HALF YEAR REPORT

2018

Half Year Report 2018

of Achmea B.V.

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INTERIM RESULTS 2018

Word from the chairman

“Achmea is well on track to achieve its ambitions in the period up to 2020. In order to further improve our services to our customers we are investing in innovation and continue to evolve into a leading financial services provider, one which will remain relevant to its customers and to society in the future as well.

The results over the first half of this year were strongly affected by the claims arising from two severe storms that passed over the Netherlands in January. The storms caused a great deal of distress and damage to our customers, who we were able to provide with good assistance. The total claims resulting from these storms amounted €116 million. Adjusted for these costs, our operational result increased over the first half of this year. Our result improved due to written premiums, further cost reductions and higher investment returns. Our solvency ratio is robust and increased to 191%.

For our retail property & casualty insurance, we saw an increase in both the number of customers and the amount of premiums. This is partly due to new services and the good online customer service by Centraal Beheer, Interpolis and FBTO. These services are also highly rated by our customers. Illustrations of this are Centraal Beheer being awarded the title of most customer-friendly retail property & casualty insurer and FBTO obtaining the highest score for the customer-oriented insurance quality seal. Thanks to a strategic partnership with Google, Centraal Beheer is the first Dutch insurer to be included in Google Assistant, which uses innovative speech technology in services for our customers.

Premiums for basic health insurance are still offered below cost price. In spite of this, the result from our health insurance activities has increased due to a lower use of healthcare services than expected for both basic and supplementary health insurance and because we have succeeded in further reducing our operational expenses while maintaining the high standard of service. The integration of De Friesland Zorgverzekeraar and Zilveren Kruis is already leading to lower costs for our customers. All these measures are contributing to keeping healthcare expenditure at manageable levels in the Netherlands.

Our revised pension strategy further develops with the acquisition of new customers. The market highly appreciates the overall range of solutions offered by Centraal Beheer Algemeen Pensioenfonds. Internationally we are mainly growing through our services offered via digital channels. In Canada we are preparing the launch of an online insurance company via the Onlia brand, together with Fairfax. This further expands the innovative range of property & casualty insurance products, capitalizing on the InShared platform and Achmea’s experience in online direct distribution.

We continue to evolve from an insurer into an all-round financial services provider. Smart use of data and digitisation allows us to serve our customers in many different areas. Our services contribute to a healty, safe and future-proof society. Zilveren Kruis, for example, conducted a campaign in the corporate market to promote a healthy organisational culture. With BlueLabel we launched the world’s first water vulnerability scan on the market. Interpolis' Thuiswacht helps keep people’s homes safe in their absence, and through Centraal Beheer APF we give pension scheme members full insight into their financial future. With the objective of reducing traffic accidents by 25% by 2020, Interpolis has intensified its campaign against the use of mobile phones while driving. Furthermore, through our investment policy we aim to contribute to a more sustainable society: Achmea ranks a good third place in the 2018 Ethical Insurance Guide and has the ambition to further improve the ranking.

Notwithstanding the sound progress made over the first half of this year, continued focus on realising our ambitions and further improving our result remains important. After all, insurance is inherently linked to dealing with uncertainties. One recent example being the widespread damage caused by the January storms. We are well prepared for such situations and will continue to implement our strategy towards 2020, which enables us to create sufficient future capacity to continue investing in improving our services to our customers. A continuous focus on cost reductions is a significant part of this. Our expectation is that the execution of our plans will lead to a further improvement in our result.”

Financial results

The operational result in the first half of 2018 amounted to €192 million (H1 2017: €223 million). The results from non-life and our reinsurance activities are adversely affected by claims arising from the January storms amounting to €116 million. Without the damages from these storms, the underlying result increased compared to the same period last year.

The combined ratio at our non-life business was 97.9%. The underlying results improved further as a result of premium measures, claim management and expense measures.

Our health activities realised a higher result than in the first half of 2017. We achieved a higher result on basic health insurance because of a better than expected result on previous years. The loss on the current underwriting year with respect to basic health insurance was largely limited by the release of the loss provision made in the second half of 2017 for premium setting below-cost price in 2018. The result for supplementary health insurance increased due to lower use of healthcare services by our customers compared to last year.

The Pension & Life segment showed a higher result due to higher investment results, an improved technical result and lower operating expenses. Over the past six months, we have also continued to optimise our processes and systems and we have further reduced our operational expenses.

The result of Retirement Services improved over the past six months versus the first half of 2017. The improvement is due to a higher interest margin at Achmea Bank and lower expenses as a result of outsourcing, as well as a reduction in the start-up investments for the Centraal Beheer General Pension Fund. The phasing out of services to mandatory sectoral pension funds was successfully completed as of 1 July 2018.

Our international activities also show an improvement in the operational result compared to the first half of 2017. All the markets in which Achmea internationally operates have contributed to the higher result. 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 competencies: non-life and health via digital and banking distribution channels.

The Other activities segment negatively contributed to our result over the past six months versus the first half of 2017. This is due to one-off windfalls in the first half of 2017, a higher cost of claims at Achmea Reinsurance caused by storm Friederike on 18 January 2018 and an increase of the reorganisation provision for further reductions in the number of employees and office locations within the context of our business plan “Delivering Together”.

OPERATIONAL RESULTS SEGMENTS (€ MILLION)

	H1 2018	H1 2017
Non-Life Netherlands	4	105
Pension & Life Netherlands	190	102
Retirement Services Netherlands	10	4
International	19	6
Other	−131	−22
Operational result (excl. Health)	**92**	**195**
Health Netherlands	100	28
Operational result	**192**	**223**

The net result was €133 million (H1 2017: €171 million). A transaction result deriving from the conclusion of the joint-venture agreement with Fairfax in Canada is included in the net result. In the first half of 2017, the transaction result partly related to completion of the transfer of the Staalbankiers private banking activities to Van Lanschot and exceptional expenses deriving from the migration of five sectoral pension funds to Centric.

The tax burden was affected by the addition of €35 million to the provision for the tax settlement in the Netherlands for the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. As a result, the effective tax rate is higher than the nominal tax rate.

COMPOSITION OF NET RESULT (€ MILLION)

	H1 2018	H1 2017
Operational result	**192**	**223**
Transaction result	8	2
Result before tax	**200**	**225**
Tax	67	54
Net result	**133**	**171**

Gross earned premiums

Gross earned premiums amounted to €17,448 million in the first six months of 2018 (H1 2017: €16,947 million). The increase in earned premiums is mainly driven by our health business in the Netherlands and, more specifically, the basic health insurance.

