and Mr Jan van den Berg (as of 1 July 2018), as successor to Mr Antoon Vermeer who retired as of 17 April 2018 after completing the maximum number of terms of appointment. At regular intervals, the Remuneration Committee receives advice from internal and external specialists in Achmea's remuneration policy, including the Human Resources Director and the company secretary, who are also members of the Central Remuneration Policy Committee.

Monitoring responsible remuneration

One of the key tasks of the Remuneration Committee is monitoring the application of and compliance with the (variable) remuneration policy. Responsible remuneration is an important matter for Achmea (for more information please see the annual Achmea Remuneration Report on www.achmea.nl).

In the Remuneration Committee meetings, meticulous reporting is made by the support departments tasked with the implementation of the so-called key controls on the remuneration policy. This includes key controls relating to target setting, the method used to set them, whether goals have been achieved (sustainably), and the periodic risk analysis of the Achmea remuneration policy and the risk takers and identified staff. Finally, each year the Group remuneration policy is discussed and whether it needs to be amended. No material changes were made to the written Group remuneration policy in 2018. However, editorial changes were made in order to update it in line with prevailing laws and legislation.

Evaluation of simplified and fine-tuned performance management process

As of 1 January 2017, the performance management process was revised and simplified within the Achmea Group.

In modifying the process, it was decided to opt for greater simplicity and stricter management by restricting the number of Key Performance Indicators (KPIs), while also defining them more precisely, in a manner that matches the company's strategy and long-term value creation, but also the risk profile and risk appetite. A direct link was also made to the Achmea General Code of Conduct. Any violations of the code result in a downward adjustment of the variable remuneration. Based on the multi-year strategy map, a link is established annually from six different perspectives (i.e. customers, societal context, employees, (business) partners, processes and financial results) with objectives which apply to the Achmea Group, divisions and segments and/or individual board members and employees. This creates a sound balance in the type of performance indicator, short and long-term performance management and in the criteria used as a basis for variable remuneration. Some of these are personal development objectives as well, for instance in the context of strengthening leadership.

The simplified and revised performance management process was evaluated in 2018. In the wake of this evaluation, the Remuneration Committee established that the intended objectives on revision, such as greater focus in steering, further improvements in the quality of the KPIs, retention of a sound balance in the targets for variable remuneration and greater simplicity and transparency, were also achieved in practice.

Performance evaluation and variable remuneration of the Executive Board

Each year, the Remuneration Committee assesses the performance of the individual Executive Board members over the relevant year. It holds separate meetings with the individual members of the Executive Board to this end. The Remuneration Committee advises on this,

Supervisory Board Report

particularly as to whether variable remuneration should be awarded.

Partly in view of the positive financial results over 2017, variable remuneration was allocated to Executive Board members and other groups of Achmea employees. As a result, half of the variable remuneration was paid to Executive Board members in May 2018, while the other half has been deferred and will be payable in 2023 following a sustainability test.

Final decision-making on awarding variable remuneration over 2018 has yet to take place. More information on this will be given in the 2018 Achmea Remuneration Report to be published in May 2019.

In 2018, there were no downward adjustments or clawback of variable remuneration awarded to the Executive Board relating to previous years.

Internal remuneration ratios

Over the past year, the Remuneration Committee has discussed the internal remuneration ratios, also known as the CEO pay ratio, and in doing so evaluated the best practices for how the CEO pay ratio is calculated. As a benchmark for the internal remuneration ratios, it examined the ratio between the total remuneration of the Chairman of the Executive Board and that of the average Achmea employee in 2018.

The CEO pay ratio is calculated based on the total remuneration of the Chairman of the Executive Board (sum of the fixed salary + variable remuneration expenses + pension) divided by the median salary expenses + pension per internal Achmea FTE in the Netherlands and abroad.

In 2018 the CEO pay ratio was 22.9 (in 2017: 21.3). The CEO pay ratio was slightly higher than in 2017 due to the variable remuneration for the Chairman over 2017 being included in the expenses for 2018. These expenses were zero in 2017.

In the 2017 Achmea Remuneration Report, the CEO pay ratio was still reported based on a different ratio, i.e. the fixed annual remuneration of the Chairman of the Executive Board divided by the median of the fixed annual salary of personnel who come under the Dutch Collective Labour Agreement. Based on this calculation, the CEO pay ratio was 18.5 in 2017. The reason for choosing a different system of calculation is that there were few best practices in this respect in 2017. Last autumn, the Remuneration Committee had the CEO pay ratios used by other companies inventoried and decided to base its ratio on the total remuneration as of 2018. The ratio reported last year has been recalculated using this method. The Remuneration Committee believes that this system of calculation contributes to improved transparency and is better aligned with best practices in the Netherlands.

The internal remuneration ratios were also a topic of discussion in 2018 between the Chairs of the Executive and Supervisory Boards and the Central Works Council in one of their consultative meetings. This anticipated the amendment to the Works Councils Act and, incidentally, has been applied at Achmea for some time already.

Other topics

Other topics that received attention over the past year included the outcome of the Ministry of Finance's 2017 review of the Act on Remuneration Policies of Financial Undertakings, trends arising from the debate on remuneration at banks, and the new approach developed within Achmea with respect to Talent, Development and Performance (TOP).

2018 Remuneration Report

A detailed summary of the remuneration for the active members of the Executive Board is given in the consolidated financial statements, Explanatory Note 35 "Related party transactions".

For more information about remuneration, please see the Remuneration Report, which will be published on our websites www.achmea.nl and www.achmea.com at the end of May 2019.

SELECTION & APPOINTMENTS COMMITTEE REPORT

The Selection & Appointments Committee is responsible for monitoring the composition and profile of both the Supervisory Board and the Executive Board. The Committee looks for and makes recommendations regarding potential candidates, in some cases in conjunction with shareholders or the Central Works Council based on rights of nomination.

The Selection & Appointments Committee is comprised of three members of the Supervisory Board: Mr Aad Veenman (Chairman), Ms Mijntje Lückerath and Mr Wim de Weijer (as of 14 June 2018), as successor to Mr Antoon Vermeer who retired as of 17 April 2018 after completing the maximum number of terms of appointment.

Changes and vacancies

The composition of the Executive Board was an important priority in 2018. This was due to Mr Roelof Konterman stepping down as of 1 January 2019 and the resulting vacancy. The expiry of the terms of appointment of Ms Tetteroo and Mr Otto in 2019 were also a topic of discussion. After careful review of the current composition of the Executive Board and the required competencies on the Board in light of the current requirements, the Selection & Appointments Committee advised the Supervisory Board on reappointments.

Furthermore, the composition of the Supervisory Board was discussed in detail due to i) the filling of the vacancy that has arisen following the retirement of Mr Antoon Vermeer as of 17 April 2018 after completion of his third term of appointment and ii) the expiry of the terms of appointment of Ms Petri Hofsté, Ms Joke van Lonkhuijzen, Ms Mijntje Lückerath and Mr Roel Wijmenga as of the date of the general meeting in April 2019.

Supervisory Board Report

The Supervisory Board had already clarified in last year's report the reappointment of Mr Timmer for a four-year period as of 1 March 2018.

After a period of eight years in the post, Ms Van Lonkhuijzen has indicated that she will not be available for reappointment for a third term.

The Committee held extensive discussions on the composition of the Supervisory Board. After careful review of the current composition of the Supervisory Board and the required competencies on the Board in light of the current requirements, the Committee advised the Supervisory Board on reappointments.

The Committee also discussed filling the vacancy that arose in the Supervisory Board in 2018. After careful review by the Selection & Appointments Committee of the current composition of the Supervisory Board and the required competencies on the Board in light of the current regulatory challenges, the Selection & Appointments Committee initiated a recruitment and selection procedure and advised the Supervisory Board accordingly. The Supervisory Board subsequently put forward a candidate to the general meeting for appointment.

Succession planning

The Selection & Appointments Committee discussed succession planning for the Supervisory Board, the Executive Board and for the first management level below the Executive Board in 2018, based on a discussion of the Human Resources Performance Potential Portfolio. This meeting was once again held in 2018, with all members of the Supervisory Board in attendance. Items on the agenda included the company's diversity and Management Development policies, including the focus on internal training and internal promotion. The Supervisory Board also discussed succession planning at divisional board level. This provided the Supervisory Board with thorough insight into the management potential and management capabilities within the Group.

The Committee applies the diversity policy with respect to the composition of the Executive Board and the Supervisory Board. The Supervisory Board endorses Achmea's general diversity and inclusion policy, and on the advice of the Committee applied a number of specific amendments to the diversity policy with respect to the composition of the Supervisory Board and the Executive Board. These specific amendments are: i) a balanced male/female ratio in the Supervisory Board and Executive Board; the aim here is to achieve a target of at least 30% female members at all levels (and at least 30% male); ii) the correct mix of experience and expertise from the perspective of suitability of the individual and the composition of the team as a whole; iii) to achieve diversity and a balance in the ages of the Board members.

2018 FINANCIAL STATEMENTS AND DIVIDENDS

PwC audited the Achmea B.V. 2018 financial statements and issued an unqualified audit report on 12 March 2019. In line with the proposal by the Executive Board and the recommendation of the Audit & Risk Committee, the Supervisory Board recommends that shareholders approve the 2018 financial statements. After approval of the financial statements by the general meeting, the Executive Board proposes payment of a dividend of €118 million on ordinary shares. For the preference shares, the Executive Board recommends that the general meeting agrees to the payment of the full dividend equal to 5.5% of the fully paid-up capital. Apart from the approval of the financial statements, the general meeting will also be asked to approve the amended dividend policy and to discharge Executive Board members from liability for the management they have conducted and to discharge Supervisory Board members from liability for the supervision they have conducted in the 2018 reporting year.

ACKNOWLEDGEMENTS

We would like to thank Mr Antoon Vermeer, Vice-chairman of the Supervisory Board, who resigned from the Board on 17 April 2018 after completing three terms of appointment, for his many years of committed service as a Supervisory Board member at Achmea and its subsidiaries, and for the valuable contribution he has made to our Group during his tenure.

Additionally, we would like to thank Mr Roelof Konterman, who retired from the Executive Board on 1 January 2019, for his many years of service and great dedication, his work as a member and Vice-chairman of the Executive Board on behalf of both Achmea and the wider community and his significant contribution to Achmea's development as a company. Over the past few years, he has fulfilled a key role in both the company's growth and the streamlining of operations relating to health insurance and IT and the international activities.

We would also like to take this opportunity to thank the Executive Board, the Central Works Council and all Achmea employees for their great commitment and the enthusiasm they have shown over the past reporting year.

12 March 2019

The Supervisory Board

A.W. (Aad) Veenman, Voorzitter
W.H. (Wim) de Weijer, Vice-voorzitter
J. (Jan) van den Berg [1]
P.H.M. (Petri) Hofsté
S.T. (Joke) van Lonkhuijzen-Hoekstra
M. (Mijntje) Lückerath-Rovers
A.C.W. (Lineke) Sneller
R.Th. (Roel) Wijmenga

1. *Following his appointment by the general meeting, Mr Jan van den Berg joined the Supervisory Board as of 16 February 2018.*

Corporate governance

INTRODUCTION

Achmea B.V. is a private company with limited liability, with its statutory seat in Zeist, the Netherlands. Although in practice Achmea is governed, organised and managed in the same manner as many listed organisations, its cooperative origin determines the way corporate governance is structured at the level of the Supervisory Board and shareholders. Achmea adheres to the following relevant corporate governance codes: the Dutch Code of Conduct for Insurers, the Dutch Banking Code and the relevant provisions of the Dutch Corporate Governance Code.

Changes in the Executive Board in 2018

The Executive Board remained unchanged in 2018. The Supervisory Board reappointed Mr Timmer for a further four-year term as of 1 March 2018.

Mr Konterman, Vice-chairman of the Executive Board, has decided to leave Achmea effective 1 January 2019. After 36 years at Achmea, more than five of which as a member of the Executive Board, he has decided to step down in order to devote more time to supervisory positions. Mr Konterman has fulfilled a key role at the company over the past few years, both with respect to its growth and the streamlining of operations relating to health insurance and IT and the international activities. As a member and Vice-chairman of the Executive Board, Mr Konterman has dedicated himself to working on behalf of Achmea and the wider community. The procedure for filling the vacancy in the Executive Board created by the departure of Mr Konterman has not yet been completed.

Changes in the Supervisory Board in 2018

A procedure to fill the vacancy on the Supervisory Board was followed during 2017, resulting in the appointment of Mr Van den Berg, on the recommendation of Vereniging Achmea, effective 16 February 2018.

Mr Vermeer retired as a member of the Supervisory Board of Achmea B.V. and Achmea Schadeverzekeringen N.V. effective 17 April 2018. The vacancy created by the departure of Mr Vermeer has not yet been filled, although the selection and appointment procedure is well advanced.

CORPORATE GOVERNANCE CODES

Code of Conduct for Insurers

The Code of Conduct for Insurers includes a number of principles relating to the careful treatment of customers and the permanent education of directors and internal supervisors. This Code of Conduct (2018 version) combines existing and new self-regulation of the sector with general provisions, including core values and rules of conduct. Based on the Code of Conduct, insurers give more depth to their public role, drawing on their own corporate vision. Achmea is doing this by means of, for example, its cooperative identity and strategy map, and has integrated this into its processes and the Achmea Code of Conduct. For information about embedding the principles on the careful treatment of customers, please see part 3 Supplements - Principles of Sustainable Insurance. Details on how permanent education of directors and internal supervisors is embedded are included in the relevant sections of this chapter.

Banking Code

The services we provide to our customers also include banking activities, which we offer through Achmea Bank N.V. The Banking Code (2015), Het Maatschappelijk Statuut (the Social Charter) and the rules of conduct associated with the Bankers' Oath together make up the Future-Oriented Banking package. The purpose of this package is to play a key role in restoring trust in society in relation to banks and their roles in the community. Achmea Bank N.V. abides by the Banking Code. Achmea Bank N.V. accounts for its compliance with the Banking Code principles on the websites www.achmeabank.nl and www.achmeabank.com. Here, specific examples are used to illustrate how the principles were complied with.

Dutch Corporate Governance Code

Since 1 January 2004, listed companies in the Netherlands have been required to report on compliance with the Dutch Corporate Governance Code in their management report on a 'comply or explain' basis. The purpose of the Code is to facilitate – with or in relation to other laws and regulations – a sound and transparent system of checks and balances within Dutch listed companies and, to that end, to regulate relations between the executive board, the supervisory board and the general meeting of shareholders. Compliance with the Code contributes to confidence in the good and responsible management of companies and their integration into society. The Code was first adopted in 2003 and amended in 2008. Ongoing developments, the spirit of the times and overlap with legislation provided cause for amending the Code by the end of 2016.

Although Achmea has listed instruments it is not a listed company. We have voluntarily adopted and embedded the majority of the Code's principles in our governance structure. Where applicable, we are almost fully in compliance with the principles and best practices.
As in previous years, in 2018 we did not comply fully with the following three principles of the Dutch Corporate Governance Code:

- Independence of Supervisory Board members (principle 2.1.8)
- Duration of the appointment of a member of the Executive Board (principle 2.2.1)
- Adoption of the remuneration policy for Executive Board by the AGM (principle 3.1.1)

Although all members of Achmea's Supervisory Board fulfil their duties without interference or consultation, as of 31 December 2018 two of the eight members of the Supervisory Board of

Corporate governance

Achmea B.V. did not comply with the independence principle because they are members of an executive board or supervisory board of an organisation holding more than 10% of the shares in Achmea. Members of Achmea's Supervisory Board are nominated by our shareholders (i) Vereniging Achmea, (ii) Rabobank, (iii) Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Schweizerische Mobiliar Holding jointly, and by the Central Works Council. Mr De Weijer was nominated by Vereniging Achmea and also serves on the board of Vereniging Achmea, which is composed of customers' representatives. However, this relationship is considered appropriate for Achmea because of its identity as a cooperative and the relationship with Vereniging Achmea as a shareholder, whose focus is more on the interests of the customer and Achmea's continuity. Ms Hofsté was nominated as a member of the Supervisory Board at Achmea by the Central Works Council in 2015 and joined the Rabobank Supervisory Board in late December 2016. In addition, no single group of members of the Supervisory Board nominated by individual shareholders or the Central Works Council has a majority on the Supervisory Board. Members of the Supervisory Board are nominated by the general meeting based on their expertise and independence and take part in the meetings without reference to or prior consultation with the parties which nominated them. Where appropriate, they refrain from participating in deliberations or decision-making. Incidentally, principle 2.1.8 needs to be taken in conjunction with principle 2.1.7, whereby 2.1.7 pertains to the criteria for guaranteeing independence of the board as a whole. The independence of the board is guaranteed and its composition complies with the criteria laid down in principle 2.1.7.

As for the appointment term of the members of the Executive Board, the Corporate Governance Code recommends a term of four years. The only exception, where Achmea does not comply with this principle, is the term of the Chairman of the Executive Board. His appointment is for an indefinite period of time, and this contractual arrangement is complied with.

The Supervisory Board determines the salary and the terms and conditions of employment of members of the Executive Board. Achmea's remuneration policy is also assessed by the Remuneration Committee and adopted by the Supervisory Board. Achmea regards this as a matter for the Supervisory Board and therefore does not submit the matter to the general meeting. The general meeting is of course informed annually of the remuneration of the Executive Board members via sections in the year report on this remuneration and via the annual Remuneration Report.

The manner in which Achmea has adopted and embedded the Corporate Governance Code has been approved by the Supervisory Board. Likewise, our current corporate governance structure was approved by the general meeting.

Achmea Code of Conduct

Achmea aims to be a leader in terms of its own rules of conduct and in terms of anticipating current and new regulations. For example, Achmea has decided that all employees take a special oath or affirmation for the financial industry, which is in line with Achmea's cooperative identity. Active control, exercised to foster integrity and prevent integrity violations and fraud, limits any negative impact on trust, returns and the cost of claims. Achmea has therefore drawn up an Achmea Code of Conduct to ensure ethical conduct in accordance with Achmea's values and standards. Achmea's Code of Conduct is available at www.achmea.nl.

By recording duties and responsibilities in the area of fraud, risk management and checks, the control over and limitation of fraud is secured. Should an ethics violation or incident of fraud nevertheless occur, this can be reported on a confidential basis. A whistleblower policy is in place for this purpose and available at www.achmea.nl.

COMPOSITION OF THE EXECUTIVE BOARD AS OF 31 DECEMBER 2018

NAME	NATIONALITY	GENDER	EDUCATION	POSITION	APPOINTED
W.A.J. van Duin (1960)	Dutch	Male	Law	Chairman	January 2004
R. Konterman (1956)	Dutch	Male	Economics	Vice-chairman	April 2013
M.A.N. Lamie (1966)	Dutch	Male	Economics/ Accountancy	Chief Financial Officer	January 2017
H. Timmer (1961)	Dutch	Male	Economics	Chief Risk Officer	March 2014
B.E.M. Tetteroo (1969)	Dutch	Female	Economics/ Accountancy	Member	June 2015
R. Otto (1967)	Dutch	Male	Law/MBA	Member	August 2015

Corporate governance

EXECUTIVE BOARD

Responsibilities and role in corporate governance

The Executive Board is responsible for managing the company. This implies that the Executive Board is responsible for and has the authority to make decisions concerning Achmea's day-to-day business in accordance with the principles set out in the articles of association. The Executive Board maintains a set of regulations that govern the specific duties and activities of - and the division of duties between - the individual members, as well as the decision-making process within the Executive Board. The Executive Board is obliged to inform the Supervisory Board of any fundamental differences of opinion between the Executive Board and the management of the companies or entities. There were no fundamental differences of opinion in 2018. The Executive Board reports directly to the Supervisory Board. Each board member is directly responsible for specific Achmea activities (for further reference, see the personal profiles of the members of the Executive Board), with clear reporting lines of divisional and staff directors. The entire Executive Board is involved in risk management. Involvement in risk management is evidenced by, among other things, the fact that risk management and compliance are regularly discussed in Executive Board meetings and that besides the CFO and CRO, other members of the Executive Board sit on the Finance & Risk Committee. In the second half of 2018, the Executive Board decided to split the Finance & Risk Committee into an Asset Liability Committee chaired by the CFO and a Group Risk Committee chaired by the CRO. This facilitates improved short-term management of the balance sheet and also creates a greater focus on integral risk management at group level.

The Executive Board members ensure that the interests of all parties that have dealings with Achmea, including customers, shareholders and employees, are considered in a balanced way. The Executive Board takes Achmea's continuity, the corporate social environment in which we operate and applicable regulations and codes into account when considering these interests.
All members of the Executive Board have taken the oath or affirmation.

Achmea has been using the 'four stakeholders' model for many years, ensuring that overall management and decision-making are in line with the interests of customers, employees, (business) partners and shareholders. This is all embedded in the strategy and identity of the Group and subsequently in the leadership profile, business plans and remuneration policy, and is also part of the considerations in every resolution adopted by the Executive Board. The formulation of objectives for the Executive Board and senior management is based on the Stakeholder Value Management model. The annual objectives have been ranked according to six different perspectives: customers, society, employees, partners, processes and financials. All members of the Executive Board were present at virtually all board meetings.

Composition and diversity

Members of the Executive Board are appointed by the Supervisory Board on the non-binding nomination of Stichting Administratiekantoor Achmea (the A-shareholder in Achmea B.V.). Executive Board members are selected based on their proven experience and competence in the financial services industry, and we endeavour to recruit them from within the organisation. The members of the Executive Board provide a good mix of specific insurance experience (health, non-life, pension & life) and experience in the public/retail market (healthcare, pensions) and the various distribution channels (direct, broker and bancassurance), as well as areas such as Finance, IT and HR. All Achmea Executive Board members match the general profile for members of the Executive Board and have been approved by the regulators in terms of their suitability and reliability.

As of 31 December 2018, the Executive Board was comprised of six members, five men and one woman. Achmea aims to establish a good male/female ratio on the Executive Board. In addition to the aim of maintaining a balance in the Executive Board's skills while ensuring that newly appointed members have the necessary experience of insurance, finance and risk, improving gender diversity is always included in the considerations. In successor planning for the Executive Board and the management level immediately below it, the advancement of women to top positions remains a priority in each vacancy. In this, maintaining and strengthening the right mix of skills remain the key decisive factors in the selection process.

Permanent education

At the beginning of each year, the themes for the permanent education programme of both the Supervisory Board and the Executive Board are established in consultation with the chairman of the Executive Board and the chairman of the Supervisory Board. This programme is aimed at maintaining and broadening the expertise of the members of the Supervisory Board and Executive Board. In addition to these special sessions, which are typically jointly attended by members of the Supervisory Board and Executive Board, attention is also given at regular meetings to relevant developments related to the financial industry, corporate governance, compliance, customer centricity and auditing through presentations given by internal and/or external specialists. There is also scope to address subjects of a topical nature. Members of the Executive Board continue to pursue education on an individual basis as well. Barring exceptional cases, all members of the Executive Board participate in permanent education sessions.

Corporate governance

SUPERVISORY BOARD

Responsibilities and role in corporate governance

The Supervisory Board is responsible for supervising and advising the Executive Board on its conduct and general management of the business. Supervisory Board approval is required for important business-related decisions, such as the appointment and dismissal of members of the Executive Board, strategic decisions, transfer of a significant part of the business, entering into or terminating a long-term partnership, major participations and investments, and termination of the employment of a considerable number of employees or significant changes in the employment conditions of a significant number of employees. This applies irrespective of the fact that fundamental and large-scale strategic changes or investments must have the approval of 80% of the votes in the general meeting. The Supervisory Board and its individual members have a responsibility to obtain all relevant information required to perform their duties. These requirements are communicated to the chairman of the Supervisory Board. Information sources are usually the Executive Board, the Company Secretary and the external auditor. However, if deemed appropriate by the Supervisory Board, information can also be obtained from corporate officers and external advisers who can be invited to attend Supervisory Board meetings or provide permanent education. The Supervisory Board consists of members who, although they are nominated by shareholders or the Central Works Council, act in the interest of the company as a whole in the performance of their duties. All members of the Supervisory Board participate in meetings with no reference to or prior consultation with the parties that nominated them. All members of the Supervisory Board have sworn the oath or affirmation. In principle, all members of the Supervisory Board attend all Supervisory Board meetings and the meetings of the committees of which they are members.

Composition and diversity

The composition of the Supervisory Board and nominations in the event of vacancies reflect the cooperative shareholder structure and employee participation through Achmea's Central Works Council (COR). In conjunction with the shareholders, the company decided in 2013 to reduce the number of Supervisory Board members from a maximum of twelve to nine or ten members, which coincided with a reduction in the number of nominations made by majority shareholders. Vereniging Achmea is authorised to nominate candidates for four seats on the Supervisory Board. As the indirect holder of the A-share, Vereniging Achmea also has the right to appoint the chairman from among the members of the Supervisory Board. Rabobank may nominate candidates for two seats. Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Swiss Mobiliar have the right to jointly nominate one candidate. The Central Works Council appointed three members of the Supervisory Board effective 31 December 2017. This arrangement is in keeping with the legal framework of the Central Works Council's right of recommendation. The Central Works Council is entitled to directly nominate three members based on a total of nine to ten members of the Supervisory Board.

In principle, every member of the Supervisory Board attends a meeting of the Central Works Council at least once a year. The general meeting appoints and reappoints members of the Supervisory Board on the recommendation of the Supervisory Board. All the proposed changes to the composition of the Supervisory Board are discussed with the Central Works Council.

As of 31 December 2018, the Supervisory Board had eight members. In filling these positions, the company's objective is to maintain a balanced mix of skills in the Supervisory Board while at the same time ensuring that the newly appointed member also has the required insurance, financial and risk management experience. Members of the Supervisory Board are selected and appointed based on a profile of the required professional background, education, (international) experience, skills, diversity and independence. The current composition of the Supervisory Board is such that the members can perform their duties properly because of the appropriate mix of experience and expertise. As of 31 December 2018, the Supervisory Board was comprised of four male and four female members. In addition to diversity in terms of knowledge, expertise and age, there is also gender diversity. Achmea's Supervisory Board therefore meets the legal requirement regarding gender diversity. All members of the Supervisory Board are in compliance with the Management and Supervision (Public and Private Companies) Act in terms of the number of supervisory board memberships that they hold.

Please see the Supervisory Board Report for details of the composition of the Supervisory Board as of 31 December 2018 and the expertise table.

Permanent education

For information on how the permanent education programme is organised, please refer to the relevant part of the section headed "Executive Board". In addition, new Supervisory Board members attend an introduction programme specially designed for them. Barring exceptional cases, all members of the Supervisory Board attend permanent education sessions. For more information on education courses attended in 2018, please see the Supervisory Board Report in this Annual Report.

Supervisory Board committees

The Supervisory Board maintains three specialised committees that advise the full board: the Audit & Risk Committee, the Remuneration Committee and the Selection & Appointments Committee. All members of the Supervisory Board receive the minutes of the meetings of these committees and, on request, also the agenda and accompanying documents.

Financial, control, risk and compliance issues are discussed primarily by the Audit & Risk Committee. These meetings are

Corporate governance

attended by the Chairman of the Executive Board, the CFO, the CRO, the Director of Internal Audit and the external auditor. The Directors of Finance, Risk Management and Compliance are invited for the agenda items relevant to them. The Audit & Risk Committee holds meetings with the external auditor in the absence of the members of the Executive Board and the Director of Internal Audit at least twice a year. Please see the Supervisory Board Report for further information.

The principal duty of the Remuneration Committee is to advise the Supervisory Board on remuneration policy for the entire Achmea Group (including foreign operating companies). The Remuneration Committee is responsible for formulating guidelines and monitoring the implementation of and compliance with the remuneration policy for the entire Achmea Group. This responsibility includes advising the Supervisory Board on the performance management of the Executive Board's members (for instance maintaining the balance between short and long-term interests and customers' interests). Remuneration is regularly evaluated, for instance with the aid of external benchmarks, and the committee assesses whether remuneration levels are appropriate in terms of the duties and responsibilities associated with a position. The Chairman of the Executive Board attends all meetings of the Remuneration Committee except if his own remuneration is on the agenda or in other cases to be determined at the discretion of the committee chairman.

The Selection & Appointments Committee's task is to monitor the composition and profile of both the Supervisory Board and the Executive Board. The committee looks for and makes recommendations regarding potential candidates, in some cases in consultation with the Central Works Council or the relevant shareholder that has the right to nominate candidates. The chairman of the Executive Board attends all meetings of the Selection & Appointment Committee except if his own performance is on the agenda or in other cases to be determined at the discretion of the committee chairman.

SHARES, SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The majority of Achmea's shareholders are non-listed European organisations with cooperative roots. Customers in the Netherlands are directly represented by Achmea's largest shareholder (Vereniging Achmea) and indirectly through Stichting Administratiekantoor Achmea (STAK Achmea). STAK Achmea is a shareholder that has issued depositary receipts for shares to Vereniging Achmea. As of 31 December 2018, STAK Achmea's board consisted of the chairman and two vice-chairmen of Vereniging Achmea. The prior approval of Vereniging Achmea's board is required for the adoption of important resolutions by STAK Achmea. In certain cases, the prior approval of Vereniging Achmea's Council of Members is also required. At the end of 2018, Vereniging Achmea owned a total of 64.48% of Achmea's dividend rights and 60.76% of the voting rights in the general meeting.

Rabobank, Achmea's second largest shareholder, is likewise a cooperative organisation. At the end of 2018, Rabobank held a total of 30% of the dividend rights in Achmea and 28.27% of the voting rights in the general meeting.

Other shareholders that collectively represent 5.52% of the dividend rights and 5.19% of the voting rights in the general meeting are BCP Pension Fund, Stichting Beheer Aandelen Achmea, Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Schweizerische Mobiliar Holding. Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Schweizerische Mobiliar Holding are members of the Eurapco alliance of independent European financial services providers (see www.eurapco.com for further information).

Apart from ordinary shares, 5.78% of Achmea's outstanding share capital consists of preference shares held by Achmea Tussenholding B.V. All shares in Achmea Tussenholding B.V. are owned by Stichting Administratiekantoor Achmea Tussenholding, which has issued depositary receipts for shares to investors. Those investors therefore receive the dividend paid by Achmea on the preference shares. They do not have the right to vote in Achmea's general meeting: this right is held by Achmea Tussenholding B.V.

SHAREHOLDERS AS OF 31 DECEMBER 2018

	CAPITAL RIGHTS	VOTING RIGHTS
Vereniging Achmea (direct and via STAK)	64.48%	60.76%
Rabobank	30%	28.27%
BCP Group	2.73%	2.57%
Gothaer Allgemeine Versicherung	0.53%	0.50%
Gothaer Finanz Holding	0.61%	0.57%
Schweizerische Mobiliar Holding	0.71%	0.67%
Stichting Beheer Aandelen Achmea	0.94%	0.89%
Achmea Tussenholding B.V.*		5.78%

* *Preference shares*

Shareholders' meetings

Due to the statutory two-tier board regime that applies to Achmea, the authority of the general meeting is restricted. Under the law and agreements in force, certain responsibilities rest with the Supervisory Board. The approval of the shareholders is nevertheless required for important corporate-law issues such as amendments to the articles of association, approval of the financial statements and decisions regarding profit appropriation and dividend distribution, resolutions concerning the issue of shares or the granting of rights to subscribe for shares (or appointing the Executive Board to arrange for such issue of shares or granting of rights), the reduction of Achmea's share capital, the

Corporate governance

appointment and dismissal of members of the Supervisory Board, and resolutions to dissolve, merge or divide Achmea. Crucial strategic resolutions that entail a fundamental change of course in Achmea's strategy and large-scale investments must be approved in the general meeting by 80% of the votes cast. A general meeting was held in February 2018. In addition to approval of the buy-back of shares by Achmea, the appointment of Mr Van den Berg as a member of the Supervisory Board and the reappointment of Mr Timmer as a member of the Executive Board were on the agenda at this meeting. In the annual general meeting, which was held in April 2018, the members – besides regular resolutions regarding the 2017 annual report and financial statements, the dividend distribution, and the discharge from liability of the members of the Executive Board and the Supervisory Board – adopted resolutions on amending the dividend policy and the retirement of Mr Vermeer as a member of the Supervisory Board.

Voting rights

Specific rights are attached to A-shares, which are indirectly held by Vereniging Achmea, including the right to make a non-binding recommendation to the Supervisory Board concerning the appointment of members of the Executive Board, the appointment of the chairman of the Supervisory Board, the approval of a resolution concerning the dissolution, merger or division of Achmea, and the issue and transfer of Achmea shares. Holders of depositary receipts issued for A-shares and ordinary Achmea shares have the right to attend the general meeting. They do not have the right to vote, however. Shareholders and holders of depositary receipts for shares may authorise someone in writing to represent them. Members of the Executive Board and Supervisory Board are authorised to attend the general meeting. They have an advisory and informative role in this meeting.

Provisions of the articles of association on dividend policy

The rules on the distribution of dividend are set out in Achmea's articles of association. Dividend is owed and payable four weeks after it has been adopted by the general meeting of Shareholders (unless a different date is determined in this regard). The Executive Board may propose to the general meeting that the dividend be distributed wholly or in part otherwise than in cash. The general meeting may resolve to distribute all or part of the net result. On a proposal from the Executive Board, the general meeting may resolve to distribute an interim dividend. Achmea's dividend policy is detailed in the Capital and Risk Management chapter.

ETHICS COMMITTEE

The Achmea Ethics Committee advises the Executive Board and operating companies on ethical dilemmas. It does so by assessing ethical and societal issues, as well as practical situations, against the background of our company's values and standards. This makes it possible to develop 'moral case law' and formulate ethical and moral guidelines specifically for Achmea. The committee also has an external member: Mr Muel Kaptein. Any Achmea employee may submit an ethical question or dilemma to the Ethics Committee. The committee is chaired by the Executive Board and consists of employees of different operating companies. In addition to individual cases, subjects reviewed by the Ethics Committee in 2018 included the following:

- Road Safety awareness campaign
- Socially-Responsible Investment
- Ethical digitisation issues, from the customer's and employer's perspectives
- Alcohol policy at Achmea events
- Smoking ban at Achmea

Biographies Executive and Supervisory Board members

Executive Board

WILLEM A.J. VAN DUIN (1960)

Chairman of the Executive Board

Willem van Duin joined Achmea in 1987. Before being appointed to the Executive Board in January 2004, he held various positions at holding level and in the Health, Non-Life, Broker and Direct Distribution divisions. He was appointed Vice-chairman of the Excecutive Board on 1 October 2008, and Chairman on 10 February 2009. In addition to his overall responsibility for Achmea, his core responsibilities include Corporate Strategy & CSR, Communication, Personnel & Organisation policy, Internal Audit, Corporate Office, external supervisors, and the Central Works Council. In addition, he is Chairman of the Board of the Dutch Association of Insurers (Verbond van Verzekeraars) and a member of the board of VNO-NCW. Internationally, he is Chairman of the International Federation of Health Plans (IFHP per 1 January 2019), member of the Board of the European Alliance Partners Eurapco, member of the Geneva Association and member of the Supervisory Board of Stichting PharmAcces Group Foundation.

ROELOF KONTERMAN (1956)

Vice-chairman of the Executive Board

Roelof Konterman has worked for Achmea in various capacities since 1983, including working five years in Sweden and the US. He started as a marketing manager at what is currently named Avéro Achmea and also worked as a director at FBTO. Starting in 2000 he held various managerial positions with responsibility for Achmea Health and for healthrelated operations such as Eurocross and the various Health Services. Since 2008 he has been divisional Chairman of Achmea Health, where he was responsible for the merger of Achmea and Agis in 2011. As of April 2013 Mr Konterman joined the Executive Board and as 15 June 2015 appointed as Vice-chairman. As of 31 December 2018 Mr. Konterman stepped down from the Executive Board. During 2018 his core responsibilities were Zilveren Kruis, De Friesland and the IT organization of Achmea. In addition, he is a member of the Supervisory Board of Independer, member of the Supervisory Board of De Friesland Zorgverzekeraar and Achmea Zorgverzekeringen N.V., and member of the Supervisory Board of Scout 24 (Switzerland).

MICHEL A.N. LAMIE (1966)

Chief Financial Officer

Mr Lamie joined the Executive Board on 1 January 2017 and is as CFO effective per 1 April 2017. Within the Executive Board he is among other responsible for Syntrus Achmea Real Estate & Finance (SAREF). He is also in 2017 appointed to Chairman of the Supervisory Board of Achmea Reinsurance Company N.V.
Mr Lamie graduated from VU University Amsterdam with a degree in Economics and Accountancy. Having completed his study, he began his career at KPMG, followed by a position as CFO of RSA Benelux. Mr Lamie worked at Achmea during the period from 2002 to 2005, most recently as Group Director Finance & Control. He has been a member of the board of De Goudse Verzekeringen since 2005, including three years as Vice-chairman/CFO and, since 2009, as executive Board Chairman. In addition, Mr Lamie also served for many years as a director of the Dutch Association of Insurers (Verbond van Verzekeraars), and between 2007 and 2016 he served on the Supervisory Board of insurance broker Van Lanschot Chabot, first as a member and later as Chairman.

Biographies Executive and Supervisory Board members

Executive Board

HENK TIMMER (1961)

Chief Risk Officer
Henk Timmer joined the Executive Board in March 2014. After earning degrees at the universities of Utrecht and Tilburg, Mr Timmer held various positions in auditing, consultancy and IT. He joined Achmea in 1997 as an auditor and manager for several business units, including IT, Health, Non-Life and Brokerage Distribution. In 2008, Mr Timmer was appointed managing director of Group Audit & Risk Services. In this role, he headed the Audit, Risk and Integrity staff services. When the audit function was separated in 2012, he became a Director of Internal Audit, whose scope is the entire Achmea Group, including both its national and international operations. The key responsibilities of Mr Timmer are Risk Management, Compliance, Legal Affairs, Human Resources and Central Services. Mr Timmer is a member of the Expert Group on Security of Stichting Maatschappij en Veiligheid, as well as representing Achmea in the CRO Forum. The latter is a group of professional risk managers representing the European insurance industry which focuses on developing and promoting best practices in Risk Management.

ROBERT OTTO (1967)

Robert Otto joined the Executive Board in August 2015. Mr Otto completed his law degree at Leiden University. After his study, Mr Otto began his career at ING in 1992. In his last position at the bancassurance group, he was responsible for ING Insurance and Postbank Insurance. After a two-year period as CEO of OHRA, Mr Otto became general director of Delta Lloyd's commercial division in 2010. In mid-2013, Mr Otto joined Achmea as Chairman of the Non-Life & Income Protection division. His core responsibilities within the Executive Board include the Centraal Beheer, Interpolis and Non-Life & Income Protection divisions, division International and Market Strategy and Corporate Relations. In addition to his role at Achmea, Mr Otto is, among others, a member of the Board at Thuiswinkel.org, member of the Board at AMICE, Chairman of the sector management board of Non-Life Insurance at the Dutch Association of Insurers and Chairman of the Supervisory Boards of Hagelunie and InShared. Mr Otto is also member of the Supervisory Board of Achmea Schadeverzekeringen N.V.

BIANCA E.M. TETTEROO (1969)

Bianca Tetteroo joined the Executive Board in June 2015. Ms Tetteroo is a qualified register accountant since 1997 and completed her study Information Management at Universiteit Nijenrode. In addition she completed several executive education programmes among which corporate governance and leadership (Insead). She started her career at the accounting firm Mazars in 1988. In 1996, she entered the financial sector when she joined what was then Fortis, holding several management positions there among which at Asset Management and the Insurer. In 2009 she joined Achmea, where she became the financial director of pension provider Syntrus Achmea. Since 2012, she has been Chairman of the division Pension & Life. Her core responsibilities within the Executive Board include Pension and Life Insurance, Achmea Investment Management B.V., Achmea Bank N.V. and Achmea Pensioen Services. She is member of the Supervisory Boards of Achmea Pensioen- en Levensverzekeringen N.V., Achmea Investment Management B.V., Achmea Bank N.V. and Syntrus Achmea Real Estate and Finance (SAREF). Ms Tetteroo is also a member of the Supervisory Board of Kunsthal Rotterdam.

Biographies Executive and Supervisory Board members

Supervisory Board

AAD W. VEENMAN (1947)

Chairman of the Supervisory Board
Aad Veenman is Chairman of the Supervisory Board. He is also a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. From 2002 until 2009 he was Chairman of the Managing Board and CEO of the Dutch railways, NS. Prior to this, he had a long career with the Dutch industrial enterprise, Stork, where he was a member of the Executive Board from 1990 and CEO from 1998 up to and including 2002. From 1998 until June 2010, he was a member of the Supervisory Board of Rabobank Nederland. Currently, Mr Veenman is Chairman of the Logistic Chapter.

ANTOON J.A.M. VERMEER (1949)

Vice-chairman of the Supervisory Board
Until April 2018 Antoon J.A.M. Vermeer was Vice-chairman of the Supervisory Board. He was also Chairman of the Supervisory Board of Achmea Schadeverzekeringen N.V. Mr Vermeer is co-owner of a dairy farm and has been Vice-chairman of the Supervisory Board of Rabobank Nederland until June 2014.

ROEL TH. WIJMENGA (1957)

Roel Wijmenga has been a member of the Supervisory Board since 1 January 2015. He is also Chairman of the Supervisory Board of Achmea Pensioen- & Levensverzekeringen N.V. and a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. From February 2009 until May 2014 Mr Wijmenga was CFO at ASR Verzekeringen. Prior to this, he was among others a member of the Executive Board of Achmea, a member of the Executive Board of Interpolis, and a member of the Executive Board of Fortis ASR Verzekeringen. Previously, he has held several business role in the insurance sector, at AMEV and Fortis. From 2002 until 2007 he was also Chairman of the negotiating delegation for the insurance sector's collective agreement (CAO) on behalf of employers. Currently, Mr Wijmenga is Chairman of the Philips Pension Fund and until 1 April 2019 a member of the Supervisory Board of Bouwinvest.

WIM H. DE WEIJER (1953)

Wim de Weijer is Vice-chairman of the Supervisory Board of Achmea B.V. He is also the Chairman of the Supervisory Board of Achmea Zorgverzekeringen N.V. and its subsidiaries. Up to 1 April 2018 he was Vice-chairman of the Supervisory Board of PGGM N.V. In addition, he is Chairman of the Supervisory Board of Wielco B.V. (Medux, Medipoint, HartingBank) and member of the Supervisory Board of ADG.

JAN VAN DEN BERG (1964)

Jan van den Berg is a member of the Supervisory Board as of 16 February 2018. Mr. Van den Berg has more than 20 years of executive experience in the international insurance market. He worked for Nationale Nederland, AXA en Prudential Financial where he was Asia President until 2017. He started his career at Coopers & Lybrand corporate finance. Mr. Van den Berg is a member of the Supervisory Board of DHFL Pramerica Life Insurance, DHFL Pramerica Asset Management and MyTomorrows.

Biographies Executive and Supervisory Board members

Supervisory Board

PETRI H.M. HOFSTÉ (1961)

Petri Hofsté has been a member of the Supervisory Board since 1 January 2015. She is also a member of the Supervisory Board of Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Investment Management B.V. Ms Hofsté is a qualified registeraccountant and started her career at KPMG, where she was a partner in the Financial Services Audit practice. Subsequently, she was among others group controller and deputy CFO of ABN AMRO Group, divisional director of Bank Supervision at De Nederlandsche Bank and CFRO of APG Groep N.V. Ms Hofsté is a member of the Supervisory Board of Rabobank, Fugro N.V. and KAS Bank N.V. and a member of the Board of Stichting Nyenrode and Vereniging Hendrick de Keyser.

MIJNTJE LÜCKERATH-ROVERS (1968)

Mijntje Lückerath-Rovers is a member of the Supervisory Board. She is also a member of the Supervisory Board of Achmea Pensioen- & Levensverzekeringen N.V. Ms Lückerath-Rovers is a Professor in Corporate Governance at Tilburg University. She is also a member of the Supervisory Boards of NRC Media, KNGF (Royal Dutch Guide Dog Foundation) and of the Diergaarde Blijdorp (Rotterdam Zoo). She is a member of the Monitoring Committee Pensionfund Governance Code. Previously she was a member of the Supervisory Board of ASN Bank Investment Funds. She is also the author of many (popular) scientific publications, and member of the editorial board of the Corporate Governance Yearbook.

LINEKE A.C.W. SNELLER (1965)

Lineke Sneller is a member of the Supervisory Board. She is also a member of the Supervisory Board of Achmea Zorgverzekeringen N.V. and its subsidiaries. Ms Sneller is a Professor in Accounting Information Systems at Nyenrode Business University. She began her career at Ortec Consultants in 1988 and has held CIO positions at InterfaceFLOR, Tele2 and Vodafone. Ms Sneller is acting Chair of the Supervisory Board of CCV, a member of the Supervisory Boards of ProRail and Hal Armstrong Beheer, and a non-executive director at Ortec International.

JOKE S.T. VAN LONKHUIJZEN-HOEKSTRA (1960)

Joke van Lonkhuijzen-Hoekstra is a member of the Supervisory Board, she was also a member of the Supervisory Board of Achmea Zorgverzekeringen N.V. and its subsidiaries.
Ms Van Lonkhuijzen has a wide background in the healthcare sector. She started her career as a nurse. Until 2012, she was the Chair and CEO of the Amsterdam-based GGZ ingest. From 2013 until 2016 she served as CFO and a member of the Executive Board of Cordaan. Ms Van Lonkhuijzen is also Chair of the Board of Trustees for the postgraduate Change Management programme at VU University Amsterdam, since June 2017 she has been a member of the Supervisory Board of Monuta Holding and Monuta Uitvaartverzekeringen and since 2018 she is the Chairman of the Supervisory Board of Baker Tilly, accountancy and tax advice.

Fiancial Statements

Content Consolidated financial statements

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
Assets			
Intangible assets	13	739	792
Associates and joint ventures	14	50	84
Property for own use and equipment	15	403	415
Investment property	5	1,103	1,113
Investments	6	70,948	72,702
Deferred tax assets	16	553	712
Amounts ceded to reinsurers	7	671	656
Receivables and accruals	17	5,883	6,487
Cash and cash equivalents	18	1,466	2,884
		81,816	**85,845**
Assets classified as 'Held for sale'	21		5,101
Total assets		**81,816**	**90,946**
Equity			
Equity attributable to holders of equity instruments of the company		9,697	9,941
Non-controlling interest		8	8
Total equity	**19**	**9,705**	**9,949**
Liabilities			
Liabilities related to insurance contracts	7	55,065	57,293
Other provisions	20	1,089	1,111
Financial liabilities	8	15,197	16,755
Derivatives	6	731	770
Deferred tax liabilities	16	10	13
Income tax payable		19	53
		72,111	**75,995**
Liabilities classified as 'Held for sale'	21		5,002
Total liabilities		**72,111**	**80,997**
Total equity and liabilities		**81,816**	**90,946**

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2018	2017
Gross earned premiums		19,918	19,350
Reinsurance premiums		−294	−343
Change in provision for unearned premiums and current risks (net of reinsurance)		61	341
Net earned premiums	**10**	**19,685**	**19,348**
Income from associates and joint ventures		7	10
Investment income	11	1,066	2,233
Other income	22	578	474
Total income		**21,336**	**22,065**
Net expenses from insurance contracts	12	17,995	18,823
Fair value changes and benefits credited to investment contracts		23	150
Interest and similar expenses	23	288	339
Operating expenses	24	2,358	2,277
Other expenses	25	106	155
Total expenses		**20,770**	**21,744**
Result before tax		**566**	**321**
Income tax on result		107	105
Income tax impact rate change		144	
Total income tax	**26**	**251**	**105**
Net result		**315**	**216**
Net result attributable to:			
Holders of equity instruments of the company		314	215
Minority shareholders		1	1
Earnings per share	28	0.63	0.37

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTE	2018	2017
Items that will not be reclassified to the Income statement [1]			
Remeasurements of net defined benefit liability [2]		12	−19
Unrealised gains and losses on property for own use [3]		9	4
		21	**−15**
Items that may be reclassified subsequently to the Income statement [1]			
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures [4]		−53	−41
Unrealised gains and losses on financial instruments 'Available for sale' [3]		−79	47
Share in other comprehensive income of Associates and joint ventures [3]			4
Changes in the provision for Profit sharing and bonuses for policyholders from unrealised investment income [3]		−84	167
Reclassification to the Income statement as Profit sharing and bonuses for policyholders from investment income [3]		9	62
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal [3]		−128	−220
Impairment charge on financial instruments 'Available for sale' reclassified to the Income statement on disposal [3]		48	16
		−287	**35**
Net other comprehensive income	**27**	**−266**	**20**
Net result		315	216
Comprehensive income		**49**	**236**
Comprehensive income attributable to:			
Holders of equity instruments of the company		48	235
Minority shareholders		1	1

1. *The net position (including taxes) is shown within this overview*
2. *Accounted for as part of Retained earnings*
3. *Accounted for as part of Revaluation reserve*
4. *Accounted for as part of Exchange difference reserve*

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUA-TION RESERVE	EXCHANGE DIFFE-RENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRU-MENTS	SUBTOTAL EQUITY 1	NON-CON-TROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2017	**11,357**	**−235**	**687**	**829**	**−322**	**−7**	**−3,505**	**−380**	**1,350**	**9,774**	**8**	**9,782**
Net other comprehensive income				80	−41		−19			20		20
Net result								215		215	1	216
Comprehensive income				**80**	**−41**		**−19**	**215**		**235**	**1**	**236**
Appropriations to reserves			9	25			−414	380				
Dividends and coupon payments							−68			−68	−1	−69
Balance at 31 December 2017	**11,357**	**−235**	**696**	**934**	**−363**	**−7**	**−4,006**	**215**	**1,350**	**9,941**	**8**	**9,949**
Net other comprehensive income				−225	−53		12			−266		−266
Net result								314		314	1	315
Comprehensive income				**−225**	**−53**		**12**	**314**		**48**	**1**	**49**
Appropriations to reserves			−662	37			840	−215				
Dividends and coupon payments							−192			−192	−1	−193
Issue, sale and purchase of equity instruments		−100								−100		−100
Balance at 31 December 2018	**11,357**	**−335**	**34**	**746**	**−416**	**−7**	**−3,346**	**314**	**1,350**	**9,697**	**8**	**9,705**

1. *Subtotal Equity relates to Equity attributable to holders of equity instruments of the company.*

Share capital/premium includes €10,923 million share premium (31 December 2017: €10,923 million). For more information refer to Note 19.

