YEAR REPORT 2019

Part 2

achmea

CONTENTS

Achmea's annual reporting comprises three parts. Our aim is to ensure that each of these three parts aligns with the specific interests of our stakeholders and to improve clarity and accessibility. Together the three parts constitute Achmea's integrated annual report. More information on our reporting practices can be found on pages 61-62 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. This part describes our strategy, the progress made in 2019 and our vision of the future. The external auditor has reviewed the sustainability information included in this part on pages 3 to 58. The assurance report containing the auditor's opinion can be found on pages 208 to 210 of part 2.

PART 2

Part 2 is the 'Year Report'. This describes the main financial developments. It contains the Executive Board's report (the 'Annual Review', which is part of the Executive Board's 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 2019 (consolidated) financial statements: these are included on pages 53 to 189 of the Year Report. The auditor's report can be found on pages 194 to 207 of part 2 (other information).

PART 3

Part 3, comprising the 'Supplements', contains detailed sustainability reporting information and appendices to the other parts. The external auditor has reviewed the following Supplements relating to the Annual Review: supplement A (GRI index), supplement C (Other employee information) and supplement D (Other sustainability information). The assurance report containing the auditor's opinion can be found on pages 208 to 210 of part 2.

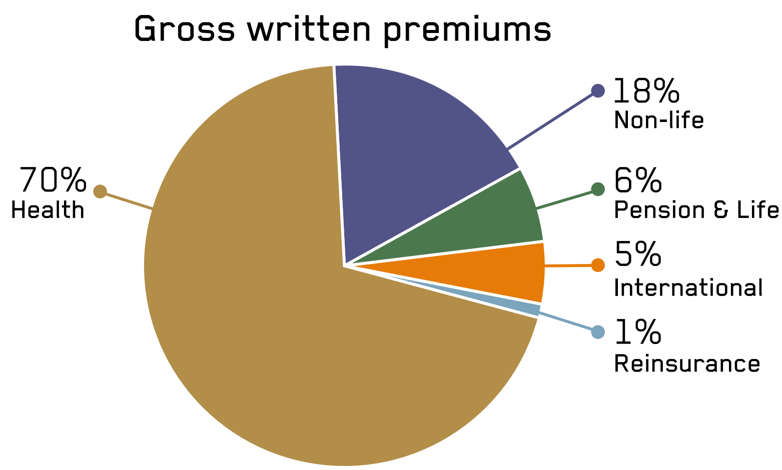
PART 2

Executive Board Report

Results and developments in 2019

Group results

GROSS WRITTEN PREMIUMS	NET RESULT	EQUITY	SOLVENCY SII
€19,949 million	€481 million	€10,191 million	214%



RESULTS (€ MILLION)

	2019	2018	Δ
Gross written premiums	19,949	19,918	0%
Net earned premiums	19,524	19,685	-1%
Gross operating expenses [1]	2,092	2,211	-5%
Operational result excluding Health Netherlands	**485**	**263**	**84%**
Operational result including Health Netherlands	**547**	**391**	**40%**
Transaction result	0	175	n.b.
Result before tax	547	566	-3%
Net result	**481**	**315**	**53%**
BALANCE SHEET	31 DECEMBER 2019	31 DECEMBER 2018	Δ
Total assets	89,488	81,816	9%
Total equity	10,191	9,705	5%
SOLVENCY II	31 DECEMBER 2019	31 DECEMBER 2018	Δ
Solvency ratio after dividend (Partial Internal Model) [2]	214%	198%	16%-punt
EMPLOYEES IN THE NETHERLANDS AND ABROAD [3]	31 DECEMBER 2019	31 DECEMBER 2018	Δ
FTEs (internal)	13,801	13,714	1%
FTEs (external)	2,590	2,922	-11%

1. *Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and plant and equipment and general expenses, including IT expenses and marketing expenses. These are operating expenses excluding paid and due fees, profit sharing on reinsurance and fees and for the allocation of claims handling expenses and allocated investment costs*
2. *The solvency ratio's reported here are after the deduction of (planned) dividends, but also after the payment of coupons on hybrid capital.*
3. *The number of FTEs is based on a working week of 36 hours.*

OVERALL RESULTS

Achmea again took important steps towards achieving its long-term financial and strategic objectives in 2019. The operational result increased substantially in 2019 to €547 million (2018: €391 million). This improved result was mainly driven by an increase in the result from Non-Life and our Other activities. The results from Pension & Life and Retirement Services also increased. Achmea's result therefore continues to evolve towards the result ambitions.

The combined ratio (COR) of our Dutch property & casualty and income protection business improved in 2019 and stood at 95.0% (2018: 95.5%). The operational result increased sharply to €178 million (2018: €97 million), due to premium growth, claims management and higher investment income. In addition, the result over 2018 was adversely affected by the January storms.