Growth of the property & casualty portfolio in the Netherlands caused an increase in earned premiums from our property & casualty business. Internationally, earned premiums also increased for our non-life activities in local currency. Written premiums from life insurance activities decreased, in line with our expectations, as a result of our decision to stop selling pension insurance products in the Netherlands. Earned premiums were also slightly lower due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS WRITTEN PREMIUMS (€ MILLION)

	H1 2018	H1 2017
Non-Life	2,359	2,352
Health	14,153	13,530
Pension & Life	936	1,065
Total gross earned premiums	17,448	16,947

Operating expenses

Gross operating expenses[1] increased to €1,107 million compared to last year (H1 2017: €1,075 million). Adjusted for one-off effects totalling €74 million, gross operating expenses decreased by €42 million (-4%). This decline is the result of a decrease in the number of employees, lower IT expenses due to the renegotiation of contracts and rationalisation of legacy systems, as well as lower housing expenses.

The one-off effects mainly relate to the increase of the reorganisation provision within the context of “Delivering Together”. The reorganisation expenses relate to a further reduction in the number of employees and office locations, partly because of merging activities.

The total number of internal and external employees in the Netherlands declined to 14,185 FTE in the first half of the year (year-end 2017: 14,484 FTE). The decrease in the number of employees in the Netherlands with nearly 300 FTE in the past six months is due to the continued optimisation of processes and systems. We previously communicated that the number of employees at Achmea will decrease by 2,000 in the business plan period up to 2020 under the motto of “Delivering Together” and we are well on track to meet this target. Since the start of the business plan period, the number of employees in the Netherlands has decreased by over 1,600.

The number of internal and external employees outside the Netherlands is 2,864 FTE (year-end 2017: 2,946 FTE). This number is lower due to the sale of Irish life insurance company Friends First. When adjusted for this, the number of international employees has increased by 231 FTE to support growth in our international business.

[1] *Gross operating expenses consists of staff costs, depreciation property for own use and equipment and general expenses, including IT - and marketing expenses. It concerns operating expenses excluding commissions paid and accrued, reinsurance profit sharing and commission and before allocation to claims handling and investment expenses.*

Investments

In the first half of 2018, investment income[2] from our own risk investment portfolio was €592 million (H1 2017: €597 million). Positive real estate revaluations due to improved market sentiment had a positive impact. In the first six months we also profited from a widening swapspread on a portfolio, of which the investments are valued at market interest rates and the liabilities at the swaprate. These were offset by negative foreign exchange results. 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 €0.1 billion in the first six months of 2018, to €7 billion.

The value of our investment portfolio increased slightly to €44.8 billion (2017: €44.6 billion). This increase can mainly be attributed to the lower interest rates in the first half of the year, as well as to the increased value of the fixed-income portfolio by €0.6 billion as a result of additional purchases. Apart from a decrease in the deposits of €0.3 billion, the other investments remained virtually stable.

Total equity

Achmea's equity decreased by €234 million to €9,715 million in 2018 (2017: €9,949 million). This decrease is mainly the result of the share buy-back amounting to €100 million and negative revaluations, primarily on equity and due to exchange-rate differences arising from the depreciation of the Turkish lira. In addition, the total equity was affected by dividend payments on ordinary and preference shares and coupon payments on hybrid capital amounting to a total of €164 million. The total equity was positively affected by the net result of €133 million.

DEVELOPMENT OF TOTAL EQUITY	(€ MILLION)
Total equity 31/12/2017	**9,949**
Net result	133
Movements in revaluation reserve	-71
Movement in reserve for exchange-rate differences	-33
Remeasurement of net defined benefit liability	1
Dividends and coupon payments to holders of equity instruments	-164
Share repurchasing	-100
Total equity 30/06/2018	**9,715**

[2] *Investment income (including realised and unrealised gains and losses) for own risk, including Income from associates and joint ventures, are adjusted for fair value results and other investment income directly related to the insurance liabilities.*

UNCERTAINTIES IN THE SECOND HALF YEAR OF 2018

The risks and uncertainties to which Achmea Group (hereinafter: Achmea) is exposed are described in greater detail in the capital and risk management section of the Achmea B.V. Consolidated Financial Statements for 2017. The capital and risk management section also outlines Achmea's risk management and control system, which includes a strategic risk analysis identifying and assessing the key risks as well as sensitivities. Achmea distinguishes the following risk types: insurance risk, market risk (including interest rate risk), counterparty default risk, liquidity risk, operational risk and compliance risk.

By the nature of its activities as an insurance company, Achmea is exposed to a variety of risks. Primarily this means insurance-related risks, but interest rate risk and changes in the financial markets are also relevant factors. Economic and political developments also have an impact, for example with regard to health insurance. These risks may affect Achmea's financial position and results for the second half of 2018.

Willem van Duin

Chairman of the Executive Board of Achmea B.V.

14 August 2018

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board reviewed the Achmea B.V. Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018 (hereinafter: the Interim Financial Statements) on 6 August 2018 and authorised them for submission to the Supervisory Board. The Interim Financial Statements were authorised for issue in accordance with the resolution of the Executive Board of 14 August 2018.

The Executive Board of Achmea B.V. declares that, to the best of the Executive Board's knowledge, the Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and net result of Achmea B.V. These Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards as at 30 June 2018 as adopted by the European Union, specifically IAS 34 'Interim Financial Reporting'. The Executive Board is of the opinion that the information contained in these Interim Financial Statements has no omissions likely to significantly modify the scope of any statements made. Furthermore, the Executive Board of Achmea B.V. declares that, to the best of the Executive Board's knowledge, the Executive Board Report includes a fair view of the information required pursuant to section 5:25d of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Zeist, 14 August 2018

Executive Board

W.A.J. (Willem) van Duin, Chairman
R. (Roelof) Konterman, Vice-Chairman
M.A.N. (Michel) Lamie, CFO
R. (Robert) Otto
B.E.M. (Bianca) Tetteroo
H. (Henk) Timmer, CRO

ACHMEA B.V.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF RESULTS)

(€ MILLION)