As of 1 January 2018 the reserves from the former health insurance funds are no longer ring fenced. As a consequence of this an amount of €622 million of the share capital has been reclassified from ‘Legal reserves’ to ‘Other reserves’.

In 2018 the Executive Board repurchased Achmea ordinary shares for a final purchase price of €100 million. This transaction has been included in the above statement under ‘Issue, sale and purchase of equity instruments’ as part of ‘Own shares’. The repurchased shares are stated at the transaction value.

In 2018 an amount of €51 million (2017: €51 million) coupon payment on Other equity instruments has been paid (net of taxes). With regard to the result for the year 2017 dividends of €124 million were distributed in 2018 to holders of ordinary shares (2017: nil). In 2018 an amount of €20 million (2017: €20 million) dividend on preference shares. Achmea B.V. received €3 million (2017: €3 million) thereof in dividend on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	NOTES	2018	2017
Cash flow from operating activities			
Result before tax		566	321
Adjustments of non-cash items and reclassifications:			
Unrealised results on Investments, including foreign currency results and value changes and provisions for uncollectability		459	–515
Amortisation and impairment on Intangible assets, Property for own use and equipment, including foreign currency results		82	86
Amortisation of Deferred acquisition costs recognised as Receivables and accruals, including foreign currency results		22	34
Income from Associates and joint ventures		–7	28
(Accrued) Interest expenses		24	9
Other changes and reclassifications		44	–38
		1,190	**–75**
Changes in operating assets and liabilities:			
Changes in Receivables and accruals (excluding Deferred acquisition costs) and Other liabilities recognised as Financial liabilities		716	921
Changes in Liabilities related to insurance contracts net of reinsurance		–2,435	–1,035
Changes in Other provisions		57	–199
Changes in Financial liabilities (excluding holding activities)		–1,658	–154
Changes in acruals due to assets and liabilities Held for Sale		–99	
		–3,419	**–467**
Cash flows operating items not reflected in Result before tax:			
Purchase of Investment property		–17	–6
Purchase of Investments		–27,716	–31,658
Divestments of Investment property		133	66
Divestments of Investments		28,392	32,797
Capitalised Deferred acquisition costs recognised as Receivables and accruals		–13	–55
Received / paid Income taxes			82
Other changes		98	113
		877	**1,339**
Total Cash flow from operating activities		**–1,352**	**797**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	NOTES	2018	2017
Cash flow from investing activities			
Purchase of Subsidiaries, Associates and joint ventures and other investments(net of cash)		−10	
Purchase of Property for own use and equipment		−48	−55
Investments in Intangible assets		−26	−16
Disposal of Subsidiaries, Associates, joint ventures and capital interests (net of cash)		333	6
Sales and disposal of Property for own use and equipment [1]		9	17
Divestments of Intangible assets			15
Dividends received from Associates and joint ventures		38	65
		296	**32**
Cash flow from financing activities			
Repurchase of own shares		−100	
Dividends and coupon payments		−209	−85
Interest paid		−53	−52
		−362	**−137**
Net cash flow		**−1,418**	**692**
Net cash and cash equivalents at 1 January		2,884	2,192
Net cash and cash equivalents at 31 December	**18**	**1,466**	**2,884**
Cash and cash equivalents include the following items:			
Cash and bank balances		1,448	2,860
Call deposits		18	24
Cash and cash equivalents at 31 December	**18**	**1,466**	**2,884**

1. *The gross proceeds of sale and the liquid assets included in the sale were €392 million and €59 million respectively. The total underlying assets sold (mainly Investments) and total liabilities (mainly Liabilities related to insurance contracts) were €5,236 million and €5,017 million respectively. These concern divestments, as explained in Note 21 – Assets and liabilities held for sale and divestments.*

Included in the cash flows from operating activities for 2018 is interest received amounting to €1,487 million (2017: €1,523 million), dividends received amounting to €92 million (2017: €86 million) and interest paid amounting to €16 million (2017: €20 million).

Notes to the Consolidated Financial Statements

GENERAL

GENERAL INFORMATION

Achmea B.V. is a private company with limited liability incorporated in the Netherlands and seated in Zeist. The head office is located at Handelsweg 2 in Zeist. The Achmea Group (hereafter called Achmea) comprises Achmea B.V. and the entities it controls. Achmea is a financial services provider with insurance activities in the field of non-life, health, income and life. Furthermore Achmea offers banking services, asset management and pension management services, and other services.

1. ACCOUNTING POLICIES

A. AUTHORISATION FINANCIAL STATEMENTS

The Achmea Consolidated Financial Statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Executive Board on 12 March 2019. At the same date, the Supervisory Board gave its advice to the General Meeting to adopt the Financial Statements. The Executive Board may decide to amend the Financial Statements as long as these have not been adopted by the General Meeting. The General Meeting may decide not to adopt the Financial Statements, but may not amend these.

B. BASIS OF PRESENTATION

The Achmea Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as at 31 December 2018 and as adopted by the European Union (hereafter EU and EU-IFRS). Furthermore, the Achmea Consolidated Financial Statements comply with the requirements of Section 362, paragraph 9, Book 2 of the Dutch Civil Code. All amounts in the Consolidated Financial Statements are in millions of euros, unless stated otherwise. Assets and liabilities in the statement of financial position are classified based on liquidity. If references are made to the balance sheet in these consolidated financial statements, this refers to the statement of financial position.

In the primary consolidated statements items of a similar nature are condensed. In the notes these items are disaggregated as they are of relative importance for Achmea. Relative importance is assessed based on both quantitative and qualitative criteria. Quantitative criteria relate to the totals of the relevant category in the primary consolidated statements and the relative importance of the item in these statements. If the item is of relative importance quantitatively, it is disclosed further (in accordance with the required IFRS disclosures). If the item is not of relative importance quantitatively, Achmea applies qualitative criteria, such as specific importance to a user of the financial statements, to assess if further explanation in notes is required. If an item is of relative importance qualitatively, it is disclosed further in accordance with the required IFRS disclosures. If an item is not of relative importance, either quantitatively or qualitatively, the notes are as limited as possible in accordance with the IASB Disclosure Initiative principles and related materiality principles.

Furthermore Achmea has separated the notes into the chapters: ‘Notes to significant balance sheet and income statement items’ and ‘Other notes’. The notes concerning the core activities of Achmea are included in ‘Notes to significant balance sheet and income statement items’. Other notes are included because they meet the quantitative or qualitative relative importance criteria and are included in the section ‘Other notes’.

C. INITIAL APPLICATION OF ACCOUNTING POLICIES

In 2018, the following new Standards, amendments to Standards and Interpretations issued by the International Accounting Standard Board (IASB) were adopted:

Notes to the Consolidated Financial Statements

Amendments to IFRS 4 Insurance Contracts

The amendments are intended to address concerns about the different effective dates of the new standard for financial instruments (IFRS 9) and the new standard for insurance contracts (IFRS 17). These different effective dates may give rise to a temporary (accounting) volatility of results because of the lack of consistency between the valuation of the investments and the insurance liabilities. The amendments provide two options: the overlay approach and the deferral approach. The overlay approach permits entities that issue insurance contracts to reclassify the volatility of income or expenses arising from designated financial assets that results from implementing IFRS 9 from profit or loss to other comprehensive income. The deferral approach permits entities whose predominant activity is issuing contracts an optional temporary exemption from applying IFRS 9. Both approaches may be applied, if the requirements are met, until 2021. Achmea applies the deferral approach as referred to above. Achmea is permitted to apply this approach because the percentage of liabilities connected with insurance relative to the total amount of liabilities is between 80% and 90% and Achmea does not engage in a significant activity unconnected with insurance. As a consequence of the application of the deferral approach Achmea has to include additional disclosures in the financial statements from 2018. These are included in Note 33.

IFRS 15 Revenue from contracts with customers

The standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide accounting principles for transactions that were not previously addressed comprehensively (for example service revenue and contract modifications) and provide principles for multiple-element arrangements. In 2016, the IASB issued amendments to clarify a number of requirements of the standard with regard to the application of the standard. The IASB also issued amendments to ease the first application of the standard. This standard has no material impact on the Net Result and Total Equity of Achmea, in view of the limited scope of Achmea's service activities and the fact that the revenue recognition under IAS 18 was already compliant with IFRS 15.

Other amendments

In addition to the above (amendments to) standards, the below amendments to standards came into force in 2018. These have no significant impact on Total equity as at 31 December 2018 and Net result for 2018 as these are not applicable to Achmea and/or only result in a limited amendment:

- Amendments to IFRS 2 Classification and measurement of share-based payment transactions (clarification of the requirements for classification and measurement of share-based payment transactions);
- Amendments to IAS 40 Transfers of investment property (clarification of the reclassification of real estate to/from investment property);
- Annual improvements to the IFRS 2014-2016 Cycle: annual improvements include non-urgent adjustments;
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration: recognition of certain types of currency effects.

D. CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards and Interpretations were issued in 2018 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2018. These are:

IFRS 9 Financial Instruments

IFRS 9 introduces a new model for the classification of financial assets. This model is driven by the cash flow characteristics and the business model in which an asset is held. With regard to financial liabilities the changes as a result of IFRS 9 are limited and for most financial liabilities the existing amortised cost measurement can be maintained. As part of IFRS 9, the IASB has introduced an expected-loss model to determine impairment losses. This model requires taking into account expected credit losses when financial instruments are first recognised. In case of a significant credit deterioration expected credit losses should be taken into account for the full lifetime. Finally, IFRS 9 introduces a model for hedge accounting that aligns the accounting treatment with risk management activities.

Notes to the Consolidated Financial Statements

The standard is effective for reporting periods beginning on or after 1 January 2018, with early application permitted. Achmea will delay the application of this standard as referred to above under '*Amendments to IFRS 4 Insurance Contracts*'. The required disclosures are included in Note 32 Credit quality financial assets and Disclosures Concerning delay IFRS 9.

Achmea is assessing the impact of this standard, taking into account the interaction with the current standard for the accounting of insurance contracts (and proposed amendments thereon) and also the future standard for the accounting of insurance contracts.

IFRS 16 Leases

IFRS 16 Leases establishes principles for the recognition, measurement and presentation of leases. In the financial statements of the lessee all leases, except for leases with a lease term of 12 months or less and so-called small leases, are recognised as an asset reflecting the right to use the asset for the lease period and a liability reflecting the obligation to pay the future lease payments. For the lessor, the reporting consequences of the new standard are limited. The amendments are effective for reporting periods beginning on or after 1 January 2019.

As a lessee, Achmea shall include both an asset and a liability in the balance sheet for a number of operating leases. However, the value thereof is limited as at 31 December 2018. In view of the limited value this standard does not have a material impact on Total assets, Total liabilities, Total equity and the Net result of Achmea. For an indication of the (maximum) value of the related asset item refer to Note 30 Operating leases.

IFRS 17 Insurance Contracts

IFRS 17 establishes a number of principles in relation to the recognition, presentation, measurement and disclosure of insurance contracts. The purpose of the standard is to ensure that the effect of insurance contracts within the scope of IFRS 17 on the financial position, result and cash flows is adequately reflected in the financial statements and can be compared with other entities. The standard shall be effective for annual periods beginning on or after 1 January 2021, with early adoption being permitted. . In 2018 the IASB made the tentative decision to postpone the required implementation date to 1 January 2022. This standard was published by the IASB in May 2017. As at 31 December 2018 the standard has not yet been endorsed by the EU.

Achmea is assessing the impact of this standard, taking into account the interaction with the future standard for Financial Instruments (IFRS 9).

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments are made in connection with accounting for plan amendments, curtailment and settlements of a defined benefit obligation during a reporting period. After a plan amendment, curtailment or settlement Achmea is required to update assumptions related to the defined benefit obligation and the fair value of the plan assets to estimate cost of such an amendment. The amendment requires that Achmea uses this updated information resulting from adjustment in the defined benefit obligation to determine current service costs and net interest in a correct manner. The amendments are effective for reporting periods beginning on or after 1 January 2019. As at 31 December 2018 the standard has not yet been endorsed by the EU. Achmea is assessing the impact of this standard.

Other amendments with future application date

Except for the above (amendments to) standards, there are (amendments to) standards that were issued in 2018 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2018. Since these amendments to standards have no impact on Total equity, Net result and have no impact or a limited impact on the presentation and notes of Achmea, they are not described further.

It concerns the following (amendments to) standards which have not been endorsed by the EU:

- IAS 28 Long-term interest in associates and joint ventures (amendments, effective date 1 January 2019).
- Annual Improvements to the IFRS Standards 2015-2017 Cycle (amendments, effective date 1 January 2019).
- IFRS 3 Business Combinations: Definition of a Business (amendments, effective date 1 January 2020).
- IAS 1 and IAS 8: Definition of Material (amendments, effective date 1 January 2020).

Amendments endorsed by the EU as per 31 December 2018:

- IFRS 9 Prepayment features with negative compensation (amendments, effective date 1 January 2019, see IFRS 9 Financial Instruments regarding delay IFRS 9).
- IFRIC Interpretation 23 Uncertainty over income tax treatment (effective date 1 January 2019).

Notes to the Consolidated Financial Statements

E. AMENDMENTS RELATED TO ACCOUNTING POLICIES, PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

No material adjustments were made related to accounting policies, prior period corrections and changes in presentation.

F. CHANGES IN ACCOUNTING ESTIMATES

In preparing these Consolidated Financial Statements, the significant judgements made by management in applying Achmea's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Consolidated Financial Statements 2017. For the adjustments to measurement of the income tax receivable refer to Note I. Key accounting estimates.

G. CONSOLIDATION FRAMEWORK

Basis for consolidation

All of Achmea's subsidiaries, associates and joint ventures are included in the Consolidated Financial Statements, based on Achmea's accounting framework. The following principles apply to Achmea’s Consolidated Financial Statements.

Subsidiaries

Subsidiaries are entities over which Achmea has control. Achmea controls an entity when Achmea is exposed or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the economic substance of the relationship between Achmea and the entity and considers existing and potential voting rights that are substantive. For a right to be substantive, Achmea must have the practical ability to exercise that right. Third-party interests in these entities are presented as Non-controlling interest within Total equity.

The outcome of the analysis whether control over an entity exists depends on the purpose and design of the entity, what are the relevant activities (that drive the entity’s returns) and how decisions about them are taken and whether rights of the entity give current ability to direct the relevant activities. In performing this assessment, Achmea has defined the most relevant activity as the ability to determine the strategic policies of an entity. The outcome of the analysis also depends on whether Achmea is exposed to or has rights to variable returns from its involvement with the entity and whether Achmea has the ability to use its powers over the entity to affect the amount of its returns. If an entity performs activities for the benefit of the public good and not only for the benefit of Achmea and/or its customers (for example health related foundations), no ability for Achmea to use its power over the entity to affect the entity’s return is presumed to exist. Different assumptions may result in a different outcome of the control assessment.

Investment funds managed by Achmea in which Achmea holds an interest are consolidated in the Consolidated Financial Statements if Achmea has control. The assessment of control is based on the economic substance of the relationship between Achmea and the investment fund and, amongst others, considers existing and potential voting rights that are currently exercisable and convertible. In assessing control, all interests held by Achmea in the investment fund are considered, regardless if the financial risk related to the investment is borne by Achmea or by the policyholders. An exception to this is when the fund meets the definition of a silo (i.e. assets, liabilities and/or equity within the relevant entity are separated) or when, under strict facts and circumstances, a direct link between the policyholder and the fund can be assumed. On consolidation of an investment fund, a liability is recognised to the extent that Achmea is legally obliged to buy back participations held by third parties. The liability is presented in the Consolidated Financial Statements as Financial liabilities. Where this is not the case, other participations held by third parties are presented as Non-controlling interests. The assets allocated to participations held by third parties are presented *as Investments – Investments on own account*. Participations held by Achmea on behalf of policyholders are presented in the Consolidated Financial Statements as *Investments - Investments backing linked liabilities*.

Joint ventures

Entities over which Achmea and other entities share joint control by means of contractual arrangements are considered to be joint ventures. Achmea accounts for joint ventures using the equity method.

Associates

Entities over which Achmea exercises significant influence are accounted for using the equity method. Generally, significant influence is presumed to exist when the participation in ordinary share capital or voting rights (including potential voting rights) is between 20% and 50%.

Notes to the Consolidated Financial Statements

Intra-group adjustments

Intra-group transactions have been eliminated in the Consolidated Financial Statements. Profits and losses resulting from transactions with associates and joint ventures are eliminated to the extent of Achmea's interest in the associate or joint venture.

Business combinations of entities under common control

For the accounting of business combinations of entities or businesses under common control, Achmea uses the pooling of interest method in case of a (legal) merger and carry over accounting (transfer based on the carrying amount) in case of an acquisition. Such transactions do not have an impact on Net result and Total equity of Achmea.

H. ACCOUNTING FRAMEWORK

This section sets out the general accounting policies. All assets and liabilities are measured at fair value, unless a different measurement is stated in the accounting policies. The specific accounting principles applicable to a certain line item in the financial statements are included in the note to the relevant item.

Consolidated statement of cash flows

The Consolidated Statement of Cash Flows has been prepared according to the indirect method with a breakdown into cash flows from operating, investing and financing activities. Cash and cash equivalents comprise cash, bank balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Achmea's cash management processes are recognised as a component of Cash and cash equivalents. In total cash flow from operating activities, Result before tax is adjusted for those items in the Income Statement and changes in operating assets and liabilities, that do not result in actual cash flows during the year. Due to the nature of Achmea's activities, in which both insurance and banking are part of the operations, cash flows related to Investment property, Investments and Liabilities related to insurance contracts and Financial liabilities related to insurance contracts are presented as part of Total cash flows from operating activities.

Foreign currency differences

The Consolidated Financial Statements are presented in euros, which is Achmea's functional and presentation currency. Items included in the Financial Statements of Achmea's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). For consolidation, assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated into euros at the year-end exchange rates.

The income and expenses of these subsidiaries are translated at the weighted average exchange rates for the reporting period. Translation differences arising from the application of year-end exchange rates to the opening balance of net assets and goodwill of these subsidiaries and to the results for the reporting period are recognised in Total equity and reported as Net other comprehensive income.

The net asset value of associates and joint ventures with a functional currency other than the euro is translated into euros at the year-end exchange rates. The results of associates and joint ventures are translated at the weighted average exchange rates for the reporting year. Translation differences, arising from the application of reporting date exchange rates to the opening net asset value of associates and joint ventures and to the results for the reporting period, are recognised in Total equity and reported as Net Other Comprehensive Income.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in Net result. Exceptions are foreign exchange gains and losses recognised in Total equity as part of qualifying cash flow hedges or a qualifying net investment in a foreign operation. Refer to the accounting policies in the applicable disclosures for more details regarding the accounting of foreign currency differences for specific assets and liabilities.

Recognition financial instruments

When Achmea becomes a party to the contractual provision of a financial instrument (i.e. at trade date), Achmea recognises the instrument at fair value including transaction cost (unless the financial instrument is classified as 'At fair value through profit or loss').

Notes to the Consolidated Financial Statements

Derecognition financial instruments

A financial asset (or part of a financial asset) is derecognised when the contractual rights to receive cash flows from the financial asset have expired or when Achmea has transferred substantially all risks and rewards of ownership. Also if Achmea neither transfers nor retains substantially all the risks and rewards of ownership.

The asset will also be derecognised if Achmea does not have or no longer has control over the asset, even if Achmea does not transfer or retain the risks and rewards related to an asset.

In transfers where control over the asset is retained, Achmea continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Achmea is exposed to changes in the value of the asset. A financial liability (or a part of a financial liability) is derecognised when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement as a realised gain or loss. Any cumulative unrealised gains or losses previously recognised in Total equity are transferred from Total equity to the Income Statement. Achmea uses the average cost method when derecognising financial assets and liabilities.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at the net amount in the balance sheet when Achmea:

- has a current legally enforceable right to offset the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment

In general, an impairment of an asset exists when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, Achmea assesses whether there is an indication that an asset could be impaired and whether it is necessary to recognise an impairment loss. The goodwill from business combinations and other intangible assets with an indefinite life is tested for impairment every year. Impairments on Investments are recognised as *Realised and unrealised gains and losses* in the Other income of the Income Statement. All other impairments are recognised as Other expenses in the Income Statement. Impairment losses recognised in prior years are reversed if the reversal can be objectively attributed to the disappearance or removal of the impairment event since the impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An increase in the carrying amount due to the reversal of the impairment loss will not exceed the carrying amount if no impairment loss would have been recognised in prior periods. The increase due to a reversal of an impairment loss is recognised in the Income Statement (Other income - *Realised and unrealised gains and losses* for fixed-income investments and in Other expenses for other reversals). Impairment losses on equity instruments classified as 'Available for sale' are not reversed through the Income Statement. Subsequent fair value changes are recognised in the Revaluation reserve (part of Total equity). An impairment regarding goodwill is not subject to reversal. For more details relating to the specific accounting policies for impairment, reference is made to the accounting policies for the specific items as included in the applicable disclosures.

Borrowing costs

Borrowing costs incurred for the construction of qualifying assets (assets that take a substantial period of time to acquire or construct) are capitalised during the period required to complete and prepare the asset for its intended use. As Achmea borrows funds on a continuous basis, the amount of borrowing costs is based on the weighted average of the borrowing costs applicable to the borrowings of Achmea that are outstanding during the period. Other borrowing costs are recognised in the Income Statement in the period in which they have been incurred.

Notes to the Consolidated Financial Statements

Leasing

Leases entered into by Achmea are primarily operating leases. The total payments made under operating leases are recognised in the Income Statement on a straight-line basis over the period of the lease. A property interest that is held by Achmea under an operating lease and rented out to a third party is not classified as Investment property.

I. KEY ACCOUNTING ESTIMATES

For the measurement of certain items of the financial statements, Achmea uses assumptions and estimates concerning future results or other developments, including the likelihood, timing or amounts of future transactions or events. Inherent to estimates is that the actual results may differ materially. Important estimates relating to a certain financial statement item are also included in the note to the balance sheet item. A key estimate which is not explained in a note to a specific balance sheet item is presented below.

Measurement income tax payable

The measurement of current income tax depends among other things on the application of the tax rules and court rulings. It can be unclear how a specific tax law provision applies to a certain transaction or event. The actual current income tax may result in other cash flows under the tax position.

As in previous years, at the end of 2018 there was a lack of clarity regarding the application of the participation exemption facility to income derived from the sale of the stake in Polish insurer PZU. The acceptability of the tax treatment chosen by Achmea depends on a court judgement. In July 2018 there was a court ruling which made Achmea decide to increase the provision for the most likely outcome. The effect (€35 million) is recognised as part of the income tax in the first half of 2018. The actual income tax to be paid may differ from this. Both Achmea and the tax authorities have appealed to the Supreme Court.

Notes to the Consolidated Financial Statements

2. CAPITAL AND RISK MANAGEMENT

Effective capital and risk management is essential for Achmea's continuity, and for maintaining a long-term relationship with our clients and other stakeholders. Capital management ensures that Achmea and all its supervised entities have sufficient capital to secure the interests of all stakeholders in the short and long term and that capital is used sufficiently. Risk management involves identifying and assessing risks, determining and implementing risk control measures and the monitoring and reporting on risks. The starting point in this context is not so much a matter of avoiding risk but rather of making well-informed decisions about the risks to be accepted in realising the business objectives. This involves the objectives of Achmea as a group as well as the objectives of individual entities.

Capital and risk management complement each other and demand an integrated approach. For instance, the risk profile is quantified using a partial internal model, approved by the College of Supervisors, that is also used to calculate the required capital. In terms of risk Achmea has defined its risk appetite. Principles on capital are an important part of this. Each year, the risk and solvency position are assessed in the Own Risk & Solvency Assessment (ORSA) from a common perspective.

This section discusses capital and risk management at Achmea in greater detail on the basis of: A. Developments in 2018, B. Capital position, C. Risk profile, D. Risk management system E. Insurance risk, F. Market risk, G. Counterparty risk, H. Liquidity risk, I. Operational risk, J. Compliance risk and K. Capital management.

A. DEVELOPMENTS IN 2018

This section provides an overview of the most important developments in 2018 in the field of capital and risk management, first in general and next specifically for the financial and non-financial risks.

General

General developments relate to the overall capital and risk position and the generic changes in the risk management system.

With a solvency ratio of 198%, Achmea had a solid Solvency II capital position at year-end 2018. Refer to section B for further information on the capital position.

The composition of the risk profile and the key risks identified in achieving the strategy remained largely unchanged in 2018, refer to section C for more detailed information. In 2018 extra attention is given to the initiative for a law on ring-fencing health insurers capital, which may have an impact on the amount of the available capital. Furthermore, attention is given to (technological) developments in financial services with a potential impact on the non-life portfolio and the persistently low or declining interest rates.

Achmea's risk appetite has been updated in 2018 with, among other things, changes to the Key Risk Indicators. Yet the risk appetite of Achmea Group and the underlying entities has not changed in material terms.

Achmea's capital policy has been further developed. Among other things, further work has been done on assessing the assumptions related to determining economic solvency based on the Exit Value metric. This is a test for determining whether the insurer has the resources to transfer the insurance portfolio to another party on short term.

Achmea began implementation of the full model risk governance, where the scope has been expanded from only Solvency II models to all models used at Achmea. Model risk means the risk of incorrect use of models and/or incorrect outcomes from them. Model and risk assessments have been completed for most business units, and based on these assessments, plans have been established for the implementation of absent control measures. The necessary model validations will be performed over the next three years.

As to the committee structure, the Finance & Risk Committee (FRC) at group level has been replaced by a Group Risk Committee (GRC) and an Asset Liability Committee (ALCO).

Notes to the Consolidated Financial Statements

Financial risks

The financial risks comprise insurance risk, market risk, counterparty default risk and liquidity risk, refer to section C Risk profile for a further explanation.

In 2018, the College of Supervisors approved the use of the partial internal model for calculating the required capital for market risk for the insurance entities. Achmea already used an approved internal model for calculating the insurance risks for non-life and income protection insurances. The partial internal model for market risk provides Achmea with better insight into the risks, enabling improved risk management. The partial internal model including market risk has been used since 1 July 2018 for calculating the required capital for Achmea B.V., Achmea Pensioen & Levensverzekeringen N.V., Achmea Schadeverzekeringen N.V., Hagelunie N.V. and Achmea Reinsurance Company N.V.

Following on from the abovementioned approval of the partial internal model, the Market risk policy has been adjusted to bring monitoring and steering into line with this new model. In particular, interest rate risk management has been tightened and, where based on the new partial internal model, steering takes place monthly.

The market risk budget associated with the investment portfolio has remained almost unchanged in recent years. The new internal model for market risk allows for an investment portfolio which, assuming an unchanged market risk, generates a higher expected return based on Achmea's investment beliefs. The adjustments will be implemented gradually over the coming years.

The retention of the non-life catastrophe reinsurance programme has been decreased, resulting in a reduced chance of one-off effects with a negative impact on the result.

Specific financial risk topics that received extra attention in 2018 are the potential consequences of Brexit and the economic and currency developments in Turkey. The direct impact of a possible hard Brexit is estimated to be limited. There may be an indirect impact resulting from possible fluctuations in the financial markets due to interest rate, spread and currency changes. Although the currency risk on the Turkish Lira has not been hedged, developments in Turkey have a limited impact at group level. These developments will continue to be monitored, enabling prompt mitigating actions.

Non-financial risks

The non-financial risks comprise operational and compliance risk. For further information, refer to section C Risk profile for a further explanation.

In 2018, considerable attention was given to the implementation of the General Data Protection Regulation (GDPR) effective from 25 May 2018. As a result, Achmea is subject to stricter privacy requirements in relation to the processing and security of personal data.

The focus on information security remains consistently high given the rapid developments in cybercrime, which leave Achmea vulnerable to this risk. This requires ongoing vigilance and additional measures, which have taken the form of, among other things, a safe working awareness campaign. Partly based on a comprehensive scenario analysis conducted to assess this risk, a cyber risk insurance policy has been entered into.

Achmea has a structured product development process, where existing products and services are periodic reviewed on relevant aspects. Extra attention is focused on social developments with regard to the non-statutory duty of care for existing and new products and services.

The discussion on unit-linked insurance policies remains, as was demonstrated by the summons that Achmea received in January 2019 from the association Vereniging Woekerpolis.nl and the Dutch Consumer Association. In November 2018 they approached us, requesting that we enter into consultations on a far-reaching additional compensation scheme. We declined this request because we do not recognise the picture depicted by them and the liability allegations.

The Internal Control Framework (CFW) used for internal control, including financial reporting risks, has been developed further and the included Key Controls have been recalibrated. Additionally consideration is being given to how they can be largely standardised and automated in future.

Notes to the Consolidated Financial Statements

B. CAPITAL POSITION

Capital at Achmea is managed according to the legal framework, economic principles and the principles of rating agencies. The legal framework is based on IFRS, Solvency II, Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR). CRD IV/CRR is a framework that focuses specifically on banking activities and the management of investment funds. As set out in Achmea's risk appetite and capital policy, Achmea strives for a target Solvency II ratio of at least 165%.

At year-end 2018 Achmea and its entities are sufficiently funded in accordance with statutory requirements.

Insurance activities

Solvency II is the solvency regime for insurance companies in the European Union that came into effect on 1 January 2016.

SOLVENCY RATIO (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Eligible own funds Solvency II	8,925	8,386
Solvency Capital Requirement	4,497	4,555
Surplus	**4,428**	**3,831**
Ratio (%)	198%	184%

For the purposes of calculating the Solvency Capital Requirement (SCR) under Solvency II, Achmea uses as risk model a partial internal model, which is approved by the College of Supervisors. Changes in tax legislation have been taken into account. For further information on the partial internal model and an overview of the composition of the Solvency Capital Requirement, please refer to part C Risk profile.

The Solvency II ratio increased by 14 percentage points to 198% (31 December 2017: 184%). The improved capital position results from a combination of an increase of €539 million in the Solvency II eligible own funds to €8,925 million (2017: €8,386 million) and a decrease of €58 million in the Solvency Capital Requirement to €4,497 million (2017: €4,555 million).

The table below shows the composition of the Solvency II eligible own funds. See part K Capital management for information on the capital instruments used. This capital serves as a buffer for absorbing risks and financial losses.

ELIGIBLE OWN FUNDS SOLVENCY II (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Tier 1	7,070	6,363
Tier 2	1,347	1,340
Tier 3	508	683
Total eligible own funds Solvency II	**8,925**	**8,386**

The increase in the Solvency II eligible own funds has been caused by positive technical results in the non-life, health and life business, lower interest rates, wider spreads in southern European countries and dividends received from the CRD entities. On the other hand, there has been a decline in the value of equities and dividends and coupons paid. In addition the amended legislation on corporate income tax and the devaluation of the Turkish Lira have had a negative effect. The sale of Independer and Friends First made a positive contribution to developments in capital.

The composition of equity under the Solvency II regulations is not the same as equity for IFRS purposes. For the calculation of the group solvency under Solvency II, the equity from banking activities and asset management are deducted. In addition there are valuation differences and restrictions. The table below shows the composition of eligible own funds under Solvency II and the relationship with the IFRS equity.

Notes to the Consolidated Financial Statements

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Equity Financial statements	9,705	9,949
Subordinated liabilities in Basic Own Funds	−1,350	−1,350
Own shares	335	235
Total IFRS excess of assets over liabilities	**8,690**	**8,834**
Valuation differences Solvency II	−355	−825
Total economic excess of assets over liabilities	**8,335**	**8,009**
Subordinated loans eligible under Solvency II and "grandfathered" instruments	2,076	1,940
Available own funds Solvency II	**10,411**	**9,949**
Foreseeable dividends, payments and expenses	−209	−315
Not qualifying tier 3 capital		−53
Own shares	−335	−235
Equity in banking- and investment institutions (CRD IV)	−911	−923
Other restrictions	−31	−37
Eligible own funds Solvency II	**8,925**	**8,386**

Key assumptions and estimates for the Solvency II calculation

For the Solvency II calculation (including Solvency II eligible own funds) Achmea uses assumptions and estimates with regard to future results or other developments, including the probability, realisation moment or amount of future transactions or events. Inherent in estimates is that the realisations may differ materially. Part of these assumptions and estimates correspond to the assumptions and estimates mentioned under Note 1 Accounting Policies – I (Key accounting estimates) and the accounting policies as included for the specific items in the Consolidated Financial Statements. For the Solvency II calculation (including Solvency II eligible own funds) several additional assumptions and estimates are applied additionally or instead.

The most important additional assumptions and estimates are the following:

- Cash flows used for the assessment of the market value of the Liabilities related to insurance contracts and Amounts ceded to reinsurers. Estimates under cash flows include the expected premium income and claims for future years; these expectations are partly based on assumptions regarding mortality, claims, lapse, work disability, costs and interest.
- Market value of contingent liabilities.
- Projected fiscal results (after shock) and analysis of future results.
- The absorbing capacity of deferred taxes.

In addition, the final size of the SCR (including the Solvency II eligible own funds) is still subject to assessment by De Nederlandsche Bank as part of the supervisory review process. This means that interpretations may change, and consequently the reported Solvency II figures may change.

Banking activities

The European Union has issued directives on capital requirements of banks, based on the Guidelines developed by the Basel Committee on banking supervision. Based on these directives, De Nederlandsche Bank has issued minimum capital requirements. As of 1 January 2014, banking capital requirements are governed by the Capital Requirement Directive IV (CRD IV) and the Capital Requirements Regulation (CRR).

Notes to the Consolidated Financial Statements

Achmea uses the Standardised Model to determine its credit risk. The Total Capital Ratio (BIS-ratio) based on CRD IV/CRR increased from 20.4% in 2017 to 20.8% in 2018.

CAPITAL RATIO CRD IV/CRR

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Core capital - Tier 1	847	894
Supplementary capital - Tier 2	3	4
Qualifying capital	**850**	**898**
Risk-weighted assets	4,085	4,414
Core Equity Tier 1 ratio	20.7%	20.3%
Total Capital ratio	20.8%	20.4%

As a result of timing differences there may be minor differences between the equity of banking and investment companies as set out under Solvency II and as presented in the above table. In addition, certain deductions apply under the CRR, including the as yet unaudited positive results.

C. THE RISK PROFILE

The risk profile and risk classification of Achmea as financial service provider consist of the following main risks:

Financial	
Insurance risk	Achmea is exposed to life, non-life and health risks through its product range as an insurance company.
Market risk	As a financial service provider, Achmea is exposed to market risk due to its investment portfolio, mortgage loans, minimum guarantees and profit sharing (life insurance and disability insurance), retail banking products (mortgage loans, deposits, savings accounts and current accounts) and foreign investments.
Counterparty risk	Achmea is exposed to counterparty risk in its investments, mortgage loans, treasury, reinsurance activities, and in its dealings with healthcare providers, intermediaries and policyholders.
Liquidity risk	Achmea is exposed to liquidity risk at group level and within the entities with regard to the insurance and banking activities.
Non-financial	
Operational risk	Achmea runs the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
Compliance risk	Achmea runs the risk of non-compliance with laws and regulations, which may result in legal or administrative sanctions that in turn may result in substantial financial loss or reputational damage. Compliance risk is a particular type of operational risk that is differentiated from other kinds of risk in practice; it requires its own specific controls.

In addition to this Achmea runs strategic risks, i.e. specific risks related to the risk profile in the long term.

Below is a description of Achmea's general risk profile, based on the SCR (Solvency Capital Requirement) outcomes under Solvency II, and an overview of the material risks identified.

Quantitative risk profile

The Solvency Capital Requirement (SCR) provides a quantification of the risk profile. For calculating the SCR Achmea uses as risk model a partial internal model, that has been approved by the College of Supervisors.

Scope partial internal model

Under the partial internal model, the risks are calculated using an internal model or the Solvency II standard formula.

- For non-life risk the premium and reserve risk of Achmea Schadeverzekeringen N.V. (excluding Achmea Australia), N.V. Hagelunie, Interamerican Property and Casualty Insurance Company S.A. and Achmea B.V.

Notes to the Consolidated Financial Statements

- For non-life risk the natural catastrophe risk of Achmea Schadeverzekeringen N.V. (excluding Achmea Australia), N.V. Hagelunie, Interamerican Property and Casualty Insurance Company S.A., Achmea Reinsurance Company N.V. (excluding external incoming reinsurance contracts) and Achmea B.V.
- For health risk (health Not Similar to Life Techniques, NSLT) the premium and reserve risk for sickness and accident insurance of Achmea Schadeverzekeringen N.V., Interamerican Property and Casualty Insurance Company S.A. and Achmea B.V.
- For health risk (health Similar to Life Techniques, SLT) the risks relating to disability, rehabilitation and revision percentages of Achmea Schadeverzekeringen N.V. and Achmea B.V.
- For market risk the risks related to interest rate, equity, property and spread risk of Achmea Schadeverzekeringen N.V., N.V. Hagelunie, Achmea Reinsurance Company N.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea B.V.

Results partial internal model

The table below gives an overview of Achmea's risk profile based on the SCR results under Solvency II as calculated using the partial internal model. The market risk for 2018 has been calculated based on the approved partial internal model for market risk, while market risk for 2017 was calculated based on the Solvency II standard formula.

SOLVENCY CAPITAL REQUIREMENT (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Market risk	2,566	2,075
Counterparty Risk	261	643
Life Risk	1,636	1,760
Health Risk	1,832	1,889
Non-Life Risk	823	816
Intangible Assets		1
Diversification	−2,496	−2,632
Basic Solvency Capital Requirement	**4,622**	**4,552**
Loss-Absorbing Capacity	−787	−616
Operational Risk	596	586
Solvency Capital Requirement (Consolidated)	**4,431**	**4,522**
SCR Other Financial Sectors & Other entities	66	33
Solvency Capital Requirement	**4,497**	**4,555**

In accordance with Solvency II regulations the Loss-Absorbing Capacity has been taken into account for the calculation of the Solvency Capital Requirement. This comprises (1) the Loss-Absorbing Capacity of expected profits for the internal model for the premium, reserve and market risk, and (2) the Loss-Absorbing Capacity of Deferred Taxes (LACDT). In the event of losses these items can be used to compensate for some losses.

A large part of the Solvency Capital Requirement arises directly from the product range and is formed by the insurance risk, which is comprised of life risk, non-life risk and health risk. The Solvency Capital Requirement has decreased due to a combination of effects. The Insurance risk for life and health risks has decreased. The decrease in the life risk is caused by the sale of Friends First and the declining life portfolio in the Netherlands. The decrease in the health risk is caused by the sale of Friends First (disability portfolio) and lower claims reserves in the health business. Market risk has actually increased because under the partial internal model for market risk, which has been in use since 1 July 2018, mortgages are taken into account under the spread risk and capital is also held for European government bonds.

Set against the increase in market risk is a decrease in counterparty default risk, due to the fact that mortgages are no longer included in the latter risk. Finally, the level of diversification effects is also slightly lower.

Key risks

In the beginning of this section the main risks have been described. Below the key risks and uncertainties associated with these main risks are described, although not in a specific order of priority. Annually these risks are identified and the measures taken are

Notes to the Consolidated Financial Statements

assessed with the boards of the business units and the Executive Board. These risks are characterised by their specific nature and can have a major impact if they were to materialise without any risk management measures having been taken.

It is important that Achmea innovates its processes and products/services fast enough in response to new developments. The (technological) developments in financial services are occurring at a rapid pace. Particular points of attention are the possibility of other providers introducing new distribution, product and/or service models and declining insurance needs because technological developments reduce or eliminate certain risks (such as self-driving cars, fireproof houses, shift from ownership to use-related insurances (increased liability)), making related insurance less necessary or unnecessary. This mainly plays a role in non-life insurance.

To be able to innovate and make strategic responsible investments, it is important to have sufficient room for investment. For this purpose it is important to have sufficient Free Capital Generation resulting from ongoing profitability or balance sheet optimisation.

The initiative for a law on ring-fencing health insurers capital may have an impact on the amount of the available capital and therefore on the solvency of the group.

As a financial service provider with an investment portfolio, products with minimum guarantees and provisions for profit sharing, Achmea has a large exposure to the financial markets. Major financial shocks including significant developments in interest rates and/or credit spreads and a drop in the stock markets have occurred in the past and may occur again. This market risk is managed by means of a diversified investment portfolio and active management of the different financial positions.

If interest rates remain low for an extended period of time or decline even further, this will result in lower investment returns in the future. Particular attention will be paid to the valuation of the technical provisions under Solvency II and the liability adequacy test under IFRS, because with a continued low interest rate it will not be possible to earn, risk-free, the interest in the valuation curve after 20 years (because of the use of the Ultimate Forward Rate) with investment income.

Achmea makes use of several distribution partners for the sale of its products, such as Rabobank. It is important to consistently align the parties’ mutual expectations to ensure that the products and services developed match what the distribution partners wish to sell.

Given the long-term nature of pension and life insurance contracts, Achmea is exposed to longevity risk. For example, breakthroughs in medical science and changing lifestyle habits could have a significant impact on the future pay-out level of the life and pension activities. Longevity risk is managed by diversification of the life and pension portfolio, and transfer of the risk.

Setbacks may manifest in the Non-Life portfolio due to higher than expected injury claims and/or differences in the estimated disability and rehabilitation probabilities, resulting in higher claims than provided for by the current reserves. Catastrophes such as earthquakes and storms may have a significant impact, and the risk of catastrophes occurring appears to be increasing as a result of climate developments. Catastrophe risk is largely mitigated by reinsurance.

Key recognised operational and compliance risks are related to information security and cybercrime, possible liability claims and Achmea’s reputation which is increasingly affected by incidents on social media and/or loss or theft of privacy sensitive information. In addition, the reputation of insurers as part of the financial sector is still under pressure.

Laws and regulations have a significant impact on Achmea as a company. There is a risk that Achmea’s revenue model will be affected by public policy and changes in laws and tax and other regulations, as well as by the different organisation of societal solidarity. This risk mainly concerns health, pensions and income protection insurances.

Competencies and talents are important to the realisation of Achmea’s corporate objectives. Extra attention is given to business acumen, innovation, agility, working in an international context, required expertise and appropriate remuneration.

Achmea monitors these risks closely, as part of the periodic monitoring of the risk profile and the annual ORSA (Own Risk and Solvency Assessment) report.

Notes to the Consolidated Financial Statements

D. RISK MANAGEMENT SYSTEM

The risk management of Achmea system sets out how the risks at Achmea level and for each main risk are managed. Capital management forms an integral part thereof.

For an adequate risk management system at Achmea, there needs to be understanding and clarity of the key principles for risk management in the organisation, with these principles being followed uniformly and completely. The Achmea risk strategy sets out the main principles:

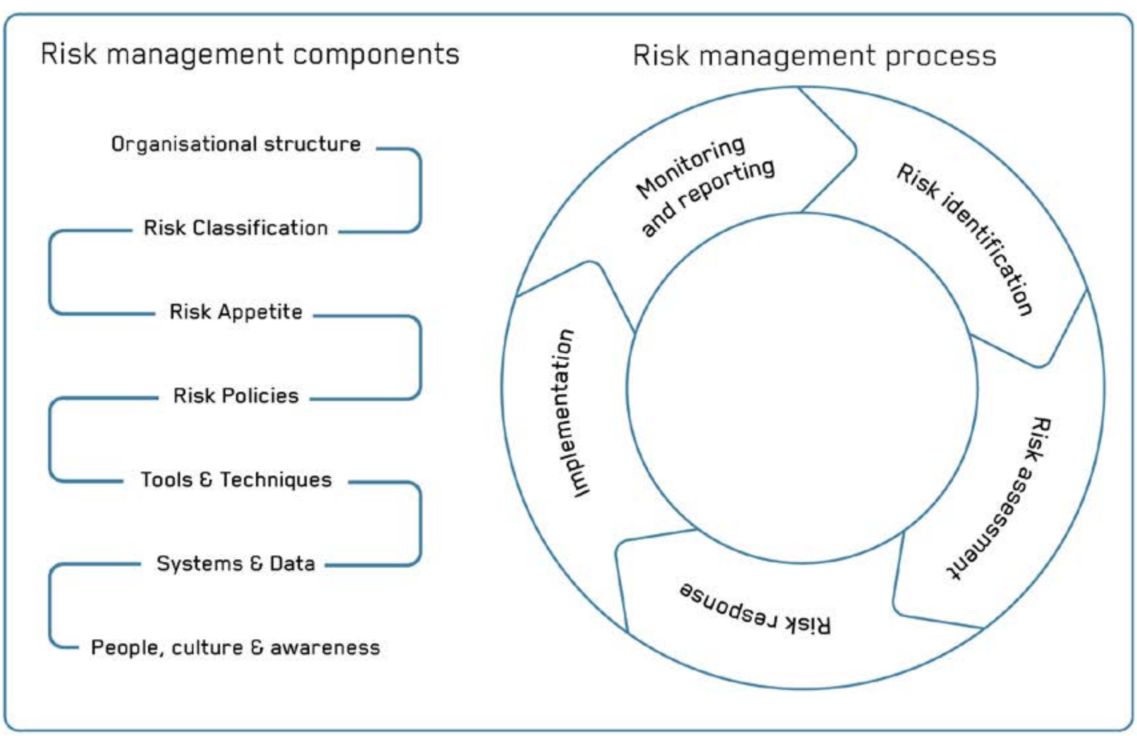
- Principles pertaining to risk appetite such as maintaining a solid capital and liquidity position that is sufficient for Achmea to meet its obligations, now and in the future.
- Principles pertaining to the risk management structure and the chosen integrated approach for the management of risks. Achmea assesses the various risk types and the risks inherent in the various business units and supervised entities in conjunction with another.
- Principles pertaining to the culture such as the encouragement by the Achmea Executive Board and management of an open culture in which risks can be openly discussed and where decision-making is based on an appropriate balance between risk, capital and expected return.

The Integrated Risk Management Framework (IRMF) describes the risk management system of Achmea and sets out in more detail the principles of the risk strategy.

Integrated Risk Management Framework (IRMF)

The IRMF describes how the risks at Achmea are managed when achieving the realisation of the business objectives. The IRMF ensures that risk information is generated and reported correctly and that it is used as the basis for decision-making and accountability at all relevant organisation levels. The IRMF also supports Achmea in managing its risks effectively by applying the risk management process at different levels and within specific contexts in the Achmea organisation.

RISK MANAGEMENT FRAMEWORK



Notes to the Consolidated Financial Statements

The IRMF consists of seven risk management components that support the risk management process in the necessary steps to identify, assess, mitigate, monitor and report the risks of all risk categories on a permanent basis.

Three Lines of Defence model

Achmea's organisation structure is based on the 'Three Lines of Defence' model.

THREE LINES OF DEFENCE

FIRST LINE	SECOND LINE	THIRD LINE
EXECUTION AND CONTROL	SUPPORT, MONITORING AND REPORTING	TESTING AND JUDGEMENT
• Executive Board, Group Risk Committee and Asset Liability Committee on group level • Business management and decentral risk committees within the business units	• The staff department Risk & Compliance covers the risk management, actuarial and compliance function on group level. • Complementary second line departments are present in the business units such as the Operational Risk & Compliance departments within the Dutch business units.	• The staff department Internal Audit, operating on both group and business unit level.

Achmea's line organisation, the first line of defence, is primarily responsible for risk management. The Executive Board ensures a sound basis for the design and execution of the risk management system. The presence of a Chief Risk Officer on the Executive Board helps ensure a permanent focus on risk management in our business operations. The Executive Board renders account to the Supervisory Board and the general meeting of shareholders of Achmea. The first line is supported by the second line, which also monitors the execution by the first line and reports periodically on Achmea's risk profile. The third line complements these activities by carrying out periodic testing of the effectiveness of internal control, governance and risk management and reporting on this.

Risk committees

Achmea has risk committees both at group level and within the business units.