Our Dutch pension and life insurance business earned a strong operational result of €363 million in 2019 (2018: €334 million). The result improved due to higher technical results and higher investment results. The premiums have declined in line with our service book strategy. Furthermore, we continued to invest in our IT systems to further increase the flexibility of our execution costs and to be able to reduce them in line with expected future expirations in the portfolio.

The operational result of Retirement Services increased to €30 million in 2019 (2018: €15 million). This increase is largely the result of a higher interest result and a one-off fair-value result relating to Achmea Bank's acquisition of a part of a.s.r. bank's operations. Assets under Management at Achmea Investment Management grew further in 2019.

The operational result of our International activities amounted to €22 million (2018: €29 million). The lower result was caused by higher claims as a result of wildfires in Australia and lower health results in Greece and Slovakia due to non-recurring income in 2018. At the same time, we invested in our Canadian online property & casualty business and the result in Turkey increased slightly.

The result of the Other activities segment strongly improved. In addition to the results of Achmea Reinsurance and Syntrus Achmea Real Estate & Finance, this segment also contains the financing expenses and shareholder expenses. The improved result can partly be attributed to higher results for Achmea Reinsurance, which profited from positive cost of claims relaging to prior years, while 2018 had seen a high cost of claims arising from the January storms. Furthermore, reorganisation expenses were lower in 2019 than they had been in the previous year.

Our health activities contributed €62 million (2018: €128 million) to the result in 2019. A negative result of €26 million (2018: €45 million) was earned on basic health insurance due to the high cost of claims from prior years. The result on the current underwriting year amounted to €66 million (2018: €39 million negative). A positive result of €86 million was achieved on supplementary health insurance. Of this amount, €79 million derives from the current underwriting year (2018: €62 million). In addition, the operating expenses decreased further, partly due to the integration of Zilveren Kruis and De Friesland.

Despite the positive growth of our results over 2019 and prior years, we continue to face signifant challenges in the markets in which we operate. Low interest rates put pressure on traditional revenue models, climate change leads to increased weather-related claims damage and the Health result remains inherently volatile. We will therefore continue to invest in our strategy, which is aimed at diversified domestic and international growth and development of new propositions and services, while at the same time staying focused on the need for active claims management and further balance sheet optimisation.

OPERATIONAL RESULT PER SEGMENT (€ MILLION)

	2019	2018	Δ
Non-life Netherlands	178	97	84%
Pension & Life Netherlands	363	334	9%
Retirement Services Netherlands	30	15	100%
International activities	22	29	-24%
Other activities	-108	-212	-49%
Operational result (excluding Health Netherlands)	**485**	**263**	**84%**
Health Netherlands	62	128	-52%
Operational result	**547**	**391**	**40%**

The net result increased to €481 million in 2019 (2018: €315 million). The effective tax rate was 12% (2018: 44%).

The effective tax rate was lower mainly due to the fact that we adjusted the deferred tax position in 2018 after a reduction in the corporate tax rate was announced. Last year, this planned tariff reduction was postponed by a year and scaled back, leading to a partial reversal of the reduction in the provision for deferred taxes in 2019. Moreover, an adjustment to the IAS12 reporting standard means that the interest paid on perpetuals is processed via the income statement as of 2019. Combined with the tax-exempt income from Health, the effective tax rate is therefore €66 million.

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Income

The gross written premiums remained virtually stable in 2019 at €19,949 million (2018: €19,918 million).

Total retail and commercial premiums at Non-Life Netherlands and International grew further (5%) due to portfolio growth and premium adjustments. Internationally, gross written premiums increased for our property & casualty activities in local currency, but were stable in euros due to exchange-rate effects.

Gross written premiums within Health are up slightly (1%) due to a higher premium for basic health insurance and a larger contribution from the Health Insurance Equalisation Fund as a result of higher healthcare expenses in the Netherlands. This increase compensated for the decrease in the number of policyholders. Premiums from supplementary health insurance decreased slightly due to a lower number of policyholders. On balance, the international health activities saw growth in gross written premiums in Slovakia and Greece.

Gross written premiums from Pension & Life insurance activities in the Netherlands decreased by 18% as a result of our previously made strategic decision to stop actively selling pension insurance products in the Netherlands. Total gross written premiums were also lower than last year due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS WRITTEN PREMIUMS (€ MILLION)

	2019	2018	Δ
Non-life	4,104	3,897	5%
Health	14,582	14,435	1%
Life	1,263	1,586	-20%
Total gross written premiums	**19,949**	**19,918**	**0%**

We are increasingly evolving from being a traditional insurer into a broad financial service provider. As a result, we receive a growing portion of our income from sources other than insurance premiums. This income has grown by €40 million to €272 million (2018: €232 million) within the Retirement Services segment. Revenue also increased at SAREF: this amounted to €90 million over 2019 (2018: €82 million). Our service propositions continue to evolve. With these services we not only contribute to a healthy, safe and future-proof society through means such as damage prevention, but we also expand our business model.