	NOTES	30 JUNE 2018	31 DECEMBER 2017
Assets			
Intangible assets		784	792
Associates and joint ventures		52	84
Property for own use and equipment		405	415
Investment property	5	1,043	1,113
Investments	6	71,920	72,702
Deferred tax assets		721	712
Amounts ceded to reinsurers		644	656
Receivables and accruals		14,530	6,487
Cash and cash equivalents		1,504	2,884
		91,603	**85,845**
Assets classified as 'Held for sale'	13	95	5,101
Total assets		**91,698**	**90,946**
Equity			
Equity attributable to holders of equity instruments of the company		9,707	9,941
Non-controlling interest		8	8
Total equity		**9,715**	**9,949**
Liabilities			
Liabilities related to insurance contracts	7	64,284	57,293
Other provisions		1,111	1,111
Financial liabilities	8	15,735	16,755
Derivatives		765	770
Deferred tax liabilities		12	13
Income tax payable		76	53
		81,983	**75,995**
Liabilities classified as 'Held for sale'	13		5,002
Total liabilities		**81,983**	**80,997**
Total equity and liabilities		**91,698**	**90,946**

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017
Gross earned premiums	10	17,448	16,947
Reinsurance premiums		−145	−185
Change in provision for unearned premiums and current risks (net of reinsurance)		−7,435	−7,038
Net earned premiums		**9,868**	**9,724**
Income from associates and joint ventures		6	2
Investment income	11	768	716
Other income		215	234
Total income		**10,857**	**10,676**
Net expenses from insurance contracts	12	9,271	9,033
Fair value changes and benefits credited to investment contracts		33	64
Interest and similar expenses		146	169
Operating expenses		1,162	1,126
Other expenses		45	59
Total expenses		**10,657**	**10,451**
Result before tax		**200**	**225**
Income tax expenses		67	54
Net result		**133**	**171**
Net result attributable to:			
Holders of equity instruments of the company		133	170
Non-controlling interest		0	1
Average number of outstanding ordinary shares		392,775,342	400,484,891
Earnings per share		0.23	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017
Items that will not be reclassified to the Income statement		
Remeasurements of net defined benefit liability [1]	1	4
Unrealised gains and losses on property for own use [2]	5	1
	6	**5**
Items that may be reclassified subsequently to the Income statement		
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures [3]	−33	−16
Unrealised gains and losses on financial instruments 'Available for sale' [2]	43	−218
Share in other comprehensive income of Associates and joint ventures [2]		7
Transfer from/to provision for Profit sharing and bonuses for policyholders from unrealised investment income [2]	−85	285
Reclassification to the Income statement as Profit sharing and bonuses for policyholders from investment income [2]	11	−5
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal [2]	−57	−81
Impairment charges on financial instruments 'Available for sale' reclassified to the Income statement on disposal [2]	12	7
	−109	**−21**
Net other comprehensive income	**−103**	**−16**
Net result	133	171
Comprehensive income	**30**	**155**
Comprehensive income attributable to:		
Holders of equity instruments of the company	30	154
Non-controlling interest	0	1

1. *Accounted for as part of Retained earnings*
2. *Accounted for as part of Revaluation reserve*
3. *Accounted for as part of Exchange difference reserve*

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 2018	**11,357**	**−235**	**696**	**934**	**−363**	**−7**	**−4,006**	**215**	**1,350**	**9,941**	**8**	**9,949**
Net other comprehensive income				−71	−33		1			−103		−103
Net result								133		133		133
Comprehensive income				**−71**	**−33**		**1**	**133**		**30**		**30**
Appropriations to reserves			−663	27			851	−215				
Dividends and coupon payments							−164			−164		−164
Issue, sale and purchase of equity instruments		−100								−100		−100
Balance at 30 June 2018	**11,357**	**−335**	**33**	**890**	**−396**	**−7**	**−3,318**	**133**	**1,350**	**9,707**	**8**	**9,715**

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

(€ 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				−4	−16		4			−16		−16
Net result								170		170	1	171
Comprehensive income				**−4**	**−16**		**4**	**170**		**154**	**1**	**155**
Appropriations to reserves			3	13	−1		−398	383				
Dividends and coupon payments							−41			−41		−41
Other movements							3			3		3
Balance at 30 June 2017	**11,357**	**−235**	**690**	**838**	**−339**	**−7**	**−3,937**	**173**	**1,350**	**9,890**	**9**	**9,899**

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

Share capital/premium includes €10,923 million share premium (2017: €10,923 million).

As from 1 January 2018, the reserves of the former health insurance funds are not longer restricted for distribution. Consequently, €622 million of the equity has been reclassified from ‘legal reserves’ to ‘other reserves’.

In the first half year the Executive Board, mandated by the General Meeting, repurchased Achmea shares for a definitive purchase price of €100 million. These shares are recognised in the above statement under Issue, sale and purchase of equity instruments, as part of Own shares, as movements in 2018.

In the first half of 2018 an amount of €24 million (first half of 2017: €24 million) was paid as a coupon payment on Other equity instruments (net of taxes). With regard to the result for the year 2017, €123 million was distributed to holders of ordinary shares in 2018 (2017: zero). In 2018 an amount of €20 million (first half of 2017: €20 million) in dividend was distributed on preference shares (of which Achmea B.V. received €3 million in dividend on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017
Net cash and cash equivalents at 1 January	2,884	2,192
Cash flow from operating activities		
Result before tax	200	225
Adjustments of non-cash items and reclassifications	165	191
Changes in assets and liabilities	−2,114	−932
Cash flow operating items not reflected in result before tax	570	−197
Total cash flow from operating activities	**−1,179**	**−713**
Cash flow from investing activities		
Investments, acquisitions and direct return on investments	−38	−31
Divestments and disposals	147	16
Total cash flow from investment activities	**109**	**−15**
Total cash flow from financing activities	**−310**	**−72**
Net cash flow	**−1,380**	**−800**
Net cash and cash equivalents at 30 June	**1,504**	**1,392**
Cash and cash equivalents include the following items:		
Cash and bank balances	1,483	1,309
Call deposits	21	83
Cash and cash equivalents at 30 June	**1,504**	**1,392**

Notes to the Condensed Consolidated Interim Financial Statements

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 comprises Achmea B.V. and the entities it controls. The Condensed Consolidated Interim Financial Statements (hereinafter: Interim Financial Statements) are part of the Half year report which also includes the Executive Board report.