- The Audit & Risk Committee assists the Supervisory Board in its supervision of, amongst other things, financial, administrative organisational and compliance matters, as well as on the risk profile and the effectiveness of the risk management system. The Supervisory Boards of Achmea Schadeverzekeringen N.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Zorgverzekeringen N.V. (including the subsidiaries of the latter) do not have their own Audit & Risk Committee, where the Audit & Risk Committee of Achmea B.V. also acts as their Audit & Risk Committee.
- The Group Risk Committee (GRC) provides a framework and advises the Executive Board. It is a platform for Achmea policymakers and consists of members of the Executive Board, the management of some business units and the key function holders of Risk & Compliance for the management, monitoring and advising with regard to the Achmea risk management system, including the internal control and key risks.
- The GRC has instituted as subcommittee the Model Approval Committee (MAC), with delegated responsibility for approving risk models.
- The Asset Liability Committee (ALCO) is an executive and advisory committee of the Executive Board. It is a platform for Achmea policymakers and consists of members of the Executive Board, the management of some business units and staff departments for the optimisation and monitoring of the composition of assets and liabilities of Achmea within the policy frameworks set by the GRC and the Executive Board.
- Aligned with the GRC at the group level, there are Risk Committees within the business units that discuss and manage risks, possibly complemented by specific committees such as the Product Approval and Review Processes (PARP) Committee, the Underwriting Committee at Achmea Reinsurance and the Asset & Liability Committee and the Credit Committee at Achmea Bank.

Notes to the Consolidated Financial Statements

Solvency II key functions

The risk management function, the actuarial function, the compliance function and the internal audit function have been set up in line with the Solvency II requirements at group level and for the entities under supervision.

- At group level the risk management function, the actuarial function and the compliance function are fulfilled within the staff department Risk & Compliance. These functions report to the Chief Risk Officer of the Executive Board, but also have direct access to the business, the Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairpersons of the Executive Board, the Audit & Risk Committee and the Supervisory Board.
- The internal audit function at group level is fulfilled by the Internal Audit department. This function reports to the chairman of the Executive Board, has a formal information and escalation line to the chairpersons of the Audit & Risk Committee and the Supervisory Board, and has direct and unlimited access to business units.

Model governance

The Model Management and Validation Policy sets out that the development and management of models (such as value and capital models) with respect to, amongst other things, risk measurement, financial and business management calculations is subject to strict model governance. This ensures that the models are managed properly. Models are assessed and the models with a high gross risk are documented, implemented, tested and periodically validated by the independent model validation function of the staff department Risk & Compliance and approved by the MAC. Part of the management is that model changes are implemented and approved in accordance with a controlled change procedure. This model governance is implemented gradually for all models within Achmea.

Besides the approval in the MAC the partial internal model is also approved by the Executive Board, the boards of the entities that use the partial internal model, the Audit & Risk Committee and the Supervisory Board. After the internal governance is completed a newly developed model or any major changes to models will be submitted to the College of Supervisors for approval.

Risk Appetite

Risk appetite reflects Achmea's attitude to taking risks and gives an indication of its willingness to accept a high or a low risk level. Risk appetite consists of a number of principles as part of the risk strategy with an elaboration in qualitative statements and corresponding Key Risk Indicators (KRIs) to monitor whether the risk profile is within the limits of the risk appetite.

An overview is given below of the risk appetite principles as part of Achmea's risk strategy and their translation into KRIs.

Financial	Principles	KRI's
Result and volatility	Achmea realises a sustainable result that ensures a continuous access to the capital market. Extreme fluctuations in the economic result are avoided.	– Fixed Charge Coverage Ratio – Free Capital Generation
Capital	Achmea has a strong capital position.	– Solvency ratio Solvency II – Capital surplus S&P – Economic solvency – Debt ratio – Double leverage ratio
Liquidity	Achmea's current and future liquidity position is sufficient to meet its obligations.	– Available liquidity in a going concern situation – Liquidity after a stress situation.
Financial risk policy	Achmea knows as insurer its financial risks and pursues an adequate Financial risk policy that aims to avoid undesired risk concentrations. Achmea utilises an important part of its risk capital for insurance risk.	– Market risk budget variance – Impact interest rate shock Solvency II – Counterparty limit breaches – Amount of Solvency Capital Requirement for insurance risks – Deviation from expected annual result due to catastrophic events

Notes to the Consolidated Financial Statements

Non-Financial	Principles	KRI'S
Product quality and services	Achmea offers a secure and transparent solution to clients that continuously meet the clients' needs, at a fair price.	– Certification Customer Oriented Insurer – Achmea KBC customer interest Dashboard
Operational risk / internal control	Achmea knows as insurer and service provider its operational risks and has an adequate Operational risk policy aimed at the prevention of material financial losses due to insufficient or failing internal processes or personnel and systems or external events.	– Internal Control Framework – Reputational score – Financial loss because of operational risks – Very urgent issues – Disruption of business-critical chains
Compliance	Achmea has an adequate compliance policy to comply with laws and regulations. Employees, clients, suppliers and other partners of Achmea operate with integrity.	– Violations of laws and regulations – Implementation of laws and regulations – Integrity violations
Corporate social responsibility	Achmea realises its corporate objectives in a socially responsible manner and aims at providing a demonstrable social added value through its insurance and investment activities. Achmea remains relevant on this topic by reacting adequately to social developments.	– Benchmark of the Dutch Association of Investors for Sustainable Development. – Inquiries of the 'Eerlijke verzekeringswijzer'

Risk appetite is explored here in terms of the perspectives of the financial and non-financial statements, with the principles of the financial statements giving substance to the financial perspective and the principles of the non-financial statements giving substance to the other perspectives of Achmea's strategy map. Risk appetite also covers all the main risks in Achmea's risk classification.

Risk management process

The risk management process is applied both at individual level per risk and at aggregated risk level to identify, assess, mitigate, monitor and report the risks. This section provides more information on the risk assessments performed during the year and on the process of monitoring and reporting. The risk response is described in more detail below and the main risks are detailed.

During the year various risk assessments are performed:
- Risk Self Assessments focus on areas such as strategy, projects and operational risks. This includes, amongst others, a qualitative risk assessment with the boards of the business units and the Executive Board, in which the key risks are identified and assessed.
- Achmea uses risk models to make a quantitative estimate of the risk profile, including the Solvency II partial internal model. These risk models are among those used in the planning & control cycle, product development and pricing, determining the reinsurance programme, preparing the investment plan and balance sheet management.
- Finally, scenarios and stress tests provide insight into what happens under extreme circumstances or when several factors occur simultaneously. These scenario and stress tests are used as part of the periodic monitoring of the risk profile. Annually, they are used to analyse the key risks in greater depth.

The Strategic Risk Analysis is performed annually at group level and for the business units, with a qualitative assessment by management of the key risks. The insights from this Strategic Risk Analysis are used to manage the specifically identified key risks, to reassess the stress and scenario set for the ORSA and to review the Achmea recovery plan, and may be reason for re-evaluation of the strategy.

Periodically, aggregate-level reports are drafted for the Executive Board, the Audit & Risk Committee and the Supervisory Board. For the main risk types, line management periodically verifies that the risk is still within the risk limits set on the basis of the risk appetite. Line management also monitors the management of the key risks. Finally, an Internal Control Framework is used to systematically monitor key controls throughout the organisation. Cross-references are included in the framework to among other things information security and Solvency II.

Notes to the Consolidated Financial Statements

In addition to the periodic monitoring of our risk profile, the group-wide risk and solvency assessment report ORSA is prepared annually for the insurance activities. For the banking activities an ICAAP (Internal Capital Adequacy Assessment Process)/ILAAP (Internal Liquidity Adequacy Assessment Process) report is prepared. These reports provide insight into, and an assessment of the development of the risk profile, solvency and liquidity during the planning period, both under regular and under stressed circumstances. These reports are provided annually to the College of Supervisors and local regulators for the non-Dutch entities. The extent to which the existing and future capital and liquidity position are considered to be adequate under normal and under extreme circumstances is laid down in the ORSA report. The appropriateness of the partial internal model is also assessed in the ORSA.

Achmea's recovery plan contains information on the degree to which Achmea as Group is prepared for, and can recover from, severe (financial) developments which lead to a financial crisis situation.

E. INSURANCE RISK

From the perspective of an insurer insurance risk is the risk of loss, or of adverse change in the value of liabilities related to insurance contracts, resulting from inadequate pricing and provisioning assumptions and encompasses life risk, non-life risk and health risk.

The Insurance risk policy describes how insurance risks are managed. A key ingredient is the Product Life Cycle (PLC) approach, which consists of the following phases: business planning - product development - underwriting - reinsurance - policy management - claim process - determination of assumptions - reserving - product review - reporting and analysis.

The different phases of the product life cycle approach contribute to the management of the insurance risk. These phases are explained in more detail below and in the sections on life, non-life and health risks.

Product development and product review

For the introduction of new insurance products and the periodical review of existing insurance products, Achmea has formulated a Product Approval and Review Policy. Achmea wants to offer clients secure and transparent solutions meeting their needs, with a fair pricing policy. Products may not be marketed or distributed without careful consideration of the risks and careful assessment of other relevant aspects, including the duty of care towards clients. Existing products are also reviewed periodically to ensure that these are still in the interest of the client. In addition the periodical review focuses on the strategic interest of a product, the business case of a portfolio, premium structure, profitability and standard return ratio of the product.

Reinsurance

Achmea has a Reinsurance Policy in which all responsibilities with regard to the reinsurance process are laid down. Achmea Reinsurance Company N.V. (hereinafter Achmea Reinsurance) is the reinsurance company of the group and fulfils three roles: advisor, risk carrier and purchaser. Achmea Reinsurance provides reinsurance cover for the Achmea entities. To that end it enters into reinsurance contracts with the Achmea entities, including the non-Dutch entities as well as with third parties. Through retrocession the contracts are partially placed with external reinsurers. In addition to the group reinsurance programme Achmea Reinsurance has entered into a reinsurance contract with a financial character and a number of incoming reinsurance contracts with strategic partners, Eurapco partners and other external insurers and reinsurers.

The Underwriting Committee of Achmea Reinsurance decides on the retention within the framework of the reinsurance policy, Achmea's risk appetite and the risk appetite of Achmea Reinsurance. After approval by the Executive Board the reinsurance programme is placed in the market. The purchase of reinsurance cover for non-Dutch entities is arranged by the entities themselves. Within the framework of the reinsurance policy the non-Dutch entities have the opportunity to decide by themselves where they purchase their reinsurance. In practice Achmea Reinsurance to a greater or lesser extent carries the risk in most programmes of the non-Dutch entities.

The reinsurance programme mainly consists of catastrophe excess-of-loss contracts and per risk excess-of-loss contracts. Individual risks that exceed the treaty limit of the 'per risk' programmes are covered on a facultative basis. The reinsurance programme consists of several layers to place the programme as efficiently as possible. In 2018 the catastrophe programme was the main reinsurance programme. In order to protect the result for IFRS purposes, Achmea Reinsurance purchased aggregate excess-of-loss cover. Furthermore Achmea uses insurance-linked securities (catastrophe bonds) on a limited scale.

Notes to the Consolidated Financial Statements

Reserving

In the reserving process the liabilities related to insurance contracts are determined for the current insurance contracts. The methodology used for this may vary according to the regime: IFRS accounting, including IFRS Liability Adequacy Testing, Solvency II, local accounting and local solvency (for the entities not covered by the Solvency II regime). The liabilities related to insurance contracts are determined at least four times a year. At least twice a year they are also tested for adequacy, and more often if deemed necessary or required by law.

Life Risk

Life risk is the risk of loss, or of adverse change in the value of Liabilities related to insurance contracts, resulting from:
- the changes in the level, trend or volatility of the underlying risk drivers (mortality rates, expenses, lapse rates);
- the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

It encompasses mortality, longevity, lapse, expense and catastrophe risk.

Risk profile

The Netherlands is the main market where Achmea is exposed to life risk. In the Netherlands Achmea is closed to new business except for the annuities and life insurance products. The same goes for Achmea in Slovakia (Union). In Greece (Interamerican) Achmea offers unit-linked life insurances and term life insurances.

The Life portfolio consists of life insurance with and without profit participation and unit-linked insurance:
- Life insurances with profit participation are traditional life products with profit participations, like saving products and group contracts.
- Traditional life insurances without profit participation mainly include term insurances, both stand-alone and linked to mortgages.
- For unit-linked insurance the policyholders bear the investment risks.

The Solvency Capital Requirement (SCR) under Solvency II provides a quantification of Life risk.

LIFE RISK (SOLVENCY II CAPITAL REQUIREMENT) (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Mortality	210	211
Longevity	1,134	1,155
Disability	26	35
Lapse	381	495
Expense	599	641
Catastrophe	128	142
Diversification	−842	−919
Solvency Capital Requirement Life risk	**1,636**	**1,760**

The SCR for longevity risk decreased in 2018 from €1,760 million to €1,636 million. This SCR was calculated using the Solvency II standard formula. The decrease results from the sale of Friends First and the contraction of the life portfolio in the Netherlands.

Longevity risk and expense risk are predominant in Life risk and therefore these exposures are monitored closely. For Life, concentration risks are associated with a significant increase in the number of deaths, for example as a result of a pandemic, or an unexpected increase of the life expectation.

Risk response

The product approval and review policy ensures an adequate pricing, accurately reflecting the risks. For managing the risks at individual level tariffs are differentiated by risk category (for example smoking / non-smoking) and medical examinations are required for life insurance acceptance.

At portfolio level reinsurance is used and an 'en bloc' clause can be used which allows the premium to be increased in extreme cases. With this instrument, the consequences of adverse mortality and increased expenses can be mitigated.

Notes to the Consolidated Financial Statements

The decision to no longer offer group pension contracts has resulted in a substantial decrease in new longevity risk. Longevity risk for individual annuities is adequately priced. The expense risk is managed by keeping the expenses in line with the decrease of the portfolio.

Reinsurance is used in Life risk to limit mortality and catastrophe risk. Achmea Pensioen- en Levensverzekeringen N.V. and Interamerican Greece are protected by reinsurance. Achmea Reinsurance has a quota-share agreement with Achmea Pensioen- en Levensverzekeringen N.V., part of which is placed in the market. These contracts are sensitive for the mortality and catastrophe risk. The risk of a pandemic is not reinsured by Achmea, but a periodic review is undertaken to assess whether reinsurance would be beneficial.

The mortality tables used in the Netherlands take into account a future increase of the life expectancy and are adjusted for the specific nature and composition of Achmea's insurance base. In other countries, to ensure adequacy, standard mortality tables are adjusted in various ways, such as age adjustments.

Non-life Risk

Non-life risk is the risk of loss or of adverse change in the value of Insurance liabilities resulting from:
- fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements;
- significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

It encompasses premium and reserve risk, lapse risk and catastrophe risk.

Risk profile

The Netherlands is the main market where Achmea is exposed to non-life risk with a comprehensive range of non-life insurance products. Greece (Interamerican), Turkey (Eureko Sigorta), Slovakia (Union), Australia and Canada are the Non-life markets outside the Netherlands where Achmea operates. In Greece, Turkey and Slovakia a comprehensive range of non-life insurance products are offered. In Australia products for the agricultural sector are offered. At the end of 2018 the first products (online car and home insurances) were launched in Canada. These products are offered through a joint venture (Onlia).

The risks covered by Achmea are within the typical lines of business, such as motor (hull and liability), transport / aviation, fire and natural events, general liability and legal assistance.

The Solvency Capital Requirement (SCR) under Solvency II provides a quantification of Non-life risk.

NON-LIFE RISK (SOLVENCY II CAPITAL REQUIREMENT) (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Lapse	119	143
Premium and reserve	592	550
Catastrophe	431	464
Diversification	–319	–341
Solvency Capital Requirement Non-life risk	**823**	**816**

The SCR for Non-life risk increased slightly in 2018 from €816 million to €823 million. The SCR is calculated using a partial internal model approved by the College of Supervisors.

Within Non-life, catastrophe risk is a large risk. Mainly the property and motor hull insurance lines are exposed to catastrophe risk. The predominant risk sources are wind damage and hail risk in the Netherlands and earthquake risk in our entities in Greece (Interamerican) and Turkey (Eureko Sigorta). Motor hull insurance in the Netherlands also includes flood risk. For Non-life concentration risk refers to major claims resulting from the above-mentioned natural perils and large fires.

Risk response

Acceptance guidelines ensure a good assessment of the risk, acceptance (under possible conditions) and premium setting. In the Netherlands Achmea does not underwrite heavy industrial risks such as airports or power plants. In Turkey, these types of risks are underwritten from a strategic viewpoint. These risks are either 100% fronted via reinsurers or accepted with a very minimal retention.

Notes to the Consolidated Financial Statements

Reinsurance is used to manage exposure to weather-related events, natural disasters, accidents involving multiple victims, major fires and large claims in general and motor third-party liability. Part of the retention is maintained at Achmea Reinsurance. The reinsurance programme provides the following covers:

- Catastrophe: this is an excess-of-loss programme for the cumulated (mainly natural) catastrophe claims of the portfolios property/engineering (residential, commercial, agro farmers), greenhouse (horticulture) and motor hull. These portfolios are pooled in an external programme with different retentions. For the Dutch entities Achmea Reinsurance provides three individual excess-of-loss programmes with also different retentions. For the catastrophe programme of the Dutch entities storm risk is the dominant risk type.
  For the non-Dutch entities Achmea Reinsurance carries the risk in reinsurance programmes for earthquake risk in Greece, Turkey and Slovakia and flood risk in Turkey and Slovakia. Eureko Sigorta has reinsured its largest catastrophe risk, earthquake risk, partly through the Turkish Catastrophe Insurance Pool and proportional treaties. Achmea Reinsurance also applies (annual) aggregate excess-of-loss cover to protect the financial result and the capital position.
- Property: this is an excess-of-loss programme for the individual claims (mainly fire claims) of the relevant portfolios. Achmea Reinsurance maintains a retention on this programme.
- General Liability and Motor Third Party Liability: this is a reinsurance programme for general and motor liability risks and large personal injury claims.

Developments related to climate change are being monitored. In the Netherlands climate change mainly has an impact on the risk of extreme precipitation and hailstorms. Climate change is taken into account in setting premiums and in reinsurance. In recent years premium increases have been implemented and the own retention in the catastrophe programme has been reduced. Over the long term we encourage policyholders, in cooperation with municipalities, to take preventive measures.

In lines of business such as general liability and motor liability (mainly bodily injury) with long settlements, the claims reserve is exposed to the risk of inflation. This risk is managed as part of market risk, periodically it is evaluated if this risk should be covered.

Health Risk

Health risk is present in medical expenses (short-term, health Not Similar to Life Techniques (health NSLT)), disability insurance (long-term, health Similar to Life Techniques (health SLT)) and sickness and accident insurance (short-term, health Not Similar to Life Techniques (health NSLT)).

Health risk is the risk of loss or of adverse change in the value of Insurance liabilities resulting from:

- changes in the level, trend, or volatility of the medical expenses incurred in servicing insurance contracts (health NSLT);
- changes in the level, trend or volatility of the underlying risk drivers (longevity, incidence, lapse, expense, recovery and revision percentages) for disability insurance (health SLT);
- fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements (health NLST);
- significant uncertainty of pricing and provisioning assumptions related to outbreaks of major epidemics, as well as the unusual accumulation of risks under such extreme circumstances (health CAT).

Risk profile

The risks of the sickness and accident insurance are comparable to non-life risk and are managed accordingly, see the section on non-life risk. Below is more detailed information on medical expenses and disability insurance.

The Netherlands is the main market where Achmea offers health insurance. The health insurance system consists of two components: a basic health and a supplementary health insurance.

- For the basic health insurance, Achmea offers a direct settlement policy (‘natura’), a refund policy (‘restitutie’) and a selective policy. The basic health insurance covers the standard health care and is mandatory for anyone who lives or works in the Netherlands and must be purchased from a health insurer. All insurers have a duty to accept all applicants. Premiums for the basic health insurance are partly influenced by political decision-making. The Dutch government determines the extent of coverage under the basic health insurance package and the conditions applicable to the basic health insurance package, including admission and the maximum discount for group contracts (10% of the gross premium).
- In addition, the government determines the payments health insurers receive from the health insurance equalisation fund. The compensation paid through the equalisation fund is financed by employers, employees and the Dutch government. Payments by this fund depend on the risk profile and the portfolio of the health insurance company.

Notes to the Consolidated Financial Statements

Consolidated Financial Statements

- Supplementary health insurance offers policyholders an opportunity to expand the cover provided by the basic health insurance. This insurance is optional and is comparable in nature and method to non-life insurance. The cover provided by these insurances is not tied to government stipulations and there is no obligation of acceptance and no risk equalisation system. Achmea offers a variety of dedicated supplementary health insurance packages. Premiums for supplementary health insurance are tailored to the cover offered.

In the process of estimating insurance liabilities and income from the health insurance equalisation fund uncertainties are present, due to the timeliness of the processing of invoices from healthcare providers and the restrictions of ex-ante budgeting.

The uncertainties for a health insurer are specifically in basic health care and mainly arise from political decisions and growing competition. This is because a large part of the activities of the Achmea health insurers is governed by the Dutch Health Insurance Act [Zorgverzekeringswet]. The core of this act is a private-law health insurance system of regulated competition. The market and government are closely intertwined and efficiency and innovation are partly realised through market forces between parties such as healthcare providers and health insurers. There is also uncertainty related to settlements with Zorginstituut Nederland (ZiNL) per occurrence year, and the clearing of over and underfunding. The uncertainty of the health-related expenses arises from the dependence on the timely receipt and processing of invoices by health insurers, the settlement of claims and the availability of reliable historical data.

Disability products cover the risk of a reduction in income resulting from inability to work due to disability (long-term, Health SLT). In the Netherlands, Achmea offers disability products based on local regulatory requirements. In the Dutch regulations there is a distinction between employers (including self-employed) and employees. For employers and the self-employed there is no public insurance and a full private insurance is available. For employees there is a public insurance, the Work and Income according to labour ability (Wet werk en inkomen naar arbeidsvermogen WIA) which consists of two covers: the income provision in case of full and permanent disability (Inkomensvoorziening volledig en duurzaam arbeidsongeschikten, IVA) and the return to work provision in case of partial or non-permanent disability (Werkhervatting gedeeltelijk arbeidsgeschikten, WGA).
There are two types of private insurance: supplements to the public insurance and (re)insurance of the WGA, since a company can choose to bear the WGA risk itself and exit the public insurance. Main uncertainties in the WGA insurance cover are the inflow and duration of the disability.

Disability insurance risks are changes in legislation, the level of absenteeism due to illness, the frequency and the extent to which people are disabled, the rate of recoveries from disability, and the level of interest and inflation rates.

The Solvency Capital Requirement (SCR) under Solvency II provides a quantification of Health risk.

HEALTH RISK (SOLVENCY II CAPITAL REQUIREMENT) (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Health risk SLT	251	284
Health risk NSLT	1,677	1,712
Health catastrophe	59	65
Diversification	−155	−172
Solvency Capital Requirement Health risk	**1,832**	**1,889**

The Solvency Capital Requirement for the health risk decreased in 2018 from €1,889 million to €1,832 million. The SCR for the income protection Insurance-related risks (health SLT) has been calculated using an internal model approved by the College of Supervisors. For the other health risks it has been calculated using the Solvency II standard formula. The decrease mainly results from the sale of the Friends First disability portfolio and due to lower claims reserves in the health business.

Risk response

Achmea has taken a number of measures to mitigate the uncertainties on the health costs. The insurance liabilities for outstanding claims and receivables from ZiNL are based on best estimates of expected amounts and a provision is formed for uncertainties. Claim estimates are generated periodically in order to gain insight into relevant developments and the adequacy of insurance liabilities. In addition to these measures, there is more information available on a national level about the macro claims, which is also used to assess the estimates. Furthermore Achmea reduced the upward potential of, in particular, specialised medical care, mental healthcare and district nursing by agreeing ceiling arrangements and fixed-sum contracts with healthcare providers.

Notes to the Consolidated Financial Statements

Within disability, after the initial claims report a customer follows a reintegration programme that assesses whether interventions by external service providers may be valuable. This consists of workplace adjustment or waiting list mediation. In the vast majority of the agreements with maturities longer than one year the premium can be adjusted according to a clause in the policy conditions. The possibility of high claims per single risk for disability is mitigated by limiting the insured income and, in some cases, the use of reinsurance.

F. MARKET RISK

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in market prices of assets, liabilities and financial instruments. It encompasses interest rate risk, equity risk, property risk, spread risk, currency risk and market concentration risk. Inflation risk is included in interest rate risk.

Risk profile

As a financial service provider, Achmea is exposed to market risk due to its investment portfolio, insurance products and retail banking products (mortgages, deposits, savings accounts and current accounts). For the composition of the investment portfolio please refer to Note 5 Investment property and Note 6 Investments.

MARKET RISK (SOLVENCY II CAPITAL REQUIREMENT) (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017 [1]
Interest rate	1,047	418
Equity	1,346	990
Property	373	399
Spread	1,429	827
Currency	95 [1]	111
Concentration	0	0
Diversification	−1,724	-670
Solvency Capital Requirement Market risk	**2,566**	**2,075**

1. *Standard Formula*

The Solvency Capital Requirement (SCR) for market risk increased in 2018 from €2,075 million to €2,566 million. This SCR has been calculated using a partial internal model approved by the College of Supervisors, which has been in use since 1 July 2018. The increase is mainly due to the fact that, under the partial internal model for market risk, mortgages are included under spread risk and capital is also held for government bonds. The equity risk increased due to increased volatility in the equity markets, which is factored into the partial internal model for market risk. The market risk at year-end 2017 was determined using the Solvency II standard formula.

The differences in the other sub risks are also related to the transition to the partial internal model. In the case of interest risk, different scenarios apply, and in the case of equities, higher volatility is taken into account than under the Solvency II standard formula.

The Solvency II solvency position is sensitive to market fluctuations. The table below sets out the sensitivities in relation to the solvency position at year-end.

SOLVENCY II SENSITIVITIES (€ MILLION)

	31 DECEMBER 2018			31 DECEMBER 2017		
	IMPACT ELIGABLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)	**IMPACT ELIGABLE OWN FUNDS**	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)
Equity -20%	-393	-138	−3%	-571	-181	−5%
Interest -50 basis points	191	104	0%	150	286	−8%
Interest +50, basis points	-179	-110	1%	-112	-16	−2%
Property -20%	-251	-13	−5%	-310	-32	−6%

The outcomes are related to changes in the composition of the balance sheet and cash flows. The sensitivities at year-end 2018 have been calculated using the partial internal model for market risk approved by the College of Supervisors.

Notes to the Consolidated Financial Statements

Risk response

The Market risk policy describes the steps of the market risk management process:

- The primary purpose of the hedge on the interest rate risk is to stabilise the Solvency II ratio. For Achmea Pensioen- en Levensverzekeringen N.V. the interest-rate sensitivity is also managed from an economic perspective in accordance with the policy.
- The limit on the market risk is annually set within the limits of the risk appetite, as a fixed amount for Achmea Group and the Dutch and foreign supervised entities.
- In the investment plan of the Dutch entities an optimal return portfolio (the strategic investment mix) is determined that fits the set market risk budget and provides the highest return given additional restrictions on, for example, liquidity and minimum size per asset class. The market risk is monitored periodically, focusing on deviations from the strategic mix, and managing the interest rate exposure.
- For the insurance entities outside the Netherlands, an investment plan process is followed, based on guidance from the Group. The general principle within Achmea with regard to market risk incurred by the non-Dutch entities is that this risk should be limited and that the investment portfolio must replicate the liabilities through a portfolio consisting of low-risk bonds and deposits and cash for short-term investments.

In 2018 Achmea's partial internal model for market risk under Solvency II was approved by De Nederlandsche Bank. This internal model has been used from 1 July 2018 for capital and risk management purposes.

Interest rate risk

Interest rate risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the term structure of interest rates (both nominal and real) or in the volatility of interest rates.

Insurance activities

The result and solvency ratio under Solvency II are influenced by the impact of the interest rate curve used to value the liabilities related to insurance contracts within the life insurance business. In the IFRS liability adequacy test the liabilities related to life insurance contracts are calculated using the risk-free discount rate as published by EIOPA. A change in interest rates would not have the same effect on the value of the liabilities as on the value of the assets, because of the use of the Ultimate Forward Rate (UFR) in the EIOPA curve. This is also applicable to Solvency II where Achmea's solvency ratio is also sensitive for a change in interest rates, because when the interest rate changes the value of the long-term liabilities (best estimate and risk margin) does not change equally with the value of the assets because of the use of the UFR, and other components of the Solvency II ratio are sensitive to interest movements as well.

The Market risk policy describes how this interest rate risk is managed:

- Achmea's interest rate policy is to mitigate the interest rate risk of investments and liabilities using different interest scenarios. For this assessment, interest rate shocks are applied to the replicating portfolios and the related actual investment portfolios. The interest rate sensitivity of the net position is assessed on a monthly basis for the entities under supervision. Achmea Pensioen- en Levensverzekeringen N.V. uses a limit for the interest rate sensitivity of the Solvency II solvency ratio at parallel interest rate shocks of 50 basis points and a limit for the sensitivity of the volatility of interest rates. Furthermore, the long-term effects of parallel interest movements and changes in the shape of the interest rate curve are monitored for Achmea Pensioen-en Levensverzekeringen N.V. For the other entities the interest rate risk is managed based on the interest rate sensitivity of the economic interest rate risk at parallel interest rate shocks of 50 basis points.
- Achmea's foreign subsidiaries apply a duration matching approach within bandwidths laid down in the local investment plans and monitored locally via committees.

The interest rate risk is hedged by means of a monthly interest management process that makes use of interest rate derivatives (swaps and swaptions). The value of the interest rate derivative position is €3,082 million (2017: €2,950 million) with a notional amount of €28.4 billion (2017: €30.1 billion).

Banking activities

Risk taking and managing interest rate risk as a source of profitability is a core business activity for a bank. The focus of the banking activities of Achmea is on retail banking products (mortgages, deposits, savings and current accounts). The majority of these products or services generate interest rate risk. This risk is managed through the Interest rate risk policy, which mitigates the risk by using derivatives (interest rate swaps and forward rate agreements). Within Achmea's banking activities no non-linear derivatives are used, e.g. swaptions, caps and floors.

Notes to the Consolidated Financial Statements

SENSITIVITIES BANKING ACTIVITIES

(€ MILLION)

	2018 ACHMEA BANK	2017 ACHMEA BANK
Income at Risk +100 basis points	15	16
Value at Risk	30	40
Stress test -100 basis points	-9	-22
Stress test +100 basis points	-10	-6

The decline in the Value at Risk (VaR) is driven by changes in the composition of the balance sheet and cash flow. Compared with 2017, the negative stress test decreased (-100 basis points), mainly as a result of the earlier capping of negative interest rates. The positive stress test (+100 basis points) was mainly influenced by a decrease in early repayments.

Equity risk

Equity risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices of equities.

For the Dutch insurance entities the purpose of investing in equities is to cover the average long-term risk premium. Equities offer a higher return potential than fixed-income securities and offer diversification potential. Equities are spread across several asset classes to capitalise on diversification benefits. Derivatives are not used to mitigate equity risk. Achmea does not apply specific limits for equity risk, but limits are applied at market risk level.

Achmea's non-Dutch subsidiaries follow a specific investment plan based on Group guidelines and local laws and regulations. As described in the general section on the Market risk policy the general principle with regard to market risk is that this risk should be limited for foreign subsidiaries.

Property risk

Property risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices of real estate. An overview of the property investment portfolio is given in Note 5 Investment property.

Property is part of the investment mix, taking into account expected return, volatility and correlation with bonds and equities. Diversification within the property portfolio consists of diversification between different regions and sub-asset classes, as well as within the different regions and sub-asset classes.

Spread risk

Spread risk is the risk of loss resulting from the sensitivity to changes in the level or volatility of credits spreads in interest rates.

Achmea is exposed to spread risk in its fixed-income investments. For the composition of the fixed-income investments for the different rating classes please refer to Note 32 on Credit quality financial assets and Disclosures concerning delay IFRS 9.

Spread risk is managed and monitored as part of the Counterparty risk policy and the Market risk policy (please refer to section G for a more detailed description of the framework). Achmea mitigates the spread risk through a conservative investment strategy that balances the exposure types (corporates, financials, covered bonds, government related bonds and asset backed securities), the credit rating, the maturity profile and the regional allocation. On the basis of the approved internal model for market risk the composition of the investment portfolio is improved further.

Currency risk

Currency risk is the risk resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of currency exchange rates.

Achmea is exposed to currency risk, specifically in US dollars, as part of the regular investment portfolio (equities, fixed-income investments and listed real estate) and non-Dutch incoming reinsurance contracts denominated in foreign currency. Another significant exposure is the Turkish lira, through the investments in Eureko Sigorta and Garanti Emiklilik.

Notes to the Consolidated Financial Statements

The exchange rate risk table below shows the total exposure to the major currencies at year-end.

EXCHANGE RATE RISK

(€ MILLION)

	2018 TOTAL EXPOSURE	2018 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2018 NET EXPOSURE	2017 TOTAL EXPOSURE	2017 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2017 NET EXPOSURE
Net position						
US dollar	1,388	1,357	31	2,463	2,463	
Pound sterling	341	365	−24	367	415	−48
Japanese yen	135	132	3	122	124	−2
Swiss franc	329	330	−1	313	289	24
Turkish lira	55		55	107		107
Danish krone	17	3	14	44	35	9
Other	267	191	76	222	162	60
Total	**2,532**	**2,378**	**154**	**3,638**	**3,488**	**150**

The exposure in the investment portfolio is generally hedged with foreign exchange contracts. Achmea Reinsurance hedges the currency risk of the expected profit from the reinsurance and retrocession contracts on an economic basis.

The net investment in, or the income streams from, non-euro subsidiaries of Achmea are not hedged, because the operations of these subsidiaries are regarded as part of Achmea's long-term strategy. However, dividends declared are hedged.

Market concentration risk

Market concentration risk is the risk of loss resulting from the lack of diversification in investments and liabilities for market risk or due to an increased sensitivity to bankruptcy of an individual counterparty or group of affiliated counterparties.

The investment portfolio of Achmea does not comprise any material concentration risks. On a solo level market concentration risk is recognised mainly due to intragroup positions between the insurance entity and Achmea Bank.

G. COUNTERPARTY DEFAULT RISK

Counterparty default risk is the risk of loss resulting from unexpected default, or deterioration in the credit standing, of the counterparties and debtors of Achmea.

Risk profile

Achmea is exposed to counterparty risk in the area of derivatives, bank balances, reinsurance, short-term receivables from healthcare providers, intermediaries, and policyholders. Achmea's banking activities provide primarily loans with real estate as collateral (mortgages) and/or with a security deposit as collateral.

An overview of the financial investments categorised by credit rating, an overview of the assets and liabilities subject to offsetting and similar agreements and an overview of financial assets that are past due or impaired, are included in Note 32 on Credit quality financial assets and Disclosures concerning delay IFRS 9.

The Solvency Capital Requirement (SCR) under Solvency II provides a quantification of counterparty default risk. In 2018 the SCR decreased from €643 million at year-end 2017 to €261 million at year-end 2018. The decrease is mainly due to the introduction of the partial internal model for market risk, under which mortgages are no longer included under counterparty default risk.

Risk response

The counterparty risk group level governance framework is set out in the Counterparty risk policy, which describes amongst others the process for initiating transactions with new counterparties, the limits and distribution per counterparty within Achmea departments and entities and the limit revision and exposure control process. The main 'prevention' objective in managing counterparty risk at group level is to prevent undesired concentrations, and ensure that portfolios are well diversified. Additionally, important measures in managing counterparty risk are arranged, for example to ensure proper recovery processes to withstand credit events. For healthcare providers the aim is to prevent negative net positions to limit the counterparty risk.

Notes to the Consolidated Financial Statements

The limits per rating in the Counterparty risk policy are given in the following table:

MAXIMUM EXPOSURE ON GROUP LEVEL (€ MILLION)

	SUPRANATIONAL INSTITUTIONS AND GOVERNMENTS	OTHER COUNTERPARTIES
AAA	(no limit)	500
AA+, AA, AA-	500	350
A+, A, A-	300	225
BBB+	200	150
BBB	150	100
BBB-	75	50

For counterparties with a lower rating or no rating, this is assessed on an individual basis for each counterparty. If multiple ratings are available for the same financial instrument, the second best rating is used. See Note 32 on Credit quality financial assets and Disclosures concerning delay IFRS 9.

Reinsurers are subject to a higher credit rating with a minimum rating restriction at level A-. The counterparty default risk policy also contains deviating limits for specific exposures and makes it possible to apply for exemptions in specific situations. For instance, these maximum exposure limits do not apply at group level to exposure to Rabobank Group. This exposure is mainly comprised of savings premiums associated with mortgage loans (Note 6 Investments). In 2018 further agreements were made with Rabobank Group concerning additional security.

Derivatives

Derivative transactions are only initiated with counterparties that meet Achmea's rating requirements and collateral requirements. ISDA master agreements (International Swaps and Derivative Association) are in place between Achmea entities and its derivative counterparties. The policy defines collateral requirements that must be specified in the individually negotiated Credit Support Annexes (CSA). Only 'prime collateral' is accepted, meaning government bonds issued by highly rated countries and cash collateral in Euros, US dollars, British pounds and Swiss francs. Independent valuation of derivatives, daily settlement of collateral and increasing haircuts related to remaining maturity of the collateral received, further reduces the counterparty default risk.

Reinsurers

Reinsurers are part of the counterparty risk governance framework, which provides guidelines for entering into transactions with new counterparties, limits and allocations per counterparty. At Achmea Reinsurance the Underwriting Committee decides on the composition of the panel of reinsurers. The Achmea Reinsurance risk committee monitors the counterparty default risk on a quarterly basis.

Policyholders

The counterparty risk of receivables relating to policyholders is managed by premium collection measures. In the event that the policyholder is in arrears in the payment of premiums for their (basic) health insurance, there is a national regulation in place through Zorginstituut Nederland (ZiNL). This regulation ensures that all unpaid premiums due for more than six months are compensated. The risk for Achmea is therefore limited to at most six months of unpaid premiums per insured person. For other non-life insurances the cover can be suspended or terminated in the event of non-payment.

Healthcare providers

The counterparty risk relating to healthcare providers is mitigated by monitoring the net position, i.e. advances minus work in progress. The negative net position is kept as low as possible.

H. LIQUIDITY RISK

Liquidity risk is the risk of loss resulting from the inability to efficiently meet both expected and unexpected current and future cash flows and collateral needs without negatively affecting either daily operations or the financial position of a legal entity.

Notes to the Consolidated Financial Statements

Risk profile

Achmea runs liquidity risk at group level and with regard to its insurance and banking activities.

The liquidity position of the group at holding company level is affected by the outflow of financing charges, external dividend and other holding company expenses, and the inflow of dividend from subsidiaries as set in the upstream policy. In addition transactions of a more incidental nature have an impact, such as external funding or internal capital injections or M&A transactions.

The holding liquidity ultimo 2018 amounts €682 million, is higher than 2017 (€504 million) and is well above the internal level. The increase depends to a significant extent to the proceeds of the sale of Independer, the settlement of Friends First and the execution of our internal capital policy with corresponding dividend payments, which is partly offset by the purchase of own shares and the external dividend over 2017.

From the perspective of the insurance activities this is related to catastrophes such as extreme storms and hail. Maturity analyses of the insurance liabilities are presented in Note 7, Liabilities related to insurance contracts.

The table below presents the liquidity risk as managed by the banking activities. The amounts disclosed in the maturity analysis are the current undiscounted contractual cash flows, which do not take into account future transactions such as refinancing.

LIQUIDITY RISK EXPOSURE BANKING (€ MILLION)

2018	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Investments	1,987	1,274	3,744	5,121	12,126
Cash and cash equivalents	116				116
Other assets	36		1		37
Total assets	**2,139**	**1,274**	**3,745**	**5,121**	**12,279**
Liabilities					
Financial liabilities	3,019	823	3,769	1,744	9,355
Derivatives	2	21	129	318	470
Total liabilities	**3,021**	**844**	**3,898**	**2,062**	**9,825**
Net liquidity deficit/surplus	**-882**	**430**	**-153**	**3,059**	**2,454**

LIQUIDITY RISK EXPOSURE BANKING (€ MILLION)

2017	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Investments	2,267	1,331	4,312	5,337	13,247
Cash and cash equivalents	890				890
Other assets	38	1			39
Total assets	**3,195**	**1,332**	**4,312**	**5,337**	**14,176**
Liabilities					
Financial liabilities	3,677	1,812	3,589	1,950	11,028
Derivatives	4	25	184	360	573
Total liabilities	**3,681**	**1,837**	**3,773**	**2,310**	**11,601**
Net liquidity deficit/surplus	**-486**	**-505**	**539**	**3,027**	**2,575**

Notes to the Consolidated Financial Statements

Risk response

The Liquidity risk policy describes how liquidity risk is managed. Achmea has defined metrics for each of its legal entities as well as the holding. The metrics provide insight in Achmea's liquidity position and liquidity risk exposure for various time horizons under normal conditions as well as for a range of stress scenarios.

In line with the business plan, liquidity planning takes place at both holding and entity level. In addition the liquidity contingency plan describes the procedures and measures to arrange liquidity in times of stress. This plan describes possible actions and sources of funds taking into account the behaviour of other counterparties.

The liquidity position of the holding company is managed using a three-year forecast to be produced monthly and the availability of credit facilities. All projected cash flows are included and the impact of a number of relevant scenarios or expected transactions is calculated.

Insurance specific liquidity risk is managed by the entities. In their liquidity planning, cash inflows and outflows from insurance activities are taken into account. Huge distortions could arise in case of a catastrophe, when payments to clients have to be made, while corresponding payments are not yet received from reinsurers and from Zorginstituut Nederland (ZiNL). Liquidity risk within Achmea's insurance operations is mitigated through the availability of cash and a high level of investments in liquid assets. An important measure in the management of liquidity risk at Achmea Reinsurance is alignment of the payment conditions in the reinsurance contracts of the incoming and outgoing reinsurance contract.

For the banking activities, Achmea manages its liquidity risk as part of its internal liquidity adequacy assessment process (ILAAP) at different levels:

- In the short term (overnight to one month), the bank's cash position is managed on a daily basis.
- In the medium term, Achmea measures the net funding requirement (NFR) against different scenarios to control its liquidity risk. The NFR measures the amount of funding needed to fulfil obligations, including any refinancing requirement in the capital market and net increase in assets of the retail business (e.g. mortgages).
- For the long term, the bank strives for a well-diversified funding base both in terms of maturity and funding sources. Furthermore, the bank has liquidity contingency plans in place.

A liquidity barometer is in place to calculate all assets, liabilities and off balance sheet exposures under stress scenarios. The maximum cash outflow is calculated with scenario-based stress tests over the short term (30 - 90 days). Important metrics for the banking entity are the liquidity coverage ratio (LCR), defined as the stock of high quality liquid assets divided by the net cash outflow over a 30-day period, and the net stable funding ratio (NSFR), defined as the available amount of stable funding divided by the required amount of stable funding. Both indicators fulfilled the requirements throughout 2018.

I. OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failing internal processes, personnel or systems, or from external events. This may result in financial loss, but also in reputational damage. Reputational risk is not considered a separate risk category, but a form of damage that may ensue from the risks Achmea is exposed to.

Risk profile

The main operational risks include risks with respect to information security and cybercrime, risk related to the digitisation of our services and liability risk on products and services. The cybercrime risks are high, as a result of malware and ransomware attacks by cybercriminals using changing techniques. Risks surrounding the security of websites and privacy sensitive information also remain high, due to the digitisation of our services encompassing changes in our websites and IT environment. The risk of irresponsible behaviour with handling big data is increasing in a world where data become increasingly important. The reputation of insurers as part of the financial sector is still under pressure. Everything an insurer does is judged from a social perspective.

Notes to the Consolidated Financial Statements

Risk response

The Operational risk policy describes how operational risk is managed. Additional policies and procedures apply to specific risk events, such as information security, business continuity and outsourcing:

- Information security: all activities towards the realisation of a continuously optimal level of availability, integrity and confidentiality of information and information systems to ensure business continuity, protect customers' interest, prevent financial loss and reputational damage and comply with laws and regulations. The Internal Control Framework includes control measures focusing on Cyber Security, IT Architecture, Datacentre Facilities, IT Operations, Logical Access Security and Change Management.
- Business Continuity Management (BCM): this concerns identifying threats and their potential impact, determining the minimum service level required for customers and other stakeholders, and implementing and testing measures to prevent major disruptions of business-critical chains and to mitigate the impact of the disruptions to an acceptable level. The Internal Control Framework includes control measures focusing on the prevention of system downtime and the backup and recovery of data and systems.
- Outsourcing: outsourcing processes must be managed carefully, based on a risk/return evaluation and written documentation of reciprocal obligations. The Internal Control Framework includes control measures focusing on contracting, compliance with Service Level Agreements and registration of outsourcing.

Annually risk analyses are performed to identify the operational risks within Achmea and appropriate control measures. Also during the year risk analyses are conducted at various levels and on various topics, e.g. in the form of project risk assessments.

For identified risks and control measures an Internal Control Framework is used, which is based on the COSO model and common market standards and uses key risks and key controls. Annually, after the risk analyses are performed, the key risks and key controls of the framework are updated. Subsequently the framework is used to systematically monitor the effectiveness of control measures throughout the organisation. Cross-references are included in the framework to information security of De Nederlandsche Bank and Solvency II. In addition an organisation-wide systematic issue and incident management process has been set up.

J. COMPLIANCE RISK

Compliance risk is the risk of diminishing reputation or current of future treats to the capital or result of an organisation as a result of a failure to comply with laws and regulations, and insufficient adherence to values, norms and (supervisory) rules. Failing to comply may result in legal or regulatory sanctions, material financial loss, or reputational damage.

Risk profile

Key compliance risks include the risks related to Customer protection, Know your Client, Privacy (compliance with the General Data Protection Regulation), Integrity and Fraud, and Competition. In making considerations it is important that the main focus is on customers' interests, with attention given to clear policy information for the customer and opportunities to improve the product development and customer advice process. An increasing number of incidents relates to privacy issues. This can be explained on the one hand by digitisation and on the other hand by society's increased focus on privacy issues.

Risk response

The compliance policy describes how compliance risk is managed. Additional policies and regulations are available specific compliance areas such as CDD (Customers Due Diligence), privacy, competition, whistle blower regulations and insider regulations.

Annually risk analyses are performed to identify the compliance risks within Achmea. Also during the year risk analyses are conducted at various levels and on various topics. With regard to compliance with laws, regulations and internal rules of conduct, the most important legal provisions are translated into risks. For the internal control of the identified risks and control measures an Internal Control Framework and issue and incident management process are used in accordance with the operational risk management.

Achmea's Laws & Regulation Committee identifies new and amended legislation and determines the impact on the organisation. Implementation is the responsibility of operational management. In case of profound impact on Achmea, the committee will advise the Executive Board to start a comprehensive implementation project. Achmea monitors the implementation of laws and regulations through a specific module in the Internal Control Framework.

Notes to the Consolidated Financial Statements

Supervisory investigations have a major impact on the business. Not only from local regulations but also international legislation such as FATCA, UK Bribery act, European legislation on privacy. Much effort is required to assist the regulators in their investigations and this is coordinated by the Laws & Regulation Committee.

Compliance is closely involved in the monitoring of privacy issues and compliance with the General Data Protection Regulation (GDPR), including big data initiatives. The control of integrity risk as part of compliance risk is set out in the Achmea Code of Conduct and the Integrity & Fraud Policy. In the Achmea Code of Conduct the core values, core qualities and rules of conduct of Achmea are recorded. These general rules of conduct are applicable to all employees of Achmea. The Integrity & Fraud Policy contains the principles on which substance is given to the integrity risks in operational management, such as: anti-corruption, gifts, side-line activities, contracting third parties and the execution of the Strategic Integrity Risk Analysis (SIRA). The SIRA provides insight in the main integrity risks and the effectiveness of the control environment for these risks.

K. CAPITAL MANAGEMENT

The objective of capital management is to ensure that the Achmea Group and all its entities are always adequately funded to secure the interests of all stakeholders in the short and long term and that capital is used with the proper efficiency. This section provides more information on the capital position and the capital policy of Achmea.

Capital position

Section B Capital position explains the solvency ratio under Solvency II and the composition of the eligible own funds under Solvency II. This section provides more information on the capital instruments used, the development of the liquidity position of the holding company and the credit ratings awarded by rating agencies.

CAPITAL INSTRUMENTS

(€ MILLION)

INTEREST RATE	NOTIONAL	YEAR OF ISSUE	DUE DATE	FIRST CALL DATE	OWN FUNDS TIER	SOLVENCY II VALUE 31 DECEMBER 2018	SOLVENCY II VALUE 31 DECEMBER 2017
6,0%	600	2006	Perpetual	01-11-2012	Restricted Tier 1 [1]	729	625
5,5%	311 [2]	2004	01-01-2024		Restricted Tier 1 [1]	311	311
6,0%	500	2013	04-04-2043	04-04-2023	Tier 2 [1]	553	553
4,25%	750	2015	Perpetual	04-02-2025	Tier 2	794	786

1. *Grandfathering*
2. *Preference shares*

The ‘grandfathering’ instruments may no longer be included in the eligible own funds as of 1 January 2026. With the coming into effect of Solvency II on 1 January 2016 it was set out in legislation that capital instruments qualifying for Solvency I but not for Solvency II were allowed to be included in the Solvency II eligible own funds for a period of 10 years. Therefore they must be refinanced or redeemed before that date. Achmea will proceed to do so as soon as possible (contractual call date), taking into account the conditions on the financial markets and available room in the various Tier categories.