Gross operating expenses

Gross operating expenses decreased by €119 million to €2,092 million in 2019 (2018: €2,211 million). This decrease follows mainly from more efficient business operations as a result of measures such as IT rationalisation and digitisation. Expenses are also lower in 2019 due to the sale of Friends First and Independer in 2018. The total number of employees has decreased slightly to 16,391 FTEs (2018: 16,636 FTEs). In the Netherlands, the number of employees decreased further to 13,414 FTEs in 2019 (2018: 13,772 FTEs). The decrease in the number of employees of more than 350 FTEs is due to the continued optimisation of processes and systems. The largest decreases occurred at Pension & Life and Health, as a result of more efficient business operations and the integration of Zilveren Kruis and De Friesland.

The total number of employees outside the Netherlands increased slightly to 2,977 FTEs (year end 2018: 2,864 FTEs). This increase is due to the focus on controlled and selective expansion of our market share in the various markets.

Combined with the cost savings realised in previous years, we more than accomplished our objective of cutting expenses by €200 million during the ‘Delivering Together’ strategic planning period (2017-2019). Based on the normalized gross operating expenses, this means that since the previous zero measurement in the period 2017-2019 we have achieved a cost reduction of €273 million. This is the result of more efficient business operations, achieved through means such as IT rationalisation and the digitisation of business operations, which in part enabled a reduction in the number of employees. Additionally the number of business locations has been reduced in previous years, leading to further cost savings. In the period 2017-2019, the number of FTEs in the Netherlands declined by about 1,850. Partly due to our decision to insource some tasks from a cost perspective, this decrease is slightly lower than our previously stated ambition to reduce the number of employees by 2,000 FTEs in the period 2017-2019.

Investments

Investment income1 from our own risk investment portfolio was €1,115 million in 2019 (2018: €1,066 million). Higher realised gains on fixed-income investments and equities, as well as less negative foreign exchange results, had a positive impact on the results compared to 2018. Real estate revaluations were also positive in 2019, but the flattening market sentiment meant these were lower than the previous year.

The increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life business, caused by fluctuations in the market interest rate, is not directly reflected in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for

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).*

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 and tighter spreads, the FFA increased by €2.8 billion to €9.8 billion in 2019.

The value of our investment portfolio grew strongly to €50.8 billion (2018: €45.1 billion). This is largely due to the decreased interest rates and tightened spreads in 2019.

CAPITAL MANAGEMENT

Equity

Achmea's equity increased by €486 million to €10,191 million in 2019 (2018: €9,705 million). Of this amount, €481 million derives from the net result. The increase is also partly due to higher unrealised gains and losses on equities and bonds caused by the higher market prices and the impact of the lower interest rates. Furthermore, repayment of a perpetual bond worth €600 million and a restricted perpetual Tier 1 bond issuance worth €500 million took place in 2019. As both instruments qualify as equity, on balance these events led to a reduction in the amount of equity. In addition, dividend payments on ordinary and preference shares, and coupon payments on hybrid capital limited the increase in the amount of equity slightly.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31 december 2018	9,705
Net result	481
Movement revaluation reserve	344
Movement exchange difference reserve	-13
Remeasurement of net defined benefit liability	-18
Dividends and coupon payments to holders of equity instruments	-204
Issue, sale and purchase of equity instruments	-100
Dividends and coupon payments to holders of equity instruments	-304
Other changes	-4
Total equity 31 december 2019	**10,191**

Solvabiliteit (Solvency II)

The solvency ratio increased to 214% in 2019 based on the approved Partial Internal Model and after dividend payments. Before dividend payments the solvency ratio stood at 219%. The increase in Eligible Own Funds (€392 million) and the decrease in the Solvency Capital Requirement (€145 million) are largely linked to the higher equity prices and changes to the modelling and calibration of the internal model for market risk and expense risk for the life business. The issue of two capital instruments (totalling €750 million) combined with the repayment of hybrid capital securities worth €600 million led to an increase in the Eligible Own Funds. The lower market interest rates combined with a decrease in the 'Volatility Adjustment' lead to a higher value for liabilities and therefore an increase in the technical risk for the life business. Moreover, the annual result and dividends from the banking and asset management activities, which do not form part of group solvency, have a positive effect on the own funds.

SOLVENCY II RATIO FOR ACHMEA GROUP (€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018	Δ
Eligible Own Funds under Solvency II	9,317	8,925	392
Solvency Capital Requirement	4,352	4,497	-145
Surplus	**4,965**	**4,428**	**537**
Solvency II Ratio	**214%**	**198%**	**16%-punt**

Since the introduction of Solvency II on 1 January 2016, Achmea has used a partial internal model approved by the regulators to calculate the SCR for the property & casualty and income protection insurance risks in the Netherlands and Greece. As of 1 July 2018, Achmea also applies the internal model to calculate the SCR for the market risk for the Dutch entities, with the exception of the health entities. The other risks are defined using the standard formula.