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Interim Financial Statements of Achmea B.V. have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. The accounting policies, used to prepare these Interim Financial Statements, are in accordance with the International Financial Reporting Standards, including International Accounting Standards (IAS) and Interpretations as at 30 June 2018 and as adopted by the European Union. The Interim Financial Statements should be read in conjunction with the Achmea Consolidated Financial Statements 2017. The Achmea Consolidated Financial Statements 2017 are available at www.achmea.com. All amounts in the Interim Financial Statements are in millions of euros unless stated otherwise. Income tax for the first half year of 2018 is determined based on the estimated effective income tax rate on the result before tax for 2018.

B. CHANGES IN ACCOUNTING POLICIES

In 2018 the following standards, changes to IFRS-EU standards or interpretations issued by the International Accounting Standards Board (IASB) became effective:

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 insurance contracts an optional temporary exemption from applying IFRS 9. Both approaches may be applied, if the requirements are met, until 2021.

Achmea has adopted the deferral approach with respect to IFRS 9 as referred to above. As a consequence Achmea will be required to include additional disclosures in the Financial Statements from 2018 onwards.

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 (that is, payment) 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. As Achmea is primarily an insurance company, the standard has no material impact on Net result and Total equity of Achmea.

In addition to the foregoing the following new Standards, amendments to Standards and Interpretations issued by the International Accounting Standard Board (IASB) became effective in 2018. These have no significant impact on Total equity as per 30 June 2018 and the Net result in the first half year of 2018 of Achmea:

- Amendments to IFRS 2: Classification and measurement of share-based payment transactions (clarification of the requirements for the classification and valuation of share-based payments).
- Amendments to IAS 40: Transfers of investment property (clarification regarding the reclassification of a property object from and to investment property).
- Annual improvements to IFRSs 2014-2016 cycle: annual improvements include non-urgent adjustments in IFRS standards.
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration: accounting for specific types of tax effects.

C. CHANGES IN STANDARDS AND ADMENTMENTS WITH FUTURE APPLICATION DATE

In 2018, the following Standards, amendments to Standards and Interpretations were issued by the IASB, in addition to those already disclosed in the Achmea Consolidated Financial Statements 2017, or the expected impact as included in the Consolidated Financial Statements 2017 has changed.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendment is aimed on the accounting for amendments, curtailments or settlement of defined benefit pension schemes during a reporting period. If such an amendment takes place, Achmea must update its assumptions regarding post-employment benefits and the fair value of the assets in order to estimate the expenses associated with such a change. The amendment requires Achmea to use this updated information to properly recognise the service cost and net interest resulting from a change to the defined benefit plan.

The standard is effective for reporting periods beginning on or after 1 January 2019. As at 30 June 2018 the standard has not yet been endorsed by the EU. Achmea is currently assessing the impact of this standard.

D. CHANGES IN ACCOUNTING POLICIES, PREVIOUS PERIOD ERRORS AND CHANGES IN PRESENTATION

In the first half of 2018 there were no amendments related to changes in accounting policies, previous period errors and changes in presentation as compared with the 2017 Achmea B.V. Consolidated Financial Statements.

The presentation of the 2018 Achmea B.V. Condensed Consolidated Interim Financial Statements has been brought into line with the 2017 Achmea B.V. Consolidated Financial Statements. Consequently the presentation differs from the 2017 Achmea B.V. Condensed Consolidated Interim Financial Statements. For more information about the changes in presentation please refer to Note 1 of the 2017 Achmea B.V. Consolidated Financial Statements (‘Accounting Policies’).

E. CHANGES IN ACCOUNTING ESTIMATES

For the preparation of the Interim Financial Statements, estimates and assumptions are used (e.g. for some of the reported assets and liabilities and the reported amounts of revenues and expenses for the accounting period). The actual outcome may deviate from these estimates. In preparing these Interim Financial Statements, the nature of the assumptions and estimates used in applying Achmea’s accounting policies and the key sources of estimation uncertainties are the same as applied to the 2017 Achmea Consolidated Financial Statements.

Measurement of income tax receivable

As was mentioned in the 2017 Achmea B.V. Consolidated Financial Statements with respect to one specific transaction there is a lack of clarity on the applicability of the participation exemption to the results related to the sale of the interest in the Polish insurer PZU. The acceptability of the tax treatment chosen by Achmea depends on the outcome of litigation. In the first half of 2018 a court handed down judgment, as a result of which Achmea raised the provision for the most likely outcome. The impact (€35 million) has been recognised as part of the income tax for the first half of 2018. The actual income tax to be paid may differ. On 30 July Achmea lodged an appeal in cassation with the Dutch Supreme Court.

F. CONSOLIDATION AND ACCOUNTING FRAMEWORK

The Interim Financial Statements comprise Achmea B.V. and its subsidiaries, associates and joint ventures. The accounting policies and calculation methods as used for the preparation of the Interim Financial Statements are the same as applied to the 2017 Achmea Consolidated Financial Statements with exception of the aforementioned adjustments.

G. SEASONALITY

Inherent in the insurance business and the contractual commitments of Achmea there is a certain degree of seasonality. Gross written premiums and the related Change in provision for unearned premiums (net of reinsurance) are based on the contractual annual premium for the insurance contracts. The inception of a major part of the insurance contracts is the first of January of a financial year with a contractual term of a year. Gross written premiums are based on the whole contractual term. The premium for the future coverage period is included in the Insurance liabilities for unearned premiums, as part of the liabilities related to insurance contracts. The related balance sheet item Receivables and accruals has the same seasonality.

2. CAPITAL AND RISK MANAGEMENT

The Solvency II results as at 30 June 2018 are set out below. The calculations to determine the solvency ratio as at 30 June 2018 are based on the information available to us and our current insights regarding the economic situation. They represent our best estimate.The calculated Solvency Capital Requirement (SCR) (including the Solvency II eligible own funds) and the principles for determining it are subject to assessment by De Nederlandsche Bank. Consequently, interpretations and the associated assumptions may change, and the same therefore applies to the reported Solvency II figures.

In the first half of 2018 Achmea obtained approval from the college of supervisors to use the partial internal model to calculate the required capital for market risk. Achmea has already been using an approved internal model for the insurance risks in the property & casualty and income protection insurance segments. The other risks are calculated using the Solvency II standard formula. The partial internal model for market risk will give Achmea an improved understanding of the risks, enabling better risk management. The partial internal model for market risk will be used from 1 July 2018 onwards to calculate 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. For more information on the internal model, reference is made to Note 2 Capital and risk management in the Achmea B.V. Consolidated Financial Statements for 2017.