Both Achmea Bank N.V. and Achmea B.V. provide access to the capital and money markets. The holding company is responsible for financing the insurance entities. This might take on the form of capital allocations or granting subordinated loans.

Notes to the Consolidated Financial Statements

Rating agencies use their own methodologies to assess the creditworthiness of a company. The ratings assigned by rating agencies to the Achmea entities are set out below.

RATINGS

ENTITY	TYPE	S&P	FITCH	MOODY'S
Holding				
Achmea B.V.	ICR/IDR	BBB+	A	
Insurance entities				
Achmea Schadeverzekeringen N.V.	FSR/IFS	A	A+	
Achmea Zorgverzekeringen N.V.	FSR/IFS	A	A+	
Achmea Pensioen- en Levensverzekeringen N.V.	FSR/IFS	A	A+	
Achmea Reinsurance Company N.V.	FSR/IFS	A–		
Achmea Bank N.V.	Long-term	A–	A	
	Short-term	A-1	F1	
	Secured debt programme	A–		
	Covered bond programme		AAA	Aaa

Besides the legal framework of IFRS, Solvency II, Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR) Achmea also monitors the capital surplus (according to S&P and Fitch), the 'debt leverage ratio[1]' the 'fixed-charge coverage ratio[2]'and the 'double leverage ratio'[3]. The debt leverage ratio has decreased to 26.5% in 2018 (31 December 2017: 25.9%) because of lower IFRS equity. The fixed-charge coverage ratio increased to 4.4x (31 December 2017: 3.4x) as a result of the increased profits of mainly health insurance business. The double leverage ratio slightly decreased to 102.8% at year-end 2018 (31 December 2017: 103.9%) because of upstreaming capital from the operating companies to Achmea B.V.

Capital policy

In the Capital Policy the risk appetite is worked out in greater detail, based on internal capital standards as well as limits related to leverage and return.

- The principle premise of the capital policy is that all entities must be adequately funded, which involves having a buffer at entity level that is above the statutory minimum that is sufficient to be able to absorb setbacks.
- At group level an additional buffer is held to absorb any capital shortfall at the entities.
- The capital policy also includes an overview of the measures to be taken if internal limits are exceeded, including various options to change the risk profile.

The capital position of the Achmea Group and its entities is managed by monitoring the current capital position and projecting and analysing the future capital position including calculating the effects of scenarios and stress tests, and distributing capital within the Achmea Group.

Achmea's funding strategy is based on assuring access to international capital and credit markets at low cost, underpinned by credit ratings. Access to the capital and money markets is arranged both at Achmea Bank and holding level:

- Funding at holding level could come from dividends from subsidiaries, issuance of debt and credit lines with a number of national and international banks. At group level Achmea also maintains committed and uncommitted credit facilities with several mainly international banks. At year-end 2018 the committed credit facilities of €750 million were undrawn.
- For the insurance activities the holding is involved in the financing of operational activities of certain subsidiaries by increasing capital or subordinated loans.
- Achmea's banking activities main funding sources are securitisations, covered bonds, unsecured funding and retail funding (deposits and savings accounts). Achmea strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

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1 The debt leverage ratio is calculated as follows: non-banking liabilities minus Preference shares as a percentage of the sum of Equity attributable to holders of equity instruments of the company and non-banking liabilities minus Other equity instruments, Preference shares and Goodwill.
2 The fixed-charge coverage ratio is calculated as follows: the ratio between Interest and similar expenses related to non-banking activities and the Operational result adjusted for Interest and similar expenses related to non-banking activities, Coupon payments on Other equity instruments and dividend preference shares, and Amortisation charges. Based on the example of Standard & Poor's, the calculation has been adjusted based on the amortisation of intangible assets.
3 The double leverage ratio is calculated as follows: the ratio between the sum of the equity of the subsidiaries, including the associated goodwill and other Intangible assets, and total Group equity (ordinary shares, hybrid capital, subordinated debt and preference shares).

Notes to the Consolidated Financial Statements

Dividend and coupon payments

In preparing the financial statements the Executive Board proposes an appropriation of the Net result. In line with the dividend policy it is proposed to distribute a dividend of 45% of the Net result, excluding the Net Result of the Dutch health insurance entities, after deduction of coupon payments on hybrid capital designated as Other equity instruments, subject to the condition that the dividend distribution is not contrary to the prudential financial policy of the Group.

The Executive Board tests if the solvency at the end of the financial year – based on the partial internal model – exceeds 130%. The solvability development at the legal entities is also tested. The proposal is based on the Group's long-term financial outlook, taking into account the interests of the Achmea stakeholders. This includes, among other things, legal reserve restrictions, capital and liquidity development over the planning period, the outcome of scenario and stress tests and various ratios from a rating agency perspective, such as the S&P and Fitch capital position, the debt leverage ratio and the fixed-charge coverage ratio.

The resolution to distribute dividends is passed by the General Meeting. The General Meeting is authorised to resolve on a different dividend distribution than the distribution proposed in the financial statements. Dividends may only be distributed to shareholders and other persons entitled to distributable profits to the extent that equity exceeds the reserves to be maintained pursuant to the law.

The resolution of the General Meeting to distribute dividends must be approved by the Executive Board. The Executive Board will only withhold its approval if it is aware that, or should reasonable be able to anticipate that, Achmea B.V., upon payment, will not be able to continue paying its due and payable debts.

Coupon payments on Other equity instruments are subject to the limitations described in the prospectus. The prospectus is available on the Achmea website (www.achmea.com). These coupon payments are part of the Group liquidity forecast prepared in line with the liquidity policy (for more information refer to the liquidity risk section).

Achmea B.V. has several options to generate cash, to be able to pay dividends and the above-mentioned coupons. Examples include credit facilities, dividends paid by group companies with sufficient excess capital, disposal of assets and attracting additional funding. The group companies' ability to pay dividend is based on similar criteria as mentioned above. Depending on the activities of the group company different percentages and ratios apply.

Notes to the Consolidated Financial Statements

3. SEGMENT REPORTING

Segmentation

Segments are components of Achmea that are regularly reviewed by the Executive Board in order to allocate resources to the segment and to assess its performance. Achmea is divided into the following segments:

Non-life Netherlands

Consists of Dutch non-life insurance business to cover customers' risks related to motor vehicles, property, general liability, occupational health and accident, including disability and short-term sickness.

Health Netherlands

Covers basic and supplementary health insurance and health services in the Netherlands. The segment Health Netherlands consists of two operating segments that have been aggregated based on the fact that they have similar economic characteristics, i.e. the same kind of insurance products are sold by these operating segments.

Pension & Life Netherlands

Covers pension and life business in the Netherlands, including unit-linked insurance (investment insurance).

Retirement Services Netherlands

Covers asset management and pension management activities in the Netherlands. Furthermore, this segment includes the activities of Achmea Bank focused on providing residential mortgage loans, saving accounts and investment funds in the Netherlands to individuals.

International activities

Contains all activities outside the Netherlands. Segment International activities operates actively in the countries Australia, Greece, Slovakia and Turkey. Furthermore Achmea has started up an online insurance company in Canada, together with a partner. The international activities consist primarily of insurance activities. Insurance activities relate to the provision of Non-life, Health and Life insurance policies, including the provision of investment contracts containing no or insignificant insurance risk. Furthermore, associates in which significant influence is exercised by management outside the Netherlands are included within this segment. From June 2018 Achmea no longer has activities in Ireland, following the sale of Friends First Life Insurance Company D.A.C.

Other activities

This segment consists of a broad range of activities that, on an individual basis, do not comply with the threshold for a reportable segment. The segment covers amongst others Independer.nl, Syntrus Achmea Vastgoed and Achmea Reinsurance. Furthermore, investments not related to the abovementioned segments, Shared Service Centres and staff departments, net of their recharges to the above segments, are included in this segment.

The segments formulate strategic, commercial and financial policies within the overall strategy, performance targets and risk appetite set by the Executive Board. All segment revenues reported, with the exception of internal reinsurance contracts, relate to external customers.

Notes to the Consolidated Financial Statements

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES [1]	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets	635		2		74	28		739
Associates and joint ventures		4			38	8		50
Property for own use and equipment	61	5	1		45	291		403
Investment property		3	1,064		4	32		1,103
Investments	6,529	3,805	47,730	12,126	1,321	1,323	−1,886	70,948
Deferred tax assets			553		37	44	−81	553
Income tax receivable			72			69	−141	
Amounts ceded to reinsurers	231		162		308	104	−134	671
Receivables and accruals	1,247	4,051	270	110	275	150	−220	5,883
Cash and cash equivalents	150	192	495	141	192	317	−21	1,466
Total assets	**8,853**	**8,060**	**50,349**	**12,377**	**2,294**	**2,366**	**−2,483**	**81,816**
Equity								
Equity attributable to holders of equity instruments of the company	1,658	3,113	4,132	852	495	−553		9,697
Non-controlling interest	7		1					8
Total equity	**1,665**	**3,113**	**4,133**	**852**	**495**	**−553**		**9,705**
Liabilities								
Liabilities related to insurance contracts	6,574	3,713	43,812		1,301	730	−1,065	55,065
Other provisions	17		4	2	57	79	930	1,089
Financial liabilities	377	1,232	2,183	11,018	425	2,083	−2,121	15,197
Derivatives	15	2	217	470		27		731
Deferred tax liabilities	84			8			−82	10
Income tax payable	121			27	16		−145	19
Total liabilities	**7,188**	**4,947**	**46,216**	**11,525**	**1,799**	**2,919**	**−2,483**	**72,111**
Total equity and liabilities	**8,853**	**8,060**	**50,349**	**12,377**	**2,294**	**2,366**	**−2,483**	**81,816**

1. *Within segment Other there are intra-group positions with the other segments which can result in negative positions.*

Notes to the Consolidated Financial Statements

Consolidated Financial Statements

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES [1]	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets	635		4		71	82		792
Associates and joint ventures		4			74	6		84
Property for own use and equipment	56	7	1		53	298		415
Investment property			1,060		4	49		1,113
Investments	6,563	3,316	48,825	13,247	1,382	1,300	−1,931	72,702
Deferred tax assets			787		43	33	−151	712
Income tax receivable						126	−126	
Amounts ceded to reinsurers	218		207		317	93	−179	656
Receivables and accruals	1,132	4,703	291	97	327	221	−284	6,487
Cash and cash equivalents	164	592	684	927	233	324	−40	2,884
	8,768	**8,622**	**51,859**	**14,271**	**2,504**	**2,532**	**−2,711**	**85,845**
Assets classified as 'Held for sale'					5,101			5,101
Total assets	**8,768**	**8,622**	**51,859**	**14,271**	**7,605**	**2,532**	**−2,711**	**90,946**
Equity								
Equity attributable to holders of equity instruments of the company	1,747	3,039	4,122	878	714	−559		9,941
Non-controlling interest	8							8
Total equity	**1,755**	**3,039**	**4,122**	**878**	**714**	**−559**		**9,949**
Liabilities								
Liabilities related to insurance contracts	6,505	4,389	45,323		1,326	870	−1,120	57,293
Other provisions	16		4	6	41	104	940	1,111
Financial liabilities	327	1,194	2,104	12,790	511	2,083	−2,254	16,755
Derivatives	8		155	573		34		770
Deferred tax liabilities	155			9			−151	13
Income tax payable	2		151	15	11		−126	53
	7,013	**5,583**	**47,737**	**13,393**	**1,889**	**3,091**	**−2,711**	**75,995**
Liabilities classified as 'Held for sale'					5,002			5,002
Total liabilities	**7,013**	**5,583**	**47,737**	**13,393**	**6,891**	**3,091**	**−2,711**	**80,997**
Total equity and liabilities	**8,768**	**8,622**	**51,859**	**14,271**	**7,605**	**2,532**	**−2,711**	**90,946**

1. *Within segment Other there are intra-group positions with the other segments which can result in negative positions.*

Notes to the Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT 2018

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross earned premiums	3,364	13,942	1,420		1,106	205	–119	19,918
Reinsurance premiums	–112	1	–32		–174	–93	116	–294
Change in provision for unearned premiums and current risks (net of reinsurance)	–24	88	1		–8	1	3	61
Net earned premiums	**3,228**	**14,031**	**1,389**		**924**	**113**		**19,685**
Income from associates and joint ventures		–1			6	1	1	7
Investment income	60	4	555	380	71	16	–20	1,066
Other income	19	107	9	123	47	124	–26	403
Total income (excluding non-operational items) [1]	**3,307**	**14,141**	**1,953**	**503**	**1,048**	**254**	**–45**	**21,161**
Net expenses from insurance contracts	2,339	13,426	1,459		699	72		17,995
Fair value changes and benefits credited to investment contracts					23			23
Interest and similar expenses	3	1	1	271		57	–45	288
Operating expenses related to insurance activities	821	426	150		238	57		1,692
Operating expenses for non-insurance activities	24	100		219	28	295		666
Other expenses	23	60	9	–2	31	–15		106
Total expenses (excluding non-operational items) [1]	**3,210**	**14,013**	**1,619**	**488**	**1,019**	**466**	**–45**	**20,770**
Operational result	**97**	**128**	**334**	**15**	**29**	**–212**		**391**
Transaction results (mergers and acquisitions)					8	167		175
Result before tax	**97**	**128**	**334**	**15**	**37**	**–45**		**566**
Income tax expenses	19		226	5	37	–36		251
Net result	**78**	**128**	**108**	**10**	**0**	**–9**		**315**
Expense ratio [2]	25.4%	3.0%			25.0%			
Claims ratio [2 & 3]	70.1%	95.7%			74.6%			
Combined ratio [2 & 3]	95.5%	98.7%			99.6%			
Amortisation charges	3	3	3		16	47		72
Impairment losses	15	46	24	–1	11	1		96

1. *Total income and Total expenses are presented in the segmented consolidated income statement excluding non-operational items. The amounts as presented in the table above can be reconciled with the amounts as presented in the Consolidated income statement as follows: Transaction results (mergers and acquisitions) are presented as part of Other income and Other expenses in the Consolidated income statement.*
2. *The ratios of the segment International activities include both Non-life and Health insurance.*
3. *The ratios of the segment Non-life are adjusted by correcting Movements in insurance liabilities where policyholders bear investment risks (included in Net expenses from insurance contracts) by €74 million for the unwinding of discount of the provisions for income products. This unwinding of discount took place based on the rate as applied to set the premiums of these contracts (so-called contract rate).*

Notes to the Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT 2017

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS [6]	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross earned premiums	3,290	13,184	1,569		1,206	255	−154	19,350
Reinsurance premiums	−152	8	−32		−205	−116	154	−343
Change in provision for unearned premiums and current risks (net of reinsurance)	22	326			3	−10		341
Net earned premiums	**3,160**	**13,518**	**1,537**		**1,004**	**129**		**19,348**
Income from associates and joint ventures		−1	4		7	0		10
Investment income	111	48	1,464	428	202	7	−27	2,233
Other income	16	107	18	160	50	125	−24	452
Total income (excluding non-operational items) [1]	**3,287**	**13,672**	**3,023**	**588**	**1,263**	**261**	**−51**	**22,043**
Net expenses from insurance contracts	2,286	13,249	2,481		755	51	1	18,823
Fair value changes and benefits credited to investment contracts					150			150
Interest and similar expenses	3	1	9	316		62	−52	339
Operating expenses related to insurance activities	798	475	172		271	65		1,781
Operating expenses for non-insurance activities	20	36		266	36	138		496
Other expenses	14	39	19	−6	35	4		105
Total expenses (excluding non-operational items) [1]	**3,121**	**13,800**	**2,681**	**576**	**1,247**	**320**	**−51**	**21,694**
Operational result	**166**	**−128**	**342**	**12**	**16**	**−59**		**349**
Transaction results (mergers and acquisitions)	11			−11	−39	11		-28
Result before tax	**177**	**−128**	**342**	**1**	**−23**	**−48**		**321**
Income tax expenses	37		74	2	−3	−5		105
Net Result	**140**	**−128**	**268**	**−1**	**−20**	**−43**		**216**
Expense ratio [2, 4 & 5]	25.5%	3.0%			22.7%			
Claims ratio [2, 3, 4 & 5]	70.0%	98.0%			74.0%			
Combined ratio [2, 3, 4 & 5]	95.5%	101.0%			96.7%			
Amortisation charges	3	2	3		19	52		79
Impairment losses	9	13	10	−7	50	−5		70

1. *Total income and Total expenses are presented in the segmented Consolidated income statement excluding non-operational items. The amounts as presented in the table above can be reconciled with the amounts as presented in the Consolidated income statement as follows: Transaction results (mergers and acquisitions) are presented as part of Other income and Other expenses in the Consolidated income statement.*
2. *The ratios of the segment International include both Non-life and Health insurance.*
3. *The ratios of the segment Non-life are adjusted by correcting Movements in insurance liabilities where policyholders bear investment risks (included in Net expenses from insurance contracts) by €53 million for the unwinding of discount of the provisions for income products. This unwinding of discount took place based on the rate as applied to set the premiums of these contracts.*
4. *In 2018 the allocation of Claims handling expenses to Net expenses from insurance contracts was reassessed at Non-Life Netherlands. The 2017 ratios have been adjusted for comparison purposes; the Claims ratio by 0.5% and the Expense ratio by 0.5%.*
5. *In 2018 the inclusion of operating and other expenses for determining the ratios of Health was reassessed at Health Netherlands. The 2017 ratios have been adjusted for comparison purposes; the Claims ratio by -0.2% and the Expense ratio by -0.5%.*
6. *As of 2018 the operating expenses of the healthcare offices are presented as Operating expenses, and no longer as Claims handling expenses as part of the item Net expenses from insurance contracts. The reclassification increases the Operating expenses and decreases the Net expenses from Insurance contracts of 2017 with €29 million.*

Notes to the Consolidated Financial Statements

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS

(€ MILLION)

	THE NETHERLANDS	TURKEY	GREECE	SLOVAKIA	OTHER	TOTAL 2018	TOTAL 2017
Gross earned premiums	18,812	271	331	415	89	19,918	19,350
Other income	523	6	25	2	22	578	474
Total assets	79,522	587	1,248	277	182	81,816	90,946
Non-current assets	66,261	252	1,043	207	10	67,773	57,638

1. *Other includes Australia, Canada and Ireland. Of Gross earned premiums €69 million relates to the sold entities of Friends First – these are the premiums until the time of the sale.*

4. SUBSEQUENT EVENTS

On 7 March 2019 Achmea successfully concluded a committed long-term multi-currency credit facility. This €1 billion facility was agreed with a syndicate of 12 international banks. The new credit facility has a term of five years with the option for two one-year extensions. As a result it will be available until 2026 at the latest. It replaces the credit facility that was terminated on 7 March and had a ceiling of €750 million.

Notes to the Consolidated Financial Statements

NOTES TO SIGNIFICANT BALANCE SHEET AND INCOME STATEMENT ITEMS

5. INVESTMENT PROPERTY

(€ MILLION)

	2018	2017
Balance at 1 January	1,113	1,129
Purchases	17	6
Disposals	−133	−66
Fair value changes recognised in profit or loss	104	65
Changes due to reclassification [1]		−23
Transfer from property for own use	2	2
Balance at 31 December	**1,103**	**1,113**

1. *For more information on the reclassification in 2017 reference is made to Note 21 Assets and liabilities held for sale and divestments.*

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Residential	546	481
Retail	284	306
Offices	247	288
Other	26	38
Total	**1,103**	**1,113**

Investment property is leased under operating lease contracts, in general with fixed monthly lease payments which may be reviewed at contractually agreed times. Minimal lease payments under operating lease contracts, not cancellable without penalty, for this investment property are as follows:

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Less than 1 year	5	7
1 - 5 years	21	30
Over 5 years	11	28
Total	**37**	**65**

KEY ESTIMATES TO DETERMINE THE VALUE OF INVESTMENT PROPERTY

The methods used to determine the revalued amount for Property for own use and fair value of Investment property are described in Note 9 Fair value hierarchy. The assumptions used in applying some of these methods are supported by the terms of any existing lease and other relevant contracts and by external evidence such as recent and expected general economic trends, current market rents for similar properties in the same location and condition. Various assumptions should be made and techniques applied in valuing property whereby these assumptions and techniques, may have significant consequences for the valuation.

ACCOUNTING POLICIES INVESTMENT PROPERTY

Investments property is measured at fair value. All fair value changes are recognised as Realised and unrealised gains and losses in the Investment income in the Income Statement. Rental income from Investment property is recognised as Investment income in the Income Statement.

Investment property that is being constructed or developed for future use as Investment property is classified as 'Property in development' and stated at cost until its fair value can be reliably determined.

Notes to the Consolidated Financial Statements

6. INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

	INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		INVESTMENTS – AVAILABLE FOR SALE		INVESTMENTS – LOANS AND RECEIVABLES		TOTAL	
	31 DECEMBER 2018	31 DECEMBER 2017	31 DECEMBER 2018	31 DECEMBER 2017	31 DECEMBER 2018	31 DECEMBER 2017	**31 DECEMBER 2018**	31 DECEMBER 2017
Investments own risk								
Equities & similar investments	68	138	2,870	2,944			2,938	3,082
Fixed income investments	2,762	3,227	32,328	31,023	505	646	35,595	34,896
Derivatives	3,432	3,324					3,432	3,324
Other financial investments	37	37	92	82	1,914	2,068	2,043	2,187
Investments backing linked liabilities								
Equities & similar investments	4,337	5,147					4,337	5,147
Fixed income investments	3,441	3,495					3,441	3,495
Derivatives	47	79					47	79
Other financial investments [1]	7,273	7,767					7,273	7,767
Banking credit portfolio								
Fixed income investments	215	239			11,627	12,486	11,842	12,725
Total at 31 December	**21,612**	**23,453**	**35,290**	**34,049**	**14,046**	**15,200**	**70,948**	**72,702**

1. *Other financial investments include cash and cash equivalents relating to investments backing linked liabilities (in funds/depots)*

Equity investments and similar investments of in total €2,938 million (31 December 2017: €3,082 million) consist of investments in listed ordinary shares of €1,433 million (31 December 2017: €1,533 million), alternative investments of €758 million (31 December 2017: €814 million), investments in real estate funds of €275 million (31 December 2017: €232 million), investments in fixed-income funds of €413 million (31 December 2017: €417 million) and other investments of €59 million (31 December 2017: €86 million).

Other financial investments for own account classified as Loans and receivables mainly concern savings accounts linked to life insurance contracts held with Rabobank Groep, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan.

MOVEMENTS INVESTMENTS

(€ MILLION)

	INVESTMENTS OWN RISK		INVESTMENTS BACKING LINKED LIABILITIES		BANKING CREDIT PORTFOLIO		TOTAL	
	2018	2017	2018	2017	2018	2017	**2018**	2017
Balance at 1 January	**43,489**	**46,273**	**16,488**	**18,941**	**12,725**	**13,679**	**72,702**	**78,893**
Investments and loans granted	19,350	21,007	7,411	9,323	955	1,123	27,716	31,453
Divestments and disposals	−18,561	−20,686	−8,051	−9,979	−1,780	−1,966	−28,392	−32,631
Fair value changes	−240	−1,260	−766	1,023			−1,006	−237
Change in value due to fair value hedge accounting					−58	−102	−58	−102
Foreign currency differences	−125	−442	30	−97			−95	−539
Accrued interest and rental	87	95	231	248			318	343
Cash movements			−83	−3			−83	−3
Changes due to reclassification [1]	8	−1,498		−2,823		−9	8	−4,330
Oher changes [2]			−162	−145			−162	−145
Balance at 31 December	**44,008**	**43,489**	**15,098**	**16,488**	**11,842**	**12,725**	**70,948**	**72,702**

1. *The amount in 2017 takes into account reclassification relating to assets and liabilities at year-end 2017 held for sale (Investments own risk €-1,518 million and Investments backing linked liabilities €-2,827 million). For more information on this reclassification refer to Note 21 Assets and liabilities held for sale and divestments.*
2. *Other changes relate to the consolidation of a number of investment pools. These pools are included in the consolidated figures of Achmea Pensioen- en Levensverzekeringen N.V. because a control relationship exists under IFRS 10.*

Notes to the Consolidated Financial Statements

Investments own risk

The investments designated as 'At fair value through profit or loss' as at 31 December 2018 amounted to €2,867 million (31 December 2017: €3,402 million). Derivatives are used for hedging purposes. Achmea holds no financial instruments for trading purposes.

Based on their contractual maturity, an amount of €32,193 million (2017: €32,609 million) of fixed income investments and other investments is expected to be recovered after twelve months after reporting date. For all assets without a contractual maturity date, it is assumed that they will be expected to be recovered after twelve months after the reporting date.

FIXED INCOME INVESTMENTS CLASSIFIED BY NATURE (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Government and government related guaranteed bonds	15,002	14,745
Securitised bonds [1]	1,115	990
Corporate bonds	10,172	9,819
Convertible bonds	314	309
Mortgages	7,474	7,240
Loans, deposits with credit institutions	194	331
Investment loans	862	857
Deposits with re-insurers	446	588
Other	16	17
	35,595	**34,896**

1. *Securitised bonds include €772 million (2017: €916 million) asset backed securities (collateralised).*

Achmea's interests in non-consolidated structured entities such as bonds with collateral mortgages, collateral demand for car leasing and other pledged assets are presented in the line item Investments - Securitised bonds. The composition of Achmea's portfolios in the interests in structured entities is widely dispersed looking at the individual amount per entity. For the main part Achmea invests in the senior rated interest of these asset backed securities, limiting the potential credit losses. For the most significant non-consolidated structured entities the following table presents the maximum exposure to loss for Achmea as at 31 December 2018, which equals the carrying amount of the securities at that date. Furthermore, the table presents a comparison of Achmea's interest with the total amount of Notes issued by the structured entity. The amount shown as Total amount of issued notes is based on the deal size at issue of the notes.

INVESTMENTS IN NON-CONSOLIDATED STRUCTURED ENTITIES (€ MILLION)

	31 DECEMBER 2018		31 DECEMBER 2017	
	MAXIMUM EXPOSURE TO LOSS	TOTAL AMOUNT OF ISSUED NOTES AT ISSUED DATE	MAXIMUM EXPOSURE TO LOSS	TOTAL AMOUNT OF ISSUED NOTES AT ISSUED DATE
Mortgage backed securities	562	21,220	712	28,867
Car leasing receivables securities	69	10,369	88	11,396
Other securities	141	4,899	116	6,057
Carrying amount of interest in structured entity as at 31 December	**772**	**36,488**	**916**	**46,320**

Achmea did not provide financial or other support to non-consolidated structured entities. Nor does Achmea have intentions to provide financial or other support to non-consolidated structured entities in which Achmea has an interest or previously had an interest.

Notes to the Consolidated Financial Statements

DERIVATIVES CLASSIFIED BY NATURE

(€ MILLION)

	ASSETS	LIABILITIES	31 DECEMBER 2018
Interest rate derivatives	3,386	692	2,694
Currency derivatives	14	21	−7
Equity derivatives	32	18	14
	3,432	**731**	**2,701**

	ASSETS	LIABILITIES	31 DECEMBER 2017
Interest rate derivatives	3,226	731	2,495
Currency derivatives	41	19	22
Equity derivatives	48	18	30
Other derivatives	9	2	7
	3,324	**770**	**2,554**

ANALYSIS OF ESTIMATED TIME TO MATURITY OF UNDISCOUNTED CASHFLOWS OF DERIVATIVES (LIABILITIES)

(€ MILLION)

31 DECEMBER 2018	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Interest rate derivatives	200	203	106	187	696
Currency derivatives	21				21
Equity derivatives	18				18
	239	**203**	**106**	**187**	**735**

31 DECEMBER 2017	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Interest rate derivatives	119	153	70	420	762
Currency derivatives	19				19
Equity derivatives	18				18
Other derivatives	2	1			3
	158	**154**	**70**	**420**	**802**

ANALYSIS OF NOTIONAL AND FAIR VALUE FOR INTEREST AND CURRENCY DERIVATIVES OWN RISK

(€ MILLION)

			31 DECEMBER 2018			31 DECEMBER 2017
	Nominal amount	Fair value assets	Fair value liabilities	Nominal amounts	Fair value assets	Fair value liabilities
Interest derivatives [1]	33,382	3,385	665	37,666	3,225	705
Forward exchange contracts	2,046	14	21	3,246	41	19
Cross-currency interest rate swaps [1]	677	1	27	628	1	26
	36,105	3,400	713	41,540	3,267	750

1. *In 2017 Cross currency interest rate swaps were presented as part of Interest derivatives. As these contracts entail both interest rate risk and currency risk, they are presented separately from 2018. To provide insight in the movement of this item, the comparative figure has been adjusted accordingly.*

Investments backing linked liabilities

Investments backing linked liabilities comprise assets for insurance contracts with segregated investments, deposits for group life contracts with full profit sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked.

Investments backing linked liabilities are separated from other investments which are invested in accordance with the requirements towards holders of life insurance or investment contracts. Policyholders and holders of investment contracts are entitled to all gains recorded and to the total amount of the investments shown under this heading, but they also have to carry any losses. For this reason the valuation of Insurance liabilities where policyholders bear investment risks are linked to these investments.

Notes to the Consolidated Financial Statements

Investments backing linked liabilities are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of Achmea.

Banking credit portfolio

BANKING CREDIT PORTFOLIO CLASSIFIED BY NATURE [1]

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Mortgages	11,109	11,770
Loans, deposits with credit institutions	759	993
Other loans and advances to private sector	1	1
Allowance account	−27	−39
	11,842	**12,725**

1 *The Banking credit portfolio includes a provision for credit losses. Additions to and withdrawals from the provisions during 2018 amounted to €15 million (2017: €12 million) and €27 million (2017: €46 million).*

The fair value of the banking portfolio measured at fair value is subject to changes in creditworthiness of the issuer. The impact on the fair value of the Banking credit portfolio amounted to €2 million cumulatively at year-end 2018 (year-end 2017: €6 million). The effect in 2018 is €-4 million (2017: €-1 million).

An amount of €747 million (2017: €939 million) is not available on demand, and consists of collateral for derivatives and funds related to securitisation transactions. An amount of €8,649 million (2017: €9,200 million) of the Banking credit portfolio is expected to be recovered after twelve months after reporting date.

The fair value of the Banking credit portfolio measured at amortised cost at year-end is €11,840 million (2017: €12,792 million). As at 31 December 2018, the carrying amount of the loans is affected by impairment losses amounting to €148 million (2017: €105 million). There are no reversals of impairment losses in both 2018 and 2017. The carrying amount is reduced through use of an allowance account. The impairment loss is mainly a result of individual assessments of the expected cash flows in relation to the loans. For 2018, the interest income related to impaired financial instruments is €4 million (2017: €4 million).

KEY ASSUMPTIONS AND ESTIMATES WHEN ASSESSING THE VALUATION OF INVESTMENTS

Impairment testing of financial assets

Each reporting date Achmea applies judgement to establish whether a loss event has occurred, resulting in an impairment loss for an investment. When the financial condition of a counterparty changes, Achmea specifically assesses the counterparty's ability to meet both principal and interest payments on fixed-income investments. Objective evidence of impairment of an equity investment classified as 'Available for sale' includes information about significant changes with an adverse effect have taken place in the market, the technological, economic or legal environment in which the counterparty operates, and indicates that the cost of the investment in the equity investment may not be recovered. A significant or prolonged decline in the fair value of an equity investment below its cost is also objective evidence for impairment. Equity investments held in an unrealised loss position that are below cost for over twelve consecutive months or significantly below cost (20%) at reporting date are impaired. When determining the impairment loss, qualitative indicators are also used before these thresholds are met.

The Banking credit portfolio is evaluated for impairment on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. An impairment of an asset exists if there is objective evidence that one or more events after the initial recognition have had a reliably estimated negative impact on the expected future cash flows of such asset. Current observable data may include changes in unemployment rates, property and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the Consolidated Financial Statements

Fair value investments determined using valuation techniques

In the absence of an (active) market, the fair value of non-quoted investments is estimated by using present value of future cash flows or other valuation techniques. Reference is made to Note 9 Fair value hierarchy for a detailed description of the methods used. Valuation techniques are subjective in nature and can have a significant impact on the determination of fair values for certain investments. Valuation techniques involve various assumptions on the pricing factors. The use of different valuation techniques and assumptions could have an effect on the fair value.

ACCOUNTING POLICIES INVESTMENTS

Classification of investments

The general principle underlying the classification of investments, and therefore the accounting policies for investments, is that this is aligned with the valuation of related liabilities. Achmea applies the following framework:

- Investments backing banking liabilities measured at amortised cost and investments backing insurance liabilities related to own account savings accounts are classified as 'Loans and receivables';
- Investments backing banking liabilities measured at fair value, investments backing insurance liabilities where cash flows are discounted using current market interest rates, investments backing insurance liabilities where the policyholder bears the investment risk and investment contracts are classified as 'At fair value through profit or loss';
- Investments held for trading, mostly derivatives, and Private equity investments in the form capital interests in investment funds are classified as 'At fair value through profit or loss'. Achmea uses derivatives to manage its exposure to market risks arising from operating, investing and/or financing activities;
- Other investments are classified as 'Available for sale'.

Initial measurement

An investment is initially measured at fair value increased by transaction costs that are directly attributable to the acquisition or issue of an investment, unless an investment is classified as 'At fair value through profit or loss'. In that case the initial measurement equals the fair value and transaction costs are included directly in the Income Statement.

In some cases, the fair value deviates the initially measured from the transaction price, (so called day 1 gain/loss). If the fair value is evidenced by observable market data, the 'day 1 result' will be accounted for in the Income Statement as Investment income Realised gains and losses. In all other cases, the value is adjusted to defer the difference between the fair value and initial value to future periods. The 'day 1 result' is recognised in the Income Statement only to the extent it arises from a change in a factor (including time) that market participants would take into account.

Subsequent measurement

Investments classified as 'Loans and receivables'

These investments are stated at amortised cost, less any allowance for uncollectability. If there is objective evidence that an impairment loss on 'Loans and receivables' has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet occurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). A new amortised cost schedule is determined which governs the future interest income recognised in the Income Statement.

The Banking credit portfolio, measured at amortised cost, is adjusted to reflect identified incurred losses (including incurred but not yet reported losses) within the portfolio. If all or part of the portfolio proves to be uncollectible, the amount concerned is written off from the corresponding allowance account.

Investments classified as 'Available for sale'

Investments classified as 'Available for sale' are measured at fair value. Other changes in fair value are transferred to the Revaluation reserve, part of Total equity net of deferred taxes. Exchange differences resulting from changes in the amortised cost of fixed-income investments are recognised in the Income Statement. Upon derecognition of the investment any cumulative unrealised gains or losses, recognised in Total equity, are transferred to the Income Statement as Realised gains and losses. Interest income on fixed-income investments is determined by using the effective interest rate method. When optional dividends are taken up as shares, an amount equal to the cash dividend is recognised in the Income Statement.

Notes to the Consolidated Financial Statements

Investments classified as 'At fair value through profit or loss'

Investments classified as 'At fair value through profit or loss' are measured at fair value. Changes in fair value and exchange differences are recognised in the Income Statement. When optional dividends are taken up as shares, an amount equal to the cash dividend is recognised in the Income Statement.

Derivatives embedded in other financial instruments are separated and measured separately if they are not closely related to the host instrument. A convertible bond is separated into a bond part classified as 'Available for sale' and an equity conversion option classified as a derivative. The bond part is measured according to the valuation of a similar bond with the same characteristics. Depending on their value, derivatives are either presented as Investments (assets) or as Derivatives (liabilities). Derivatives assets and liabilities relating to the same counterparty are generally not included in the balance sheet on a net basis, as the IFRS netting requirements have not been met.

7. LIABILITIES RELATED TO INSURANCE CONTRACTS AND AMOUNTS CEDED TO REINSURERS

(€ MILLION)

	31 DECEMBER 2018		31 DECEMBER 2017	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
Non-life insurance				
Unearned premiums	1,266	117	1,255	117
Provision for unexpired risks	37		43	
Outstanding claims (including IBNR)	6,149	393	6,101	334
Profit sharing and bonuses for policyholders	23		22	
Total Non-life insurance	**7,475**	**510**	**7,421**	**451**
Health insurance				
Unearned premiums	30		29	
Provision for unexpired risks	23		109	
Outstanding claims (including IBNR)	3,794		4,365	
Total Health insurance	**3,847**		**4,503**	
Life insurance				
Provision for life policy liabilities	21,804	161	22,423	205
Deferred interest surplus rebates	−16		−23	
Profit sharing and bonuses for policyholders	7,035		6,875	
Insurance liabilities where policyholders bear investment risk	14,920		16,094	
Total Life insurance	**43,743**	**161**	**45,369**	**205**
Total	**55,065**	**671**	**57,293**	**656**

The table below shows the insurance liabilities analysed by estimated time to maturity. The Life insurance and Income Protection contracts are analysed, based on the discounted cash in- and outflows related to the insurance contracts; Property & Casualty and Health insurance contracts are analysed, based on undiscounted cash flows.

Notes to the Consolidated Financial Statements

ANALYSIS BY ESTIMATED TIME TO MATURITY OF LIABILITIES RELATED TO INSURANCE CONTRACTS

(€ MILLION)

2018	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	618	1,234	1,036	261	3,149
Property & Casualty	2,096	1,563	626	41	4,326
Health insurance	3,646	179	11	11	3,847
Life insurance	2,104	5,259	15,593	20,787	43,743
Balance at 31 December	**8,464**	**8,235**	**17,266**	**21,100**	**55,065**

2017	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	618	1,247	993	256	3,114
Property & Casualty	1,800	1,800	658	49	4,307
Health insurance	4,015	488			4,503
Life insurance	1,831	5,459	15,671	22,408	45,369
Balance at 31 December	**8,264**	**8,994**	**17,322**	**22,713**	**57,293**

NON-LIFE PORTFOLIO ANALYSIS

(€ MILLION)

	31 DECEMBER 2018		31 DECEMBER 2017	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Accident	3,149	42%	3,114	42%
Motor liability	1,857	25%	1,869	25%
Motor hull	348	5%	360	5%
Transport /aviation liability	75	1%	75	1%
Property	985	13%	958	13%
General liability	870	12%	855	12%
Legal assistance	184	2%	188	2%
Other	7	0%	2	0%
	7,475	**100%**	**7,421**	**100%**

Notes to the Consolidated Financial Statements

MOVEMENT TABLE NON-LIFE

(€ MILLION)

	2018		2017	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
PROVISION FOR UNEARNED PREMIUMS NON-LIFE				
Balance at 1 January	1,255	117	1,254	88
Added during the year	3,897	254	3,868	295
Released to the Income Statement	−3,844	−231	−3,835	−251
Foreign currency differences	−42	−23	−32	−15
Balance at 31 December	**1,266**	**117**	**1,255**	**117**
PROVISION FOR UNEXPIRED RISKS NON-LIFE				
Balance at 1 January	43		50	
Added during the year			1	
Released to the Income Statement	−6		−8	
Balance at 31 December	**37**		**43**	
OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE				
Balance at 1 January	6,101	334	6,011	404
Current period claims reported	2,805	137	2,737	121
Change in reported claims previous periods	−219	49	−154	−2
Plus claims reported	**2,586**	**186**	**2,583**	**119**
Current period claims paid	1,302	40	1,240	45
Previous period claims paid	1,251	46	1,258	118
Less claims paid	**2,553**	**86**	**2,498**	**163**
Foreign currency differences	−62	−41	−32	−26
Unwinding of discount	73		65	
Effect of changes in assumptions	−1		−28	
Changes due to reclassification	5			
Balance at 31 December	**6,149**	**393**	**6,101**	**334**
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	22		26	
Net movements during the period	1		−4	
Balance at 31 December	**23**		**22**	
TOTAL NON-LIFE INSURANCE LIABILITIES	**7,475**	**510**	**7,421**	**451**

Notes to the Consolidated Financial Statements

The tables below show the claims development table for Non-Life before and net of reinsurance.

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(BEFORE REINSURANCE)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,805	2,737	2,930	2,594	2,593	2,780	2,733	2,594	2,848	2,825	
One year later		2,645	2,909	2,622	2,532	2,615	2,482	2,468	2,633	2,857	
Two years later			2,814	2,658	2,587	2,634	2,437	2,443	2,504	2,650	
Three years later				2,597	2,542	2,641	2,435	2,439	2,471	2,539	
Four years later					2,419	2,598	2,369	2,445	2,477	2,509	
Five years later						2,507	2,330	2,413	2,465	2,530	
Six years later							2,324	2,369	2,447	2,536	
Seven years later								2,371	2,453	2,516	
Eight years later									2,442	2,517	
Nine years later										2,506	
Estimate of cumulative claims	**2,805**	**2,645**	**2,814**	**2,597**	**2,419**	**2,507**	**2,324**	**2,371**	**2,442**	**2,506**	**25,430**
Cumulative payments	–1,302	–1,727	–2,159	–1,994	–1,955	–2,206	–2,058	–2,106	–2,223	–2,274	–20,004
	1,503	**918**	**655**	**603**	**464**	**301**	**266**	**265**	**219**	**232**	**5,426**
Insurance liabilities claims prior years (<2009)											1,320
Effect of discounting											–597
Outstanding claims at 31 December 2018											**6,149**

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(NET OF REINSURANCE)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,668	2,616	2,653	2,477	2,525	2,677	2,692	2,524	2,773	2,736	
One year later		2,574	2,696	2,555	2,468	2,519	2,433	2,399	2,572	2,768	
Two years later			2,606	2,602	2,548	2,540	2,402	2,374	2,439	2,571	
Three years later				2,528	2,507	2,560	2,400	2,400	2,407	2,457	
Four years later					2,385	2,523	2,335	2,410	2,450	2,438	
Five years later						2,436	2,299	2,372	2,439	2,505	
Six years later							2,287	2,330	2,372	2,478	
Seven years later								2,343	2,424	2,493	
Eight years later									2,414	2,496	
Nine years later										2,486	
Estimate of cumulative claims	**2,668**	**2,574**	**2,606**	**2,528**	**2,385**	**2,436**	**2,287**	**2,343**	**2,414**	**2,486**	**24,727**
Cumulative payments	–1,262	–1,713	–1,999	–1,970	–1,948	–2,150	–2,052	–2,086	–2,198	–2,258	–19,636
	1,406	**861**	**607**	**558**	**437**	**286**	**235**	**257**	**216**	**228**	**5,091**
Insurance liabilities claims prior years (<2009)											1,262
Effect of discounting											–597
Outstanding claims at 31 December 2018											**5,756**

Notes to the Consolidated Financial Statements

HEALTH PORTFOLIO ANALYSIS

(€ MILLION)

	31 DECEMBER 2018		31 DECEMBER 2017	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Basic Health insurance	3,619	94%	4,275	94%
Supplementary Health insurance	95	2%	114	3%
Other	133	4%	114	3%
	3,847	**100%**	**4,503**	**100%**

MOVEMENT TABLE HEALTH INSURANCE LIABILITIES

(€ MILLION)

	2018		2017	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
PROVISION FOR UNEARNED PREMIUMS HEALTH				
Balance at 1 January	29		28	
Added during the year	14,435	3	13,636	3
Released to the Income Statement	−14,434	−3	−13,635	−3
Balance at 31 December	**30**		**29**	
PROVISION FOR UNEXPIRED RISKS HEALTH				
Balance at 1 January	109		435	
Added during the year	23		109	
Released to the Income Statement	−109		−435	
Balance at 31 December	**23**		**109**	
OUTSTANDING CLAIMS (INCLUDING IBNR) HEALTH				
Balance at 1 January	4,365		4,388	8
Current period claims reported	13,954	2	13,873	1
Change in reported claims previous periods	−177		−320	−9
Plus claims reported	**13,777**	**2**	**13,553**	**−8**
HKC premiums related to current period claims reported				
HKC premiums related to change in reported claims previous periods		3		10
HKC premiums related to claims reported		**3**		**10**
Current period claims paid	10,421	2	9,768	1
Previous period claims paid	3,938		3,812	171
Less claims paid	**14,359**	**2**	**13,580**	**172**
HKC premiums related to previous claims paid		3		−162
Less HKC premiums related to claims paid		**3**		**−162**
Effect of changes in assumptions	3		4	
Changes due to reclassification	8			
Balance at 31 December	**3,794**		**4,365**	
TOTAL HEALTH INSURANCE LIABILITIES	**3,847**		**4,503**	

Notes to the Consolidated Financial Statements

The claims development table for Health as shown below, is presented before reinsurance only, as a claims development table after reinsurance would not show any differences.

CLAIMS DEVELOPMENT TABLE FOR HEALTH

(€ MILLION)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	13,954	13,873	13,458	13,105	12,551	12,777	12,840	11,907	10,101	10,368	
One year later		13,663	13,229	12,897	12,321	12,598	12,553	11,679	11,163	10,672	
Two years later			13,218	12,844	12,216	12,473	12,641	11,706	11,023	10,612	
Three years later				12,885	12,186	12,541	12,235	12,370	10,966	10,614	
Four years later					12,209	12,556	12,213	12,370	10,966	10,604	
Five years later						12,582	12,219	12,370	10,966	10,604	
Six years later							12,228	12,370	10,966	10,604	
Seven years later								12,370	10,966	10,604	
Eight years later									10,966	10,604	
Nine years later										10,604	
Estimate of cumulative claims	**13,954**	**13,663**	**13,218**	**12,885**	**12,209**	**12,582**	**12,228**	**12,370**	**10,966**	**10,604**	**124,679**
Cumulative payments	−10,421	−13,486	−13,155	−12,884	−12,202	−12,572	−12,225	−12,370	−10,966	−10,604	−120,885
Outstanding claims at 31 December 2018	**3,533**	**177**	**63**	**1**	**7**	**10**	**3**				**3,794**

LIFE PORTFOLIO ANALYSES

(€ MILLION)

	31 DECEMBER 2018		31 DECEMBER 2017	
	Liabilities related to insurance contracts	%	Liabilities related to insurance contracts	%
Insurances with guarantees regarding to investment income [1]	28,307	65%	28,651	63%
Other life insurance	15,436	35%	16,718	37%
	43,743	**100%**	**45,369**	**100%**

1. *Includes life insurances for own account with guarantees regarding interest rate and life insurances where policyholders bear investment risks with a minimum guaranteed investment income.*

Notes to the Consolidated Financial Statements

MOVEMENT TABLE LIFE INSURANCE LIABILITIES

(€ MILLION)

	2018		2017	
	Liabilities related to insurance contracts	Amounts ceded to reinsurers	Liabilities related to insurance contracts	Amounts ceded to reinsurers
PROVISION FOR LIFE POLICY LIABILITIES				
Balance at 1 January	22,423	205	25,247	897
Change in composition of the Group [1]	44			
Benefits paid	−1,954	−56	−2,104	−121
Net premiums received	846	6	1,074	28
Technical result	−60	6	−162	3
Foreign currency differences			−4	
Unwinding of discount	674		704	
Cost withdrawal	−87		−98	
Effect of changes in assumptions			28	
Effect of fair value changes			6	
Changes due to reclassification [2 & 3]	−78		−2,268	−602
Other changes	−4			
Balance at 31 December	**21,804**	**161**	**22,423**	**205**
DEFERRED INTEREST SURPLUS REBATES				
Balance at 1 January	−23		−32	
Amortisation	7		9	
Balance at 31 December	**−16**		**−23**	
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	6,875		7,767	
Changes due to (un)realised fair value changes of related investments in fixed income through the Equity	114		−223	
Changes due to (un)realised fair value changes of related investments in fixed income and interest rate derivatives through the Income statement	74		−613	
Granted profit sharing rights [4]	−33		−77	
Other changes	5		21	
Balance at 31 December	**7,035**		**6,875**	

1. *Change in composition of the Group relates to the elimination of a reinsurance contract that is no longer recognised as internal reinsurance due to the completion of the sale of the Friends First activities in 2018.*
2. *The amount in 2017 takes into account reclassification relating to assets and liabilities at year-end 2017 held for sale (gross €-2,116 million, reinsurance €-602 million).*
3. *Changes due to reclassification in 2018 and 2017 also relate to changes in Insurance liabilities where policyholders bear investment risks and Investment contracts, resulting from reclassification related to changes in the assessment of the underlying risk of the contracts and resulting from contractual changes (2018: €-69 million, 2017: €-164 million).*
4. *Dependent on the investment yield part of the Granted profit sharing rights accrues to Achmea. This is expected to amount to 40bps of the average related insurance liabilities.*

Notes to the Consolidated Financial Statements

MOVEMENT TABLE LIFE INSURANCE LIABILITIES CONTINUED

(€ MILLION)

	2018		2017	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
INSURANCE LIABILITIES WHERE POLICYHOLDERS BEAR INVESTMENT RISKS				
Balance at 1 January	16,094		16,171	
Benefits paid	−1,413		−1,690	
Net premiums received	612		675	
Technical result	−40		−51	
Unwinding of discount	38		41	
Cost withdrawal	−37		−45	
Effect of fair value changes	−403		1,029	
Changes due to reclassification [1 & 2]	69		−36	
Balance at 31 December	**14,920**		**16,094**	
TOTAL LIFE INSURANCE LIABILITIES	**43,743**	**161**	**45,369**	**205**

1. *The amount in 2017 takes into account reclassification relating to assets and liabilities at year-end 2017 held for sale (€-197 million).*
2. *Changes due to reclassification in 2018 and 2017 also relate to changes in the Provision for life policy liabilities, resulting from reclassification related to changes in the assessment of the underlying risk of the contracts and resulting from contractual changes (2018: €69 million, 2017: €161 million).*

The Provision for life policy includes an amount of €2.3 billion (31 December 2017: €2.5 billion) related to non-participating benefits contracts, which is calculated using current discount rates.