Free capital generation

Free capital generation over 2019 amounted to €546 million. The Free capital generation is largely supported by the increased operational results and the increased equity values, balance sheet optimisations and model changes. These have largely mitigated the unfavourable impact of the interest and spread developments and a decrease in the UFR by 15 basis points to 3.9%. The operational results of our health activities are not part of the Free capital generation.

Financing

The debt-leverage ratio[1] decreased to 24.9% (2018: 26.5%) due to the achieved result and the redemption of a CHF 200 million loan. In addition, Achmea repaid a €600 million Restricted Perpetual Tier 1 bond and held a dual-tranche issuance of Restricted Tier 1 Notes worth €500 million and Tier 2 Notes worth €250 million, all of which qualify as equity.

The above-mentioned transactions and the higher operational result improved the fixed-charge coverage ratio to 5.3x (2018: 4.4x).

In the first half of 2019, Standard & Poor's announced it would raise its outlook to 'stable' for all the Achmea entities. S&P's judgement was that Achmea had achieved a stable and improved operational result. It added that it expects Achmea to maintain both its leverage ratio and capital position at a stable level for the next few months. S&P affirmed its allocated rating (FSR[2]) for the Dutch insurance entities at A as of the same date. The credit rating (ICR[3]) for Achmea B.V. remained unchanged at BBB+. The rating (FSR) for Achmea Reinsurance Company N.V. and the rating (ICR) for Achmea Bank N.V. remained unchanged at A-. These ratings were confirmed later in the year.

On 30 September 2019, Fitch affirmed its rating for Achmea B.V. and its insurance entities: A (IDR[4]) and A+ (IFS[5]) respectively with a stable outlook. Fitch's rating (IDR) for Achmea Bank N.V. was affirmed at A with a stable outlook.

Future developments

We have accomplished a great deal in the past three years with 'Delivering Together'. We have invested in innovations based on the use of technology and data, and in the digitisation of our operating processes and customer interaction. Our operational result has improved thanks to measures relating to expenses, cost of claims, premiums and investments, while volatility has been reduced and we have unlocked capital via balance sheet management. We have acquired new customers for Retirement Services, completed the acquisition of banking activities from a.s.r. and conducted a market launch in Canada. At the same time we have sold our Irish company and Independer and phased out our activities for sectoral pension funds.

Our environment is changing fast. Despite the positive growth of our results over 2019 and prior years, we continue to face significant challenges in the markets in which we operate. Low interest rates put pressure on traditional revenue models, climate change leads to increased weather-related claims damage and the result of our insurance operations remains inherently volatile. In this context we also closely monitor the developments around the Coronavirus and their potential impact on our business operations, our insurance results and the financial markets. The outcomes of this are still uncertain, but are being closely monitored.

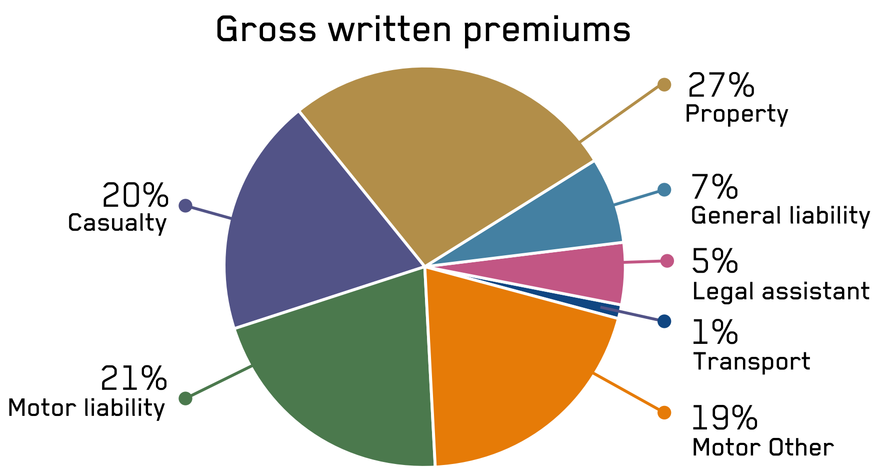
We are preparing ourselves for the future by means of our recalibrated strategy. The expectations of our stakeholders, naturally including our customers, both with respect to the value we offer them and our contribution to society, are central to this. And we are focusing on accelerating digitisation and on fundamentally different business models that could materialise in the future. We are doing this via our own efforts and together with others. This change is the lead philosophy for the coming strategic period 2020-2022: 'The Sum of Us'. We will continue to invest in diversified domestic and international growth and develop new propositions and services, while at the same time being focused on the need for active claims management and further balance sheet optimisation. We do not expect that this will involve any major adjustments to our financing structure. A sustainable financial return remains essential to being able to fulfil our role in society properly. The changing environment, which includes accelerating digitisation, also has an impact on our employees. We will continue to invest in healthy working, promoting professional expertise and shaping new leadership skills, and encouraging our employees to acquire new skills and competences to increase their employability.