The table below provides an overview of the Solvency II results as at 30 June 2018.

SOLVENCY RATIO (€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
Eligible own funds Solvency II	8,555	8,386
Solvency Capital Requirement	4,475	4,555
Surplus	**4,080**	**3,831**
Ratio (%)	191%	184%

The Solvency II ratio as at 30 June 2018 is 191%, an increase of 7%-pt on year-end 2017. This increase was driven by a rise in the available capital and a decrease in the required capital. The available capital benefitted in particular from operational profitability, dividends received (from Achmea Bank and Achmea Investment Management), the impact of incoming spreads on Dutch and German government bonds and the increased Volatility Adjustment (VA). The required capital declined compared with year-end 2017. The main reason for this decline was the closed book strategy at Pension & Life, the sale of Friends First and the renewal of the reinsurance programme.

Below is an overview of the composition of the eligible equity under Solvency II (eligible own funds). This consists of the available equity (on economic principles) and subordinated loans qualifying as equity. This equity serves as a buffer to absorb risks and financial losses.

ELIGIBLE OWN FUNDS SOLVENCY II (€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
Tier 1	6,574	6,363
Tier 2	1,311	1,340
Tier 3	670	683
Total eligible own funds Solvency II	**8,555**	**8,386**

The composition of equity under the Solvency II regulations is not the same as equity for IFRS purposes. 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.

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS (€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
IFRS Equity Financial statements	9,715	9,949
Subordinated liabilities in Basic Own Funds IFRS	-1,350	-1,350
Own shares	335	235
Total IFRS excess of assets over liabilities	**8,700**	**8,834**
Valuation differences Solvency II	-791	-825
Total economic excess of assets over liabilities	**7,909**	**8,009**
Subordinated loans eligible under Solvency II and "grandfathered" instruments	1,966	1,940
Available own funds Solvency II	**9,875**	**9,949**
Foreseeable dividends, payments and expenses	-27	-315
Not eligible tier 3 capital	-40	-53
Own shares	-335	-235
Equity in banking- and investment institutions (CRD IV)	-892	-923
Other restrictions	-26	-37
Eligible own funds Solvency II	**8,555**	**8,386**

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. For more information on the partial internal model, reference is made to the section of the Achmea B.V. Consolidated Financial Statements for 2017 on the risk management system.

SOLVENCY CAPITAL REQUIREMENT (€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
Market Risk	2,024	2,075
Counterparty Risk	570	643
Life Risk	1,689	1,760
Health Risk	1,898	1,889
Non-Life Risk	754	816
Intangible Assets Risk	0	1
Diversification	-2,523	-2,632
Basic Solvency Capital Requirement	**4,412**	**4,552**
Loss-Absorbing Capacity	-585	-616
Operational Risk	584	586
Solvency Capital Requirement (Cons)	**4,411**	**4,522**
SCR Other Financial Sectors & Other entities	64	33
Solvency Capital Requirement	**4,475**	**4,555**

3. SEGMENT REPORTING

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. The division into segments and the manner in which information on segments has been determined has remained unchanged compared with the Achmea B.V. Consolidated Financial Statements for 2017.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 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		3		70	76		784
Associates and joint ventures		3			40	9		52
Property for own use and equipment	55	7	1		46	296		405
Investment property			1,006		5	32		1,043
Investments	6,796	3,141	48,644	12,725	1,361	1,207	−1,954	71,920
Deferred tax assets			770		36	32	−117	721
Income tax receivable						154	−154	
Amounts ceded to reinsurers	215		197		271	88	−127	644
Receivables and accruals	1,409	12,285	305	94	289	377	−229	14,530
Cash and cash equivalents	94	236	554	322	246	92	−40	1,504
	9,204	**15,672**	**51,480**	**13,141**	**2,364**	**2,363**	**−2,621**	**91,603**
Assets classified as 'Held for sale'			80			15		95
Total assets	**9,204**	**15,672**	**51,560**	**13,141**	**2,364**	**2,378**	**−2,621**	**91,698**
Equity								
Equity attributable to holders of equity instruments of the company	1,667	3,124	4,239	835	558	−716		9,707
Non-controlling interest	8							8
Total equity	**1,675**	**3,124**	**4,239**	**835**	**558**	**−716**		**9,715**
Liabilities								
Liabilities related to insurance contracts	7,002	11,463	44,800		1,297	785	−1,063	64,284
Other provisions	17		4	1	52	101	936	1,111
Financial liabilities	336	1,070	2,190	11,745	443	2,175	−2,224	15,735
Derivatives	30	15	157	530		33		765
Deferred tax liabilities	120			9			−117	12
Income tax payable	24		170	21	14		−153	76
Total liabilities	**7,529**	**12,548**	**47,321**	**12,306**	**1,806**	**3,094**	**−2,621**	**81,983**
Total equity and liabilities	**9,204**	**15,672**	**51,560**	**13,141**	**2,364**	**2,378**	**−2,621**	**91,698**

1. *Within segment Other activities there are Intercompany positions with the other segments which can result in negative positions.*

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 activities there are Intercompany positions with the other segments which can result in negative positions.*

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 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	2,065	13,910	784		600	123	−34	17,448
Reinsurance premiums	−26	2	−31		−92	−29	31	−145
Change in provision for unearned premiums and current risks (net of reinsurance)	−445	−6,896	−33		−27	−37	3	−7,435
Net earned premiums	**1,594**	**7,016**	**720**		**481**	**57**		**9,868**
Income from associates and joint ventures					5	1		6
Investment income	29	8	470	196	61	14	−10	768
Other income	6	50	8	63	30	63	−13	207
Total income (excluding non-operational items) [1]	**1,629**	**7,074**	**1,198**	**259**	**577**	**135**	**−23**	**10,849**
Net expenses from insurance contracts	1,202	6,725	927		364	53		9,271
Fair value changes and benefits credited to investment contracts					33			33
Interest and similar expenses	2		1	140		25	−22	146
Operating expenses related to insurance activities	395	227	76		117	29		844
Operating expenses for non-insurance activities	12	3		112	28	163		318
Other expenses	14	19	4	−3	16	−4	−1	45
Total expenses (excluding non-operational items) [1]	**1,625**	**6,974**	**1,008**	**249**	**558**	**266**	**−23**	**10,657**
Operational result	**4**	**100**	**190**	**10**	**19**	**−131**		**192**
Transaction results (mergers and acquisitions)					8			8
Result before tax	**4**	**100**	**190**	**10**	**27**	**−131**		**200**
Income tax expenses	1		45	3	11	7		67
Net result	**3**	**100**	**145**	**7**	**16**	**−138**		**133**
Expense ratio [2]	24.8%	3.2%			23.0%			
Claims ratio [2 & 3]	73.1%	95.9%			74.4%			
Combined ratio [2 & 3]	97.9%	99.1%			97.4%			
Amortisation charges	1	1	1		9	23		35
Impairment losses	3	4	7	−1	1	−2		12