For the Provision for life policy liabilities (before reinsurance) and Insurance liabilities where policyholders bear investment risks amounted to €19.0 billion (31 December 2017: €20.9 billion) respectively €14.9 billion (31 December 2017: €16.1 billion) relate to 'service book' in the Netherlands; benefits paid related to this 'service book' activities amounted to €1.5 billion (2017: €1.5 billion) respectively €1.4 billion (2017: 1.7 billion).

In previous years, discussions have arisen in the Netherlands regarding the costs included in investment insurance policies, such as the life insurance policies with unit-linked feature. It is generally alleged that the costs of some of these products are disproportionally high, that in some cases a legal basis for such costs is lacking and that the information provided to the insured regarding these costs has not been transparent which is considered an alleged misselling issue. In the past, Achmea reached agreement with four customer interest groups in the Netherlands. This is taken into account in determining the insurance liabilities. The discussion related to these investment insurance policies is still continuing, as evidenced by the summons Achmea received in January 2019.

KEY ESTIMATES TO DETERMINE LIABILITIES RELATED TO INSURANCE CONTRACTS

The measurement of Liabilities related to insurance contracts is an inherently uncertain process, involving assumptions for changes in legislation, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, and other factors. Specifically, significant assumptions related to these aspects include interest rates, mortality and morbidity rates, trends in claims and assumptions used in the liability adequacy test. Where possible, Achmea uses market observable variables and models / techniques which are commonly used in the industry. The assumptions for non-observable market variables used are based on a combination of experience within Achmea and market benchmarks, such as those supplied by the statistics department of the Dutch Association of Insurers, the Dutch Society of Actuaries and similar bodies throughout Europe. The use of different assumptions in this evaluation could have an effect on the Liabilities related to insurance contracts and Net expenses from insurance contracts. The data used to calibrate the Liabilities related to insurance contracts outstanding claims related to Dutch health-insurance contracts is based on historical information.

The contribution for the Health Insurance Fund (including standard nominal premium) and claims level are preliminary and will probably change and shift between insurers for some years.

Achmea reassesses provisions for the underwriting year on an annual basis based on the latest information on claims level, macro-neutrality and settlements with the Dutch government (equalisation fund allocation for the related underwriting year). When appropriate, Achmea has made additional provisions.

Notes to the Consolidated Financial Statements

The discount rate used to determine the life policy liabilities whose valuation of cash flows is based on locked assumptions related to Dutch activities ranges between 3% and 4%. Life policy liabilities relating to Dutch activities whose cash flows are discounted using market-based interest rates are based on the Euro swap curve, including an illiquidity premium depending on the profit sharing features of the insurance contract, which is extrapolated by means of an ultimate forward rate (UFR, year-end 2018: 4,05%, year-end 2017: 4.2%). The UFR is used to determine the risk-free discount rate after the last liquid point in the Euro swap market and it is based on a long-term equilibrium rate of historical data. The life policy liabilities for foreign operating companies are generally calculated based on discounting at the interest rate guaranteed for the product or in some cases based on projected returns on related investments.

Achmea tests the adequacy of the recognised insurance liabilities and related assets at each reporting date (see Accounting policies and Liabilities related to insurance contracts). The test considers current estimates of all contractual cash flows of the insurance liabilities, which are discounted for the life business and certain insurance contracts within the non-life business (disability insurance). The curve used for the adequacy test of the relevant non-life policies is based on the tariff bases: the curve used for life policies is based on the Euro Swap Curve, including an adjustment for credit risk, a country premium and an illiquidity premium, extrapolated by means of a UFR. This UFR is equal to the UFR used for the Solvency II calculation at the same reporting date (year-end 2018: 4,05%, year-end 2017: 4.2%). To assess the adequacy Achmea uses the most recent mortality tables, adjusted for the specific nature and composition of Achmea's insurance base.

Insurance liabilities also include the impact of minimum guarantees which are included in certain insurance contracts. The valuation of these guarantees depends on the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions on inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions on these factors could have an effect on insurance liabilities and Net expenses from insurance contracts.

ACCOUNTING POLICIES LIABILITIES RELATED TO INSURANCE CONTRACTS

General measurement principles
Insurance contracts are defined as contracts that transfer significant insurance risk. Insurance risk exists if a scenario exists that has commercial substance under which, based on an insured event, additional payments have to be made. Insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur. Options, guarantees and derivatives embedded in an insurance contract that do not bear any insurance risk on their own and that are not closely related to the host insurance contract are separately recognised as a derivative. Options and guarantees that are closely related to the insurance contract are included in the measurement of Insurance liabilities.

For participations in underwriting pools, co-insurance or guarantee fund agreements an amount equal to the share in these agreements, generally measured based on the specific provisions in these agreements, is recognised. The information used is received from the management of these agreements.

Achmea tests the adequacy of the recognised insurance liabilities and related assets at each reporting date (related VOBA, refer to Note 13 Intangible assets, and deferred acquisition costs, refer to Note 17 Receivables and accruals) and more often if deemed necessary. The test considers current estimates of all contractual cash flows of the insurance liabilities, including expected cost for claim handling, guarantees and embedded options. If the test shows that the insurance liabilities are inadequate, Achmea will recognise a loss by decreasing the recognised value of business acquired and then the deferred acquisition costs. Any remaining deficit is compensated by increasing the related insurance liabilities.

Profit sharing and bonuses for policyholders (Life and Non-life)
A provision is made for any profit share that policyholders or beneficiaries are entitled to. Vested rights that have not yet been credited to policyholder accounts are included in the provision for profit sharing and bonuses for policyholders.

The provision includes amounts allocated under the relevant local statutory or contractual regulations to the account of policyholders. The provision for profit sharing and bonuses for policyholders also includes amounts arising from the valuation of certain fixed-income investments at fair value and derivatives held to mitigate the interest rate risk inherent in the related insurance liabilities. (Un-)realised gains and losses in connection with the measurement of these investments are transferred to Profit sharing and bonuses for policyholders. This part of Profit sharing and bonuses may not be negative.

Provision for unearned premiums (Health and Non-life)
Gross premiums attributable to income of future periods are accrued in the Provision for unearned premiums. The Provision for unearned premiums is determined in proportion to the remaining duration of the contract.

Provision for unexpired risks (Health and Non-life)

Notes to the Consolidated Financial Statements

The Provision for unexpired risks is calculated for each insurance portfolio on the basis of estimates of future claims, costs, premium earned and proportionate investment income. For insurance policies covering a risk which increases during the duration of the policy of which premium rates are independent of age, this risk is taken into account in determining the provision.

Notes to the Consolidated Financial Statements

Outstanding claims provision including incurred but not reported claims (Health and Non-life)
The Outstanding claims provision relates to insurance claims that have not been settled at reporting date. The provision is determined either case-by-case or statistically. The provision also includes amounts for incurred but not reported claims at reporting date. The Outstanding claims provision is based on estimated expected claims payments. Waiting periods are taken into account when determining the provision for disability insurance. An average term is taken into account for the probability of rehabilitation. For some risks no adequate statistical data are available, such as environmental and asbestos damage claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Provisions for such claims have been determined following an analysis of the portfolio in which such risks occur.

In determining the provision, costs for claim handling are taken into account. No deductions are made for salvage, subrogation and other expected recoveries from third parties for reported claims. These are accounted for under non-insurance assets acquired by exercising rights to recoveries, as part of Receivables and accruals.

Expected claim payments included in the Outstanding claims provision are not discounted except for the expected claim payments under disability insurance contracts. For this type of insurance contracts the provision reflects the present value of the expected claim payments, calculated on the basis of a fixed interest rate (3%).

Provision for life policies
Liabilities related to insurance contracts for traditional life insurance contracts are established by the net-level premium method and based on the actuarial and economic assumptions (e.g. to morbidity -, mortality -, and interest rates). Different accounting principles are used to measure the life policy liabilities based on the accounting principles of related (financial) assets, the specific nature of the insurance portfolios, profit sharing features and embedded options.

- Liabilities related to insurance contracts measured at fair value. All assumptions used are based on actual assumptions and current market interest rates. Fair value changes are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.
- Liabilities related tot insurance contracts whose cash flows are based on locked assumptions and are discounted using current market-based interest rates or using (projected) market return of related financial investments. Changes in the value of these insurance liabilities are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.
- Liabilities related to insurance contracts whose cash flows are based on locked assumptions are discounted at fixed discount rates (often 3% or 4% depending on their date of inception). For the Dutch life insurance business, for these insurance contracts a provision Profit sharing and bonuses for policyholders is held as part of the insurance liabilities. Addition to this provision takes place through transfer of gains or losses on investments held to hedge interest risks arising from these insurance liabilities. The transfers from investments to Profit sharing and bonuses for policyholders are recognised as follows:
    - unrealised gains and losses on related interest derivatives through the income statement;
    - realised gains and losses on related fixed income securities through the equity;
    - unrealised gains and losses on related fixed income securities through the income statement.

  The release from Profit sharing and bonuses for policyholders is measured as the difference between the direct investment income of the related fixed income securities and the interest required for the insurance liabilities, plus a margin. (Un)realised gains and losses on related investments are not transferred to Profit sharing and bonuses for policyholders if Profit sharing and bonuses for policyholders is negative. If Profit sharing and bonuses for policyholders turns positive again (through gains on related investments) the transfers to Profit sharing and bonuses for policyholders are continued.
- Liabilities related to insurance contracts whose cash flows are directly influenced by profit sharing features are adjusted through the application of shadow accounting. Unrealised fair value changes of investments (classified as 'Available for sale') backing these insurance liabilities are transferred to Total equity. The related change in the value of the insurance liabilities is also transferred to Total equity.

The provision for unearned premiums, provision for unexpired risks and provision for outstanding claims/benefits are included to the extent that these relate to the life insurance business.

Deferred interest surplus rebates
The deferred interest surplus rebates in the Dutch life insurance industry are netted with the provision for life policy liabilities. These rebates are granted in any year on regular or single premiums for pension and life insurance which are based on the expectation that actual investment yields will exceed the discount rate applied in the pricing of the policies. The rebates are amortised over a 10-year period on the basis of annually increasing amounts, consistent with the manner in which the interest surplus was expected to be realised.

Notes to the Consolidated Financial Statements

Insurance liabilities where policyholders bear investment risks

Liabilities related to insurance contracts for unit-linked policies and other insurance contracts where the policyholder bears the investment risk are accounted for at the value of the associated investments. The insurance liabilities related to insurance contracts for contracts with segregated investments are generally calculated on the basis of the contractual provisions for the insurance contract. In case of a surplus of these segregated assets, the amounts are recognised as Financial liabilities - *Other liabilities*.

Amounts ceded to reinsurers

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Prepaid reinsurance premiums represent the ceded portion of unearned premiums. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured risk. An impairment loss is accounted for if there is objective evidence as a result of an event that Achmea will not receive all amounts due under the contract and this amount can be measured reliably. Accordingly, revenues and expenses related to reinsurance agreements are recognised consistently with the underlying risk of the business reinsured.

Notes to the Consolidated Financial Statements

8. FINANCIAL LIABILITIES

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Investment contracts	218	244
Banking customer accounts	5,135	5,430
Loans and borrowings	5,596	6,959
Other liabilities	4,248	4,122
Total financial liabilities	**15,197**	**16,755**

Investment contracts

Contracts with insignificant insurance risk are recognised as Investment contracts. The linked investments are presented as part of Investments backing linked liabilities.

MOVEMENT TABLE INVESTMENT CONTRACTS (€ MILLION)

	2018	2017
Balance at 1 January	244	2,613
Consideration received	67	734
Consideration paid	−82	−572
Effect of fair value changes related to financial assets	−11	150
Changes due to reclassification [1]		−2,681
Balance at 31 December	**218**	**244**

1. *Changes due to reclassification in 2017 include an amount of €2,656 million relating to reclassification of Assets and liabilities held for sale and divestments. For more information reference is made to Note 21.*

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Within 1 year	9	10
1-5 years	43	46
5-15 years	27	45
Over 15 years	139	143
	218	**244**

1. *In 2018 the contractual remaining time to maturity is based on the policy expiration date, in contrast to 2017, when the remaining time was based on cash flows. The comparative figures have been adjusted accordingly.*

Banking customer accounts

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY (INCLUDING ACCRUED INTEREST) (€ MILLION)

	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2018	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2017
Less than 3 months	2,903	7	2,910	2,861	10	2,871
3-12 months	430	18	448	724	21	745
1-5 years	1,013	99	1,112	1,044	102	1,146
Over 5 years	789	165	954	801	187	988
	5,135	**289**	**5,424**	**5,430**	**320**	**5,750**

The fair value of Banking customer accounts measured at amortised cost at year-end is €5,191 million (31 December 2017: €5,494 million). The fair value measurement is mainly based on inputs from observable market data.

Notes to the Consolidated Financial Statements

Loans and borrowings

LOANS AND BORROWINGS CLASSIFIED BY FINANCING ACTIVITY

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Secured bank loans	1,619	1,893
Unsecured loans	3,399	4,480
Subordinated loans	507	506
Others	71	80
	5,596	**6,959**

The fair value of loans and borrowings measured at amortised cost at year-end is €5,746 million (31 December 2017: €7,173 million). The amortised value of these loans and borrowings is €5,594 million (31 December 2017: €6,955 million).

The nominal amount of loans measured at fair value is €2 million (31 December 2017: €4 million). The fair value also amounts to €2 million (31 December 2017: €4 million).

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2018
Balance at 1 January	1,893	4,480	506	80	6,959
Money deposited		540		546	1,086
Money withdrawn	−275	−1,620		−555	−2,450
Amortisation		−2			−2
Foreign currency differences		7			7
Change in value due to fair value hedge accounting	29	−34			−5
Other changes [1]	−28	28	1		1
Balance at 31 December	**1,619**	**3,399**	**507**	**71**	**5,596**

1. *Other changes relate to the microhedge, which is classified as Unsecured loans from 2018.*

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2017
Balance at 1 January	2,072	4,345	506	28	6,951
Money deposited	495	493		117	1,105
Money withdrawn	−656	−374		−65	−1,095
Amortisation		−1			−1
Foreign currency differences		−15			−15
Change in value due to fair value hedge accounting	−23	−6			−29
Other changes	5	38			43
Balance at 31 December	**1,893**	**4,480**	**506**	**80**	**6,959**

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2018	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2017
Less than 3 months	58	23	81	727	33	760
3-12 months	555	20	575	1,090	25	1,115
1-5 years	4,032	112	4,144	3,508	142	3,650
Over 5 years	951	23	974	1,634	36	1,670
	5,596	**178**	**5,774**	**6,959**	**236**	**7,195**

Notes to the Consolidated Financial Statements

Secured loans

The banking activities of Achmea are partly funded by loans secured by pledged mortgage receivables. With respect to this Achmea Bank N.V. issues debentures through separate entities (SPVs) and through its Conditional Pass Through Covered Bond Programme. In case of the SPVs Achmea Bank transfers the mortgages to the SPV, and the SPV issues notes covered by the residential mortgages. Under the maximum €5 billion Conditional Pass Through Covered Bond Programme Achmea Bank issues notes covered by residential mortgages. All debentures are issued in euro. Achmea Bank also has a trust arrangement under which mortgage receivables are pledged to Stichting Trustee Achmea Bank as security for several banking liabilities. The carrying amount of these residential mortgage loans is €4.1 billion (31 December 2017: €3.9 billion).

In 2018 Achmea recognised repayments on Secured loans in the amount of €275 million, the main part concerning the periodic repayments of SPVs at Achmea's subsidiary Achmea Bank N.V. In 2017 Achmea Bank N.V. issued €500 million covered bonds with a maturity of 7 years (maturity date is 22 November 2024). The bonds are listed on Euronext Amsterdam.

Unsecured loans and borrowings

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Senior Unsecured Bond Achmea Bank N.V.	2,183	3,301
Commercial Paper	290	257
Debt instruments Achmea B.V.	747	747
Senior Unsecured Notes Achmea B.V.	179	175
	3,399	**4,480**

In October 2012, Achmea Bank N.V. established an Unsecured Medium Term Note (EMTN) programme of €10 billion. At year-end 2018 the total outstanding amount is €2.1 billion, of which €398 million Private Placements (31 December 2017: €652 million). The total net decrease of unsecured loans under the EMTN programme is €1.1 billion in 2018.

Achmea's subsidiary Achmea Bank N.V has also set up a French commercial paper programme of €1.5 billion. With this programme Achmea Bank N.V is able to access the international money markets to further diversify its funding mix. At the end of 2018 the total outstanding amount is €290 million (31 December 2017: €257 million).

In November 2013, Achmea B.V. completed the issuance of €750 million (transaction costs are included in the carrying amount) of Senior Unsecured Notes. The Notes have a maturity of 7 years (maturity date is 19 November 2020). The coupon on the Notes equals 2.5%. The Notes are listed on the Irish Stock Exchange, Dublin, Ireland.

The syndicated credit facility of Achmea B.V. has a limit of €750 million will mature in 2021. At year-end 2018, the committed credit lines are undrawn.

Subordinated loans

In April 2013, Achmea B.V. issued €500 million of Subordinated Notes with a coupon of 6%. These Subordinated Notes have a maturity of 30 years (maturity date is 4 April 2043) with a first call option after 10 years. The Notes are listed on the Irish Stock Exchange in Dublin, Ireland. The subordinated loans are subordinated to all other current and future liabilities and they are all equal in rank. The average interest rate for 2018 was 6.0% (2017: 6.0%).

Notes to the Consolidated Financial Statements

Other liabilities

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Liabilities out of direct insurance:		
Policyholders	999	1,109
Agents	60	71
Prepaid premiums	650	628
Obligation from received collateral in the form of cash [1]	1,403	1,186
Investment liabilities	106	96
Reinsurance liabilities	56	38
Taxes and social security premiums	159	160
Creditors	304	302
Post-employment benefits	26	28
Accruals and deferred income	187	186
Other	298	318
	4,248	**4,122**

1. *Obligations to repay received collateral in the form of cash relates to cash collateral amounts received by Achmea depending on the current market value of the derivative. Achmea uses the cash received for investments.*

An amount of €334 million (31 December 2017: €516 million) of the Other liabilities is expected to be settled more than twelve months after reporting date. For Other liabilities expected to be settled within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value. The fair value of liabilities expected to be settled after twelve months after the reporting amounts to €275 million as at 31 December 2018 (31 December 2017: €495 million).

FAIR VALUE OF FINANCIAL KEY (ACCOUNTING) ESTIMATES TO DETERMINE THE LIABILITIES

In the absence of an (active) market, the fair value of non-quoted financial liabilities is estimated by using present value or other valuation techniques. Reference is made to Note 9 Fair value hierarchy for a detailed description of the methods used. Valuation techniques are subjective in nature and can have a significant impact on the determination of fair values for certain financial liabilities. Valuation techniques involve various assumptions on the pricing factors. The use of different valuation techniques and assumptions could have an effect on the fair value.

ACCOUNTING POLICIES FINANCIAL LIABILITIES

Investment contracts

Financial instruments which give the investor the contractual right to receive a part of the proceeds of an investment pool with no or insignificant insurance risk are recognised as Investment contracts. Investment contracts are measured at fair value with changes in fair value through the Income Statement. These contracts are designated as 'At fair value through profit or loss' because they are, together with the related investments backing these liabilities, managed as a group. The fair value of investment contracts is the higher of the fair value of the financial instruments linked to the investment contracts, the surrender value (adjusted for any surrender penalties) and the discounted maturity value (against a risk-free interest rate). The fair value for non-linked investment contracts is the higher of the discounted exit value using a risk-free interest rate or the surrender value (adjusted for surrender penalties).

Banking customer accounts and Loans and borrowings

Banking customer accounts are measured at amortised cost. Loans and borrowings include all loans from external parties to Achmea, financial lease liabilities and financial reinsurance liabilities. These consist of deposits from banks, secured banks loans, unsecured bank loans and subordinated loans. These liabilities are measured at amortised cost. Collateral received from borrowers as far as this is invested in the securities lending programmes is recognised as a financial liability as there is an obligation to repay the cash received as collateral. These liabilities are measured at amortised cost. As no premiums or discounts are received on the collateral, the amortised cost equals the nominal value.

Fair value hedge accounting is applied to some loans when this is in accordance with the financial risk management policy. Some financial liabilities are designated as 'At fair value through profit or loss' when these liabilities are recognised due to the termination of insurance contracts and the future sale of related financial assets to reduce measurement inconsistencies.

Other liabilities

Other liabilities are accounted for at amortised cost.

Notes to the Consolidated Financial Statements

9. FAIR VALUE HIERARCHY

Fair value hierarchy and fair value measurement

This note provides an analysis of assets and liabilities that are measured subsequently to initial recognition at fair value, grouped into three levels (fair value hierarchy) based on the significance of the inputs used in making the fair value measurements. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets and liabilities valued using quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant non-observable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the non-observable inputs have a significant effect on the valuation of the assets or liability, such as investment property, venture capital investments, private equity investments, private sector loans, mortgages loans and advances which are part of the Banking credit portfolio.

Cash and cash equivalents are classified as level 1 when not subject to restrictions. Commercial paper, included within Deposits with credit institutions, is classified as level 1, due to the fact that these are traded in money markets. Other deposits with credit institutions are in general classified as level 2, as these are not traded and subject to restrictions.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS AS AT 31 DECEMBER 2018

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2018
Assets				
Recurring fair value measurements				
Investment property			1,103	1,103
Investments				
Equities and similar investments	4,828	1,733	714	7,275
Fixed income investments	28,779	2,271	7,696	38,746
Derivatives	17	3,462		3,479
Other financial investments	423	6,979		7,402
Cash and cash equivalents	1,466			1,466
Total assets measured at fair value on a recurring basis	**35,513**	**14,445**	**9,513**	**59,471**
Non-recurring fair value measurements				
Property for own use and equipment			403	403
Total assets measured at fair value on a non-recurring basis			**403**	**403**
Liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		218		218
Loans and borrowings		2		2
Derivatives	55	658	18	731
Total liabilities measured at fair value on a recurring basis	**55**	**878**	**18**	**951**

Notes to the Consolidated Financial Statements

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS AS AT 31 DECEMBER 2017

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2017
Assets				
Recurring fair value measurements				
Investment property			1,113	1,113
Investments				
Equities and similar investments	5,547	1,960	722	8,229
Fixed income investments	27,871	2,629	7,484	37,984
Derivatives	9	3,394		3,403
Other financial investments	491	7,395		7,886
Cash and cash equivalents	2,884			2,884
Total assets measured at fair value on a recurring basis	**36,802**	**15,378**	**9,319**	**61,499**
Non-recurring fair value measurements				
Property for own use and equipment			415	415
Assets classified as 'held for sale' [1]			5,101	5,101
Total assets measured at fair value on a non-recurring basis			**5,516**	**5,516**
Liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		244		244
Loans and borrowings		4		4
Derivatives	1	752	17	770
Total liabilities measured at fair value on a recurring basis	**1**	**1,000**	**17**	**1,018**
Non-recurring fair value measurements				
Liabilities classified as 'held for sale' [1]			5,002	5,002
Total liabilities measured at fair value on a non-recurring basis			**5,002**	**5,002**

1. *Assets and liabilities classified as 'Held for sale' (disposal group) are measured at fair value, minus costs to sell and taking into account intra-group positions.*

Main changes in the fair value hierarchy in 2018

At each reporting date Achmea assesses the classification of assets and liabilities measured at fair value. The assessment of the classification in the fair value hierarchy requires judgement, for example the importance of (un)observable inputs used in determining the fair value or with respect to activity of the market. In case of inactive markets, judgement is required on the valuation techniques to be used in order to determine the fair value as well as the interpretation of the level of using market data. As a result, the outcome of the classification process may differ between reporting periods. Achmea's policy is to determine the level of the fair value hierarchy each reporting period and to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. In 2018 there were no significant changes in classification.

Notes to the Consolidated Financial Statements

MOVEMENT SCHEDULE FOR LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS 2018

(€ MILLION)

	INVESTMENT PROPERTY INCL. INVESTMENTS BACKING LINKED LIABILITIES	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL 2018	DERIVATIVES	LIABILITIES TOTAL 2018
Balance at 1 January	**1,113**	**722**	**7,484**	**9,319**	**17**	**17**
Investments and loans granted	17	57	768	842		
Divestments and disposals	−133	−94	−524	−751		
Fair value changes included in Income Statement	104	−4	−14	86	1	1
Fair value changes included in Other comprehensive income		34	−21	13		
Changes due to reclassification	2	−2		0		
Changes in fair value hierarchy (transfers to Level 3)		1	3	4		
Balance at 31 December	**1,103**	**714**	**7,696**	**9,513**	**18**	**18**

MOVEMENT SCHEDULE FOR LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS 2017

(€ MILLION)

	INVESTMENT PROPERTY INCL. INVESTMENTS BACKING LINKED LIABILITIES	EQUITIES AND SIMILAR INVESTMENTS [1]	FIXED INCOME INVESTMENTS	ASSETS TOTAL 2017	DERIVATIVES	LIABILITIES TOTAL 2017
Balance at 1 January	**1,091**	**891**	**6,110**	**8,092**	**21**	**21**
Investments and loans granted	5	33	1,715	1,753		
Divestments and disposals	−57	−247	−388	−692		
Fair value changes included in Income Statement	67	−4	−16	47	−4	−4
Fair value changes included in Other comprehensive income		49	59	108		
Changes due to reclassification	2			2		
Changes in fair value hierarchy (transfers to Level 3)	5		4	9		
Balance at 31 December	**1,113**	**722**	**7,484**	**9,319**	**17**	**17**

Notes to the Consolidated Financial Statements

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 ASSETS AND LIABILITES MEASURED AT FAIR VALUE

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2018 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investment property	1,103	Market-rent-capitali-sation-method	Gross Initial Yield	3.5 - 21.9 (6.9) (%)	Increase will result in a decrease in value
Investments					
Equities and similar investments	714	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	7,482	Discoun-ted cash flows	Total spread	124 - 301 (bp)	An increase has no direct impact in the Income statement or total equity, but is transferred to the Fund for future appropriation through a direct adjustment in equity
Banking credit portfolio	214	Discoun-ted cash flows	Total spread	102-242 (bp)	An increase of 10 basis points will result in a €0.8 million lower income in the Income statement
Derivatives	18	Black Scholes model	Under-lying value of the shares	N/A	An increase of 10% will result in €2.8 million higher income in the Income statement.

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2017 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investment property	1,113	Market-rent-capitali-sation-method	Gross Initial Yield	3.4 - 21.7 (7.5) (%)	Increase will result in a decrease in value
Investments					
Equities and similar investments	722	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	7,245	Discoun-ted cash flow	Total spread	135 - 345 (bp)	An increase has no direct impact in the Income statement or total equity, but is transferred to the Fund for future appropriation through a direct adjustment in equity
Banking credit portfolio	239	Discoun-ted cash flow	Total spread	94 - 256 (bp)	An increase of 10 basis points will result in a €0.8 million lower income in the Income statement
Derivatives	17	Black Scholes model	Under-lying value of the shares	N/A	An increase of 10% will result in €3 million higher income in the Income statement.

Notes to the Consolidated Financial Statements

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €290 million (31 December 2017: €299 million), property funds, amounting to €234 million (31 December 2017: €204 million), and infrastructure funds, amounting to €141 million (31 December 2017: €160 million). The private equity investments have a highly diversified nature in terms of sector, geographical region and type of investment. For the main part of these investments, the fair value is determined using the Net Asset Value as reported by the fund manager or general partner and therefore, there is no significant unobservable input or combination of inputs that can be used to perform a sensitivity analysis

VALUATION TECHNIQUES USED AND VALUATION PROCESS WITHIN ACHMEA FOR LEVEL 2 AND 3 MEASUREMENTS.

Depending on the specific assets and liabilities Achmea has set valuation policies and procedures for determining the fair value. Below, for each type of assets or liability a summary is provided of the valuation process, a description of the technique used and the relevant inputs.

Investment property (including backing linked liabilities)
Investment property consists of commercial and residential property. The fair value is based on prices in an active market, adjusted, if necessary, for any difference in nature, location or condition of the specific asset. All properties are appraised each quarter. The valuations are carried out by external independent appraisers who hold recognised and relevant professional qualifications. All valuations are carried out following valuation guidelines common in the industry.

The level 2 Investment property, included within Investments backing linked liabilities, are located in Ireland. The fair value of this Investment property is determined using the income capitalisation method. According to this method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the market rate of return). The difference between gross and net rental income includes the same expense categories as those for the discounted cash flow (DCF) method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations, if any, are separately capitalised.

The level 3 Investment property are located in the Netherlands. The fair value of this Investment property is determined using the income capitalisation method and is tested using the DFC method. According to the income capitalisation method a property's fair value is estimated based on the normalised rental income, which is divided by the property's updated rate of return (the market rate of return). The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not allocated to the period of the cash flow, but the average costs are included in the normalised rental income based on the term of the lease.

For the DCF method the fair value of the Investment property is determined based on estimates of future cash flows using a discount rate that reflects current market assessments of the uncertainty on the amount and timing of the cash flows. Transactions of properties sold in the Netherlands cannot (easily) be compared due to the lack of public available information. For this reason, the valuation of investment property has a higher degree of uncertainty compared to a more active market situation, where comparable, current transactions are used to validate the appraisal process. The assumptions used in applying the abovementioned valuation methods are supported by the terms of any existing lease and other relevant contracts and by external evidence, such as recent and expected general economic trends and current market rents for similar properties in similar location and condition. Common costs and obligations related to investment property such as vacancies, rent-free periods, maintenance and repair as well as any obligations that restrict the feasibility of the income and proceeds on disposal of the property are taken into account in the DCF-method. Rental growth rates are based on general economic trends, taking into account specific characteristics of the property being valued. Projections for the cash flows in the DCF-method are made for at least 10 years. The discount rate used depends on both the type of property being valued (e.g. commercial and residential property) as well as the specific characteristics of the property being measured. Due to the characteristics of the inputs for both valuation methods used all Investment Property located in the Netherlands is classified as level 3.

Notes to the Consolidated Financial Statements

Investments - Equity and similar investments
When available, Achmea uses quoted market prices in active markets to determine the fair value of its equities and similar investments. The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. If no market prices are available, internal models are used to determine fair value.

The level 2 classified Equities and similar investments are mainly Investments backing linked liabilities, which comprise mostly investments in unit linked funds. Investments backing linked liabilities are investments related to insurance contracts where the policyholder bears investment risks. These investments are classified as 'At fair value through profit and loss'. The fair value of the investments in unit linked funds is Achmea's share in the Net Asset Value of these funds. These unit linked funds invest primarily in listed securities and therefore the Net Asset Value of the fund is derived from observable input (e.g. quoted prices in active markets for these securities).

The remaining level 2 classified Equities and similar investments comprise Commodities and Real estate funds. The fair value of Commodities, classified as 'At fair value through profit or loss', represents amounts estimated to be received from or paid to a third party in settlement of these instruments. These instruments are valued by the broker based upon quoted prices in active markets. The fair value of Real estate funds, classified as 'Available for Sale' investments, represents the Net Asset Value of funds managed by Achmea. Achmea reviews these fair values and performs analytical procedures and trend analysis to ensure the fair values are appropriate.

The level 3 classified Equities and similar investments comprise private equity and alternative investments which are mainly classified as 'Available for Sale' investments. The private equity investment portfolio mainly consists of investments with a highly diversified nature in terms of sector, geographical region and type of investment. The alternative investment portfolio, classified as 'Available for Sale' investments, mainly consists of infrastructure related investments. The fair value of these portfolios is determined using the Net Asset Value as reported by the fund manager or general partner, which is considered to be the best proxy of fair value of the investment. If an adjustment needs to be recorded in the reported Net Asset Value, this is reflected in the fair value. Part of the private equity investment portfolio is related to Achmea's venture capital and is classified as 'At fair value through profit or loss'. The pricing models are based on models as recommended in the International Private Equity and Venture Capital Valuation Guidelines. Achmea reviews the valuations and performs analytical procedures to ensure the fair values are appropriate.

Investments - Fixed-income investments
In general, the fair value of these fixed-income investments is determined by means of a net present value methodology using estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The level 2 classified Bonds and other fixed-income investments comprise mainly the bond part of a convertible bond. The related derivative part of the instrument is presented as part of derivatives. In general, the convertible bond is listed and the value of the instrument is therefore market observable. However, for the separate bond-part this is not the case. The fair value is determined by means the valuation of a similar bond with the same characteristics or if not available using a net present value methodology using estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The level 2 classified Loans and mortgages comprise mainly investment loans. The fair value of these investment loans is determined by means of a net present value methodology using an internally calculated yield taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The level 3 classified Loans and mortgages mainly comprise mortgage loans within the insurance business. The fair value of these mortgages is determined using pricing models based on the discounted value of estimated future cash flows using current interest rates. The interest rate used is based on rates in the consumers market adjusted for spreads for amongst others the price risk during the offering period. Part of assumptions used in determining the fair value are unobservable.

The fair value derived by the pricing model is back tested with market information derived from recent market transactions for similar mortgages (where available) and/or internal prices used when issuing mortgage loans.

The level 2 classified Deposits with credit institutions comprise short-term deposits with banks with a fixed maturity. These deposits are not tradable and subject to restrictions due their fixed maturity. The fair value of these deposits is in general equal to the nominal value taking into account the time value of money were material. The level 2 classified Cash and other financial investments comprise mainly saving accounts, part of Investments backing linked liabilities. The fair value is determined by means of a net present value methodology using estimated future cash flows during the fixed interest period, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

Notes to the Consolidated Financial Statements

The level 3 classified Banking credit portfolio comprises mainly private sector loans, which are classified as 'At fair value through profit or loss'. The fair value of these loans and advances is determined using pricing models based on the discounted value of estimated future cash flows using current interest rates. The interest rate used is based on rates in the consumers market adjusted for amongst others the price risk during the offering period. Some of the assumptions used in determining the fair value are unobservable. The fair value derived by the pricing model is compared with market information derived from recent market transactions for similar mortgages (where available) and/or internal prices used when issuing mortgage loans.

Notes to the Consolidated Financial Statements

Investments - Derivatives (assets and liabilities)

The level 2 classified derivatives comprise Interest rate derivatives (including swaptions) currency derivatives and equity derivatives. Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied. The valuation is performed by a data vendor. The valuation techniques incorporate all factors that a market participant would consider and are based on observable market data when available. Fair values of interest rate derivatives (including swaptions), equity derivatives and currency derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using directly observed prices from exchange-traded derivatives or external pricing services or if not available using pricing models based on the net present value of estimated future cash flows. The pricing models which are used are standard industry valuation models (like Black and Scholes-model) and make use of current market data. The market data for interest rate derivatives and cross currency interest rate derivatives consist mainly of the swap curve of the related interest period and currency, where applicable adjusted for contract fees and margin (when part of the contractual cash flows of the derivative). Achmea normally mitigates counterparty default risk in derivative contracts by entering collateral agreements into the contracts where possible.

Investments - Other financial investments

The level 2 classified Other financial investments comprise mainly saving accounts, part of Investments backing linked liabilities. The fair value is determined by means of a net present value methodology using estimated future cash flows during the fixed interest period, taking into account current interest rates and the counterparty margin in the discount curve, based on the risk of irrecoverability of similar financial instruments issued by the party where the savings account is held.

Property for own use

The fair value of Property for own use is wholly based on appraisals by independent qualified appraisers. The valuation was determined by reference to both observations in the market and various calculation methods, such as the discounted cash flow method. Reflecting the economic environment and market conditions during the recent years, the frequency of property transactions has decreased. Appraisals are therefore generally based on the discounted cash flow method. This method establishes the fair value using the rental income of the property. The valuators use a market based discount rate adjusted for age, location and remaining rental contract period. Due to the lack of actual market transactions that can be used to validate this appraisal process, the valuation of Property for own use has a high degree of uncertainty. For 100% of the total fair value of Property for own use in the Netherlands an appraisal was executed during 2018.

Financial liabilities - Investment contracts

The level 2 classified investment contracts comprise linked and non-linked investment contracts. The fair value of linked investment contracts is the higher of the fair value of the financial instruments linked to the investment contracts, the surrender value (adjusted for any surrender penalties) and the discounted maturity value. The fair value for non-linked investment contracts is the higher of the surrender value (adjusted for surrender penalties) and discounted exit value (against a risk-free interest rate).

Financial liabilities - Loans and borrowings

The level 2 classified loans and borrowings comprise loans related to value transfers. The fair value of these loans is determined using pricing models based on the value of contractual future cash flows discounted using current interest rates based on the swap curve including a credit spread. Fair value changes related to Investment property and Equities and similar investment included in the Income Statement are presented as part of Realised and unrealised gains and losses; Fair value changes related to Fixed-income investments included in the Income Statement are presented as part of Investment income.

Fair value changes included in Other comprehensive income related to Equities and similar investments and Loans and mortgages are presented as part of Revaluation reserve. Changes due to reclassification are changes between Investment property and Property for own use related to changes in the use.

Notes to the Consolidated Financial Statements

The table below provides an overview of all assets and liabilities that are not measured at fair value, but for which the fair value is disclosed in the notes.

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2018				FAIR VALUE AS AT 31 DECEMBER 2018
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Fixed income investments	12,132		817	11,528	12,345
Other financial investments	1,914		2,130		2,130
Receivables	5,828		5,836		5,836
Liabilities					
Banking customer accounts	5,135		5,191		5,191
Loans and borrowings	5,594	1,482	4,265		5,747
Other liabilities	4,248		4,262		4,262

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2017				FAIR VALUE AS AT 31 DECEMBER 2017
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Fixed income investments	13,132		1,053	12,385	13,438
Other financial investments	2,068		2,364		2,364
Receivables	6,423		6,430		6,430
Liabilities					
Banking customer accounts	5,430		5,494		5,494
Loans and borrowings	6,955	1,512	5,661		7,173
Other liabilities	4,122		4,097		4,097

Notes to the Consolidated Financial Statements

VALUATION TECHNIQUES USED AND VALUATION PROCESS WITHIN ACHMEA FOR LEVEL 2 AND 3 MEASUREMENTS

Depending on the specific assets and liabilities, Achmea has formulated valuation policies and procedures for determining the fair value. For each type of asset or liability a summary is provided of the valuation process, a description of the technique used and the relevant inputs.

Investments – Fixed-income investments
The fair value of the level 2 classified loans to credit institutions is equal to the net present value of the estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The level 3 classified Banking credit portfolio comprises mainly of private sector loans and advances. These loans are classified as 'Loans and receivables' and measured at amortised cost less accumulated impairment losses. The fair value of these loans and advances is determined based on the discounted value of estimated future cash flows using current interest rates. The interest rate used is based on rates in the consumers market adjusted for spreads for amongst others the price risk during the offering period. Some of the assumptions used in determining the fair value are unobservable.

The level 3 classified Deposits with re-insurers, as part of the fixed-income investments, comprise accounts into which premiums and expected claims payments are deposited related to a specific risk insurance program, over which an agreed upon interest rate is earned. The unobservable inputs include amongst others models used for determining incurred but not reported losses related to the reinsurance contract.

The level 2 classified Investments mainly comprise saving accounts related to life insurance policies in force linked to mortgages. The fair value is determined by means of a net present value methodology using estimated future cash flows during the fixed interest period, taking into account current interest rates and the counterparty margin in the discount curve, based on the risk of irrecoverability of similar financial instruments issued by the party where the savings account is held.

Receivables
Receivables are in general classified as level 2, due to the fact that the amount deducted for counterparty default risk is insignificant as compared to the fair value of the nominal cash flows of these receivables. If the amount deducted for counterparty default risk is not insignificant, these assets are classified as level 3.

The level 2 and 3 classified Receivables comprise mainly short-term amounts due related to the ordinary operating activities of Achmea. These receivables are measured at amortised cost less accumulated impairment losses.

The fair value of these receivables is determined based on discounted value of the expected cash flows, taking into accounted expected credit losses.

The valuation models are based on current market data, such as the Euro Swap Curve. In addition to the Euro Swap Curve there are unobservable market inputs. The unobservable market inputs may include spreads which are embedded in the discount curve. For receivables expected to be recovered within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value.

Financial liabilities
The fair value of the level 2 classified Banking customer accounts comprise saving accounts and deposits. The fair value is based on the discounted present value of the expected future cash outflows, using current market interest rates.

The main part of the total Loans and borrowings is not measured at fair value.

The fair value of these level 2 loans is determined using pricing models based on the net present value of estimated future cash flows.The pricing models are based on current market data, such as the euro swap curve. In addition to the euro swap curve there are unobservable market inputs. The unobservable market inputs may include spreads which are embedded in the discount curve.

Other liabilities, except for liabilities to credit institutions, are classified as level 2 due to the fact that there is no active market for these financial instruments. Cash liabilities are classified as level 1. The level 2 classified Other liabilities comprise mainly short-term amounts payable related to the ordinary operating activities of Achmea. These other liabilities are measured at amortised cost. The fair value of these liabilities is determined based on discounted value of the expected cash flows. For Other liabilities expected to be settled within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value.

Notes to the Consolidated Financial Statements

10. NET EARNED PREMIUMS

(€ MILLION)

	2018	2017
Gross earned premiums non-life	3,897	3,868
Reinsurance premiums	−254	−295
Change in provision for unearned premiums and current risks (net of reinsurance)	−25	18
Net earned premiums Non-life	**3,618**	**3,591**
Gross earned premiums health	14,435	13,636
Reinsurance premiums		7
Change in provision for unearned premiums and current risks (net of reinsurance)	82	322
Net earned premiums Health	**14,517**	**13,965**
Gross earned premiums life	1,586	1,846
Reinsurance premiums	−40	−55
Change in provision for unearned premiums and current risks (net of reinsurance)	4	1
Net earned premiums Life	**1,550**	**1,792**
Total net earned premiums	**19,685**	**19,348**

Notes to the Consolidated Financial Statements

BREAKDOWN GROSS EARNED PREMIUMS

(€ MILLION)

	2018	2017
Non-life insurance		
Accident	684	696
Motor liability	783	779
Motor hull	757	727
Transport/aviation liability	50	52
Property	1,148	1,166
General liability	277	260
Legal assistance	186	184
Other	12	4
Gross earned premiums Non-life	**3,897**	**3,868**
Health		
Basic health insurance	5,227	5,170
Contribution from Health insurance fund	7,394	6,699
Supplementary health insurance	1,321	1,315
Other health insurance	493	452
Gross earned premiums Health	**14,435**	**13,636**
Life		
Single own risk	379	424
Annual own risk	598	745
Single policies where policyholders bear investment risks	65	60
Annual policies where policyholders bear investment risks	544	617
Gross earned premiums Life	**1,586**	**1,846**
Total gross earned premiums	**19,918**	**19,350**

ACCOUNTING POLICIES NET EARNED PREMIUMS

Gross premiums for Life insurance and disability insurance contracts are generally recognised in the Income Statement when due. When premiums are recognised, liabilities for future contract benefits are recorded, resulting in benefits and expenses being matched with the revenues and profits being recognised over the lifetime of the contracts. Gross premiums for Non-life insurance (except for disability insurance contracts) and Health insurance are recognised at the effective date of the insurance contract for the premiums to be received during the contract period. The contract period is the period during which Achmea is unable to (entirely) adjust the premiums or the insurance policy conditions for the changed risk profile of policyholders. Premiums for Non-life and Health insurance contracts are generally recognised as earned in proportion to the period of insurance coverage provided.

Notes to the Consolidated Financial Statements

11. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS -AT FAIR VALUE THROUGH PROFIT OR LOSS [1]		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Direct income from investments								
Investments own risk	366	297	520	590	90	91	976	978
Investments backing linked liabilities	286	314					286	314
Banking credit portfolio			1		328	427	329	427
Investment expenses	−1	−21	−25	−19	−3		−29	−40
Direct operating expenses investment property	−22	−20					−22	−20
	629	**570**	**496**	**571**	**415**	**518**	**1,540**	**1,659**
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	39	−477	179	343	3		221	−134
Investments backing linked liabilities	−746	1,046					−746	1,046
Banking credit portfolio	52					2	52	2
Impairment losses on investments								
Investments own risk			−58	−20			−58	−20
Foreign currency differences [2]	1	−82	65	−40	−9	−198	57	−320
	−654	**487**	**186**	**283**	**−6**	**−196**	**−474**	**574**
Total income from investments	**−25**	**1,057**	**682**	**854**	**409**	**322**	**1,066**	**2,233**

1. *Investments at fair value through profit or loss include investment income from property investments.*
2. *The Foreign currency differences are hedged for an important part by currency derivatives. The positions of the currency derivatives are recognised in Investments own risk and Investments backing linked liabilities. For more information on this hedging refer to Note 29 Hedge accounting.*

Total income from the investment portfolio amounts to €1,066 million in 2018 (2017: €2,233 million). The decrease in income is mainly due to market developments resulting in a decrease in realised and unrealised gains and losses on investments backing linked liabilities (€-1.8 billion). This decrease is mainly due to decreasing stock markets. The stock markets decreased in 2018, whereas they increased in 2017. The increase in realised and unrealised gains and losses on Investments own risk 'At fair value through profit or loss' is mainly due to a decrease in interest rates in 2018, whereas the interest rates increased in 2017.

Notes to the Consolidated Financial Statements

An amount of €0.3 million (2017: €0.8 million) of Direct operating expenses investment property relates to property not generating any rental income in 2018.

(€ MILLION)

	INVESTMENTS OWN RISK		INVESTMENTS BACKING LINKED LIABILITIES		BANKING CREDIT PORTFOLIO		TOTAL	
	2018	2017	2018	2017	2018	2017	**2018**	2017
Direct income by type:								
Dividend	71	63	21	23			92	86
Rental income from investment property	69	76	11	25			80	101
Interest income	836	839	254	266	329	427	1,419	1,532
Total	**976**	**978**	**286**	**314**	**329**	**427**	**1,591**	**1,719**

Direct interest revenue from investments own risk classified as ‘At fair value through profit or loss’ includes revenue from derivatives amounting to €225 million (2017: €201 million).

Realised and unrealised gains and losses arising from financial assets designated at initial recognition as 'At fair value through profit or loss' amounted to €-109 million (2017: €6 million) for Investments own risk, €-712 million (2017: €1,014 million) for Investments backing linked liabilities and €2 million (2017: €2 million) for Banking credit portfolio.

A total of €84 million (2017: €-110 million) of the unrealised results from fair value changes is related to investments own risk which are measured using a valuation technique. These are mainly related to investment property, unlisted derivatives and equities.

Impairment losses on investments related to investments classified as ‘Available for sale’ amounted to €58 million in 2018 (2017: €20 million). In 2018, there were no impairment losses on investments related to investments classified as ‘Loans and receivables’ (2017: nil).

ACCOUNTING POLICIES INVESTMENT INCOME

The accounting policies for investment income are closely related to the accounting principles for investments. See Note 6 Investments for further explanation.

Notes to the Consolidated Financial Statements

12. NET EXPENSES FROM INSURANCE CONTRACTS

(€ MILLION)

	2018 GROSS	2018 REINSURANCE	2017 GROSS	2017 REINSURANCE
Non-Life				
Claims paid	2,553	86	2,498	163
Changes in insurance liabilities own risk	117	99	131	−36
Claim handling expenses	310		270	
Recoveries	−188		−198	
Other changes due to granted profit sharing rights	2		2	
	2,794	**185**	**2,703**	**127**
Health				
Claims paid	14,359	2	13,580	172
Changes in insurance liabilities own risk	−579		−23	−180
Claim handling expenses [1]	83		93	
Recoveries	−28		−33	
	13,835	**2**	**13,617**	**−8**
Life				
Benefits paid own risk	2,043	74	2,183	125
Benefits paid for insurances where policyholders bear investment risks	1,413		1,663	
Changes in insurance liabilities own risk	−677	−61	−817	−183
Changes in insurance liabilities where policyholders bear investment risks	−1,178		112	
	1,601	**13**	**3,141**	**−58**
Profit sharing and bonuses for policyholders				
Amortisation interest surplus rebates	7		9	
Benefits policyholders	−95		21	
Changes to provision for Profit sharing and bonuses for policyholders due to realised gains and losses on related investments in fixed income securities through Equity	12		83	
Changes to provision for Profit sharing and bonuses for policyholders due to (un)realised gains and losses on related investments in fixed income securities and deratives through Income statement	74		−613	
Changes to provision for Profit sharing and bonuses for policyholders due to granted profit sharing rights and other changes	−33		−77	
	−35		**−577**	
Total net expenses from insurance contracts	**18,195**	**200**	**18,884**	**61**

1. *As of 2018 the operating expenses of the healthcare offices are presented as Operating expenses, and no longer as Claims handling expenses as part of Net expenses from insurance contracts. The reclassification increases the Operating expenses and decreases the Net expenses from Insurance contracts of 2017 with €29 million.*

The value development of interest rate derivatives used to hedge the interest rate risk of the insurance liabilities is included in Profit sharing and bonuses for policyholders. This relates to the liabilities of the Dutch insurance business of which the cash flows are based on and discounted based on locked assumptions.