1. *Debt leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill).*
2. *FSR: Financial Strength Rating*
3. *ICR: Issuer Credit Rating*
4. *IDR: Issuer Default Rating*
5. *IFS: Insurer Financial Strength*

Results and developments in 2019

Non-life Netherlands

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	CLAIMS RATIO	EXPENSE RATIO
€3,564 million	€178 million	69.0%	26.0%



RESULTS (€ MILLION)

	2019	2018	Δ
Gross written premiums	3,564	3,364	6%
Operating expenses	890	845	5%
Operational result	**178**	**97**	**84%**

NON-LIFE NETHERLANDS	2019	2018	Δ
Claims ratio	69.0%	70.1%	-1.1%-pt
Expense ratio	26.0%	25.4%	0.6%-pt
Combined ratio	**95.0%**	**95.5%**	**-0.5%-pt**

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and ranks in the top three in income protection insurance. We provide our retail and business customers with products such as car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer sickness and disability insurances. We assist our customers via innovative services that, for example, give them insight into the risks to which they are exposed. In doing so, we help our customers to prevent or restrict damage or loss as much possible and as a company we respond to changing market conditions and new customer needs. We distribute our products and services through our brands Centraal Beheer, Interpolis, FBTO, Avéro Achmea, Hagelunie and InShared, whereby our focus is on a high level of customer satisfaction, innovative services and digitising processes. With our omnichannel service, customers can communicate with us more often, at any time, and in the way they want.

Gross written premiums

ross written premiums increased by 6% to €3,564 million in 2019 (2018: €3,364 million).

Gross written premiums from our property & casualty insurance business increased to €2,948 million (2018: €2,784 million) as a result of growth in the number of customers and premium measures in both the retail and commercial lines. The portfolio growth was partly achieved via the introduction of new propositions.

Gross written premiums from the income protection insurance business increased to €616 million (2018: €580 million). This is mainly due to premium measures in response to a market-wide increase in the complexity and length of absenteeism.

Operating expenses

Operating expenses increased by 5% to €890 million in 2019 as a result of a growing portfolio and higher marketing expenses. Moreover there is ongoing investment in digitization of our customer services and prevention aimed at reducing damage for our customers and in doing so achieving a lower claims ratio.

Operational result

The operational result of Non-Life Netherlands increased substantially to €178 million over 2019 (2018: €97 million), due to an improved technical result partly supported by an absence of large weather-related claims. Investment results also increased due to the positive developments on the stock markets and realised gains generated by optimisation of the investment portfolio.

PROPERTY & CASUALTY

The result on property & casualty increased to €164 million in 2019 (2018: €72 million). As a result of this, the combined ratio for the property & casualty insurance business improved to 94.8% (2018: 96.0%). We have again seen a rise in the number of small weather-related events in 2019. In the long term, we will therefore continue to invest in innovative services aimed at preventing or restricting the damage to customers as much as possible. We do so within the retail portfolio via initiatives such as Bluelabel and the Green Roofs ('Groene Daken') concept of Interpolis, while we devote a great deal of attention to preventing damage and loss in the commercial portfolio as well. Good examples in the agricultural portfolio include the continuous monitoring and warning systems at farms and the installation of hardened glass in greenhouses. All these solutions contribute to a future-proof result and a safer and more climate-proof society.

INCOME PROTECTION

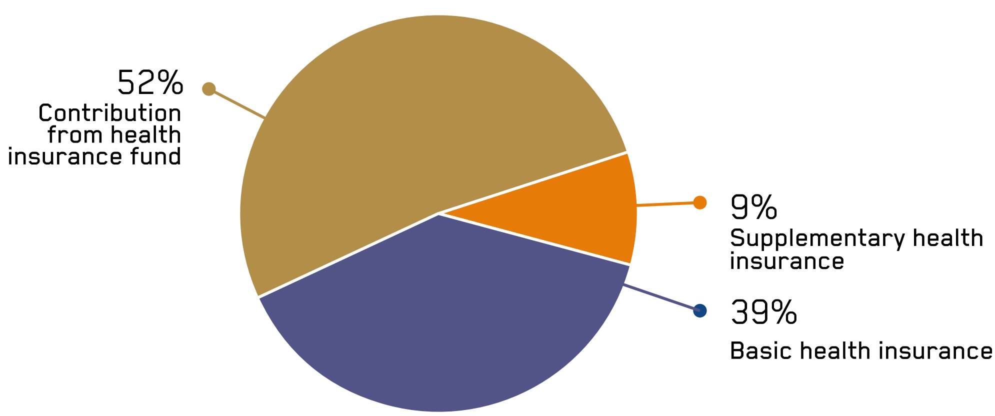
The operational result from our income protection insurance business was €14 million over 2019 (2018: €25 million). The decrease is mainly due to an increase in the complexity of absences due to sickness and the resulting length of claims. We are also investing in renewing our systems. We assist our customers by placing the emphasis on recovery and facilitating their return to work by, for example, reimbursing retraining programmes. Continuous improvements to our approach allow us to accelerate the return to work of our customers with long-term illnesses. At the same time, this also benefits the cost of claims of the disability insurance portfolios and supports our result for the long term. The combined ratio for income protection stood at 96.3% over 2019 (2018: 93.2%).