1. *Total income is presented in the Segment 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 (acquisitions and disposals) are presented as part of Other income in the Consolidated income statement.*
2. *The ratios of segment International activities include both Non-life and Health insurance business.*
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 €39 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.*

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 2017

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross earned premiums	2,042	13,310	882		615	168	–70	16,947
Reinsurance premiums	–53	–8	–30		–108	–53	67	–185
Change in provision for unearned premiums and current risks (net of reinsurance)	–429	–6,477	–63		–19	–53	3	–7,038
Net earned premiums	**1,560**	**6,825**	**789**		**488**	**62**		**9,724**
Income from associates and joint ventures					3	–1		2
Investment income	68	27	327	223	83	6	–18	716
Other income	5	57	9	81	23	57	–9	223
Total income (excluding non-operational items) [1]	**1,633**	**6,909**	**1,125**	**304**	**597**	**124**	**–27**	**10,665**
Net expenses from insurance contracts	1,116	6,632	919		362	3	1	9,033
Fair value changes and benefits credited to investment contracts					64			64
Interest and similar expenses	2		1	163		30	–27	169
Operating expenses related to insurance activities	388	231	93		120	31		863
Operating expenses for non-insurance activities	10	3		137	31	82		263
Other expenses	12	15	10		14		–1	50
Total expenses (excluding non-operational items) [1]	**1,528**	**6,881**	**1,023**	**300**	**591**	**146**	**–27**	**10,442**
Operational result	**105**	**28**	**102**	**4**	**6**	**–22**		**223**
Transaction results (mergers and acquisitions)				–9		11		2
Result before tax	**105**	**28**	**102**	**–5**	**6**	**–11**		**225**
Income tax expenses	24		21		2	7		54
Net Result	**81**	**28**	**81**	**–5**	**4**	**–18**		**171**
Expense ratio [2]	25.3%	3.4%			23.3%			
Claims ratio [2 & 3]	68.8%	97.2%			74.4%			
Combined ratio [2 & 3]	94.1%	100.6%			97.7%			
Amortisation charges	1	1	1		10	27		40
Impairment losses	1	1	4	-8		-6		-8

1. *Total income and Total expenses are presented in the Segment 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 (acquisitions and disposals) is presented as part of Other expenses in the Consolidated income Statement.*
2. *The ratios of segment International activities include both Non-life and Health insurance business.*
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 €33 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. In 2018 a reassessment was made of the allocation of claims handling expenses to the Net expenses from insurance contracts. Consequently for comparative purposes the ratios for the first half of 2017 have been adjusted; the claims ratio by +0.4% and the expense ratio by -0.5%.*

4. SUBSEQUENT EVENTS

There are no subsequent events which should be disclosed in the Interim Financial Statements.

5. INVESTMENT PROPERTY

In the first half year of 2018, the fair value movements related to Investment property amounted to €47 million (first half year 2017: €30 million). These are presented as part of Realised and unrealised gains and losses in Investment income in the Consolidated income statement.

(€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
Residential	457	481
Retail	295	306
Offices	266	288
Other	25	38
Total	**1,043**	**1,113**

6. INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

	INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		INVESTMENTS – AVAILABLE FOR SALE		INVESTMENTS – LOANS AND RECEIVABLES		TOTAL	
	30 JUNE 2018	31 DECEMBER 2017	30 JUNE 2018	31 DECEMBER 2017	30 JUNE 2018	31 DECEMBER 2017	**30 JUNE 2018**	31 DECEMBER 2017
Investments own risk								
Equities & similar investments	135	138	2,972	2,944			3,107	3,082
Fixed income investments [1]	2,866	3,227	31,826	31,023	531	646	35,223	34,896
Derivatives	3,252	3,324					3,252	3,324
Other financial investments	39	37	93	82	2,020	2,068	2,152	2,187
Investments backing linked liabilities								
Equities & similar investments	4,975	5,147					4,975	5,147
Fixed income investments	3,436	3,495					3,436	3,495
Derivatives	69	79					69	79
Investment property								
Other financial investments [1]	7,478	7,767					7,478	7,767
Banking credit portfolio								
Fixed income investments	228	239			12,000	12,486	12,228	12,725
Total at 31 December	**22,478**	**23,453**	**34,891**	**34,049**	**14,551**	**15,200**	**71,920**	**72,702**

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

An amount of €234 million (31 December 2017: €232 million) related to property investment funds is included in Equities & similar investments as part of Investments own risk 30 June 2018.

Impairments in respect of investments in the first half of 2018 amounted to €14 million (first half of 2017: €8 million), which were presented in the Consolidated income statement as part of the Realised and unrealised value adjustments.