Notes to the Consolidated Financial Statements

OTHER NOTES

Other statement of financial position

13. INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	SOFTWARE [1]	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	TOTAL 2018
Cost						
Balance at 1 January	1,297	273	134	738	290	2,732
Acquisitions	4					4
Internally developed		3				3
Sale, disposals and decommissioning	−35	−7	−5		−2	−49
Purchases and acquisitions		23				23
Changes due to reclassification and other movements		1				1
Foreign currency differences					−23	−23
Balance at 31 December	**1,266**	**293**	**129**	**738**	**265**	**2,691**
Amortisation and impairment losses						
Balance at 1 January	645	223	127	731	214	1,940
Sale, disposals and decommissioning		−6				−6
Amortisation charge for the year		18	2	3	9	32
Foreign currency differences					−14	−14
Balance at 31 December	**645**	**235**	**129**	**734**	**209**	**1,952**
Carrying amount						
At 1 January	652	50	7	7	76	792
At 31 December	**621**	**58**		**4**	**56**	**739**

1. *In the category Software an amount of €16 million is included for internally developed software.*

An amount of €706 million (31 December 2017: €752 million) of the Intangible assets is expected to be recovered more than twelve months after the reporting date. The foreign currency differences on distribution networks of €-9 million (31 December 2017: €-8 million) relate to the cash generating unit Eureko Turkey.

Notes to the Consolidated Financial Statements

(€ MILLION)

	GOODWILL	SOFTWARE [1]	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	TOTAL 2017
Cost						
Balance at 1 January	1,297	293	134	738	309	2,771
Internally developed		5				5
Sale, disposals and decommissioning		−3				−3
Purchases and acquisitions		11				11
Changes due to reclassification and other movements		−32				−32
Foreign currency differences		−1			−19	−20
Balance at 31 December	**1,297**	**273**	**134**	**738**	**290**	**2,732**
Amortisation and impairment losses						
Balance at 1 January	645	233	126	727	215	1,946
Sale, disposals and decommissioning		−1				−1
Amortisation charge for the year		22	1	4	10	37
Changes due to reclassification and other movements		−31				−31
Foreign currency differences					−11	−11
Balance at 31 December	**645**	**223**	**127**	**731**	**214**	**1,940**
Carrying amount						
At 1 January	652	60	8	11	94	825
At 31 December	**652**	**50**	**7**	**7**	**76**	**792**

1. *In the category Software an amount of €15 million is included for internally developed software.*

GOODWILL BY CASH GENERATING UNIT

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Non-life Netherlands	617	617
Independer [1]		35
Other	4	
	621	**652**

1. *Because of the sale of Independer there is no related Goodwill anymore per ultimo 2018. For more information reference is made to Note 21 Assets and liabilities held for sale and divestments.*

Goodwill is mainly related to Achmea's Dutch operations. For the cash generating unit Non-life Netherlands, Achmea uses a Dividend Discount Model (DDM) to calculate the recoverable amount. The cash flow projections for the first three years are based on the budget approved by Achmea’s Executive Board. After these three years the terminal value is determined by applying a perpetual growth rate, i.e. the average long-term growth rate, to the perpetual dividend. Achmea uses the ‘Cost of Equity’ to discount the projected cash flows.

Notes to the Consolidated Financial Statements

The most sensitive key assumptions in calculating the value-in-use in the yearly impairment test are:

2018	NON-LIFE NETHERLANDS
Average annual premium/sales growth rate	3.5%
Average claims ratio [1]	68.6%
Average expense ratio [2 & 3]	26.3%
Terminal value growth	0.9%
Discount rate	7.8%

2017	NON-LIFE NETHERLANDS
Average annual premium/sales growth rate	3.3%
Average claims ratio [1]	68.6%
Average expense ratio [2 & 3]	26.2%
Terminal value growth	0.5%
Discount rate	8.3%

1. *The average claims ratio of Non-life is adjusted for the technical interest (impact -1.9%, 2017 impact -2.1%).*
2. *The average expense ratio also includes, in addition to costs related to staff, IT, housing and acquisition also holding costs.*
3. *The average expense ratio has been adjusted in 2018 for the non-technical costs (impact -0.4%). In order to be able to make a consistent comparison , the average expense ratio of 2017 is also adjusted (impact -0.5%).*

Where possible, the assumptions are calibrated using external sources. The discount rates are determined on the advice of an external party and are based on a so-called CAPM model (Capital Asset Pricing Model). This methodology is based on a risk-free rate plus a risk premium. This risk premium is based on the 'market risk premium' (return on equity investments above risk-free rate) times the beta that represents the specific risk profile of the cash generating unit. The terminal value growth, being the long-term average growth rate, is on a gross basis (not adjusted for inflation) and reflects expected industry averages. Achmea has performed an analysis on its most sensitive assumptions used to calculate the value-in-use.

The surplus, being the positive difference between the recoverable amount and carrying amount, for Non-life Netherlands amounts to €555 million (2017: €602 million). The recoverable amount for the cash generating unit Non-life Netherlands is sensitive for negative deviations within major assumptions.

EFFECTS OF CHANGE IN ASSUMPTIONS NON-LIFE

(€ MILLION)

2018	CHANGE OF RATIO WITH	Δ SURPLUS
Average annual premium growth rate	−0.5%	−43
Average claims ratio	0.5%	−255
Average expense ratio	0.5%	−255
Terminal value growth	−0.5%	−68
Discount rate	0.5%	−193

KEY ASSUMPTIONS IN IMPAIRMENT TESTING OF INTANGIBLE ASSETS

In testing for impairment of intangible assets, the carrying amount is compared with the recoverable amount, being the higher of an asset's fair value less costs to sell and value in use. Determining the value in use is an area involving management judgement, requiring assessment as to whether the carrying amount of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the net future cash flows, assumptions are required to be made in respect of uncertain elements like timing and amount of projected cash flows and development of future discount rates.

Notes to the Consolidated Financial Statements

ACCOUNTING POLICIES INTANGIBLE ASSETS

Hereafter, the specific accounting principles for each major class of Intangible assets are given. Based on management expectations, Achmea estimates whether the duration of use is limited (usually no more than twenty years) or indefinite. Assets with a limited useful life are depreciated straight line after initial recognition unless another method is more appropriate (adjusted for impairments, if applicable). Assets with indefinite useful lives are tested annually for impairment. Expenses for internally generated goodwill, brand names and research expenses are included in the Profit and Loss Account as expenses when they occur.

Software
Externally acquired and internally developed software is recognised at cost (including borrowing cost incurred). The maximum useful life of software is five years, or up to ten years when related to insurance policy systems. Software that is an integral part of a computer or a computer-controlled tool and in which that tool or computer does not work without the software (e.g. operating system software), is classified as equipment.

Brand name
Purchased brand name are recognised as an intangible asset. The initial measurement of a brand name is based on the application of the 'relief from royalty method', with the use of market observable variables and when not available management expectations that are presumed to be representative of assumptions market participants would use.

Value of business acquired
Upon acquisition of a portfolio of (insurance) contracts, Achmea recognises the value of the acquired insurance portfolios (VOBA, "Value Of Business Acquired") as intangible asset. The first valuation of VOBA is determined as the difference between the fair value of 'current' (insurance) contracts in the acquired business activities based on current estimates and assumptions at the time of the business combination and the obligation valued in accordance with the accounting principles of Achmea.

Distribution networks
When Achmea enters into a business combination it recognises distribution networks as an intangible asset. The initial measurement of this intangible asset is based on the application of the 'multi-period excess earnings method', with the use of market observable variables and management expectations. The valuation techniques used are commonly applied within the industry.

Other intangible assets
Other intangible assets acquired by Achmea are stated at cost less accumulated amortisation and impairment losses.

Goodwill
Goodwill arising on a business combination represents the excess of the consideration transferred to acquire the business over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired at acquisition date. Goodwill is stated at cost less accumulated impairment losses. Recognised goodwill is subject to an impairment test at least annually. Achmea has allocated the acquired goodwill due to business combinations to cash generating units (CGUs) that are expected to benefit from the business combination. This is done on the basis of synergies expected to be realised by the combination. Goodwill is monitored at business unit level, being an aggregation of products or group of products with the same risk characteristics and at which level risks are managed and capital is allocated. Any excess of the carrying amount of the domain over its recoverable amount will firstly be allocated to goodwill. Impairment tests at CGU level are performed at a fixed time every year and more frequently if triggering events occur. If an impairment loss occurs, it will be allocated to the relevant CGU. An impairment recognised for goodwill is not subject to reversal in a subsequent period.

Impairment
At each reporting date, Achmea assesses whether an indication of an impairment exists for intangible assets with a finite useful economic life. Various indicators are used, such as whether the intangible asset is abandoned, readily obtainable in the market, or the cost to maintain the intangible asset is significantly higher than expected. An impairment on Intangible assets is recognised as Other expenses in the Income Statement. In addition, Achmea assesses at each reporting date whether there is any indication that an impairment loss recognised in a prior period for intangible assets may no longer exist or may have decreased. Achmea considers the various indicators, such as: whether the asset's market value has increased significantly during the period; whether significant changes (technological, market, economic or legal environment) with a favourable effect on Achmea have taken place during the period; whether market interest rates have decreased and are likely to affect the discount rate used in calculating value in use and increase recoverable amount materially. If this is the case, the carrying amount of the intangible asset is increased to its recoverable amount. An increase in the carrying amount of the asset due to the reversal of the impairment may not exceed the carrying amount if no impairment loss would have been recognised in the prior period. A reversal of an impairment on Intangible assets is recognised as Other expenses in the Income Statement.

Notes to the Consolidated Financial Statements

14. ASSOCIATES AND JOINT VENTURES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION / STARTING DATE	% OWNERSHIP 2018	% OWNERSHIP 2017	NET ASSET VALUE 2018	NET ASSET VALUE 2017	**BOOK VALUE 31 DECEMBER 2018**	BOOK VALUE 31 DECEMBER 2017
Garanti Emeklilik ve Hayat A.S.	Turkey	Life insurance	2007	15.00%	15.00%	30	70	30	71
Onlia Holding Inc.	Canada	Non-life insurance	2018	50.00%	0%	6		6	
Other								14	13
								50	**84**

Although Achmea holds less than 20% of the shares of Garanti Emeklilik ve Hayat A.S., Achmea exercises significant influence by virtue of its strategic interest, close co-operation with Eureko Sigorta and the contractual right to appoint a Board member. In 2018 Garanti Emeklilik ve Hayat A.S. paid out €36 million in dividends to Achmea. This payment resulted in a decrease of the net asset value by the same amount.

In 2018 Achmea sold 50% of the shares in subsidiary Achmea Canada Management Inc., after which the name was changed to Onlia Holding Inc. For more information refer to Note 21 Assets and liabilities held for sale and divestments. The remaining stake of 50% qualifies as a joint venture.

The book value of the associates and joint ventures is determined based on the (IFRS) financial statements for the same financial year of those entities (which accounting policies do not differ significantly from the policies applied by Achmea), where available. If not available, Achmea bases the book value on preliminary, unaudited figures received from the associate or joint venture. Achmea has established that, in the past, there were no material differences between those preliminary, unaudited figures and the (IFRS) financial statements of the associate or joint venture concerned.

Notes to the Consolidated Financial Statements

15. PROPERTY FOR OWN USE AND EQUIPMENT

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Property for own use		
In development		
In use	284	285
Equipment		
Software	6	12
Hardware	15	13
Office furniture	15	23
Other	83	82
	403	**415**

KEY ASSUMPTIONS TO DETERMINE THE FAIR VALUE OF PROPERTY FOR OWN USE

Various assumptions should be made and techniques applied in valuing property whereby these assumptions and techniques, may have significant consequences for the valuation. The methods used to determine the revalued amount for Property for own use and fair value of Investment property are described in Note 9 Fair value hierarchy. The assumptions used in applying some of these methods are supported by the terms of any existing lease and other relevant contracts and by external evidence such as recent and expected general economic trends, current market rents for similar properties in the same region and condition. Components of assets and related liabilities are classified as 'Held for sale' when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

ACCOUNTING POLICIES PROPERTY FOR OWN USE AND EQUIPMENT

Property for own use

Property for own use is measured at the revalued amount, being its fair value at the date of the revaluation less any (subsequent) accumulated depreciation and (subsequent) accumulated impairment losses. Property for own use that is under construction or in development is stated at cost until its fair value can be reliably determined. Changes in the carrying amount resulting from revaluations of Property for own use are recorded in the Revaluation reserve, part of Total equity net of deferred taxes. A decrease in the carrying amount due to revaluation is recognised in the Revaluation reserve, part of Total equity, to the extent of any credit balance existing in the revaluation reserve in respect of that asset and for the remaining part in the Income Statement. A revaluation decrease will be reversed through the Income Statement in subsequent years if the revalued amount is higher than the carrying amount, but not higher than the cost minus accumulated depreciation. When Property for own use is derecognised, revaluations included in the Revaluation reserve will be transferred directly to Retained earnings and not through the Income Statement. If Property for own use comprises major components with a different useful life, they are accounted for as separate items.

Depreciation on Property for own use is charged to the Income Statement on a straight-line basis over the estimated useful economic life, generally not exceeding fifty years. The depreciation method and useful economic life are reviewed annually and adjusted if circumstances or expectations have changed significantly. Land is not depreciated. When Property for own use or its separate items accounted for is revalued, the cumulative depreciation is eliminated against the gross carrying amount of that item of Property for own use.

Equipment

Equipment is measured at cost (including borrowing costs incurred) less accumulated depreciation and impairment losses. If equipment comprises major components with a different useful life these are accounted for as separate items. Depreciation is charged to the Income Statement on a straight-line basis. The estimated useful life is: operating software three to five years, hardware three to four years, office furniture (including components) three to six years and other equipment three to six years. The depreciation method and useful life of equipment is reviewed annually and altered prospectively if circumstances or expectations have changed significantly.

Notes to the Consolidated Financial Statements

16. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the fiscal year can be specified as follows:

(€ MILLION)

	BALANCE AT 1 JANUARY 2018	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2018
Intangible assets	−18	4	2	−12
Property for own use and equipment	2	5	−3	4
Investments	−1,141	−103	62	−1,182
Receivables and accruals	2	−1		1
Liabilities related to insurance contracts	1,797	67	−2	1,862
Other provisions	10	−3	−4	3
Amortisation	34	−29		5
Financial liabilities	−2	−76	−1	−79
Loss carry-forwards	15	48		63
Change in tax rate		−144	22	−122
	699	**−232**	**76**	**543**
Comprising:				
Deferred tax assets				553
Deferred tax liabilities				10

(€ MILLION)

	BALANCE AT 1 JANUARY 2017	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2017
Intangible assets	−23	3	2	−18
Property for own use and equipment	2	1	−1	2
Investments	−1,340	236	−37	−1,141
Receivables and accruals	4	−2		2
Liabilities related to insurance contracts	2,030	−232	−1	1,797
Other provisions	12	−9	7	10
Amortisation	39	−5		34
Financial liabilities	−14	15	−3	−2
Loss carry-forwards	19	−4		15
	729	**3**	**−33**	**699**
Comprising:				
Deferred tax assets				712
Deferred tax liabilities				13

Mid-December 2018 the Dutch parliament passed a resolution to gradually reduce the Dutch corporate tax rate from 25.0% to 20.5% in 2021. Achmea made an estimation of the effect of this tax rate change on the deferred tax positions. Expected future results are allocated to specific financial years. The change in the tax rate results in an expense of €144 million and an addition to the equity of €22 million. This change in estimation mainly relates to differences between the carrying amounts of investments and insurance-related provisions for financial reporting purposes and the amounts used for taxation purposes.

The tax rates used in calculating deferred tax assets and liabilities differ per jurisdiction, and in both 2018 and 2017 these tax rates ranged from 10% to 36%.

An amount of €513 million (2017: €699 million) of the Deferred tax assets and liabilities is expected to be recovered more than twelve months after reporting date.

Notes to the Consolidated Financial Statements

Deferred tax assets amounting to €52 million (2017: €36 million), have not been recognised in respect of taxable losses of previous years. For these losses it is not probable that future taxable profits will be available, against which the temporary difference can be utilised. The recognised deferred tax assets relating to carry forwards of losses from previous years are valued based on the current tax laws.

Results within the Dutch Health Insurance business are reported as non-taxable results, based on the current tax laws. The tax exemption is applicable as far as these results are not distributed. When results are partly or fully distributed, the annual results of the Dutch Health Insurance business will no longer be exempted from corporation tax. The annual results will then be taxable against the then current corporate tax rate.

KEY ASSUMPTIONS AND ESTIMATES TO DETERMINE THE DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry forwards of unused tax losses and carry forwards of unused tax credits when, in the judgement of management, it is likely that Achmea will receive the tax benefits. A change in judgement could have a substantial effect on value of the deferred tax asset. In determining the tax position, Achmea has taken into account its estimate of the associated future expenses. Furthermore, management considers tax planning strategies to increase the likelihood that the tax assets will be realised.

ACCOUNTING POLICIES DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is provided for using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of these assets and liabilities. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

17. RECEIVABLES AND ACCRUALS

(€ MILLION)

	2018	2017
Deferred acquisition costs	55	64
Receivables from direct insurance	1,209	1,196
Receivables from indirect insurance	139	111
Receivables on reinsurance	11	7
Investment receivables	40	49
Contribution from Dutch Health insurance fund	2,241	2,233
Prepayments to Dutch hospitals	887	1,104
Payments related to Dutch short-term mental care (GGZ)	332	346
Other prepayments and accrued income	451	428
Advances to healthcare providers	137	605
Non-insurance assets acquired by exercising rights to recoveries	111	109
Other	270	235
Balance at 31 December	**5,883**	**6,487**

An amount of €2.345 million (31 December 2017: €2,359 million) of the Receivables and accruals is expected to be recovered after twelve months after reporting date. For receivables expected to be recovered within twelve months after reporting date, the carrying amount is a reasonable approximation of the fair value. The fair value of receivables expected to be recovered after twelve months after the reporting date amounts to €2.348 million as at 31 December 2018 (31 December 2017: €2,359 million). Impairment losses recognised in 2018 related to Receivables and accruals amounted to €40 million (31 December 2017: €25 million) and are included in Other expenses.

Notes to the Consolidated Financial Statements

KEY ASSUMPTIONS AND ESTIMATES RECEIVABLES AND ACCRUALS - HEALTH SEGMENT

The private health insurance system that is in force in the Netherlands consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is heavily determined by law and influenced by political processes. The basic health system (inherently) comprises uncertainties, due to the calculation methods applied. A system of risk mitigating features is in force in the Netherlands to reduce the uncertainties that are raised by the system. The measurement of receivables regarding the Health Insurance Fund is an inherently uncertain process, involving assumptions for national healthcare costs and allocation of healthcare costs to budget parameters. For more details regarding the uncertainties and the risk mitigating factors in health insurance, a reference is made to Note 2 Capital and risk management. Any change in the assumptions could have an impact on the settlement with the Dutch government (Health Insurance Fund).

KEY ASSUMPTIONS AND ESTIMATES RECEIVABLES AND ACCRUALS – DEFERRED ACQUISITION COSTS

These are detailed in the note on key assumptions and estimates of Liabilities related to insurance contracts.

ACCOUNTING POLICIES RECEIVABLES AND ACCRUALS

Receivables and accruals are measured at amortised cost, which usually equals the face value, adjusted for accumulated impairment losses.

Acquisition expenses directly or indirectly related to the sale of insurance contracts not measured at fair value are deferred to the extent that they are deemed recoverable from future revenues. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and included in the liability adequacy test of insurance liabilities at the end of each reporting period. Any irrecoverability of Deferred acquisition costs as a result of liability adequacy testing is recognised as an impairment loss and included in Operating expenses. Deferred acquisition costs are amortised over the lifetime of the related contracts.

18. CASH AND CASH EQUIVALENTS

(€ MILLION)

	2018	2017
Cash and bank balances	1,448	2,860
Call deposits	18	24
Balance at 31 December	**1,466**	**2,884**

Cash and cash equivalents subject to restrictions amounted to €46 million (31 December 2017: €96 million). The restrictions mainly relate to the minimum reserve to be maintained at De Nederlandsche Bank N.V. of €45 million (31 December 2017: €45 million). At year-end 2017 the restrictions on collateral for the benefit of policyholders amounted to €51 million. These restrictions were related to the sold entity Friends First.

ACCOUNTING POLICIES CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, bank balances and call deposits and are measured at fair value.

Notes to the Consolidated Financial Statements

19. EQUITY

The movements in Equity attributable to holders of equity instruments of the company are specified in the Consolidated Statement of Changes in Total equity.

SHARE CAPITAL

	NUMBER OF ORDINARY SHARES	NOMINAL VALUE ORDINARY SHARES	NUMBER OF PREFERENCE SHARES	NOMINAL VALUE PREFERENCE SHARES	NUMBER OF A SHARES	NOMINAL VALUE A SHARES
	(PAR VALUE € 1 PER SHARE)	(€ MILLION)	(PAR VALUE € 1 PER SHARE)	(€ MILLION)	(PAR VALUE € 1 PER SHARE)	(€ MILLION)
Authorised	2,103,943,009	2,104	60,000,000	60	1	
Shares issued 1 January 2017	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2017	**410,820,173**	**411**	**23,904,060**	**24**	**1**	
Shares issued 1 January 2018	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2018 [1]	**410,820,173**	**411**	**23,904,060**	**24**	**1**	

1. *All issued shares are fully paid up. Part of the shares are owned by Achmea itself, please refer to Own shares below. For a specification of the other shareholders see Other information, Shareholders of Achmea B.V. at 31 December 2018.*

Share premium

The Consolidated Statement of Changes in Total equity includes €11,357 million Share capital/premium. This amount includes €10,923 million share premium paid by the shareholders. The paid-in premium paid by holders of preference shares amounts to €332 million and is part of the total share premium.

Share rights, preferences and restrictions

Each share confers the right to one vote at Achmea's general meeting. Stichting Administratiekantoor Achmea is the holder of the A share. Special rights adhere to the A share. Many decisions of the general meeting of Achmea B.V. can only be made after approval of the holder of the A share. The general meeting decides whether or not to pay dividends to the holders of preference and ordinary shares.

The holders of preference shares are entitled to receive dividends when declared. Dividends paid are 3.7% per year on the share capital and share premium paid for those shares. The above mentioned percentage, established in February 2014, will be reviewed every ten years. The next review will take place before 1 January 2024. If the Supervisory Board agrees, the Executive Board can annually increase the established percentage by a maximum of 1.8%.

All preference shares in the share capital of Achmea B.V. have been issued to Achmea Tussenholding B.V. The shares in the share capital of Achmea Tussenholding B.V. are certified through Stichting Administratiekantoor Achmea Tussenholding and issued to a number of institutional investors. The certificates held by Achmea B.V., amounting to €45 million, are presented as Own shares within Total equity.

An overview of the shareholders of Achmea as at 31 December 2018 is presented in Other Information.

Own shares

In 2018 Achmea B.V. purchased 10,482,180 own shares. In addition to the before mentioned certificates held by Achmea B.V., amounting to €45 million, Achmea B.V. now holds 20,817,462 ordinary shares issued by the company itself, amounting to €290 million. These shares are presented as Own shares within Total equity. There are no voting rights attached to these shares and no dividend is to be paid out.

MOVEMENT PURCHASE OF OWN SHARES (INCLUDING CERTIFICATES)

(€ MILLIONS)

	2018	2017
Balance at 1 January 2018	235	235
Purchase of own shares	100	
Balance at 31 December 2018	**335**	**235**

Notes to the Consolidated Financial Statements

Legal reserves

A legal reserve must be recognised for the non-distributable profits related to associates and joint ventures, internally developed software and health offices.

As of 1 January 2018 the reserves from the former health insurance funds are no longer ring fenced. As a consequence of this an amount of €622 million of the share capital has been reclassified from 'Legal reserves' to 'Other reserves'.

An amount of €34 million (31 December 2017: €632 million) of Total equity contributed by subsidiaries at year-end 2018 is subject to, claims under provisions in the articles of association of a number of subsidiaries. Stipulating that, in the event of liquidation, the equity of these companies must be used for the benefit of public health. As far as this amount is not included in the revaluation reserve, it has been included in the legal reserves. Amounts presented within the legal reserves cannot be distributed to shareholders. In addition to these Legal reserves there are other ring fenced reserves that cannot be distributed to shareholders, as set out in the Note to the Revaluation reserve.

Revaluation reserve

Based on the accounting principles used by Achmea, a revaluation reserve is formed. Furthermore, based on Dutch regulations, Achmea should form a legal reserve for all positive unrealised fair value changes for assets that are not quoted on active markets and for which the unrealised fair value changes are included in the income statement. This reserve is formed by transferring the required amounts from Retained earnings to the Revaluation reserve. Due to negative fair value movements of these assets in 2018, an amount of €4 million (2017: €7 million) is reallocated from the Revaluation reserve to the Retained earnings.

The total Revaluation reserve amounts to €746 million (2017: € 934 million) and contains a negative amount of €381 million (31 December 2017: €367 million) relating to unrealised losses net of deferred taxes on assets carried at fair value. The positive Revaluation reserve thus amounts to €1,127 million (31 December 2017: €1,301 million), which cannot be distributed to shareholders.

Part of the Revaluation reserve is related to property for own use. The revaluation surplus for property for own use amounted to €44 million in 2018 (2017: €35 million). The majority of the remainder of the revaluation reserve is related to available for sale investments.

Exchange difference reserve

Assets and liabilities of foreign subsidiaries, with a functional currency other than the euro, are translated into euros at the exchange rates at reporting date. The income and expenses of such subsidiaries are translated at the weighted average exchange rates for the reporting period. Translation differences arising from the application of reporting date exchange rates to the opening balance of the net assets and goodwill of such subsidiaries and to the foreign exchange results for the reporting period are recognised in the Exchange difference reserve. Amounts presented within the Exchange difference reserve cannot be distributed to shareholders. The main part of the operations in foreign currency is in Turkish Lira through its subsidiary Eureko Sigorta and its associate Garanti Emeklilik.

Hedging reserve

The amounts presented within the Hedging reserve under cash flow hedge accounting cannot be distributed to shareholders. In determining the non-distributable amounts under Dutch regulations these amounts cannot be distributed. Consequently, in relation to the Hedging reserve an amount of €7 million (2017: €7 million) cannot be distributed to shareholders. When the hedge relation is discontinued Achmea amortises the related fair value adjustment over de remaining duration of the hedged position.

Notes to the Consolidated Financial Statements

Other reserves

Results within the Dutch Health Insurance business are reported as non-taxable results, based on the current tax laws. The tax exemption is applicable as far as these results are not distributed. When results are partly or fully distributed, the annual results of the Dutch Health Insurance business will no longer be exempted from corporation tax. The annual results will then be taxable against the then current corporate tax rate.

Retained earnings contain an amount of €-118 million relating to defined benefit plans (31 December 2017: €-196 million). This decrease is mainly due to the deconsolidation of Friends First. Changes in measurement of investments that cover defined benefit obligations and related liabilities concerning Achmea's defined benefit schemes are included in Other comprehensive income.

The appropriation of results is presented in the Company Financial Statements of Achmea B.V. for 2018, Note 22 Proposal for appropriation of result.

Other equity instruments

To support the funding of the company Achmea owns two Other equity instruments. These Other equity instruments consist of hybrid loans of €600 million with a 6% coupon and hybrid loans of €750 million with a 4.25% coupon. These hybrid loans, listed at NYSE Euronext and the Irish Stock Exchange, respectively, have a very long maturity period and are therefore recognised within Equity.

Coupon payments on Other equity instruments are determined by Achmea and subject to the limitations described in the prospectus. The coupon payments will be charged to Retained earnings, part of Total equity. The tax related to the coupon payments of the appropriation of results is also included within Retained earnings and amounted in 2018 to €17 million (2017: €17 million).

ACCOUNTING POLICIES TOTAL EQUITY

Achmea B.V. shares held by the company (own shares) are accounted for by a reduction within Total equity at the moment of purchase by Achmea or its subsidiaries on the basis of the purchase price paid. Any results upon the subsequent sale of such treasury shares are recognised directly within Total equity. Any Non-controlling interest related to subsidiaries is presented as a separate component within Total equity and is equal to Non-controlling interest in the subsidiary's equity based on Achmea's accounting principles.

Notes to the Consolidated Financial Statements

20. OTHER PROVISIONS

(€ MILLION)

	2018	2017
Post-employment benefits	860	886
Other provisions	229	225
Balance at 31 December	**1,089**	**1,111**

POST-EMPLOYMENT BENEFITS

(€ MILLION)

31 DECEMBER 2018	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	853	7	860
Fair value of total investments backing defined benefit obligation	–931		–931
Fair value of non-qualifying investments backing defined benefit obligation	931		931
Unfunded status	**853**	**7**	**860**
Effect of asset ceiling			
Net defined benefit liability	**853**	**7**	**860**

(€ MILLION)

31 DECEMBER 2017	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	879	7	886
Fair value of total investments backing defined benefit obligation	–940		–940
Fair value of non-qualifying investments backing defined benefit obligation	940		940
Unfunded status	**879**	**7**	**886**
Effect of asset ceiling			
Net defined benefit liability	**879**	**7**	**886**

Achmea has a pension scheme for the major part of its employees. The pension scheme executed by Stichting Pensioenfonds Achmea, applicable to the major part of the 11,700 employees in the Netherlands, is a so-called Collective Defined Contribution (CDC) scheme. The obligation of Achmea related to the pension scheme is limited to payment of the agreed premium for the current year of service. In 2018 contributions paid to the CDC scheme amounted to €231 million (2017: €261 million). The contribution is determined as the actuarially required contribution for the acquired pension rights in that year, taking into account current interest rates.

Achmea's defined benefit obligation is mainly related to the accrued rights of a number of (former) employees under former defined benefit plans. These defined benefit plans were maintained in The Netherlands, and for a limited amount in Greece. Benefits related to medical costs are not included in these plans.

The accrued rights of a number of (former) employees under former defined benefit schemes in the Netherlands have been insured with Achmea Pensioen- en Levensverzekeringen N.V. and so Achmea continues to hold the financial and actuarial risks. The investments related to the insurance contracts are accounted for as Investments (and do not qualify as Investments backing defined benefit obligation).

Notes to the Consolidated Financial Statements

MOVEMENT TABLE POST-EMPLOYMENT BENEFITS

(€ MILLION)

	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF INVESTMENTS BACKING DEFINED BENEFIT OBLIGATION	NET DEFINED BENEFIT LIABILITY 2018
Balance at 1 January	886		886
Current service costs			
Net interest expense on net defined benefit liability	15		15
Remeasurement of net defined benefit liability			
Actuarial gains and losses arising from changes in demographic assumptions	−8		−8
Actuarial gains and losses arising from changes in financial assumptions	−1		−1
Experience gains and losses	−1		−1
Benefits paid by the plan			
Benefit payments	−31		−31
Balance at 31 December	**860**		**860**

MOVEMENT TABLE POST-EMPLOYMENT BENEFITS

(€ MILLION)

	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF INVESTMENTS BACKING DEFINED BENEFIT OBLIGATION	NET DEFINED BENEFIT LIABILITY 2017
Balance at 1 January	1,119	−159	960
Current service costs	1		1
Net interest expense on net defined benefit liability	18	−1	17
Remeasurement of net defined benefit liability			
Return on plan assets, excluding amounts included in net interest expense		−2	−2
Actuarial gains and losses arising from changes in financial assumptions	−5		−5
Experience gains and losses	−4		−4
Net expense in recognized in income statement Curtailment & settlements	−107	81	−26
Contributions paid			
Achmea group companies		−2	−2
Benefits paid by the plan			
Benefit payments	−33	1	−32
Changes due to reclassification	−103	82	−21
Balance at 31 December	**886**		**886**

As a consequence of a change in the terms and conditions the pension scheme Stichting Bedrijfstakpensioenfonds Zorgverzekeraars was reclassified from a defined benefit scheme to a defined contribution scheme in 2017. This resulted in a release of the related post-employment benefits of €25.6 million. The same amount is recognised as profit in the Income Statement under Operating expenses. The release is based on the post-employment benefits at year-end 2016. In the table above the release has been processed under Net expense in recognised in income statement Curtailment & settlements in 2017. Pensions for the Irish employees were provided by the Friends First Group Retirement and Death Benefits Scheme and were reclassified to Liabilities classified as 'Held for sale'.

Notes to the Consolidated Financial Statements

SIGNIFICANT ACTUARIAL ASSUMPTIONS AT REPORTING DATE (EXPRESSED AS WEIGHTED AVERAGE ASSUMPTIONS)

	2018		2017	
	THE NETHERLANDS	OTHER COUNTRIES	THE NETHERLANDS	OTHER COUNTRIES
Discount rate	1.70	0.74	1.70	0.81
Future salary increases [1]		1.20		1.50
Future pension increases [1]				
Future pension increases for in-payment benefits	0.60		0.60	
Rates of employee turnover [1]		3.25		3.25

1. *In the Netherlands there are no more active members of a defined benefit scheme. Therefore these actuarial assumptions are no longer presented.*

The weighted average duration of the Defined Benefit Obligation is 15 years (2017: 15 years). The maturity of the expected undiscounted cash flows relating to the Defined benefit obligation is less than ten years for an amount of €348 million (31 December 2017: €344 million).

OTHER PROVISIONS

(€ MILLION)

2018	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPLOYMENT BENEFITS)	OTHER	TOTAL
Balance at 1 January	54	27	54	39	51	225
Change of composition of the group					–1	–1
Additions	101	16	2	4	6	129
Usage	–93	–10	–6	–5	–2	–116
Released	–5	–3	–6	–3		–17
Changes due to reclassification	8			2		10
Foreign currency differences				–1		–1
Balance at 31 December	**65**	**30**	**44**	**36**	**54**	**229**
Current	65	4	7	8	30	114
Non-current		26	37	28	24	115
Balance at 31 December	**65**	**30**	**44**	**36**	**54**	**229**

(€ MILLION)

2017	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPLOYMENT BENEFITS)	OTHER	TOTAL
Balance at 1 January	149	35	80	39	71	374
Additions	22	3	13	4	6	48
Usage	–97	–9	–29	–3	–21	–159
Released	–20		–10	–2	–2	–34
Changes due to reclassification		–2		1	–3	–4
Balance at 31 December	**54**	**27**	**54**	**39**	**51**	**225**
Current	54	10	5	4	30	103
Non-current		17	49	35	21	122
Balance at 31 December	**54**	**27**	**54**	**39**	**51**	**225**

Notes to the Consolidated Financial Statements

Restructuring

In the context of reorganisation programmes announced earlier, a provision was formed amounting to €65 million at (31 December 2017: €54 million). The most important assumptions used in determining this restructuring provision relate to the average salary, the reassignment period and the probability of a reassignment to another position within Achmea or elsewhere.

Legal claims

Legal claims include liabilities related to legal claims and possible compensations in relation to insurance and non-insurance activities of Achmea. Due to the nature of these liabilities, the expected maturity is uncertain, but most claims are expected to have a maturity of more than twelve months after the balance sheet date. The value of legal claims is determined based on management judgement, external professional assessment and experience. In the Income Statement, the expenses related to this provision are presented net of the amount recognised for reimbursement. The total amount charged to legal claims in 2018 has a small impact on the net result.

Onerous contracts

Onerous contracts include liabilities related to rented unused office premises and IT-related contracts. They also include provisions for insufficient fees from service contracts. These liabilities have different expected settlement dates, but the main part is expected to have a maturity of more than twelve months after the balance sheet date. The value of Onerous contracts is determined, based on contractual agreements, taking into account any economic benefits expected to be received under the contract.

Employee benefits (excluding post-employee benefits)

Employee benefits provisions include employee benefits payable after more than twelve months after the balance sheet date, including provisions for long-service benefits. These liabilities have different expected settlement dates, but the main part is expected to have a maturity of more than twelve months after the balance sheet date. The value of Employee benefits provisions is determined, based on management judgement, external professional assessment and experience.

Other

Other provisions consist of liabilities related to the business activities and various other minor liabilities. These liabilities have different expected settlement dates, but the main part is expected to have a maturity of less than twelve months after the balance sheet date. The value of Other provisions is determined based on management judgement, external professional assessment and experience.

KEY ASSUMPTIONS AND ESTIMATES OTHER PROVISIONS

Post-employment benefits

The determination of the defined benefit plan liability is based on actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions for discount rates, rates of increase in future salary and benefit levels, mortality rates, expected healthcare costs and consumer price index. The assumptions are based on available market data and are updated annually. The rate used to discount the defined benefit obligation is determined by reference to market yields on high quality corporate bonds (AA rating or better). Achmea applies the Towers Watson Rate: Link curve. Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country. To determine the defined benefit obligation the projection table AG2016, including fund-specific mortality experience, has been applied in the Netherlands. The actuarial assumptions may differ from the actual results due to changes in market conditions, economic trends, mortality rates, and other assumptions. Any changes in these assumptions could have an impact on the valuation of defined benefit plans.

Other provisions

The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

ACCOUNTING POLICIES OTHER PROVISIONS

Post-employment benefits

Contributions payable to defined contribution pension plans are recognised as an expense in the Income Statement when incurred. The net obligation in respect of defined benefit pension plans is calculated separately for each plan, using the 'projected unit credit method'. In accordance with this method, the future benefits that employees have earned in return for their service in the current period and prior periods are estimated. The rates used for salary developments, discounting and other adjustments reflect the specific country conditions. The liability is discounted to determine the present value. Subsequently, the fair value of plan assets is deducted in order to calculate the Net defined benefit liability/asset.

Notes to the Consolidated Financial Statements

Current service cost and net interest on the Net defined benefit liability/asset based on assumptions at the beginning of the reporting period are included in the consolidated Income Statement. Remeasurements of the Net defined benefit liability are included in the Consolidated statement of comprehensive income. In calculating the Net defined benefit liability future employee contributions are included.

Achmea recognizes service costs for past employment as costs, at the first moment of:

A. plan amendment or occurrence of the curtailment; and

B. when it recognises related service cost or termination benefits.

Achmea recognises a gain or loss on settlement of a defined benefit plan when the settlement occurs. The present value of defined benefit assets at reporting date is recognised to the amount of the economic benefit that will be available to Achmea in the form of refund from the plan or reductions in future contributions. When Achmea is not unconditionally entitled to the surplus within the pension plan, the surplus is not recognised as a receivable on the Statement of Financial Position.

Other provisions

Other provisions are recognised when a legal or constructive obligation, which can be reliably estimated, exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the provision is to be used over a period longer than one year, expected cash flows are discounted. A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring was either commenced or has been announced to the parties concerned prior to reporting date. Costs relating to the ongoing activities of Achmea are not provided for. Achmea's net obligation in respect of other long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current period and prior periods. The obligation is calculated using the 'projected unit credit method' and is discounted to its present value. The fair value of related assets is deducted.

Notes to the Consolidated Financial Statements

21. ASSETS AND LIABILITIES HELD FOR SALE AND DIVESTMENTS

Divestments

Friends First Life Insurance Company D.A.C.

On 13 November 2017 Achmea reached agreement on the sale of its shareholding in Friends First Life Insurance Company D.A.C. (hereinafter 'FF'), a pension and life insurance company. FF was a 100% subsidiary of Achmea Group and was reported in the segment International activities. At year-end 2017 the proposed transaction was subject to the approval of the relevant regulatory and competition authorities. Therefore at year-end the assets and liabilities of FF were classified as 'Assets and liabilities held for sale and divestments'. The transaction was completed in the second quarter of 2018, resulting in an additional negative impact on the result of €1 million, which is recognised in 'Other expenses'.

Onlia holding Inc.

On 18 May 2018 Achmea reached an agreement on the sale of 50% of its shares in 100% subsidiary Onlia Holding Inc., formerly named Achmea Canada Management Inc., which is part of the segment International activities. The impact of the sale of the 50% stake is a positive result of €4 million. The remaining stake of 50% qualifies as a joint venture. The first valuation of this joint venture at market value has resulted in an additional result of €4 million. Both results are recognised in the Income Statement as Other income.

Independer

On 24 October 2018 Achmea reached agreement on the sale of its shares in Independer.nl N.V., a company providing independent information, advice and product comparisons for financial products, healthcare and energy.

The transaction was completed on 3 December 2018. Independer.nl N.V. was a 100% subsidiary of Achmea B.V. and was reported in the segment Other. As at 31 December 2018 the assets and liabilities of Independer.nl N.V. are no longer included in the balance sheet. The transaction result of €167 million (excluding advisory fees) is recognised in Other income.

ACCOUNTING POLICIES ASSETS AND LIABILITIES HELD FOR SALE AND DIVESTMENTS

Assets or components of assets and related liabilities are classified as 'Held for sale' when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A sale of an asset or a group of assets is highly probable if:

- Achmea is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The assets are actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification as 'Held for sale'.

Assets and liabilities classified as 'Held for sale' are measured at the lower of their carrying amount or fair value less costs to sell and are presented separately in the Statement of Financial Position.

If a loss occurs when classifying assets and liabilities as 'Held for sale', this loss is recognised in Other expenses in the Income Statement.

Notes to the Consolidated Financial Statements

Overige winst- en verliesrekening

22. OTHER INCOME

(€ MILLION)

	2018	2017
Fee income from trust and other fiduciary activities	249	298
Income from service contracts	124	109
Other income	205	67
	578	**474**

Other income in 2018 includes an amount of €167 million (excluding advisor costs) relating to the sale of Independer and an amount of €8 million relating to the sale of 50% of the shares of Onlia Holding Inc in Canada. For more information a reference is made to Note 21 (Assets and liabilities held for sale and divestments).

Other income in 2017 included an amount of €11 million relating to the sale of self-developed customer files. In addition, an amount of €8 million was included with respect to the settlement of the sale of Staalbankiers.

OTHER INCOME

There are two categories of other income to be distinguished. First, revenue from a one-off performance that is accounted for in the period in which the performance is delivered. Secondly, revenues from continuous service over a period. If the result of such transaction can be estimated reliably, the proceeds relating to that transaction are accounted for in proportion to the performance performed. The result of a transaction can be estimated reliably when the size of the returns can be measured reliably, the economic benefits are likely to flow to Achmea, the degree of completion of the transaction at the end of the fiscal year can be reliably measured and the transaction costs and transaction completion costs can be measured reliably. If the result of a transaction involving continuous services cannot be estimated reliably, only returns are accounted for the amount of costs recovered ("zero profit method"). Revenues are valued at the fair value of the consideration received or on which entitlement is obtained.

Revenue is accounted for on the basis of progress, with progress being dependent on the nature of the agreement. If an agreement mainly relates to the provision of services, revenue is accounted for to the extent that the services are delivered to a certain date as a percentage of the total services to be provided. If the service includes a certain amount of transactions within a specific period, revenue is linearly accounted for.

23. INTEREST EXPENSES AND SIMILAR EXPENSES

(€ MILLION)

	2018	2017
Interest expenses:		
Instruments entrusted	60	73
Debt securities issued	60	74
Derivatives liabilities held for risk management	101	118
Other interest expenses	68	81
Impairment of financial instruments	−1	−7
	288	**339**

Notes to the Consolidated Financial Statements

24. OPERATING EXPENSES

(€ MILLION)

	2018	2017
Salaries	838	859
Social security charges	85	86
Pensions	223	229
Other	444	360
Staff costs	**1,590**	**1,534**
Depreciation Property for own use and equipment	39	41
General expenses	582	561
Gross operating expenses	**2,211**	**2,136**
Commissions paid and accrued	561	580
Reinsurance profit sharing and commission	−19	−21
	2,753	**2,695**
Less: allocated Claims handling expenses [1]	393	416
Less: allocated Investment expenses	2	2
	2,358	**2,277**

1. *As of 2018 the operating expenses of the healthcare offices are presented as Operating expenses, and no longer as Claims handling expenses as part of the item Net expenses from insurance contracts. The reclassification increases the Operating expenses and decreases the Net expenses from Insurance contracts of 2017 with €29 million.*

Operating expenses that meet the definition of Claims handling expenses respectively Investment expenses are presented as part of Net expenses from insurance contracts respectively Investment income. For more information on Pensions refer to Note 20 Other provisions.

The number of internal employees mentioned below only includes employees with which Achmea has an employment contract. An FTE is based on a labour week of 36 hours.

NUMBER OF EMPLOYEES (AT THE END OF THE YEAR, BASED ON FTE)

	ACHMEA NETHERLANDS	EUREKO SIGORTA	UNION POISTOVNA	INTERAMERICAN GREECE	OTHER	TOTAL 2018
Internal FTE's	11,106	674	619	1,240	75	13,714
External FTE's	2,666	47	49	156	4	2,922

	ACHMEA NETHERLANDS	EUREKO SIGORTA	UNION POISTOVNA	INTERAMERICAN GREECE	OTHER	TOTAL 2017
Internal FTE's	11,894	623	549	1,149	367	14,582
External FTE's	2,590	30	44	160	24	2,848

Included in General expenses are expenses related to the audit firm performing the audit of the annual accounts of Achmea B.V. and its subsidiaries which are summarised in the table below.

EXPENSES RELATED TO THE AUDIT

(€ MILLION)

	ACHMEA NETHERLANDS	FOREIGN COUNTRIES	TOTAAL 2018	TOTAAL 2017
Audit financial statements	5	1	6	6
Other audit services	1	0	1	2
	6	**1**	**7**	**8**

Notes to the Consolidated Financial Statements

As from 2011 PricewaterhouseCoopers Accountants N.V. is appointed as independent auditor of Achmea. The amounts included in the table under 'Audit annual accounts' are based on expenses related to the audit of the financial statements of the related financial year, whether or not the services by the independent auditor and the audit firm have already been provided during that financial year. The expenses include VAT.

The other audit services performed by the independent auditor are:

- Statutory audit assignments
  Audit of other financial statements and audit of the regulatory reports under the Financial Supervision Act (Wft).
- Non-statutory assignments
  Audit of internal control procedures; audit of the recognition of fees and subsidies; audit of external reporting ZvW and WLZ for the regulators; audit of QRTs under group supervision; specifically agreed services for third parties; audit of prospectuses and comfort letters; assurance services with regard to data conversion; audit of a separate financial statement or audit of a specific element, account or item of a financial statement; assurance assignments other than assignments to audit or review historical financial information; assurance assignments with regard to the annual report; assurance assignments relating to cost price models.

Expenses related to audit firms other than PricewaterhouseCoopers Accountants N.V. are as follows: other audit services €1 million (2017: €2 million), other non-audit services €7 million (2017: €8 million) mainly relating to advisory and consulting services.

25. OTHER EXPENSES

Other expenses include an amount of €5 related to additions to Other provisions (2017: €12 million), in particular relating to legal disputes and onerous contracts, €2 million related to donations (2017: €3 million). As a result of the proposed sale of Friends First Life Insurance Company D.A.C. a negative result of €39 million was recognised in 2017.

(€ MILLION)

	2018	2017
Amortisation charges on intangible assets	32	38
Impairment losses on receivables	40	25
Impairment losses on Assets held for sale		39
Other expenses	34	53
	106	**155**

26. INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2018	2017
Result before tax	566	321
Dutch corporate tax rate	25.0%	25.0%
Income tax using the Dutch corporate tax rate	141	80
Effect of tax rates in foreign jurisdictions	4	
Tax effect on:		
Non-deductible expenses	12	−7
Tax exempt revenues	−32	37
Participation exemption	−63	4
Non-deductible losses	12	10
Change in tax rate	144	
Other	30	−4
Under/(over) provided in prior years	3	−15
Effective tax amount	**251**	**105**

Notes to the Consolidated Financial Statements

Mid-December 2018 the Dutch parliament passed a resolution to gradually reduce the Dutch corporate tax rate from 25.0% to 20.5% in 2021. Achmea made an estimation of the effect of this tax rate change on the deferred tax positions. Expected future results are allocated to specific financial years. The change in the tax rate results in an expense of €144 million.

The effective tax rate in 2018 amounts to 44,3% (2017: 32.7%).

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX

(€ MILLION)

	2018	2017
Current income tax		
Current year	16	123
Under/(over) provided in prior years	3	−15
	19	**108**
Deferred income tax		
Origination and reversal of timing differences	232	−3
	232	**−3**
Total income tax expense in Income Statement	**251**	**105**

Deferred income tax of €232 million is detailed in Note 16 Deferred tax assets and liabilities.

OVERVIEW INCOME TAX EXPENSES ACHMEA 2018 BY GROSS PREMIUMS PER BUSINESS LINE

(€ MILLION)

	GROSS EARNED PREMIUMS 2018	GROSS EARNED PREMIUMS 2017	RESULT BEFORE TAX 2018	RESULT BEFORE TAX 2017	INCOME TAX EXPENSES 2018	INCOME TAX EXPENSES 2017
Dutch taxable activities per segment						
Non-life Netherlands	3,364	3,290	97	177	19	37
Pension & Life Netherlands	1,420	1,569	334	342	226	74
Retirement Services Netherlands			15	1	5	2
International activities	1,106	1,206	37	−23	37	−3
Other activities	205	255	−45	−48	−36	−5
	6,095	**6,320**	**438**	**449**	**251**	**105**
Dutch non-taxable activities per segment						
Health Netherlands [1]	13,942	13,184	128	−128		
Intersegment eliminations	−119	−154				
Total Dutch activities	**19,918**	**19,350**	**566**	**321**	**251**	**105**
International activities						
Turkey	271	335	24	8	3	
Slovakia	415	385	14	11	4	1
Greece	331	318	22	28	30	−2
Other	89	168	−23	−31		
Impairment losses				−39		−2
Total International activities	**1,106**	**1,206**	**37**	**−23**	**37**	**−3**

1. *The healthcare companies of Achmea are exempt from income tax (Article 5(1)(e) of the Dutch Corporate Income Tax Act 1969). Achmea meets the requirement that profits can only be used for public health institutes.*

ACCOUNTING POLICIES INCOME TAX EXPENSES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in Total equity, in which case these items are recognised in Total equity net of taxes. Expected tax receivables or payables are based on the taxable profit or loss for the year using tax rates enacted or substantially enacted at reporting date, and any adjustment to income tax receivable or payable in respect of previous years. In the measurement of the current income tax position, uncertainties regarding collectability have been taken

into account.