In 2019 we reinsured a portion of our group disability insurance portfolio. This was done with the aim of reducing volatility in future results. At the same time this improves our capital position under Solvency II.

Results and developments in 2019

Health Netherlands

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	COMBINED RATIO BASIC HEALTH INSURANCE	COMBINED RATIO SUPPLEMENTARY
€14,082 million	€62 million	100.2%	92.8%



RESULTS (€ MILLION)

	2019	2018	Δ
Gross written premiums	14,082	13,942	1%
Operating expenses	515	526	-2%
Profit before tax	**62**	**128**	**n.m.**
Result current year	147	21	600%.
Result prior years [1]	-85	107	n.m.
BASIC HEALTH	2019	2018	Δ
Claims ratio	98.0%	97.1%	0.9%-pt
Expense ratio	2.2%	2.3%	-0.1%-pt.
Combined ratio	**100.2%**	**99.4%**	**0.8%-pt**
SUPPLEMENTARY HEALTH	2019	2018	Δ
Claims ratio	82.3%	82.1%	0.2%-pt
Expense ratio	10.5%	10.3%	0.2%-pt
Combined ratio	**92.8%**	**92.4%**	**0.4%-pt**

1. The incidental result refers to earnings from health expenses and/or equalisation from previous underwriting years and allocations to a provision for losses.

n.m.: not meaningful

GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Interpolis, ZieZo and Pro Life offer basic and supplementary health insurance. Emergency response centre Eurocross Assistance also provides healthcare services worldwide.

Under the Dutch healthcare system, basic health insurance is mandatory for all and insurers have a duty to accept all applicants. The uniform insurance package for basic health insurance, without discrimination in customer premiums as to age or condition, means there is solidarity between young and old, poor and wealthy, ill and healthy. This is unique in the world: less than 5% of the world's population lives in a country in which everyone has access to the same high standard of healthcare. Trends such as the ageing population, new treatments and medicines, shortfalls on the job market and Collective Labour Agreement increases for hospitals and mental healthcare institutions are putting the affordability and accessibility of healthcare in the Netherlands under pressure. This underlines the importance of organising healthcare properly and of continuing to devote attention to prevention and a healthy lifestyle. Organising solidarity between customers and uniting various interests in healthcare are objectives aligned with Achmea's cooperative identity. This is one way we give substance to our role in society.

Achmea aims to bring good health closer to everyone and does so via, for instance, Zilveren Kruis and its other health brands. Examples of ways in which we do this include helping people via an app to lead healthier lives and offering safe in-home services for a growing number of types of healthcare. For instance, together with our healthcare partners we are investing in offering chemotherapy and immunotherapy, kidney dialysis and a variety of types of telemonitoring at home. This will reduce the impact of treatments, improve the quality of life for our customers and help keep premiums affordable. Initiatives such as Gezond Ondernemen (Healthy Enterprise) and the Actify lifestyle platform enables us to help our customers to work and live more healthily.

About 4.9 million people in the Netherlands choose to be insured by one of our health insurance brands in 2020. This makes Achmea the market leader with a market share of 28%.

Gross written premiums
Gross written premiums from basic and supplementary health insurance increased by 1% to €14,082 million (2018: €13,942 million). Gross written premiums from basic health insurance amounted to €12,834 million (2018: €12,621 million). The increase in gross written premiums is in line with higher premiums for basic health insurance and a larger contribution from the Health Insurance Equalisation Fund as a result of rising healthcare costs in the Netherlands, combined with a slight decrease in the number of policyholders. Gross written premiums from supplementary health insurance decreased to €1,248 million (2018: €1,321 million). This is due to a sligth reduction in the number of policyholders compared to 2018.

Operating expenses
The total operating expenses of our health activities decreased to €515 million (2018: €526 million). The decrease can largely be attributed to lower reorganisation expenses and the merger of Zilveren Kruis and De Friesland, which led to the standardisation of systems and processes and a reduction in the number of employees.

OPERATIONAL RESULT

Our healthcare activities achieved an operational result of €62 million in 2019 (2018: €128 million). Positive results on the current claim year supported the result. The result on prior underwriting years of he basic health insurance was negative due to higher than expected healthcare costs. As a result, the total operational result was lower than in 2018.

Basic health insurance
The operational result from basic health insurance amounted to €26 million negative over 2019 (2018: €45 million). The lower result is caused by the results on prior underwriting years. In contrast, an improved result was earned over the current underwriting year, in line with our goal of a cost-covering premium.