FIXED INCOME INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
Government and government related guaranteed bonds	15,225	14,745
Securitised bonds [1]	1,453	990
Corporate bonds	9,523	9,819
Convertible bonds	313	309
Mortgages	7,207	7,240
Loans, deposits with credit institutions	177	331
Other	1,325	1,462
	35,223	**34,896**

1. *Securitised bonds include €988 million (2017: €916 million) asset backed securities (collateralised).*

7. LIABILITIES RELATED TO INSURANCE CONTRACTS

(€ MILLION)

	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
		30 JUNE 2018		31 DECEMBER 2017
Non-life insurance				
Unearned premiums	1,682	92	1,255	117
Provision for unexpired risks	41		43	
Outstanding claims (including IBNR)	6,156	358	6,101	334
Profit sharing and bonuses for policyholders	20		22	
Total Non-life insurance	**7,899**	**450**	**7,421**	**451**
Health insurance				
Unearned premiums	6,991		29	
Provision for unexpired risks	53		109	
Outstanding claims (including IBNR)	4,547		4,365	
Total Health insurance	**11,591**		**4,503**	
Life insurance				
Provision for life policy liabilities	22,162	194	22,423	205
Deferred interest surplus rebates	−20		−23	
Profit sharing and bonuses for policyholders	6,978		6,875	
Insurance liabilities where policyholders bear investment risk	15,674		16,094	
Total Life insurance	**44,794**	**194**	**45,369**	**205**
Total	**64,284**	**644**	**57,293**	**656**

8. FINANCIAL LIABILITIES

(€ MILLION)

	30 JUNE 2018	31 DECEMBER 2017
Investment contracts	237	244
Banking customer accounts	5,266	5,430
Loans and borrowings	6,160	6,959
Other liabilities	4,072	4,122
Total financial liabilities	**15,735**	**16,755**

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 under its maximum of €10 billion Secured Debt Issuance Programme, its new maximum of €5 billion Conditional Pass Through Covered Bond Programme, and various Residential Mortgage Backed Securities. These are issued by special purpose entities controlled by Achmea Bank N.V. The carrying amount of these residential mortgage loans is €4.4 billion (31 December 2017: €3.9 billion).

In the first half of 2018 the Loans and borrowings of Achmea decreased by €799 million, mainly due to repayments to the Unsecured Medium Term Note programme of Achmea Bank N.V.

9. FAIR VALUE HIERARCHY

This note provides an overview of financial instruments that are measured subsequently to initial recognition at fair value, classified into three levels (fair value hierarchy) based on the significance of the observable inputs used in making the fair value measurements. The levels are the same as applied to in the Consolidated Financial Statements of Achmea B.V. for 2017.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 30 JUNE 2018 (€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 30 JUNE 2018
Financial assets				
Recurring fair value measurements				
Investments				
Equities and similar investments	5,482	1,881	719	8,082
Fixed income investments	28,677	2,240	7,439	38,356
Derivatives	3	3,318		3,321
Other financial investments	467	7,143		7,610
Cash and cash equivalents	1,504			1,504
Total financial assets measured at fair value on a recurring basis	**36,133**	**14,582**	**8,158**	**58,873**
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		237		237
Loans and borrowings		4		4
Derivatives	5	742	18	765
Total financial liabilities measured at fair value on a recurring basis	**5**	**983**	**18**	**1,006**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 31 DECEMBER 2017 (€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2017
Financial assets				
Recurring fair value measurements				
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 financial assets measured at fair value on a recurring basis	**36,802**	**15,378**	**8,206**	**60,386**
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		244		244
Loans and borrowings		4		4
Derivatives	1	752	17	770
Total financial liabilities measured at fair value on a recurring basis	**1**	**1,000**	**17**	**1,018**

No significant changes in the fair value hierarchy during the first half of 2018

At each reporting date Achmea assesses the classification of the financial instruments 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. There have been no significant changes in the hierarchy in the first half year of 2018.

Valuation techniques used and valuation process within Achmea for Level 2 and 3 measurements

Depending on the specific financial instruments, Achmea has set valuation policies and procedures for determining the fair value. The valuation policies and procedures for determining the fair value are the same as applied to in the Consolidated Financial Statements of Achmea B.V. for 2017.

Movement schedule for Level 3 Financial instruments measured at fair value on a recurring basis

FINANCIAL ASSETS / FINANCIAL LIABILITIES (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL	DERIVATIVES	LIABILITIES TOTAL
Balance at 1 January 2018	**722**	**7,484**	**8,206**	**17**	**17**
Investments and loans granted	13	217	230		
Divestments and disposals	−50	−238	−288		
Fair value changes included in Income statement	7	−7	0	1	1
Fair value changes included in Other comprehensive income	27	−17	10		
Balance at 30 June 2018	**719**	**7,439**	**8,158**	**18**	**18**

FINANCIAL ASSETS / FINANCIAL LIABILITIES (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS 1	FIXED INCOME INVESTMENTS	ASSETS TOTAL	DERIVATIVES	LIABILITIES TOTAL
Balance at 1 January 2017	**890**	**6,111**	**7,001**	**21**	**21**
Investments and loans granted	23	894	917		
Divestments and disposals	−98	−158	−256		
Fair value changes included in Income statement	−7	−9	−16	−1	−1
Fair value changes included in Other comprehensive income	29	3	32		
Balance at 30 June 2017	**837**	**6,841**	**7,678**	**20**	**20**

Fair value changes included in Other comprehensive income related to Equities and similar investments and Fixed income investments are presented as part of the Revaluation reserve. Fair value changes related to Fixed income investments included in the Income statement are presented as part of Investment income.

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

DESCRIPTION	FAIR VALUE AS AT 30 JUNE 2018 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	719	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	7,211	Discoun-ted cash flows	Total spread	142 - 327 (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	228	Discoun-ted cash flows	Total spread	92-247 (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 €2.9 million higher income in the Income statement.

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €314 million (31 December 2017: €299 million), property funds, amounting to €204 million (31 December 2017: €204 million), and Infrastructure funds, amounting to €146 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.

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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
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 €3.2 million higher income in the Income statement.

Financial instruments not measured at fair value for which the fair value is disclosed

The table below provides an overview of the financial instruments that are not measured at fair value, but for which the fair value is disclosed in the Notes.