Notes to the Consolidated Financial Statements

27. NET OTHER COMPREHENSIVE INCOME

(€ MILLION)

	2018			2017		
	OTHER COMPREHEN-SIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHEN-SIVE INCOME	OTHER COMPREHEN-SIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHEN-SIVE INCOME
Remeasurements of net defined benefit liability	16	−4	12	−26	7	−19
Unrealised gains and losses on property for own use	12	−3	9	5	−1	4
Currency translation differences (including realisations) on subsidiaries, goodwill, associates and joint ventures	−55	2	−53	−43	2	−41
Unrealised gains and losses on financial instruments 'Available for sale'	−112	33	−79	40	7	47
Share in other comprehensive income of Associates and joint ventures				4		4
Changes in provision for Profit sharing and bonuses for policyholders due to unrealized investment income	−114	30	−84	223	−56	167
Reclassification to the Income Statement as Profit sharing and bonuses for policyholders from realized investment income	12	−3	9	83	−21	62
Gains and losses on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	−163	35	−128	−286	66	−220
Impairment charges on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	58	−10	48	20	−4	16
Total other comprehensive income	**−346**	**80**	**−266**	**20**		**20**

28. EARNINGS PER SHARE

(€ MILLION)

	2018	2017
Net result	314	215
Dividends on non-redeemable cumulative preference shares	−17	−17
Coupon payments on other equity instruments	−68	−68
Tax on coupon payments on other equity instruments	17	17
Net result attributable to ordinary shareholders	**246**	**147**

Net income available for distribution to holders of ordinary shares fully relates to continuing operations

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2018	2017
Issued ordinary shares at 1 January	400,484,892	400,484,892
Weighted average number of ordinary shares	**390,746,564**	**400,484,892**

Earnings per share are calculated as the quotient of Net result attributable to ordinary shareholders and the weighted average number of ordinary shares. The diluted earnings per share equal the earnings per share from continuing operations.

EARNINGS PER SHARE

	2018	2017
Earnings per share continuing operations	0.63	0.37
Basic earnings per share	**0.63**	**0.37**

Notes to the Consolidated Financial Statements

Other notes

29. HEDGE ACCOUNTING

Achmea applies fair value hedge accounting for the interest rate risk related to banking activities. The fair value of the interest rate derivatives of the banking activities designated as hedging instrument for the purpose of hedge accounting as at 31 December 2018 amounted to €389 million (31 December 2017: €458 million). Fair value hedge accounting implies that the fair value movements from the hedging instrument and the fair value movements from the hedged item that are attributable to the hedging risk are recognised in the Income statement. The interest rate derivatives of the banking activities consist of interest rate derivatives as hedging instruments related to the Banking credit portfolio, as well as interest rate derivatives as hedging instruments for financing operations.

The fair value of the derivatives designated as hedging instruments related to the Banking credit portfolio amounts to €420 million at year-end 2018 (31 December 2017: €481 million). In accordance with hedge accounting policies, Achmea determines the hedge relationship each month. The change in fair value of the Banking credit portfolio that is designated as the hedged item is recognised as part of the Banking credit portfolio and is subsequently amortised to profit or loss over the remaining life of the hedging instrument. The change in fair value of the derivatives designated as hedging instruments related to financing operations of the banking activities amounts to €-31 million at year-end 2018 (31 December 2017: €-23 million). In accordance with hedge accounting policies, Achmea determines the hedge relationship for the life of the hedging instrument. The change in fair value of the financing operations that are designated as the hedged items is recognised as part of the Financial liabilities and is subsequently amortised to profit or loss over the remaining life of the hedging instrument.

The results on hedge accounting for the banking activities are as follows:

RESULTS ON HEDGE ACCOUNTING

(€ MILLION)

	GAINS	LOSSES	TOTAL 2018	GAINS	LOSSES	TOTAL 2017
Fair value changes of the hedged item attributable to the hedged risk	82	−136	−54	84	−197	−113
Fair value changes of the related derivatives (including discontinuation)	141	−82	59	208	−90	118
Fair value changes of the hedging instrument - ineffective portion	223	−218	5	292	−287	5

Currency derivatives are used as hedging instruments. The fair value of the currency derivatives designated as hedging instrument for the purpose of hedge accounting as at 31 December 2018 amounted to €2 million (31 December 2017: €12 million). The fair value of foreign exchange contracts varies with the foreign exchange rate which corresponds with the fair value changes related to foreign currency differences of an investment in a foreign currency. Furthermore a change in the forward premium affects the value development of the derivative. This part of the value development is not included in hedge accounting. The fair value changes of the hedged item attributable to the hedged risk amounted to €37 million (2017: €106 million) and the fair value changes of the related derivatives amounted to €-77 million (2017: €-102 million), including value changes resulting from changes in the forward premium.

ACCOUNTING POLICIES HEDGE ACCOUNTING

Achmea applies fair value hedge accounting for its banking and treasury operations and certain investment portfolios. When Achmea applies fair value hedge accounting, a fair value adjustment is recognised in the Income Statement that reflects the changes in the fair value of the hedged items attributable to the hedged risk. Achmea assesses the effectiveness of the hedge relationship at each reporting date. The hedge relationship is discontinued when the effectiveness is not within the 80%-125% range or when the hedge is terminated or revoked. Achmea starts amortising the related fair value adjustment over the remaining duration of the hedged item when the hedge relationship is discontinued. When Achmea applies cash flow hedge accounting or applies hedge accounting for a net investment in a foreign operation, the fair value changes of the hedging instruments net of taxes are, for the effective part of the hedge relationship, recognised in the Hedging reserve, part of Total equity. Fair value changes due to ineffective parts of the hedge relationship are recognised in the Income Statement. Amounts accumulated in Total equity are recycled through the Income Statement in the periods in which the hedged item affects Net result.

Notes to the Consolidated Financial Statements

30. OPERATING LEASES

The future rental obligations linked to operational lease contracts are as follows:

In 2018 €26 million is recognised as an expense in the Income Statement in respect of operating leases (2017: €31 million). The income from subleases is €2 million in 2018 (2017: €2 million).

(€ MILLION)

	2018	2017
Less than one year	29	21
Between one and five years	84	123
More than five years	73	79
Balance at 31 December	**186**	**223**

31. CONTINGENCIES

Legal procedures

Achmea B.V. and companies forming part of Achmea are involved in lawsuits and arbitration proceedings. These proceedings relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Although it is not possible to predict or define the outcomes of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcomes of the actions will have a material, negative impact on the financial position of Achmea B.V.

Contingent liabilities

Achmea B.V. has issued guarantees on behalf of subsidiaries that relate to the activities of these subsidiaries, carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Achmea B.V. also issued guarantees for third parties under sales transactions.

CONTINGENT LIABILITIES

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Guarantees [1]	84	243
Total	**84**	**243**

1. *In 2017 cash collateral contracts (€135 million) were incorrectly included in the contingent liabilities.*

The Netherlands-based insurance companies of Achmea provided the 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.' with guarantees to a maximum of €42 million (2017: €44 million). Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks related to terrorism.

Achmea B.V. has provided Vereniging Achmea and Rabobank with an indemnity for amounts imposed by the Australian supervisor related to the activities of the Australian branch of Achmea Schadeverzekeringen N.V. in case the Australian supervisor will impose on Vereniging Achmea and Rabobank as shareholder of the ultimate parent of Achmea Schadeverzekeringen N.V. additional obligations and responsibilities relating to these Australian activities. No material losses are expected in respect of this indemnity. Due to its nature, this indemnity is not to be quantified.

Notes to the Consolidated Financial Statements

UNRECOGNIZED CONTRACTUAL COMMITMENTS

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Commitments related to investments	1,096	667
Total	**1,096**	**667**

At year-end 2018 Achmea has contractual liabilities in connection with credit facilities for customers, that are part of the building account agreements. If the clients meet the conditions, Achmea is obliged to provide credits in the amount of €90 million (2017: €107 million).

Achmea provides mortgage loans for its own account and for the account and risk of its clients (pension funds). In this capacity Achmea has commitments arising from offers for mortgage loans. If the clients accept the offers Achmea is obliged to provide mortgage loans in the amount of €817 million (2017: €421 million). This commitment is offset by a received guarantee of €134 million (2017: €109 million).

Contingencies related to shares subject to a put option agreement

Pursuant to certain put option agreements, some shareholders of Achmea B.V. have the right to sell their shares to a third party. When an option is exercised, Achmea B.V. is obliged to enter into a derivative transaction with the purchasing third party. Pursuant to this transaction Achmea B.V. will pay the purchaser a premium equal to the settlement amount due by the purchaser to the selling shareholder under the related option. During the life of the derivative transaction, Achmea B.V. will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Achmea B.V. will receive from the purchaser the premium paid upfront adjusted for part of the change in value of the Achmea B.V. shares held by the third party during the life of the derivative transacton.

NUMBER OF OUTSTANDING OPTIONS

	31 DECEMBER 2018	31 DECEMBER 2017
Schweizerische Mobiliar Holding AG	2,769,246	2,769,246
Gothaer Allgemeine Versicherung AG	1,849,108	1,849,108
Gothaer Finanz Holding AG	2,206,482	2,206,482
Total	**6,824,836**	**6,824,836**

Contingent assets

Conflict between the Slovak Government and Achmea B.V.

In contradiction of an agreement to encourage investments between the Slovak Republic and The Netherlands, the Slovak government has enforced a ban on the distribution of profit on Slovak health insurers, including Achmea's Slovak subsidiary Union Zdravotná Poist'ovna A.S., in the period between 2007 and August 2011.

Achmea sought compensation for the incurred loss and statutory interest paid through an international arbitration tribunal. In December 2012 the arbitration tribunal decided in favour of Achmea. Under this decision the Slovak Government is required to compensate Achmea for damages incurred and the statutory interest paid. The compensation amounted to approximately €25 million.

The Slovak Government has publicly stated that it will not pay the amounts awarded to Achmea and has submitted the arbitration verdict for annulment to a German Court. In the first court hearing, the annulment request of the Slovak Republic has been rejected. The Slovak Government has appealed against this judgment to the Bundesgerichtshof in Karlsruhe. The Bundesgerichtshof raised some legal issues with the European Court of Justice. In March 2018 the Court of Justice ruled that the arbitration clause in the bilateral investment treaty on which the arbitration proceedings were based, was invalid. Partly based on this ruling of the European Court, the Bundesgerichtshof delivered its judgment. The Bundesgerichtshof followed the ruling of the European Court of Justice and overturned the arbitration verdict. Achmea has appealed against the judgment in Germany and has submitted a claim for damages in Slovakia. Because of the compounding statutory interest, Achmea's claim now amounts to approximately €30 million. In view of the proceedings in Germany, Achmea does not consider the receivable amounts to be sufficiently certain to recognise it as an asset.

Notes to the Consolidated Financial Statements

32. CREDIT QUALITY FINANCIAL ASSETS AND DISCLOSURES CONCERNING DELAY IFRS 9

The table below provides an overview of the credit quality of the financial investments based on (external) rating information. It also shows for which part of the financial investments no (external) rating is available.

EXTERNAL CREDIT RATING ASSETS

(€ MILLION)

31 DECEMBER 2018	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments [1]	10,334	3,432	6,192	6,005	5,467	518	18,930	50,878
Derivatives		2	187	2,725	308	6	251	3,479
Other financial investments [2]	12		8,839	393	18	4	50	9,316
Amounts ceded to reinsurers			354	195	41	8	73	671
Receivables		2,246	18	20	1	10	3,533	5,828
Cash and cash equivalents		116	346	957	4	29	14	1,466

1. *Loans and mortgages without a rating relate to NHG mortgages (mortgages with National Mortgage Guarantee) for an amount of €6,218 million.*
2. *Other financial investments with an AA rating relate to saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan. For an overview of other investments reference is made to Note 6.*

The table above/below includes the rating of financial instrument. Several external rating agencies are used to determine the rating of these financial instruments. In line with Achmea's internal policy for monitoring market risks, these ratings are translated to the S&P taxonomies. If there are multiple ratings available for the same financial instrument, the second best rating is used. If an instrument does not have an external rating, the rating of the issuing party is considered to be an appropriate rating of the financial instruments. However, if the instrument is guaranteed by a third party or the issuing party itself does not have a rating, the rating of the party guarantying the financial instrument is used. In all other cases, the instruments are included in table above/below as non-rated.

EXTERNAL CREDIT RATING ASSETS

(€ MILLION)

31 DECEMBER 2017	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments [1]	10,307	3,418	6,030	5,845	5,517	581	19,418	51,116
Derivatives		7	153	2,513	450	10	270	3,403
Other financial investments [2]	8	3	9,463	456	13	5	6	9,954
Amounts ceded to reinsurers		1	292	97	8	16	242	656
Receivables		1,998	11	42	4	20	4,348	6,423
Cash and cash equivalents		891	550	1,369	17	32	25	2,884

1. *Loans and mortgages without a rating relate to NHG mortgages (mortgages with National Mortgage Guarantee) for an amount of €6.156 million.*
2. *Other financial investments with an AA rating relate to saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan. For an overview of other financial investments reference is made to Note 6.*

The following table provides an overview of the carrying amounts of financial assets that are past due or impaired.

FINANCIAL ASSETS THAT ARE PAST DUE OR IMPAIRED

(€ MILLION)

	PAST DUE BUT NOT IMPAIRED				IMPAIRED ASSETS
31 DECEMBER 2018	0 - 3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT
Investments					
Fixed income investments					151
Receivables and accruals	24	9	447	480	272
31 December 2017					
Investments					
Fixed income investments	1			1	171
Receivables and accruals	28	4	494	526	251

Notes to the Consolidated Financial Statements

The table below provides an overview of asset and liabilities subject to offsetting, enforceable Master Netting Agreements and similar agreements.

FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING, ENFORCABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

(€ MILLION)

31 DECEMBER 2018	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES	NET AMOUNTS OF FINANCIAL ASSETS/ LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	BALANCE OF THE FINANCIAL ASSETS AND LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS RECEIVED	CASH COLLATERAL RECEIVED (EXCLUDING SURPLUS COLLATERAL)	NET AMOUNT
Derivatives assets	3,400		3,400				
Derivatives liabilities		713	713				
				2,687	1,390	930	367
Cash and cash equivalents	8,038	6,969	1,069	1,069			1,069
31 DECEMBER 2017							
Derivatives assets	3,276		3,276				
Derivatives liabilities		729	729				
				2,547	1,870	425	252
Cash and cash equivalents	10,496	9,512	984	984			984

1. *The above table does not include assets and liabilities held for sale at year-end 2017 (see Note 21). Of these assets and liabilities both the derivatives assets and the derivatives liabilities are nil at year-end 2017. Cash and cash equivalents amounted to €71 million assets and €15 million liabilities at year-end 2017.*

Disclosures concerning the temporary exemption from IFRS 9

IFRS 9 entered into force on 1 January 2018. Achmea made an assessment as at the reference date 31 December 2015 of whether it was eligible for a temporary exemption (deferral) in relation to IFRS 9. The deferral approach is permitted if the percentage of liabilities connected with insurance relative to the total amount of liabilities is greater than 90 per cent or it is between 80% and 90% and it can be shown that a company does not engage in a significant activity unconnected with insurance.

The outcome of the assessment was that the percentage of liabilities connected with insurance relative to total liabilities fell within the 80%-90% range. Part of the liabilities connected with insurance as at 31 December 2015 was a sum of €4.6 billion that did not arise directly from insurance contracts, but was related to them. These are mainly liabilities recognised on the balance sheet of the various insurance entities and connected with the performance of insurance activities. For example, derivatives held to mitigate interest rate risks within the insurance contract, taxes etc.

Because as at the reference date 31 December 2015 the percentage of liabilities connected with insurance relative to total liabilities fell within the 80%-90% range, Achmea conducted a further analysis to assess whether there was a significant activity unconnected with insurance. The analysis took into account both quantitative and qualitative factors. The quantitative assessment included factors such as number of FTEs, amount of assets, amount of liabilities, amount of equity and amount of income and expenses. The qualitative assessment examined how Achmea is perceived in the market. Taking everything into consideration, Achmea is of the opinion that there is no significant activity unconnected with insurance and that a temporary exemption from IFRS 9 is permitted. Achmea therefore opted to apply the temporary exemption.

Following the initiation assessment as at the reference date 31 December 2015, Achmea must reassess whether it remains eligible for a temporary exemption from IFRS 9 in the event of any significant change in its activities. Achmea has defined triggers for significant changes and carries out tests when these occur. These triggers concern changes to the segment structure, sales of operating companies that fall within the definition of discontinued operations, acquisition of material operating companies, and significant changes in total liabilities and within a segment.

In 2018 Achmea finalised the sale of its stake in the Irish insurance subsidiary Friends First Life Insurance Company D.A.C. This sale was regarded as a significant change in activities, on the basis of which Achmea reassessed at the end of 2018 whether it was eligible for the temporary exemption under the aforementioned criteria. The conclusion was that Achmea still qualifies for a temporary exemption from IFRS 9 and will continue to make use of this option.

Notes to the Consolidated Financial Statements

Within Achmea Group, the insurance entities have also applied a temporary exemption from IFRS 9 in respect of the 2018 financial statements that they are obliged to produce under their articles of association. As it is not an insurance company, Achmea Bank has applied IFRS 9 in the 2018 financial statements that it is obliged to produce under its articles of association. These financial statements can be obtained from the Achmea Bank website. Most of the other entities within the group do not apply the IFRS in drawing up the financial statements that they are obliged to produce under their articles of association.

Because Achmea has deferred the implementation of IFRS9, additional information must be included on the cash flow characteristics of financial instruments and, for those financial instruments with contractual cash flows consisting of solely payments of principal and interest, information on the credit quality. This information is included in the tables on the following page.

The first table on the following page includes information on the cash flow characteristics for all financial assets. Achmea is currently working on the implementation of the principles in IFRS 9, including the assessment of the business model. In anticipation of the specifics of the business model investments in the amount of €1,053 million, including €588 million relating to investments in fixed income securities, have been included in column Other (non-SPPI, including held for trading or managed and evaluated on a fair value basis). Under IAS 39 these investments were classified as Available for sale. The inclusion of these financial instruments in other financial assets follows from the expectation that these investments will be categorised as 'managed and evaluated on a fair value basis'. For these investments no SPPI test is required under IFRS 9 and therefore Achmea has opted not to set up an SPPI test for these financial instruments yet. The specifics of the business model under IFRS 9 have not yet been developed, which means these instruments may be included in the SPPI test in future.

Furthermore all investments backing linked liabilities and classified as Fair Value through Profit &Loss (FVPL) under IAS 39 are included in column Other (non-SPPI, including held for trading or managed and evaluated on a fair value basis). This is based on the expectation that these investments will be recognised as FVPL upon the implementation of IFRS 9 in combination with IFRS 17, due to the accounting mismatch arising from the valuation model which is expected to be applied for the insurance liabilities under IFRS 17 or the business model for these investments. Specifically it concerns Investments backing linked liabilities amounting to €15,098 million, including €10,337 million relating to investments in fixed income securities. If the provisional conclusions on the business model or the provisional conclusions on the applicable valuation model for the insurance liabilities under IFRS 17 change, this may affect the disclosure as stated in the table below and a larger part of the financial assets may be included as SPPI-compliant**.**

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS WITHIN SCOPE OF IFRS9

(€ MILLION)

	FINANCIAL ASSETS WITH CONTRACTUAL CASHFLOWS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI, EXCLUDING HELD FOR TRADING OR MANAGED AND EVALUATED ON A FAIR VALUE BASIS			OTHER (NON-SPPI, INCLUDING HELD FOR TRADING OR MANAGED AND EVALUATED ON A FAIR VALUE BASIS)			**TOTAL**		
	BOOK VALUE AS AT 31 DECEMBER 2018	FAIR VALUE AS AT 31 DECEMBER 2018	CHANGE IN FAIR VALUE FOR THE YEAR 2018	BOOK VALUE AS AT 31-12-2018	FAIR VALUE AS AT 31-12-2018	CHANGE IN FAIR VALUE FOR THE YEAR 2018	**BOOK VALUE AS AT 31-12-2018 [1]**	**FAIR VALUE AS AT 31-12-2018**	**CHANGE IN FAIR VALUE FOR THE YEAR 2018**
Investments									
Equities and similar investments				7,275	7,275	−696	7,275	7,275	−696
Fixed income investments	45,995	46,209	−237	4,419	4,419	−50	50,414	50,628	−287
Derivatives				3,479	3,479	94	3,479	3,479	94
Other financial investments	1,917	2,133	−80	7,362	7,362	−209	9,279	9,495	−289
Receivables and accruals	1,162	1,165	1	2	2		1,165	1,168	1
Cash and cash equivalents	1,466	1,466					1,466	1,466	

1. *The table only includes financial instruments which are expected to fall under IFRS 9. Certain financial instruments are expected to be included as part of the valuation of the insurance liabilities under IFRS 17. Therefore the carrying amount differs from the amounts stated in Note 6 Investments and Note 17 Receivables and accruals. This concerns for example premium receivables and receivables from insurers under recourse.*

Notes to the Consolidated Financial Statements

The table below shows the credit quality of all instruments meeting the SPPI test. The last column states per category of financial assets the amount of financial instruments that do not have a low credit risk. For now this is defined as instruments with a rating lower than 'below investment grade'. For now these investments are included under 'Financial assets that do not have low credit risk'.

For financial instruments included in Investments with 'no rating' the details of low credit risk still have to be specified. For now these are included in the table below under 'Financial assets that do not have low credit risk'. This concerns mortgage receivables for an amount of €18,583, for which it is expected that no use will be made of the permitted simplification to determine whether a significant deterioration in credit quality has occurred. Furthermore the table below includes Receivables in the column 'Financial assets that do not have low credit risk', as Achmea intends to apply the so-called simplified methodology for determining credit losses in the application of IFRS 9. Expected credit losses are calculated for the entire lifetime of an instrument, making it unnecessary to determine whether a significant deterioration in credit quality has occurred.

FINANCIAL ASSETS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS)

(€ MILLION)

31 DECEMBER 2018									FINANCIAL ASSETS THAT DO NOT HAVE LOW CREDIT RISK	
	AAA GOVERN-MENT BONDS	AAA	AA	A	BBB	BELOW BBB	NO RATING	BOOK VALUE SPPI ASSETS TOTAL	TOTAL FAIR VALUE	TOTAL BOOK VALUE
Investments										
Fixed income investments	9,046	3,372	4,933	4,965	4,709	180	18,790	45,995	19,185	18,970
Other financial investments			1,914	3				1,917		
Receivables and accruals						2	1,160	1,162	1,163	1,162
Cash and cash equivalents		116	346	957	4	29	14	1,466	43	43

Notes to the Consolidated Financial Statements

33. TRANSFER OF FINANCIAL ASSETS AND SECURITIES

Achmea transfers financial assets when it transfers the contractual rights to receive cash flows from the financial asset. In addition, Achmea transfers financial assets when it retains the aforementioned contractual rights, but enters into a contractual obligation to pay the received cash flows to one or more third parties. Achmea distinguishes the following transactions in the context of the transfer of rights (assets and securities):

- transferred financial assets not fully derecognised in the event of securities lending. With these transactions Achmea transfers the legal ownership (but not the beneficial ownership) of assets and receives collateral in the form of cash or cash equivalents or other investments. The transferred assets are still recognised in the Statement of Financial Position;
- transferred financial assets which are fully derecognised and over which Achmea no longer has control (regular sale); and
- received or provided collateral in the event of securities lending, collateralised mortgage receivables when raising loans for the banking business and received or provided collateral in the event of derivative transactions. Received collateral in the form of cash or cash equivalents is recognised in the Statement of Financial Position with simultaneous recognition of a repayment obligation in the Statement of Financial Position. Received collateral in the form of cash or cash equivalents is normally invested in designated high quality, liquid investments. Provided collateral in the form of cash or cash equivalents is no longer recognised in the Statement of Financial Position. For the right to receive the collateral back a receivable is recognised in the Statement of Financial Position. Received collateral in the form of investments is not recognised in the Statement of Financial Position, provided collateral in the form of investments are still recognised in the Statement of Financial Position.

The following notes provide further information on the transferred financial assets not or not (fully) derecognised and on collateral received or provided as security.

SECURITIES LENDING ACTIVITIES

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Carrying amount of transferred financial assets in the balance sheet	4,063	3,565
Fair value of non-cash collateral received not in the balance sheet	4,258	3,786
Net exposure	**−195**	**−221**

Achmea lends bonds and receives a fee for this (also called securities lending). The process of securities lending is facilitated by a lending agent, who receives a fee for its intermediary services between Achmea and the borrower. Securities lending involves transfer of the legal ownership to the borrower, whereas the beneficial ownership remains with Achmea. The securities lent are therefore still recognised in the Statement of Financial Position.

As security for performance of the obligation to return the borrowed securities, the borrower provides collateral in the form of other high quality liquid securities. The value of the collateral is determined daily. The collateral may consist of bonds or shares. Legal ownership of this collateral is transferred to Achmea, but beneficial ownership remains with the borrower. Therefore the collateral is not recognised in the Statement of Financial Position. The value of the collateral is at least 2-7% higher (so-called haircut) than the value of the securities lent. For collateral in the form of shares Achmea requires a higher haircut, given the higher volatility of shares. If a borrower fails to return the securities lent, the lending agent will liquidate the collateral and subsequently purchase the same securities as lent by Achmea and return these to Achmea. Any losses are not for the account of Achmea. If the lending agent is unable to return the same securities, Achmea will receive the market value of the securities lent in cash. The received collateral is not freely disposable and may not serve as collateral in other transactions.

Notes to the Consolidated Financial Statements

Loans part of banking credit portfolio collateralised by mortgages

To finance the loans raised for its banking activities, Achmea has issued several funding instruments, secured by collateralised mortgage receivables part of the investments of the banking business. Due to these collaterals part of the mortgage receivables is not freely disposable.

LOANS PART OF BANKING CREDIT PORTFOLIO COLLATERALISED BY MORTGAGES (€ MILLION)

	CARRYING AMOUNT 31 DECEMBER 2018	CARRYING AMOUNT 31 DECEMBER 2017	FAIR VALUE 31 DECEMBER 2018	FAIR VALUE 31 DECEMBER 2017
Loans part of banking credit portfolio secured by mortgages	11,109	11,770	11,298	11,798
Secured loans part of Loans and borrowings	1,619	1,893	1,583	1,838
Net position	**9,490**	**9,877**	**9,715**	**9,960**

COLLATERALS (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Collateral by means of trust arrangements	175	211
Collateral to third parties	1,199	1,857
Collateral by means of securitisation	3,305	2,912
	4,679	**4,980**

Collaterals by means of trust arrangements

As part of the collaterals by means of trust arrangements, Achmea Bank (a fully owned subsidiary of Achmea) periodically collaterals mortgage receivables to a Trustee as security for designated liabilities. In the event of default by Achmea Bank, investors can recover the debt from the mortgage receivables given as collateral.

Collaterals to third-parties

Third-party collaterals on loans are set up by means of covered bond programme, in which Achmea Bank acts as originator and issuer under the programme. The payment of the principal of interest on the bonds issued is guaranteed by a bankruptcy remote 'Special Purpose Vehicle' (SPV). The guarantee provided by this SPV is supported by mortgage receivables, given as collateral by Achmea Bank to the SPV. The outstanding amount of these transferred mortgage receivables will at all times be at least 33.3% higher than the bonds issued under the programme. In the event of default by Achmea Bank, an investor has recourse on the bank and the underlying mortgage portfolio.

Collaterals by means of securitisation

Achmea Bank uses securitisation as a funding source. In all these securitisation transactions, Achmea Bank assigns a portfolio of mortgage receivables to a special-purpose vehicle (SPV) which issues notes on the capital markets. With the proceeds of the notes the SPV can finance the assigned mortgage receivables and with the received interest on the mortgage receivables the SPV can pay the interest on the notes. The maximum loss for Achmea on the transferred assets and liabilities amounted to €1,376 million as at 31 December 2018 (31 December 2017: €750 million) and has been determined based on the notes of the SPV's which are held by Achmea and the Deferred Purchase Price (excess margin).

Notes to the Consolidated Financial Statements

Collateral investments in the context of derivative transactions

RECEIVED OR COLLAPSED COLLATERAL INVESTMENTS IN THE CONTEXT OF DERIVATIVE TRANSACTIONS (€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Net position of assets and liabilities derivatives	2,701	2,554
Covered by securities in collateral	1,389	1,515
Liquid funds received in collateral [1]	915	768
Net position	397	271

1. *For comparative purposes, the figures as at 31 December 2017 have been adjusted for the proper presentation of cash received as collateral.*

In the event of collateral these arrangements are recorded in so-called ISDA Credit Support Annex agreements. These also stipulate the conditions – the so-called 'default events' – under which the party may use the cash collateral to reduce possible losses. Transfer of the collateral takes place by 'transfer of title', meaning the legal ownership is transferred to Achmea. The economic benefits, such as interest income, do not transfer to the receiver of the collateral. In most cases the received collateral consists of liquid investments, mostly liquid assets such as government bonds and cash or cash equivalents.

Bilateral arrangements regarding collateral to be received or provided have been agreed with Achmea's counterparties. The collateral to be received or provided is based on the derivatives assets and liabilities combined of the relevant counterparty. The net position of assets and liabilities for derivatives under these bilateral arrangements must be fully covered by collateral for each individual counterparty.

In most cases there is a central clearing of derivative positions, whereby an initial margin is always paid by Achmea. The initial margin is supplemented by a variation margin to be deposited or received that depends on the combined position of assets and liabilities derivatives with the relevant clearing partner. The total value of the collateral held at year-end 2018 also includes collateral deposited for cleared derivatives positions, the initial margin, of €388 million (31 December 2017: €336 million). For all derivatives where there is central clearing, the net position of assets and liabilities related to derivatives per individual counterparty is fully covered by collateral.

Notes to the Consolidated Financial Statements

34. INTERESTS IN SUBSIDIARIES

Set out below are Achmea's principal subsidiaries as at 31 December 2018. These are subsidiaries which are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, banking services, asset management or services related to these activities. The included Dutch subsidiaries are medium or large entities. For the foreign subsidiaries the parent company is included and if there is no parent company all subsidiaries are included. The voting power in these subsidiaries held by Achmea is equal to the shareholding. The country of incorporation or registration is also their principal place of business. The principal subsidiaries of Achmea B.V. are listed by geographical segment.

	CORPERATE SEAT	% OF OWNERSHIP INTEREST HELD BY THE GROUP
THE NETHERLANDS		
Achmea Bank N.V.	The Hague	100%
Achmea Interne Diensten N.V.	Zeist	100%
Achmea Investment Management B.V.	Zeist	100%
Achmea Pensioen- en Levensverzekeringen N.V.	Apeldoorn	100%
Achmea Reinsurance Company N.V.	Tilburg	100%
Achmea Schadeverzekeringen N.V.	Apeldoorn	100%
Achmea Zorgverzekeringen N.V.	Zeist	100%
Inshared Holding B.V.	Hoevelaken	100%
N.V. Hagelunie	The Hague	100%
Achmea Pensioenservices N.V.	Zeist	100%
Syntrus Achmea Real Estate & Finance B.V.	Amsterdam	100%
GREECE		
Interamerican Hellenic Life Insurance Company S.A.	Athens	99,89%
TURKEY		
Eureko Sigorta A.S.	Istanbul	100%
SLOVAKIA		
Union Poist'ovna A.S.	Bratislava	99,97%
Union Zdravotná Poist'ovna A.S.	Bratislava	100%

The full list of participations as set forth in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce.

Consolidated structured entities

Achmea Bank N.V. (a subsidiary of Achmea B.V.) uses securitisation as a funding source. In all these securitisation transactions, Achmea Bank assigns a portfolio of mortgage receivables to a special-purpose vehicle (SPV) which issues Notes on the capital markets. With the proceeds of the Notes the SPV can finance the assigned mortgage receivables and with the received interest on the mortgage receivables the SPV can pay the interest on the Notes. The names of these SPVs are Dutch Mortgage Portfolio Loans XI B.V. (DMPL XI), Dutch Mortgage Portfolio Loans XII B.V. (DMPL XII), Dutch Residential Mortgage Portfolio I B.V. (DRMP I), Dutch Residential Mortgage Portfolio II B.V. (DRMP II) and Securitised Residential Mortgage Portfolio I B.V. (SRMPI).

All these SPV's are controlled by Achmea and are therefore consolidated, in accordance with IFRS. Reference is made to Note 6 Investments - Banking credit portfolio and Note 33 Transfer of financial assets and securities for more information about these consolidated structured entities.

Significant restrictions related to subsidiaries

Certain of Achmea's subsidiaries, principally insurance and banking companies, are subject to restrictions on the amounts of funds they may distribute in the form of cash dividends or otherwise to their parent companies.

Total equity contributed by a number of subsidiaries was subject to regulations and restrictions contained in the statutes. At year-end 2018 this amounted to €7 million (31 December 2017: €632 million) of Total equity. These subsidiaries may also not, pursuant to restrictions under the law and the articles of association, cease their activities.

Notes to the Consolidated Financial Statements

35. RELATED PARTY TRANSACTIONS

Nature of related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions (e.g. subsidiary). Achmea has various types of ordinary transactions (particularly in the area of insurance, banking and asset management), in the normal course of business, with related companies and parties.

Achmea also considers its defined benefit pension plan (Stichting Pensioenfonds Achmea) as a related party. Members of the Executive and Supervisory Board and their close family members are also considered related parties to Achmea.

In addition, related party transactions comprise transactions with associates, joint ventures, key management personnel and close family members of related parties. The transactions with those parties are not considered material to Achmea, either individually or in the aggregate. A list of Achmea's principal subsidiaries is presented in Note 35, Interests in subsidiaries.

Achmea could enter into economic transactions with entities controlled by its Executive Board and Supervisory Board members or their close family members. There were no such transactions or related parties in 2018 and 2017.

Remuneration of the Executive Board

The members of the Executive Board are directors of Achmea B.V., holding key management positions at Group level.

The remuneration of the Executive Board is related to the content and responsibilities of their respective positions. The various positions are weighted on aspects such as impact and nature of the responsibilities of the position, complexity of the managerial context in which they operate and the necessary knowledge, experience and competencies.

Besides a fixed salary, the remuneration package of an Executive Board member includes elements of variable remuneration. The Supervisory Boards decides, on the advice of the Remuneration Committee, on the granting of awards of variable remuneration in the year after the performance. The granting of awards of variable remuneration in any specific year therefore applies to previous performance years. Half of the variable remuneration is deferred for five years. These awards of variable remuneration are included as part of the Other long-term employee benefits. In addition to their salaries, the members of the Executive Board have a pension scheme. As of 1 January 2014, the conditions of the pension scheme for the board members have been aligned with the scheme for personnel residing under the collective labour agreement (CAO personnel). With effect from 1 January 2015 the pension scheme for the Executive Board members is executed by Stichting Pensioenfonds Achmea. Now both the conditions and the execution of the scheme are aligned with the scheme for CAO personnel. The rights accrued up to and including 31 December 2014 remain in the insured pension plan of Achmea Pensioen- en Levensverzekeringen N.V. In addition to the accrual, the indexation on the rights accrued up to and including 31 December 2014 is with effect from 1 January 2015 also carried out by Stichting Pensioenfonds Achmea. Annually an amount is paid to Stichting Pensioenfonds Achmea to purchase indexation on the accrued rights.

Notes to the Consolidated Financial Statements

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR

(€ MILLION)

	2018	2017
Short-term employee benefits	5.53	5.05
Post-employment benefits	2.14	2.39
Other long-term employee benefits	0.36	
Termination benefits		
Employers'share social security contributions	0.06	0.06
Total	**8.09**	**7.50**

A total amount of €8.09 million was recognised in the reporting period 2018 for Executive Board remuneration (2017: €7.50 million). This total amount pertains to the performance year 2018, except the variable remuneration for 2018. The variable remuneration pertains to the amounts awarded in a financial year with regard to the previous financial year or performance year, because when the financial statements for the previous financial year were adopted it was not yet decided whether variable remuneration would be awarded for that performance year. This is the case for both 2018 and 2017. For the performance year 2017 it was decided after the adoption of the Financial Statements 2017 to award a variable remuneration to the members of the Executive Board. This expense is recognised in 2018. In 2017 no expense was recognised for variable remuneration for the performance year 2016, as no variable remuneration was awarded for that performance year.

Below is an overview of the remuneration of the members of the Executive Board for performance year 2018. The variable remuneration is presented in respect of the performance year. This can differ from the year in which the expense is recognised, because the decision to award variable remuneration is made after adoption of the Financial Statements. This overview includes an aggregate comparison with 2017.

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE CURRENT PERFORMANCE YEAR

Active board members as at 31 December 2018[1]	ANNUAL SALARY (SHORT-TERM EMPLOYEE BENEFITS)[2]	VARIABLE REMUNERATION AWARDED (OTHER SHORT-TERM EMPLOYEE BENEFITS)[2]	VARIABLE REMUNERATION AWARDED (OTHER LONG-TERM EMPLOYEE BENEFITS)[2]	POST-EMPLOYMENT BENEFITS (CAP €105,075)[3]	CONTRIBUTION NET POST-EMPLOYMENT BENEFITS (OVER €105,075)[3]	WAGE BENEFIT (OVER €105,075)[3]	TOTAL
W.A.J. (Willem) van Duin, Chairman	1.08	t.b.d.	t.b.d.	0.05	0.24	0.20	1.57
R. (Roelof) Konterman, Vice-chairman	0.94	t.b.d.	t.b.d.	0.05	0.24	0.17	1.40
M.A.N. (Michel) Lamie, CFO	0.76	t.b.d.	t.b.d.	0.04	0.13	0.10	1.03
R. (Robert) Otto	0.80	t.b.d.	t.b.d.	0.04	0.14	0.11	1.09
B.E.M. (Bianca) Tetteroo	0.80	t.b.d.	t.b.d.	0.04	0.12	0.13	1.09
H. (Henk) Timmer, CRO	0.79	t.b.d.	t.b.d.	0.05	0.16	0.13	1.13
Total 2018	**5.17**	**t.b.d.**	**t.b.d.**	**0.27**	**1.03**	**0.84**	**7.31**
Total 2017	**5.05**	**0.36**	**0.36**	**0.30**	**1.10**	**0.99**	**8.16**
Average number of active and former Executive Board members 2018: 6							
Average number of active and former Executive Board members 2017: 6.25							

1. *All active board members were employed throughout 2018.*
2. *Excluding employers' share in social security contributions.*
3. *The post-employment benefits have as elements: the expense for the accrual of the maximum pensionable salary €105,075 (this is the fiscal cap 2018; 2017 €103,317), and the gross contribution to the net post-employment benefits over the fiscal cap based on the age-related 3% DC scale and the wage benefit over the fiscal cap. See the notes to post-employment benefits below. The column 'wage benefit over €105,075' in individual cases includes a compensation for deprivation of benefits under the old Executive Board scheme.*

Annual salary

The annual salary of the Executive Board is the fixed all-in salary on an annual basis including holiday allowance. On 1 January 2018 the salary of all members of the Executive Board was raised as collectively agreed by 2%. For five members of the Executive Board who were active on 31 December 2016 the fixed salary was once only raised by 4.95% as of 1 January 2018, prior to the collective raise, in connection with a deferred compensation for an earlier downward adjustment of the percentage of variable remuneration of these members of the Executive Board. Insofar as applicable the benefit of private use of a lease car is also included in the fixed annual salary.

Notes to the Consolidated Financial Statements

Variable remuneration awarded

When the Financial Statements 2018 were adopted, it was not yet decided to award a variable remuneration for the performance year 2018. Should this be awarded, then this shall be included in the Remuneration Report 2018 that will be published in May 2019. This variable remuneration would be recognised in the Financial Statements 2019.

For the performance year 2017 the decision on the 2017 variable remuneration was finalized after the adoption of the Financial Statements 2017 and it was decided to award a variable remuneration in the amount of €0.72 million to the Executive Board. This amount is recognised as an expense in the Financial Statements 2018.

Post-employment benefits

The pension scheme applicable to other personnel also applies to the Executive Board. This is a CDC financed pension scheme aimed at career average salary, with among others the following characteristics at year-end 2018:

- Maximum pensionable salary €105,075
- Accrual 1.875% per year
- State pension offset €13,576
- Retirement age: first day of the month in which the age of 68 is reached
- Dependants' pension
- Non-contributory continuation of the pension scheme in the event of partial or full incapacity for work
- Conditional indexation
- Employee contribution standard 3.25% of the pensionable earnings

Post-employment benefits over the fiscal cap

As of 1 January 2015 pension accrual is fiscally capped. In 2018 the fiscal cap is €105,075.

For employees with an income over the fiscal cap arrangements have been made as of 1 January 2015 (in the CAO) for alternative pension accrual. These arrangements apply to all Achmea employees, and they also apply to the Executive Board. The arrangements also apply to employees who entered the employment of Achmea after this date.

The total premium contributed by the employer before 1 January 2015 for pension accruals over the fiscal cap will be converted into a new contribution by the employer for pension accruals over the fiscal cap, without affecting costs. The total employer contribution is determined each calendar year based on the total sum of the maximum pensionable earnings over the fiscal cap, based on the interest rate level at 31 December of the previous calendar year.

The employer contribution consists of two components, mentioned below. Component 1 will be financed first and component 2 will be financed from the remainder of the total contribution which may not be used for the first component.

1. An age-related contribution by the employer which the employee (net of taxes) can use to participate in a net pension scheme for pension accrual over the fiscal cap ('contribution to net post-employment benefits' in the above table). The age-related contribution is calculated based on the (maximum) graduated tax rates determined by the Ministry of Finance;

2. A so-called gross 'wage benefit pension'. Any remaining amount of the employer contribution will be used to calculate an equal percentage of wage benefit for all employees with a pensionable salary over € 105,075. In 2018 this percentage is 16.1% of the pensionable salary over the fiscal cap. This calculation is performed annually in January by Willis Towers Watson. The amount of the wage benefit is determined based on the DNB-UFR for pension funds on 31 December of the previous calendar year.

Termination benefits

Both in 2018 and 2017 no termination benefits were awarded related to termination of a labour contract.

Claw back

In 2018, there were no adjustments or claw back of remuneration from former years with regard to members of the Executive Board, nor were there any in 2017.

Notes to the Consolidated Financial Statements

Loans

Members of the Executive Board have loans outstanding with the banking operations of Achmea. The loans amount to €0.4 million (2017: €1.3 million). The weighted interest rate of these loans is 3.3% (2017: 3.1%). The loans are mortgage loans. In 2018 €0.81 million has been repaid (2017: €0.23 million). The loans are presented as part of the Investments - Banking credit portfolio.

Directors' liability

Achmea has taken out directors' liability insurance for Executive Board and Supervisory Board members of Achmea B.V. and its subsidiaries. Some board members are also indemnified against financial loss based on third-party claims, under certain conditions, insofar as this loss exceeds the insured cover.

Remuneration of supervisory board members

The table below gives an overview of the remuneration of the Supervisory Board members of Achmea B.V. in 2018.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD PER YEAR [1] (€ MILLION)

Supervisory Board members as at 31 December 2018:	
A.W. (Aad) Veenman, Chairman	0.20
W.H. (Wim) de Weijer, Vice-chairman (as of 1 July)	0.11
J. (Jan) van den Berg (vanaf 16 februari)	0.07
P.H.M. (Petri) Hofsté	0.14
S.T. (Joke) van Lonkhuijzen-Hoekstra	0.10
M. (Mijntje) Lückerath-Rovers	0.10
A.C.W. (Lineke) Sneller	0.12
R.Th. (Roel) Wijmenga	0.15
Former member Supervisory Board	
A.J.A.M. (Antoon) Vermeer, Vice-chairman (until 17 April)	0.04
Total 2018	**1.03**
Total 2017	**1.00**

1. *Excluding VAT and expenses, including remunerations for committee memberships and supervisory board memberships at group companies.*

In 2018 the composition of the Supervisory Board changed. Mr Van den Berg joined the Supervisory Board as of 16 February 2018. Mr Vermeer resigned from the Supervisory Board as of 17 April 2018, having served the maximum term of office. The sitting member of the Supervisory Board Mr De Weijer has been appointed Vice-chairman of the Supervisory Board as of 1 July 2018.

Members of the Supervisory Board have no loans outstanding with the banking operations of Achmea at year-end 2018 and 2017.

Rabobank

For its operations, Achmea uses various regular banking services of the Rabobank Group. All services and transactions with Rabobank are in an orderly transaction and based on regular market rates.

Distribution channel

Local Rabobank offices are a major distribution channel for Achmea's Dutch insurance products. Achmea has paid commissions of €237 million to local Rabobank offices during 2018 (2017: €227 million) for insurance policies sold through them. Affiliated members ('aangesloten leden') of the Rabobank are granted a 10% discount on the basic health insurance premiums and a discount of 21% for premiums for the supplementary health insurance.

Facility services

Achmea in The Netherlands obtains among others ICT services from Rabobank Group. For these services Achmea paid fees in 2018 amounting to €3.9 million (2017: €4.1 million).

Notes to the Consolidated Financial Statements

Insurance services delivered to Rabobank

Rabobank has insured several risks with Achmea, including a group Health insurance contract with Zilveren Kruis. The premiums relating to this insurance coverage for 2018 are €66 million (2017: €68 million).

Balances and Commitments as of 31 December 2018 with Rabobank Group

Balances with Rabobank Group comprise commodity notes related shares, savings accounts that are backing liabilities for policyholders, bank accounts (see Note 6) and a credit facility that is reported as Loans and borrowings (see Note 8).

Vereniging Achmea

Vereniging Achmea is the association of member-policyholders of Achmea and its objective is ensuring the continuity of Achmea. Vereniging Achmea makes use of personnel and office space of Achmea. This is charged on at cost. For this reason, at year-end 2018 Achmea has a receivable in the amount of €0.4 million (2017: €0.5 million) on Vereniging Achmea. Vereniging Achmea provided deposits to Achmea B.V. This concerns 2 term deposits with expiry date 31 January 2019 and 1 term deposit with expiry date 15 July 2019 and an interest rate of 0.05%. At year-end 2018 the total amount of deposits is €15million (31 December 2017: €22 million). Other transactions with Vereniging Achmea are related to its relation with Achmea as shareholder and are explained in Note 19 Equity.

Stichting Pensioenfonds Achmea

Stichting Pensioenfonds Achmea (SPA, Achmea Pension fund Foundation) executes the pension plan for employees covered by the collective labour agreement of Achmea and for employees with whom participation in the SPA pension scheme has been agreed in their employment agreement. For most of the employees in the Netherlands, the pension scheme entails a defined contribution plan. In 2018, contributions made by Achmea relating to this defined contribution plan amounted to €231 million (2017: €261 million). For more information regarding the pension schemes executed by Stichting Pensioenfonds Achmea, reference is made to Note 20 Other provisions – Post-employment benefits. Achmea performs administrative and asset management services for Stichting Pensioenfonds Achmea. In 2018 it received €8.7 million (2017: €8.9 million) in fees for these services.

Stichting Achmea Foundation

Achmea has committed to an indefinite obligation to apply 0.5% of its net profit to fund Stichting Achmea Foundation. After determination of the result for 2017, the contributions on the 2017 result amounting to €1.1 million in 2018 (2017: nil) have been paid. Stichting Achmea Foundation employs these funds to finance projects around the world for sustainable improvement of economic and/or social environment of groups where help is needed in society. Stichting Achmea Foundation makes use of personnel and office space of Achmea. This is charged on at cost. At year-end 2018 Achmea has a receivable on Stichting Achmea Foundation in the amount of €0.2 million (2017: €0.1 million).

Foundations de Friesland

De Friesland Zorgverzekeraar carries out various administrative management tasks for the foundations related to De Friesland Zorgverzekeraar. For these services €0.2 million (2017: €0.2 million) in fees was received in 2018.