The operational result in the current underwriting year amounted to €66 million (2018: €39 million negative). The higher result is due to lower than expected medical expenses, particularly due to favourable expense developments for district nursing. Higher investment results and lower operating expenses also contributed to the improvement. The negative result in 2018 was caused by higher than expected healthcare expenses, partly due to higher than expected expenses for expensive medicines – this was partly compensated for by a higher contribution from the Health Insurance Equalisation Fund. Higher reorganisation expenses were also made in 2018.

The result from prior years amounted to €92 million negative (2018: €84 million). In 2019, the result from previous years can partly be attributed to higher than expected medical expenses for Specialist Medical Care for the 2016 underwriting year. In 2018 result from previous years benefited from a positive trend in medical expenses from prior years for Specialist Medical Care, Pharmacy and mental healthcare, in particular for the 2017 underwriting year.

In 2019, limited capital reserves were deployed for setting premiums for 2020. A provision of €17 million in total was made for three labels for setting premiums below cost price in 2020. In 2018, a provision was made of €21 million for setting premiums below cost price in 2019. The very limited use of the capital reserves is in line with our objective of stable and sound premium development over time for the basic health insurance business.

The combined ratio of basic health insurance increased to 100.2% (2018: 99.4%) as a result of higher healthcare expenses than expected on prior years. The combined ratio for the current underwriting year was 99.5%.

Supplementary health insurance
Supplementary health insurance posted a positive operational result of €86 million (2018: €85 million). The decrease in premium income caused by a lower number of policyholders is in line with the lower healthcare expenses due to the smaller number of policyholders.

The percentage of basic health insurance policyholders with supplementary coverage remained stable in 2019 at around 80%. This reaffirms the value of supplementary health insurance to our customers.

The current underwriting year accounted for €79 million of the result (2018: €62 million). The increase is mainly due to lower organisational expenses and higher investment income. There was also a positive result from previous underwriting years of €7 million (2018: €23 million). In 2019 a small adjustment was made on the estimate for prior years, while last year a substantially lower cost of claims had been expected for previous underwriting years.

The combined ratio of supplementary health insurance policies increased slightly in 2019 and stood at 92.8% (2018: 92.4%) as a result of higher medical expenses on the one hand and lower premium income on the other.

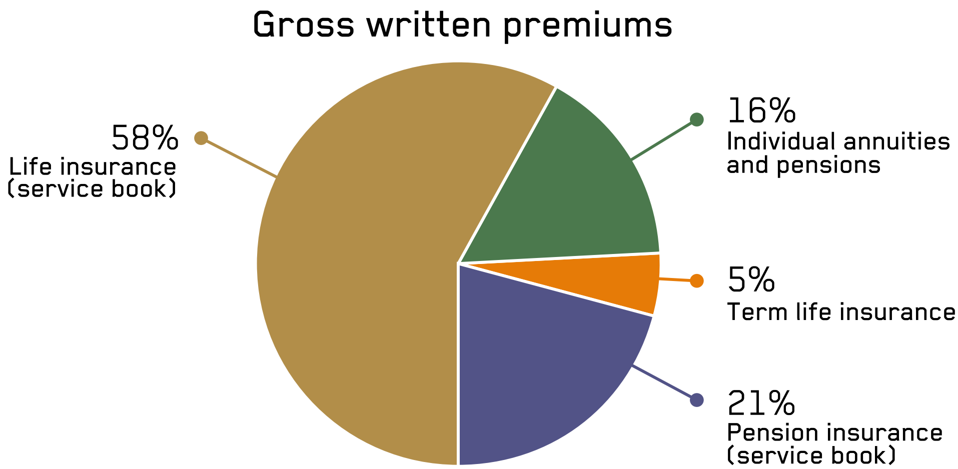
Other (Healthcare offices & Services)
The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. The operational result for Other was €2 million in 2019 (2018: €2 million negative). The higher operational result can be attributed to higher reimbursements for administrative expenses relating to the Wlz. Furthermore, operating expenses have been reduced at both the healthcare offices and the healthcare service companies.

Results and developments in 2019

Pension & Life Netherlands

GROSS WRITTEN PREMIUMS
€1,164 million

OPERATIONAL RESULT
€363 million



RESULTS (€ MILLION)

	2019	2018	Δ
Gross written premiums	1,164	1,420	-18%
Operating expenses	155	150	3%
Operational result	**363**	**334**	**9%**

GENERAL INFORMATION

Achmea's Pension & Life services 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's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction.

Gross written premiums

In 2019, total gross written premiums decreased by 18% to €1,164 million in 2019 (2018: €1,420 million). Of this amount, €924 million comes from the service book and €240 million from the open book.

In 2019, total written premiums on our service-book pension portfolio amounted to €244 million (2018: €424 million). Total written premiums on our service-book life insurance portfolio amounted to €680 million (2018: €769 million). In line with our strategy, no new insurance contracts are being sold in these portfolios. The decline in the premium income is therefore the result of natural portfolio development.