(€ MILLION)

	CARRYING AMOUNT AS AT 30 JUNE 2018				FAIR VALUE AS AT 30 JUNE 2018
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Investments					
Fixed income investments	12,531		832	11,953	12,785
Other financial investments	2,020		2,266		2,266
Receivables	14,472		14,583		14,583
Financial liabilities					
Banking customer accounts	5,266		5,301		5,301
Loans and borrowings	6,156	1,405	4,829		6,234
Other liabilities	4,072		4,112		4,112

(€ 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
Financial 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
Financial 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

10. GROSS EARNED PREMIUMS

BREAKDOWN GROSS PREMIUMS

(€ MILLION)

	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017
Non-life insurance		
Accident	551	560
Motor liability	425	426
Motor hull	419	406
Transport/aviation liability	32	32
Property	654	660
General liability	174	169
Legal assistance	98	97
Other	6	2
Gross premiums Non-life	**2,359**	**2,352**
Health		
Basic health insurance	5,212	5,162
Contribution from Health insurance fund	7,377	6,825
Supplementary health insurance	1,321	1,323
Other health insurance	243	220
Gross premiums Health	**14,153**	**13,530**
Life		
Single own risk	208	250
Annual own risk	407	482
Single policies where policyholders bear investment risks	46	23
Annual policies where policyholders bear investment risks	275	310
Gross premiums Life	**936**	**1,065**
Total gross premiums	**17,448**	**16,947**

11. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS -AT FAIR VALUE THROUGH PROFIT OR LOSS [1]		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017	FIRST HALF YEAR 2018	FIRST HALF YEAR 2017	**FIRST HALF YEAR 2018**	FIRST HALF YEAR 2017
Direct income from investments								
Investments own risk	190	173	276	261	46	46	512	480
Investments backing linked liabilities	155	168					155	168
Banking credit portfolio	3	4			163	130	166	134
Investment expenses	−4	−9	−14	−11	−2		−20	−20
Direct operating expenses investment property	−11	−12					−11	−12
	333	**324**	**262**	**250**	**207**	**176**	**802**	**750**
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	−94	−593	84	−74			−10	−667
Investments backing linked liabilities	−182	586					−182	586
Banking credit portfolio	32	81			−1	3	31	84
Impairment losses on investments								
Investments own risk			−14	−8			−14	−8
Foreign currency differences [2]	101	−43		22	40	−8	141	−29
	−143	**31**	**70**	**−60**	**39**	**−5**	**−34**	**−34**
Total income from investments	**190**	**355**	**332**	**190**	**246**	**171**	**768**	**716**

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 in the Achmea B.V. Consolidated Financial Statements for 2017.*

12. NET EXPENSES FROM INSURANCE CONTRACTS

(€ MILLION)

	FIRST HALF YEAR 2018 GROSS	FIRST HALF YEAR 2018 REINSURANCE	FIRST HALF YEAR 2017 GROSS	FIRST HALF YEAR 2017 REINSURANCE
Non-Life				
Claims paid	1,316	37	1,252	87
Changes in insurance liabilities own risk	92	49	−8	−41
Claim handling expenses	126		132	
Recoveries	−97		−96	
Other changes due to granted profit sharing rights	−2		2	
	1,435	**86**	**1,282**	**46**
Health				
Claims paid	6,704		6,543	10
Changes in insurance liabilities own risk	175		236	
Claim handling expenses	58		63	
Recoveries	−16		−18	
	6,921		**6,824**	**10**
Life				
Benefits paid own risk	1,128	47	1,153	65
Benefits paid for insurances where policyholders bear investment risks	717		906	
Changes in insurance liabilities own risk	−396	−36	−392	−65
Changes in insurance liabilities where policyholders bear investment risks	−425		42	
	1,024	**11**	**1,709**	
Profit sharing and bonuses for policyholders				
Amortisation interest surplus rebates	3		4	
Benefits policyholders	−17		−5	
Changes to provision for Profit sharing and bonuses for policyholders due to realised gains and losses on certain investments in fixed income securities through balance	16		12	
Changes to provision for Profit sharing and bonuses for policyholders due to (un)realised gains and losses on certain investments in fixed income securities and deratives through Income statement	8		−688	
Changes to provision for Profit sharing and bonuses for policyholders due to granted profit sharing rights and other changes	−22		−49	
	−12		**−726**	
Total net expenses from insurance contracts	**9,368**	**97**	**9,089**	**56**

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 locked assumptions and discounted on that basis. The large decrease in value of the interest rate derivatives, following the interest-rate movements in first of half 2017, results in a gain in the Income Statement. In the first of half 2018 the interest rate derivatives show a slight increase in value.

13. ASSETS AND LIABILITIES HELD FOR SALE AND 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., a pensions and life insurance company. Friends First Life Insurance Company D.A.C. was a 100% subsidiary of Achmea Group and is reported in the segment International. At 31 December 2017 the proposed transaction was subject to the approval of the relevant regulatory and competition authorities and the assets and liabilities of Friends First Life Insurance Company D.A.C. were classified as 'Assets and liabilities held for sale and divestments' . The transaction was completed in the second quarter of 2018 which resulted in an additional negative result of €1 million which is recognised as 'Other expenses'.

Onlia Holding Inc.

Achmea reached an agreement on 18 May 2018 on the sale of 50% of the shares in its 100% subsidiary Onlia Holding Inc., previously named Achmea Canada Management Inc., which is part of the segment International. The result on the sale of the 50% interest led to a positive result of €4 million. The remaining 50% interest qualifies as a joint venture. The initial measurement of this joint venture at market value led to an additional result of €4 million. Both results are recognised in the Income Statement as 'Other income'.

Investment property

Achmea holds an investment property portfolio valued at €95 million on the reference date 30 June 2018 which meets the criteria for 'Held for sale'. This part of the investment property is classified as assets 'Held for sale'.

14. CONTINGENCIES

With the exception of the information stated below, the Contingencies at 30 June 2018 have not changed significantly compared to 31 December 2017.

Achmea provides mortgage loans for its own account and for the risk and account of its clients (most of which are 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 €802 million (31 December 2017: €421 million) in mortgage loans. This liability corresponds with a received guarantee of €195 million (31 December 2017: €109 million). The increase is connected with increased demand for mortgage products and an improvement in mortgage fees in the first half of 2018.

15. RELATED PARTY TRANSACTIONS

In the first half of 2018, the nature of related party transactions was similar to related party transactions in 2017. For an overview of transactions with related parties in 2017, please refer to Note 35 Related party transactions in the Achmea B.V. Consolidated Financial Statements for 2017.

AUTHORISATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Zeist, 14 August 2018

The Executive Board
W.A.J. (Willem) van Duin, Chairman
R. (Roelof) Konterman, Vice-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
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
W.H. (Wim) de Weijer
R.Th. (Roel) Wijmenga

Independent Auditor´s Review Report

REVIEW REPORT

To: The Executive Board and Supervisory Board of Achmea B.V.

Introduction

We have reviewed the accompanying Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018, as included on page 10 to 35 of the Half Year Report of Achmea B.V., Zeist, which comprises the Consolidated statement of financial position as at 30 June 2018, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in total equity, the Condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes. The Executive Board is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 14 August 2018

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by R.A.J. Swaak RA