Notes to the Consolidated Financial Statements

AUTHORISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Zeist, 12 March 2019

The Executive Board

W.A.J. (Willem) van Duin, Chairman

M.A.N. (Michel) Lamie, CFO

R. (Robert) Otto

B.E.M. (Bianca) Tetteroo

H. (Henk) Timmer, CRO

The Supervisory Board

A.W. (Aad) Veenman, Chairman

W.H. (Wim) de Weijer, Vice-chairman

J. (Jan) van den Berg

P.H.M. (Petri) Hofsté

S.T. (Joke) van Lonkhuijzen-Hoekstra

M. (Mijntje) Lückerath-Rovers

A.C.W. (Lineke) Sneller

R.Th. (Roel) Wijmenga

COMPANY FINANCIAL STATEMENTS

Company Financial Statements

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET (BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
Assets			
Intangible assets	3	609	644
Financial fixed assets	4	10,318	10,474
Deferred tax assets	5	62	46
Total fixed assets		**10,989**	**11,164**
Receivables	6	128	249
Cash and cash equivalents	7	232	232
Total current assets		**360**	**481**
Total assets		**11,349**	**11,645**
Shareholders' equity			
Issued share capital		434	434
Share premium		10,923	10,923
		11,357	**11,357**
Own shares		−335	−235
Legal reserve		34	696
Revaluation reserve		746	934
Exchange difference reserve		−416	−363
Hedging reserve		−7	−7
Retained earnings		−3,346	−4,006
Result for the year		314	215
		8,347	**8,591**
Other equity instruments		1,350	1,350
Equity attributable to holders of equity instruments of the company	**8**	**9,697**	**9,941**
Liabilities			
Other provisions	9	7	17
Long-term liabilities	10	1,296	1,485
Short-term liabilities	11	341	186
Derivatives	12	8	16
Total liabilities		**1,652**	**1,704**
Total equity and liabilities		**11,349**	**11,645**

Company Financial Statements

PROFIT AND LOSS ACCOUNT

(€ MILLION)

	NOTES	2018	2017
Other operating income	15	162	
Revenue from receivables included in fixed assets and similar income	16	24	75
Value changes in receivables included in fixed assets and securities		2	3
Income from associates and joint ventures		10	7
Total income		**198**	**85**
Interest expenses and similar expenses	17	54	52
Other expenses	18	80	43
Total expenses		**134**	**95**
Result before tax		**64**	**−10**
Income tax	19	3	8
Results of subsidiaries and associates		247	217
Net result		**314**	**215**

Notes to the Company Financial Statements

1. ACCOUNTING POLICIES

General

Concerning the Company cash flow statement of Achmea B.V., the exemption as defined in the Guidelines of the Dutch Council for Annual Reporting (RJ) Section 360.106 was used.

The legally required list of participations as set forth in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register of the Chamber of Commerce.

Principles for the measurement of assets and liabilities and the determination of the result

Achmea B.V. makes use of the option provided in Section 362, Paragraph 8, Book 2 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of Net result applied in the Company Financial Statements of Achmea B.V. are the same as those applied in the Consolidated Financial Statements. By making use of this option the Equity attributable to holders of equity instruments is the same in the Consolidated Financial Statements and the Company Financial Statements. Investments in subsidiaries are recognised at net asset value with goodwill, if any, recorded under intangible assets. The Company Financial Statements have been prepared in accordance with Book 2, Title 9 of the Dutch Civil Code.

Reference is made to Note 1 Accounting policies and the accounting policy for the specific balance sheet items in the Consolidated Financial Statements for a description of the accounting principles used.

2. DISCONTINUED OPERATIONS

On 3 December 2018 Achmea B.V. sold its shares in Independer.nl N.V. and the underlying companies. For details of this transaction refer to Note 21 Assets and liabilities held for sale and divestments in the Consolidated Financial Statements. The result on the sale is recognised in the Company Financial Statements of Achmea B.V. in Other operating income.

For other developments regarding both direct and indirect subsidiaries reference is made to Note 21 Assets and liabilities held for sale and divestments in the Consolidated Financial Statements.

3. INTANGIBLE ASSETS

For more detailed information on Goodwill reference is made to Note 13 Intangible assets in the Consolidated Financial Statements.

(€ MILLION)

	GOODWILL	TOTAL 2018	TOTAL 2017
Cost			
Balance at 1 January	1,271	1,271	1,271
Sale, disposal and decommissioning	−35	−35	
Balance at 31 December	**1,236**	**1,236**	**1,271**
Amortisation and impairment losses			
Balance at 1 January	627	627	627
Balance at 31 December	**627**	**627**	**627**
Carrying amount			
At 1 January	644	644	644
At 31 December	**609**	**609**	**644**

Notes to the Company Financial Statements

4. FINANCIAL FIXED ASSETS

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES AND JOINT VENTURES	BONDS	DERIVATIVES	LOANS	TOTAL 2018	TOTAL 2017
Balance at 1 January	**10,201**	**71**	**198**	**2**	**2**	**10,474**	**10,498**
Investments and loans granted	92		604		1	697	264
Sales and disposals	−104		−388	−3		−495	−185
Annual results	247	10				257	224
Fair value changes	−226		−4	−7		−237	59
Dividend received	−386	−36				−422	−327
Foreign currency differences	−39	−15		9		−45	−45
Accrued interest			1			1	
Unrecognised actuarial gains and losses on employee benefits	78					78	−19
Other changes	11	−1				10	5
Balance at 31 December	**9,874**	**29**	**411**	**1**	**3**	**10,318**	**10,474**

Equities and similar investments, Bonds and Derivatives are measured at fair value. The fair value of those investments based on quotes in an active market (listed) amounts to €411 million (31 December 2017: €198 million). The purchase price as per 31 December 2018 of Equities and similar investments, Bonds and Derivatives amounts to €411 million (31 December 2017: €198 million). Loans are measured at amortised cost. The fair value of these investments amounts to €3 million (31 December 2017: €2 million).

In the Profit and loss account Value changes in receivables included in fixed assets and securities includes €9 million (2017: €-3 million) exchange rate differences relating to financial fixed assets.

5. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items:

(€ MILLION)

	BALANCE AT 1 JANUARY 2018	RECOGNISED IN PROFIT AND LOSS ACCOUNT	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2018	BALANCE AT 1 JANUARY 2017	RECOGNISED IN PROFIT AND LOSS ACCOUNT	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2017
Other liabilities	16	−8	3	11	20	−4		16
Amortisation	30	20	1	51	37	−7		30
	46	**12**	**4**	**62**	**57**	**−11**		**46**

Achmea B.V. and the majority of its Dutch subsidiaries together form a fiscal unity for corporate income tax and VAT. As such the company is liable for all deferred and current corporation tax and VAT liabilities. The recognised deferred tax assets relating to carry forwards of losses from previous years are valued based on the current tax laws.

Notes to the Company Financial Statements

6. RECEIVABLES

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Subsidiaries	92	120
Income tax receivables	34	127
Other receivables	2	2
	128	**249**

Receivables are measured at amortised cost. The fair value of these assets amounts to €128 million (31 December 2017: €249 million). In line with 2017, Receivables are expected to mature within one year after reporting date.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and short term deposits. Cash and cash equivalents that are subject to any restrictions amounts to €1 million (2017: nil).

8. EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	TOTAL EQUITY [1]
Balance 1 January 2017	**11,357**	**−235**	**687**	**829**	**−322**	**−7**	**−3,505**	**−380**	**1,350**	**9,774**
Net other comprehensive income				80	−41		−19			20
Net result								215		215
Comprehensive income				**80**	**−41**		**−19**	**215**		**235**
Appropriations to reserves			9	25			−414	380		
Dividends and coupon payments							−68			−68
Balance 31 December 2017	**11,357**	**−235**	**696**	**934**	**−363**	**−7**	**−4,006**	**215**	**1,350**	**9,941**
Net other comprehensive income				−225	−53		12			−266
Net result								314		314
Comprehensive income				**−225**	**−53**		**12**	**314**		**48**
Appropriations to reserves			−662	37			840	−215		
Dividends and coupon payments							−192			−192
Issue, repurchase and sale of equity instruments		−100								−100
Balance 31 December 2018	**11,357**	**−335**	**34**	**746**	**−416**	**−7**	**−3,346**	**314**	**1,350**	**9,697**

1. *Total equity relates to Equity attributable to holders of equity instruments of the company.*

Reference is made to Note 19 Equity attributable to holders of equity instruments of the company in the Consolidated Financial Statements for more information.

9. OTHER PROVISIONS

(€ MILLION)

	2018	2017
Balance at 1 January	**17**	**21**
Usage	−8	−5
Released	−2	1
Balance at 31 December	**7**	**17**

Other provisions mainly relate to legal cases. In line with 2017 Other provisions are of a long-term nature.

Notes to the Company Financial Statements

10. LONG-TERM LIABILITIES

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2018
Balance at 1 January	918	498	69	1,485
Reclass to short-term liabilities	−179			−179
Foreign currency differences	6			6
Other changes	1	0	−18	−17
Balance at 31 December	**746**	**499**	**51**	**1,296**

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2017
Balance at 1 January	932	498	73	1,503
Foreign currency differences	−15			−15
Other changes	1		−4	−3
Balance at 31 December	**918**	**498**	**69**	**1,485**

The fair value of long-term liabilities measured at amortised cost at year-end is €1,303 million (31 December 2017: €1,512 million).

In November 2013, Achmea B.V. completed the issuance of €750 million (transaction costs are included in the carrying amount) of Senior Unsecured Notes. The Notes have a maturity of 7 years (maturity date is 19 November 2020). The coupon on the Notes equals 2.5%. The Notes are listed on the Irish Stock Exchange, Dublin, Ireland.

The syndicated credit facility of Achmea B.V. has a maximum size of €750 million which will mature in 2021. At year-end 2018, the committed credit lines were undrawn.

In April 2013, Achmea B.V. issued €500 million worth of subordinated loans with a 6% coupon. These subordinated loans have a duration of 30 years (maturity date is 4 April 2043), with a first call option after ten years. The Notes are listed on the Irish Stock Exchange in Dublin, Ireland.

Other long-term liabilities includes a liability of €51 million relating to a financial guarantee provided to a group company as set out in Note 14 Contingencies.

In the Profit and loss account, under Value changes in receivables included in fixed assets, an amount of €-7 million (2017: €15 million) is accounted for as foreign currency differences relating to long-term liabilities.

11. SHORT-TERM LIABILITIES

(€ MILLION)

	31 DECEMBER 2018	31 DECEMBER 2017
Subsidiaries	104	143
Loan	179	
Other	58	43
	341	**186**

The fair value of Short-term liabilities measured at amortised cost at year-end is €341 million (31 December 2017: €186 million).

Notes to the Company Financial Statements

In May 2013, Achmea B.V. completed the issuance of CHF 200 million (€179 million) of Senior Unsecured Notes with a coupon of 1.5%. These Notes have a maturity of 6 years (maturity date is 19 June 2019). The Notes are listed on SIX Swiss exchange.

In line with 2017, Short-term liabilities are expected to mature within one year after reporting date.

12. DERIVATIVES

(€ MILLION)

	2018	2017
Balance at 1 January	15	23
Fair value changes	−7	−7
Balance at 31 December	**8**	**16**

13. RELATED PARTY TRANSACTIONS

For an overview of transactions with affiliates, please refer to Note 35 Related party transactions in the Consolidated Financial Statements.

14. CONTINGENCIES

Judicial proceedings

Achmea B.V. and the companies that are part of Achmea Group are involved in judicial and arbitration proceedings. These procedures relate to claims filed by and against these companies, arising from regular business activities, including the activities carried out in the capacity of insurer, lender, service provider, employer, investor and taxpayer. Although it is not possible to predict or determine the outcome of current or forthcoming legal proceedings, the Board of Directors is of the opinion that it is unlikely that the outcome of the procedures will have a material negative effect on the financial position of Achmea B.V.

Contingent liabilities

Achmea B.V. has issued guarantees for subsidiaries that relate to the activities of these subsidiaries, carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Achmea B.V. also issued guarantees for third parties under sales transactions.

Achmea B.V. has provided financial guarantees towards a 100% subsidiary related to a transfer of two loans and mortgages portfolios between this subsidiary and another 100% subsidiary (the activities and clients of this subsidiary were transferred to a third party outside Achmea B.V. in 2017). These financial guarantees will indemnify the subsidiary for specific risks, including credit risk and specific legal risks related to these portfolios, to a total maximum of €350 million. As at 31 December 2018 €51 million is included in the balance sheet in Long-term liabilities. These financial guarantees are measured at fair value.

Achmea B.V. issued guarantees as mentioned in Section 403 of Book 2 of the Dutch Civil Code, in respect of two investment companies within the group. In addition, Achmea B.V. has given guarantees that the liquidity and solvency of three subsidiaries will be sufficient to continue their operations.

Achmea B.V. also issued guarantees, as part of specific tenders for non-life insurance contracts for local Dutch governments, related to the fulfilment of the obligations resulting from these contracts in case of non-performance by the non-life insurance group company.

Achmea B.V. has provided Vereniging Achmea and Rabobank with an indemnity for amounts imposed by the Australian supervisor related to the activities of the Australian branch of Achmea Schadeverzekeringen N.V. in case the Australian supervisor will impose on Vereniging Achmea and Rabobank as shareholder of the ultimate parent of Achmea Schadeverzekeringen N.V. additional obligations and responsibilities relating to these Australian activities.

Notes to the Company Financial Statements

No material losses are expected in respect of this indemnity. Due to its nature, this indemnity is not to be quantified.

In the table below an overview is given of all the contingent liabilities provided by Achmea B.V. on behalf of its subsidiaries. No material losses are expected in respect of these guarantees and indemnities.

CONTINGENT LIABILITIES (€ MILLION)

	2018	2017
Guarantees	326	322
Balance at 31 December	**326**	**322**

Contingent assets

Conflict between the Slovak Government and Achmea B.V.

In contradiction of an agreement to encourage investments between the Slovak Republic and The Netherlands, the Slovak government has enforced a ban on the distribution of profit on Slovak health insurers, including Achmea's Slovak subsidiary Union Zdravotná Poist'ovna A.S., in the period between 2007 and August 2011.

Achmea sought compensation for the incurred loss and statutory interest paid through an international arbitration tribunal. In December 2012 the arbitration tribunal decided in favour of Achmea. Under this decision the Slovak Government is required to compensate Achmea for damages incurred and the statutory interest paid. The compensation amounted to approximately €25 million.

The Slovak Government has publicly stated that it will not pay the amounts awarded to Achmea and has submitted the arbitration verdict for annulment to a German Court. In the first court hearing, the annulment request of the Slovak Republic has been rejected. The Slovak Government has appealed against this judgment to the Bundesgerichtshof in Karlsruhe. The Bundesgerichtshof raised some legal issues with the European Court of Justice.

In March 2018 the Court of Justice ruled that the arbitration clause in the bilateral investment treaty on which the arbitration proceedings were based, was invalid. Partly based on this ruling of the European Court, the Bundesgerichtshof delivered its judgment. The Bundesgerichtshof followed the ruling of the European Court of Justice and overturned the arbitration verdict. Achmea has appealed against the judgment in Germany and has submitted a claim for damages in Slovakia.

Because of the compounding statutory interest, Achmea's claim now amounts to approximately €30 million. In view of the proceedings in Germany, Achmea does not consider the receivable amount to be sufficiently certain to recognise it as an asset.

15. OTHER INCOME

(€ MILLION)

	2018	2017
Transaction result sale subsidiaries	162	
	162	

Transaction result sale subsidiaries relates to the sale of Independer.nl N.V. for an amount of €167 (excluding advisor costs). For details of this transaction refer to Note 21 Assets and liabilities held for sale and divestments in the Consolidated Financial Statements.

Notes to the Company Financial Statements

16. REVENUE FROM RECEIVABLES INCLUDED IN FIXED ASSETS AND SIMILAR INCOME

(€ MILLION)

	2018	2017
Compensation for interest and financing charges for subsidiaries		74
Other interest income	24	1
	24	**75**

As of 2018 Achmea B.V. no longer charges a portion of the interest expenses and dividend and coupon payments on to its subsidiaries. Therefore the Compensation for interest and financing charges for subsidiaries is nil. Other interest income includes an amount of €24 million (2017: €1 million) relating to group companies.

17. INTEREST EXPENSES AND SIMILAR EXPENSES

(€ MILLION)

	2018	2017
Interest expenses loans and borrowings	54	52
	54	**52**

18. OTHER EXPENSES

(€ MILLION)

	2018	2017
General expenses	131	113
Charges general expenses to subsidiaries	–51	–70
	80	**43**

19. INCOME TAX

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2018	2017
Result before tax	64	–10
Dutch corporate tax rate	25%	25%
Income tax using the Dutch corporate tax rate [1]	16	–3
Tax effect on:		
Non-deductible expenses	14	–4
Participation exemption	–55	–1
Other	22	
Effective tax amount	**–3**	**–8**

1. *A negative amount is a gain in the Income Tax.*

The effective tax rate amounts to -4.7% (2017: 43.7%).

Notes to the Company Financial Statements

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX

(€ MILLION)

	2018	2017
Current income tax		
Current year	5	−18
Over/(under) provided in prior years	4	−1
	9	**−19**
Deferred income tax		
Origination and reversal of timing differences	−12	11
	−12	**11**
Total income tax expense in Income Statement	**−3**	**−8**

20. STATUTORY DOMICILE

Achmea B.V. has its registered office in Zeist, the Netherlands, with its principal place of business at Handelsweg 2 in Zeist, and is registered at the Chamber of Commerce under number 33235189.

21. NUMBER OF EMPLOYEES

Other than the Executive Board members, Achmea B.V. did not employ any personnel in either 2018 or 2017. For more information on the remuneration of the Executive Board refer to Note 35 Related party transactions in the Consolidated Financial Statements.

22. SUBSEQUENT EVENTS

On 7 March 2019 Achmea successfully concluded a committed long-term multi-currency credit facility. This €1 billion facility was agreed with a syndicate of 12 international banks. The new credit facility has a term of five years with the option for two one-year extensions. As a result it will be available until 2026 at the latest. It replaces the credit facility that was terminated on 7 March and had a ceiling of €750 million.

Notes to the Company Financial Statements

23. PROPOSAL FOR APPROPRIATION OF RESULT

For the provisions of the articles of association relating to the appropriation of result reference is made to Other information.

TOTAL NET RESULT IS PROPOSED TO BE DISTRIBUTED AS FOLLOWS:

(€ MILLION)

	2018
Net result attributable to holders of equity instruments of the company	314
Net result segment Health Netherlands	−128
Net result excluding segment Health Netherlands	**186**
Coupon payments on other equity instruments	−68
Tax on coupon payments on other equity instruments	17
Dividend on preference shares	−17
One time adjustment dividend base	144
	262
To be distributed as follows:	
Dividend on preference shares	17
Proposed final dividend on ordinary shares	118
Addition to retained earnings	127
	262
Number of ordinary shares (excluding repurchased own shares)	390,002,712
Dividend per ordinary share (rounded)	0.30

The resolution of the General Meeting on the dividend proposal is subject to the condition precedent that the Executive Board, based on the prescribed distribution test, has concluded that the dividend distribution is not contrary to prudential financial management. The distribution test will be performed immediately after the resolution has been passed at the General Meeting and will be repeated at the time of payment of the dividend.

Notes to the Company Financial Statements

AUTHORISATION OF THE COMPANY FINANCIAL STATEMENTS

Zeist, 12 March 2019

The Executive Board
W.A.J. (Willem) van Duin, Chairman
M.A.N. (Michel) Lamie, CFO
R. (Robert) Otto
B.E.M. (Bianca) Tetteroo
H. (Henk) Timmer, CRO

The Supervisory Board
A.W. (Aad) Veenman, Chairman
W.H. (Wim) de Weijer, Vice-chairman
J. (Jan) van den Berg
P.H.M. (Petri) Hofsté
S.T. (Joke) van Lonkhuijzen-Hoekstra
M. (Mijntje) Lückerath-Rovers
A.C.W. (Lineke) Sneller
R.Th. (Roel) Wijmenga

Other information

Other information

TRUSTREE REPORTS OTHER EQUITY INSTRUMENTS

EUR 600 million 6 per cent Capital Securities ("the Securities"), ISIN Code NL0000168714, issued by Achmea B.V. (“the Issuer").

Pursuant to article 17 of the trust deed executed on 5 October 2006, the undersigned hereby reports on its work during the year ended 31 December 2018.

The Securities are perpetual securities and have no fixed redemption date. The Securities bear interest as is specified in the relevant Final Terms. Such interest subject to Conditions 2(b)(i), 2(b)(ii), 4(a), 4(b) and 6(d) will be payable in arrears on each Coupon Payment Date as indicated in the relevant Final Terms.

Subject to Condition 2(b)(i) or 2(b)(ii) the Issuer may redeem all, but not some only, of the Securities on each Coupon Payment Date.

In the year 2018 the interest on the Securities was paid in accordance with the Conditions and the relevant Final terms.

Amsterdam, 30 January 2019

Amsterdamsch Trustee's Kantoor B.V.

Other information

REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION FOR APPROPRIATION OF RESULTS

The Articles of Association of Achmea B.V. contain the following provisions regarding appropriation of results.

The result will be appropriated pursuant to Article 34 and the provisions of this article can be summarised as follows:

- The profit shall be at the disposal of the General Meeting.
- Profit may only be distributed to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law. The distribution of profit must be approved by the Executive Board. The latter will only withhold its approval if it is aware that, or should reasonably be able to anticipate that, the company, upon payment, will not be able to continue paying its due and payable debts.
- If the General Meeting decides on the distribution of dividends, first of all, if possible, a dividend equal to 3.7% of the nominal amount shall be paid to preference shareholders plus the share premium paid-up upon issue.
- Subject to the approval of the Supervisory Board, the Executive Board shall be authorised to increase the above mentioned percentage determined in February 2014 each year with a maximum of 1.8%.
- If no dividend in cash is distributed, a dividend in the form of preference shares can be resolved upon instead.
- If the General Meeting decides on the distribution of dividend and dividend on preference shares has not been paid in previous years, cash dividends shall first be paid to preference shareholders on these previous years, before any distribution can take place on other shares.

Other information

SHAREHOLDERS OF ACHMEA B.V. AT 31 DECEMBER 2018

	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PREFERENCE)
Vereniging Achmea directly and via Stichting Administratie-Kantoor Achmea [1]	The Netherlands	251,481,012	64.48%	60.75%
Coöperatieve Rabobank U.A.	The Netherlands	116,993,237	30.00%	28.27%
Fundo de Pensões de Grupo Banco Comercial Português	Portugal	10,651,756	2.73%	2.57%
Stichting Beheer Aandelen Achmea	The Netherlands	3,665,253	0.94%	0.89%
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.53%	0.50%
Gothaer Finanz Holding AG	Germany	2,370,153	0.61%	0.57%
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.71%	0.67%
Total ordinary shares [2]		**390,002,712**	**100.00%**	
Achmea Tussenholding B.V. (preference shares)	The Netherlands	23,904,060		5.78%
Total ordinary shares and preference shares		**413,906,772**		**100.00%**

1. *Including 1 A-share.*
2. *Excluding 20,817,462 units of purchased own shares held by Achmea B.V. See note 19 Equity for further explanation.*

Stichting Administratie-Kantoor Achmea is, amongst others, holder of the only A share issued by Achmea B.V. There are special rights entitled to the A share. Significant decisions of Achmea B.V.'s General Meeting can only be made with the approval of the holder of the A share. The Board members of Stichting Administratie-Kantoor Achmea are I.C. van den Broek, E.M.H. Hirsch Ballin and C.W. van der Waaij.

Other information

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board of Achmea B.V. is responsible for the preparation of the Annual Report 2018, including the Consolidated Financial Statements 2018 and the Company Financial Statements 2018 of Achmea B.V. The Consolidated Financial Statements 2018 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union effective at 31 December 2018. The Company Financial Statements 2018 and the Executive Board Report are prepared in accordance with Book 2, Part 9 of the Dutch Civil Code, and the Financial Supervision Act part 5.1A. The Executive Board reviewed the Achmea B.V. Consolidated and Company Financial Statements on 4 March 2019 and granted permission for submission to the Supervisory Board.

The Executive Board declares, in accordance with principle 1.4.3 of the Corporate Governance Code and based on its own assessment, that to the best of its current knowledge:
- the report provides sufficient insights into any deficiencies in the effectiveness of the internal risk management and internal control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material errors;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company’s continuity for the period of twelve months after the preparation of the report.

The Executive Board of Achmea B.V. declares that, to the best of its knowledge, the Achmea B.V. Consolidated and Company Financial Statements 2018 give a true and fair view of the assets, liabilities, financial position and profit or loss of Achmea B.V. and that the information contained herein has no omissions likely to modify significantly the scope of any statements made.

The Executive Board of Achmea B.V. also declares that the Executive Board Report 2018 gives a true and fair view of the situation as at 31 December 2018, the development and performance during 2018 and describes the principal risks of the businesses of the Group. The Achmea B.V. Consolidated Financial Statements 2018 and Company Financial Statements 2018 will be submitted to the Annual General Meeting for approval on 11 April 2019.

Zeist, 12 March 2019

The Executive Board

W.A.J. (Willem) van Duin, Chairman
M.A.N. (Michel) Lamie, CFO
R. (Robert) Otto
B.E.M. (Bianca) Tetteroo
H. (Henk) Timmer, CRO

Other information

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and Supervisory Board of Achmea B.V.

Report on the financial statements 2018

Our opinion

In our opinion:

- the consolidated financial statements of Achmea B.V. give a true and fair view of the financial position of Achmea B.V. as at 31 December 2018 and of its result and cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Achmea B.V. give a true and fair view of the financial position of Achmea B.V. as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Achmea B.V., Zeist ('the Company'). The financial statements include the consolidated financial statements of Achmea B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity and the consolidated statement of cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet at 31 December 2018;
- the company income statement for 2018; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the consolidated financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Other information

Independence

We are independent of Achmea B.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties'(Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

Achmea B.V. is a company heading a group of entities that operate mainly in the non-life, health, income-protection and life insurance business, banking and asset management and retirement services. The financial information of this group is included in the consolidated financial statements of Achmea B.V. The group is comprised of several operating units ('components') and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

As part of designing our audit approach, we determined materiality and identified and assessed the risks of material misstatement in the financial statements. In particular, we considered those areas where management made important estimates, such as in case of significant estimates that include assumptions regarding future events that are inherently uncertain. In the notes to the financial statements, the Company describes per item the areas of judgement in applying accounting policies and the main sources of estimation uncertainty. The main estimation uncertainties are related to *uncertainties in the valuation of the assets and liabilities arising from insurance contracts, assets and liabilities measured against fair value based on valuation techniques that include important inputs that cannot be observed in the market* and *the uncertainties in the valuation of the tax position* as set out in the section entitled 'The key matters of our audit'. We also identified the *Disclosures on the capital position based on Solvency II regulations* as a key audit matter because of the complex estimates and assumptions made by management in order to determine the available and required capital.

Because the business operations and financial processes of the Group are highly automated, the IT General Controls ('ITGC') are particularly important in our audit, but not considered a key audit matter. We therefore addressed in our audit the effectiveness of internal control procedures that are used to manage the IT activities that were relevant for our audit.

As part of all of our audits, we address the risk of management override of internal controls, including the evaluation of the risks of material misstatements as a result of fraud on the basis of an analysis of the possible interests of the board of directors.

Other information

We ensured that the audit teams, both at group level and at component levels, have sufficient skills and competences required for the audit of banking, asset and insurance activities. We therefore included in our team specialists in the areas of *IT, taxes and valuation of insurance liabilities* and experts in the area of the *valuation of real estate and financial instruments*.

The main features of our audit approach were as follows:

Materiality

- Materiality: €46 million.

Audit scope

- We conducted audit work on the full financial information of sixteen components in the Netherlands and abroad. We performed additional audit procedures on five other components.
- Meetings were held with the responsible auditors and financial directors responsible from all significant components. We verified that the procedures performed that were carried out for the significant components were sufficient for the purpose of our group audit. We visited foreign group entities in Greece, Slovakia and Turkey.
- Our audit procedures cover 99% of the consolidated income, 99% of the consolidated total assets and 98% of the result before taxes.

Key audit matters

- Disclosures concerning the capital position based on Solvency II regulations.
- Assets and liabilities valued at fair value based on valuation techniques with important input that are not observable in the market.
- Uncertainties in the valuation of the assets and liabilities arising from insurance contracts.
- Uncertainty in the valuation of the tax position.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below.

These, together with qualitative considerations, help us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Other information

Group materiality	€46 million (2017: €46 million).
Basis for determining materiality	We determine materiality on the basis of our professional judgement. We used 1% of the required Solvency II capital (see note 2 to the financial statements) for the Group as projected during our planning of the group audit as the basis for our judgement. We reassessed the materiality level on the basis of the actual position as at 31 December 2018. This assessment did not give rise for revision of the determined materiality level.
Rationale for the benchmark applied	The capital position is a generally-accepted auditing benchmark. Based on our analysis of the common information needs of the users of the financial statements, we considered this benchmark the most relevant. As in previous years, we applied the required Solvency II capital as a starting point because it is an important metric for the financial position and performance of the Group. In determining the percentage, we took into account the setup of the audit of the Solvency II group information in such a manner that a misstatement of at most 5 percentage points from the *Solvency Capital Requirement* (SCR) ratio could remain undetected. The materiality level applied is lower than 0.5% of the equity of the Group and lower than 0.05% of the balance sheet total. The result before tax was considered to be a less relevant benchmark in view of the relative level when compared to the extent of the business activities and the balance sheet.
Materiality for group entities	Each component within the scope of our audit was allocated a materiality lower than the materiality for the Group as a whole. The materiality we assigned to the components varied between €1.5 million and €45 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €2.3 million (2017: €2.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

We determined the scope of our audit in such a manner that we perform sufficient audit procedures to be able to give an opinion concerning the financial statements as a whole. In doing so, we took into account, among other things, the management structure of the Group, the nature of the activities of the components, the business processes and the internal control measures and the industry in which the Group operates.

Based on this, we determined the nature and scope of the audit procedures at the component level that were necessary to be carried out by the group team and the component auditors.

Other information

The group audit primarily focussed on the significant components. Eight components are considered individually financially significant in size and eight components were included in the scope of our audit due to the significant or higher risks of material misstatements that were identified. We audited the full financial information of these components. The classification financially significant is based on quantitative criteria (>5% of the group's balance sheet total and/or >10% of the group's result before taxes). We carried out audit procedures ourselves for the component *holding activities*.

In addition, five components within the scope of the group audit were audited for the purpose of obtaining sufficient coverage on individual financial statement line items of the consolidated financial statements.

Overall, as a result of these audit procedures, we obtained the following coverage on the below listed financial statement line items:

Revenue	99%
Balance sheet total	99%
Result before taxes	98%

None of the components that are not within the scope of the audit represents more than 1% of the consolidated revenues or the consolidated balance sheet total. We applied, among other things, analytical procedures in respect of the financial information of these remaining components in order to corroborate our assessment that these components do not include significant risks of material errors.

As the basis for determining the (required and available) capital position on the basis of Solvency II regulation is different from EU-IFRS we determined the scope of the audit of this disclosure separately We identified in this regard six components that are individually financially significant. In addition, three components were included in the scope of the group audit in order to obtain sufficient coverage for the audit of the individual risk components of the capital requirements.

Where audit procedures were carried out by component auditors, we determined the level of involvement that was required in their audit work to be able to conclude whether sufficient and appropriate audit evidence with respect to these components has been obtained as the basis for our opinion concerning the consolidated financial statements as a whole.

We sent instructions to the component auditors in scope. As the group auditor, we had regular meetings with the component auditors about the risks, the audit approach, the progress of the audit and, based upon the reports received from the component auditors, the findings and conclusions. Where considered necessary, we expanded this by performing file reviews to evaluate the quality of the audit procedures performed.

Other information

During our audit, we discussed the financial results, the (important) estimates applied and the audit findings with the financial directors and the component auditors. We specifically discussed the risk of fraud and we enquired about any suspicions or knowledge of the existence of (internal) fraud. We visit on an annual basis the component auditors of the most material foreign group entities. In this connection, we visited the locations in Greece, Turkey and Slovakia for this financial year.

We audited the consolidation of the group figures and the disclosure notes in the consolidated financial statements. We also carried out audit procedures with regards to events that are more occasional in nature, such as the sale of group activities.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

The key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

The key audit matters in the auditor’s report remained the same compared to last year and in relation to the nature and activities of the company, which is an insurance company.

Other information

Key audit matters	*Our audit procedures and observations*
Disclosures concerning the capital position based on Solvency II regulations. We refer to note 2 of the financial statements. As an insurance company, Achmea determined the capital to be maintained to cover the risks assumed on the basis of the Solvency II regulations. The capital position is determined on available capital (€8,925 million) and required capital (€4,497 million). This results in a solvency ratio of 198% as at 31 December 2018. The risk of misstatements is higher due to estimates and complex valuation models. The fact that the solvency ratio constitutes an important key indicator and the Solvency II information is used within the company's capital and dividend policies means that we considered the audit of this information to be important.	Available capital We tested the economic balance sheet, which was drawn up for the determination of the available capital, against the valuation, classification and consolidation criteria of the Solvency II regulations. We tested the estimates that were used to determine the cash flows (with respect to mortality, claims, lapse, work disability, costs and interest) based on historical developments within the insurance portfolio and market developments. We challenged the assumptions made by management (such as future costs, projected fiscal results, expected premium income) for feasibility and impact by testing them against information available at the company (such as forecasts, number of new policies) and relevant market developments. We observed that the estimates as applied by the management are substantiated and we consider the estimates to be reasonable.
Available capital The determination of the available capital position is based on the economic balance sheet drawn up by the Group. Several important estimates and valuation models are applied which use input not observable in the market. The main estimates are: • the forecast of premium income and claims in future years applied in the determination of the fair value of the technical provisions and claims against reinsurers (parameters and assumptions with respect to mortality, claims, lapse, work disability, costs and interest); • projected fiscal results and analysis of future results;	Required capital We tested the capital requirements for each risk component as to whether these were calculated in accordance with the criteria of the Solvency II regulations or the approved internal model if applicable. For this purpose, we estimated among other things, the internal control measures related to data flows, model management and the calculation process. We also tested the data and calculations applied. Based on this no material findings were noted. We tested the loss-absorbing capacity of the deferred taxes assumed in the calculation of the required capital. We evaluated the projections of future fiscal results. These are based on approved budgets and long-term forecasts. We carried out back-testing on the budgets and forecasts from last year in order to assess whether past estimates may have been too optimistic and may lead to increased risks. We then verified that the valuation differences between the fiscal and the Solvency II valuation were taken into account in the correct year of the projection.
Required capital In the Netherlands and Greece, the Group applies a partial internal model approved for use by the College of Supervisors for the purpose of determining the capital requirements. The scope of the internal model includes several risks within health and non-life risk. In 2018, Achmea also introduced an internal model for determining market risk. The Group uses the standard formula for the other risks when determining the capital requirements. An important estimate for determining required capital is the loss-absorbing capacity of deferred taxes in case of a shock in the solvency capital (LAC-DT).	We also focussed on the accuracy of the movements in expected results due to recovery measures, including losses related to the shock at the right moment in the fiscal profit forecast and the correct application of the regulations with respect to offsetting losses.

Other information

Key audit matters	*Our audit procedures and observations*
	We also checked whether the adjustment to the corporation tax rate that was recently passed by Parliament was processed correctly in the calculated loss- absorbing capacity. We established that the estimates applied by management were adequately substantiated by audit evidence. Other We have taken note of the correspondence with DNB and the findings reported therein with respect to the calculation of the capital position. Notes We also established that the disclosure notes are adequate and in accordance with the financial reporting framework.
Assets and liabilities valued at fair value based on valuation techniques with important inputs that are not observable in the market. We refer to note 9 of the financial statements. The Group has assets (€9,916 million) and liabilities (€18 million) of illiquid nature that are valued on an occasional or recurring basis at fair value using valuation methods that are based on important inputs that are often not observable in the market. These so-called category 3 instruments are mainly: • investment property; • non-quoted investment funds; • mortgage loans. The banking credit portfolio is valued predominantly in the consolidated statement of financial position at amortised cost, less impairments. The fair value for this portfolio is disclosed in the notes to the consolidated financial statements. The valuation of these assets and liabilities is important for our audit as the valuation depends for a large part on valuation methods and estimates of assumptions that in many cases cannot be derived directly from market information. The risk of misstatements is higher due to the significant degree of estimates in the valuation process in combination with the size of these positions. We therefore designated the valuation of these assets and liabilities as a key matter for our audit. The valuation methods used by management are described in more detail in note 9 to the consolidated financial statements and can be summarised as follows: The fair value of the investment property (€1,103 million) and property for own use (€403 million) is assessed on a quarterly basis. These valuations are performed by external appraisers. The fair value of non-quoted investment funds (€714 million) is determined on the basis of the net asset	Internal control We validated the effectiveness of the internal control measures with respect to the accurate and complete administration of source data that is the basis for the valuation of the relevant assets and liabilities and we concluded that we can rely on these, in so far as relevant to our audit. Models As regards financial instruments (assets and liabilities) that are valued on the basis of valuation models, we assessed the methodology of the valuation models and, where possible, tested the assumptions and parameters applied using the available market data. This testing presented no material findings. Substantive procedures In our audit of property for own use and investment property, we assessed among other things that the external appraisers engaged by the Group are objective, independent and competent. We also tested the data that is the basis for the valuation by reconciliation to existing contracts and market data. For several properties, on the basis of a sample, we determined our own estimate of the valuation of the property in collaboration with our real estate experts and compared the range we considered acceptable with the recognized valuations. We concluded that the valuation is within the range of acceptable valuations determined by us. We tested the valuation of non-listed investment funds by performing reconciliations with confirmations we had requested from external fund managers and performed back-testing to determine the degree to which the valuations deviate from the definitive valuations included in the audited financial statements of the respective investment funds. Regarding the mortgage loans valued at fair value, we tested the valuation models and the input parameters. We focused in particular on the validation of the discount rate applied

Other information

Key audit matters	*Our audit procedures and observations*
value, as reported by the fund manager. This is considered the best approach for the determination of the fair value of the investment. Mortgage loans (fixed-income investments) recognized on the balance sheet at fair value (€7,696 million) are determined using valuation models based on discounted estimated future cash flows, using current interest rates. The interest rate is based on the rates in the consumer market adjusted with a total spread for the price risk during the offer period. The banking credit portfolio mainly consists of mortgage loans. The disclosed fair value (€12,345 million) of these loans is determined in accordance with the valuation method of the mortgage loans that are recognized on the balance sheet at fair value. An amount of €11,528 million is classified as a category 3 valuation.	and future cash flows. We validated that the interest data used were derived from information available in the market and that the discount rate applied falls within the range of discount rates we consider acceptable. As for the valuation of the banking credit portfolio, we focused our procedures in particular on the future cash flows from these investments, including the risk of default. We tested the valuation models and input parameters (contract data, risk of default, discount rate) used by the company, including a comparison with market data based on the characteristics of Achmea's portfolio. We found no material misstatements. We also tested the disclosure notes including the fair value of the banking credit portfolio for which we used the same audit approach as for the mortgage loans included in the consolidated financial position at fair value. Notes We also validated that the notes, and in particular the accuracy and completeness of the fair value hierarchy notes and related sensitivities, are adqueate and in accordance with the financial reporting framework.
Uncertainties in the valuation of the assets and liabilities arising from insurance contracts We refer to notes 2, 7 and 17 to the financial statements for the related notes. The calculation of the assets and liabilities arising from insurance contracts is complex and includes significant estimates, based on assumptions about the future economic and political situation, in particular with respect to health insurance activities. Life insurance The assumptions used for the liabilities for life insurance contracts of €43,743 million relate to risks regarding longevity and mortality risks, lapses, future expenses and other assumptions used in the liability adequacy test. The valuation of these liabilities also takes into account market developments with respect to transparency concerning the costs of unit-linked insurance contracts. The company analyses legal proceedings and decisions with respect to complaints concerning unit-linked insurance contracts in the Dutch market. It then determines whether the decision should lead to compensation for its own portfolio. Non-life insurance The assumptions used for non-life insurance liabilities of €7,475 million relate to the amount of the claims, the number of claims that have incurred but have not yet been reported, risks regarding catastrophe, absence risk, recovery rates, future expenses and assumptions used in the liability adequacy test. The valuation of these liabilities is affected	Internal control We validated the effectiveness of internal control measures with respect to the accurate and complete source data and the use thereof during the valuation of the liabilities arising from insurance contracts. We tested the internal control measures regarding data quality and reconciliations between the accounting records and the insurance systems and concluded that we can rely on these for our audit where relevant. Assumptions Our audit procedures consisted *inter alia* of testing the procedures with regards to the determination of assumptions. We also tested these assumptions against the information available in the market. We tested the quality of previous estimates by means of an analysis of the group's technical results. The outcome of the actuarial analysis was discussed with the internal actuaries and the actuarial function holder. During the testing of the assumptions, we carried out activities concerning the longevity and mortality risks and the future costs of life insurance activities, the assumptions concerning incidence and recovery for disability and worker compensation insurance, claims development and the frequency of injury claims and the assumptions used to determine the budget contribution for the health insurance activities. We determined that the assumptions of management are substantiated and that, based on the available audit evidence, the assumptions applied are reasonable.

Other information

Key audit matters	*Our audit procedures and observations*
by government legislation and regulations, in particular with respect to claims related to long-term work disability (WGA). Health insurance The main uncertainty in respect of the liabilities from health insurance contracts of €3,847 million results from the expected claims from healthcare providers for legitimate treatments that started before the balance sheet date. The valuation of receivables regarding the Dutch Health Insurance Fund of €2,241 million is an inherently uncertain process, involving assumptions about the development of healthcare costs at the macro level and the allocation of healthcare budgets based on budget parameters. Any change in the assumptions could result in a significant change in the claim against the Health Insurance Fund. The determination of the provision for loss-making contracts is also a significant estimate. It is based *inter alia* on the expected budget and the expected claims for 2019. The fact that healthcare expenses from 2015 to till date have not yet been settled also increases uncertainty. Reinsurers' share in insurance liabilities The assumptions and uncertainties also apply to claims from reinsurance contracts (€161 million for life-insurance and €510 million for non-life insurance). General The assumptions are mainly based upon the judgements of management. The Group has extensive procedures and internal control measures to determine the valuation of the assets and liabilities from insurance contracts and to test the adequacy thereof. The risk of misstatements is higher because of significant estimates made by the management in combination with the size of the relevant liabilities and assets. We therefore considered this to be a key audit matter.	We audited the results of the liability adequacy test carried out by the management in collaboration with actuarial specialists and the outcome did not give cause for adjustment of the liabilities for insurance contracts as recognized on the group balance sheet. Unit-linked insurance contracts With respect to the cost transparency of investment-linked insurance contracts, we verified whether agreements were reached with consumer parties, whether they were included in the valuation of the insurance liabilities and whether products were adjusted. We have tested the procedures related to the measurement and calculation of provisions by verifying that published rulings made in legal proceedings are included in the analysis and an evaluation was made of the impact on the group's own portfolio. We challenged management on the applied estimates in the valuation of the risk. We established that management, in setting the provisions, has sufficiently taken into account available (market) information. Health insurance We tested the procedures for estimating the ultimate healthcare costs. These procedures comprise an actuarial projection based on trends in claims received. We tested the claim information applied by reconciliation with the underlying insurance systems. The procedures also included an estimate of the claims paid based on contracts concluded between the Group and health providers. The applied data was audited by us using the contracts concluded. The estimated receivable against the Dutch Health Insurance Fund was audited by reconciling the profiles of the insured population derived from the policy records and the budget confirmations received from the fund. We also tested the assumptions concerning the macro healthcare costs against public information from Zorgverzekeraars Nederland and the translation of the assumptions into the expected impact on budget. We determined that the assumptions used by management are substantiated and that, based on the available audit evidence, the assumptions used are reasonable. As regards to the provision for onerous contracts, we tested the process for estimating future benefits and costs as well as the translation of this information into the expected budget result per type of policy. We established that the costs that had already been recognised before the balance sheet date had not been taken into account in the determination of the expected deficit and that the correct

Other information

Key audit matters	***Our audit procedures and observations***
	numbers of insured persons had been used for the purpose of the estimate. Notes We also assessed that the notes and specifically the sensitivities are adequate and in accordance with the financial reporting framework.
Uncertainty in the valuation of the tax position *We refer to note I. Main assumptions and estimates for valuation and note 16 to the financial statements.* Legal proceedings The Group is involved in legal proceedings relating to the applicability of the Dutch participation exemption rules for the results related to the sale of the interest in Polish insurer PZU. The acceptability of the tax treatment, as selected by Achmea, depends on a decision rendered in the legal proceedings. In June 2018, a court decision was rendered and as a result, Achmea increased the provision by €35 million in line with this decision. The tax liability reflects the best estimate on the part of management of the liability. Achmea submitted an appeal to the Supreme Court. Given the uncertainty in the possible outcomes and the inherent subjectivity of the valuation, we considered the audit of the tax position to be important. Corporation tax rate adjustment The Group included deferred tax receivables for an amount of €553 million and deferred tax liabilities for an amount of €10 million. The Dutch Parliament decided in December 2018 to reduce the rate for income tax over the coming years in a phased manner. Achmea made an estimate of the impact of these rate changes on the deferred tax positions. The rate adjustment leads to an expense in the result of €141 million and an addition to the equity of €22 million. Given the extent of the deferred tax positions, we considered the audit of the impact of the rate adjustment to be important.	Legal proceedings Together with our own tax experts, we took note of the recent court decision, the memorandum drawn up internally, the position of the external tax advisor and the translation of this information into the tax position included in the financial statements. We determined based on our procedures that the estimation the Executive Board is substantiated and that based on the available audit evidence, the estimation is reasonable. We also established that the notes are adequate and in accordance with the financial reporting framework. Corporation tax rate adjustment Regarding the income tax rate adjustment, we tested the deferred amounts by reconciling them with the differences between the commercial and tax carrying amounts of the investments and insurance liabilities in particular, and have also validated that the tax rate applied was brought in line with the run-off profile of the these items. We have established that the impact of the rate adjustment on the assets and the result was recognized in accordance with IAS 12.

Other information

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report, the annual report also contains other information , which consists of:

- part 1 – the Annual Review;
- part 2 – the Executive Board Report;
- part 2 – Governance;
- part 2 – Other information;
- part 3 – Supplements.

Based on the activities as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain any material misstatements;
- contains the information that is required pursuant to Title 9, Book 2, of the Dutch Civil Code.

We have read the other information and considered whether the other information includes material misstatements based on our knowledge and understanding, obtained as a result of our audit of the financial statements or otherwise.

Through our activities, we have complied with the requirements stipulated in Title 9, Book 2, of the Civil Code and Dutch Standard 720. This work is not as in-depth as in the case of our audit of the financial statements. We carried out an assurance engagement in respect of the Annual Review. We refer to our separate assurance report included in pages 200-203 for more in-depth information and the outcome of our activities.

The Executive Board is responsible for drawing up the other information, including the report and other information in accordance with Title 9, Book 2, of the Dutch Civil Code.

Statement concerning other requirements on the basis of legislation and regulations

Our appointment

We were appointed as auditors of Achmea B.V. on 29 April 2011 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on 6 April 2011. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eight years.

No prohibited services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audits of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its subsidiaries, for the period to which our statutory audit relates, are disclosed in note 24 to the financial statements.

Other information

Responsibilities with respect to the financial statements and the audit

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Title 9, Book 2 of the Dutch Civil Code; and for
- such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going-concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 12 March 2019
PricewaterhouseCoopers Accountants N.V.

Originally Dutch version signed by R.A.J. Swaak RA

Appendix to our auditor's report on the financial statements 2018 of Achmea B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of Executive Board's use of the going-concern basis of accounting and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

Other information

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Other information

To: the General Meeting and the Supervisory Board of Achmea B.V.

Assurance report on the sustainability information 2018

Our conclusion

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information included in the Annual Review of the Annual Report 2018 of Achmea B.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the events and achievements thereto related for the period 1 January 2018 until 31 December 2018,

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section 'Reporting principles' on page 40-41 of the Annual Review.

What we have reviewed

We have reviewed the sustainability information included in the Annual Review for the period 1 January 2018 until 31 December 2018, as included in the following sections in the Annual Report (hereafter: "the sustainability information"):

- Introducing Achmea (page 3-10);
- Context & Strategy (page 11-18);
- Our objectives and results (page 19-38);
- the following Appendices related to the Annual Review as included in Part 3 of the Annual Report:
    - GRI index (page 3-6);
    - Other employee information (page 9-12);
    - Socially responsible investments (page 13);
    - Other environmental information (page 14-18).

This review is aimed at obtaining a limited level of assurance.

The sustainability information comprises a representation of the policy and business operations of Achmea B.V. with regard to corporate social responsibility and the thereto related business operations, events and achievements throughout 2018.

Other information

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'). Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of this assurance report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Achmea B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – 'Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct').

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – 'Regulations for quality systems') and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Reporting criteria

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The Executive Board of Achmea B.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as disclosed on page 40-41 of the Annual Review. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

The following information is not part of the scope of our engagement:
- The Annual Review contains a Glossary. This information is not reviewed by us and is not in scope of our engagement.
- The links to external sources or websites in the sustainability information are not part of the sustainability information reviewed by us. We do not provide assurance over information outside of this Annual Report.

Other information

Responsibilities for the sustainability information and the review

Responsibilities of the Executive Board

The Executive Board of Achmea B.V. is responsible for the preparation of the sustainability information in accordance with the reporting criteria as included in the section 'Reporting principles', including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the sustainability information and the reporting policy are summarized on page 40-41 of the Annual Review. The Executive Board is responsible for determining that the applied reporting criteria are acceptable in the circumstances.

The Executive Board is also responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the company's reporting process on the sustainability information.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance information to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.

Other information

- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
    - Interviewing management (and/or relevant staff) at level responsible for the sustainability strategy, policy and results;
    - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
    - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 12 March 2019
PricewaterhouseCoopers Accountants N.V.

Originally Dutch version signed by R.A.J. Swaak RA