The technical provisions for our traditional pension and life insurance products are gradually declining, in line with our long-term projections, and stood at €20.8 billion as of year-end 2019.

The open-book portfolio increased slightly in written premiums from term life insurance policies to €57 million (2018: €54 million). Production of individual annuities and pensions amounted to €183 million in 2019 (2018: €173 million). Due to the growing open-book portfolio we are able to keep the average expenses low for longer and extend the total duration of the complete portfolio.

Operating expenses

The operating expenses increased slightly to €155 million in 2019 (2018: €150 million) due to investments in future efficiency. In 2019 we invested a larger amount in further automation of processes and also made an additional reorganisation provision. The additional investments in IT will bring down management expenses in the years to come, as less IT systems and less employees will be required. When adjusted for these expenses and the additional investments, a small decrease was visible in operating expenses.

Operational result
The operational result increased to €363 million in 2019 (2018: €334 million). This was driven by an improvement of both the technical and investment results

The technical result increased by €35 million in 2019 compared to the same period last year. This improvement was primarily driven by a recalibration of the provision for insurance liabilities. In contrast, a lower mortality rate versus 2018 partially limited the increase in the result.

The investment results increased by €9 million, largely due to more positive trends on the equity markets and improved foreign exchange results. These positive developments were partially cancelled out by lower revaluation results on real estate and tightening spreads. .

Results and developments in 2019

Retirement Services Netherlands

NET INTEREST MARGIN	OPERATIONAL RESULT	ASSET UNDER MANAGEMENT	COMMON EQUITY TIER 1 RATIO ACHMEA BANK
€146 million	€30 million	€147 billion	19.2%

RESULTS (€ MILLION)

	2019	2018	Δ
Total Income	272	232	17%
Of which: administration and management fees pension administration	125	121	3%
Operating expenses [1]	242	217	12%
Operational result	**30**	**15**	**100%**
ACHMEA BANK	2019	2018	Δ
Net interest margin	146	112	30%
Fair value result [2]	-2	-2	0%
Operating expenses	105	79	33%
Withdrawals from loan loss provisions	3	1	200%
	31 DECEMBER 2019	31 DECEMBER 2018	Δ
Common Equity Tier 1 ratio	19.2%	20.8%	-1.6%-pt
ACHMEA INVESTMENT MANAGEMENT	31 DECEMBER 2019	31 DECEMBER 2018	Δ
Asset under management [3]	147	129	18

1. *Operating expenses including other expenses.*
2. *The fair value result is an accounting result that is compensated for in other financial periods, in line with the value development of the underlying derivatives. Derivatives are used to restrict the interest rate risk. This explicitly concerns the result related to the activities of Achmea Bank.*
3. *The Assets under Management (AuM) include a derivatives (overlay) portfolio.*

GENERAL INFORMATION

Through Retirement Services, Achmea provides pension funds, employers and retail customers with solutions for pensions and capital accrual as well as housing-related products. Achmea Pension Services administers the pensions for the Centraal Beheer General Pension Fund (GPF), which 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 distributed through, among others, the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pension Services and Achmea Pension & Life.

Operational result

The operational result for Retirement Services increased to €30 million in 2019 (2018: €15 million). The increase in the result can largely be attributed to a higher interest result and a one-off fair-value result at Achmea Bank. This higher result was achieved against a background of higher investments in future growth at Achmea Bank and Achmea Investment Management and higher expenses due to an adjusted cost allocation to Achmea Bank. The strategic growth ambitions of Achmea Pension Services, combined with efficiency improvements deriving from investment in automation, are expected to lead to a further reduction of operational losses over the coming years.

ACHMEA BANK

Achmea Bank's result increased to €50 million (2018: €36 million). The increase in the result was driven by a higher interest result, a higher fair-value result and increased fee income. This more than fully absorbed the higher expenses that followed from an adjusted cost allocation. As a result of the changed cost allocation, Achmea Bank's operating expenses increased by €15 million. Furthermore, expenses were higher due to increased investments in projects. The interest result improved due to lower financing expenses. About €18 million of the fair-value result relates to the interest and spread result on the savings and mortgage portfolios acquired from a.s.r. bank. New mortgage origination increased significantly by €863 million to €1,774 million in 2019. Of this amount, €1,037 million is for the balance sheet of Achmea's pension and life insurance business. Moreover, the size of the mortgage portfolio was expanded by about €2 billion as a result of the acquisitions. In addition to the above-mentioned transaction with a.s.r., this also includes the acquisition of a mortgage portfolio from the balance sheet of Achmea's Pension & Life insurance business.

Alongside the growth in the mortgage portfolio arising from the acquisition of part of a.s.r. bank's banking operations, a savings portfolio containing approximately 125,000 customers was also acquired. The acquisition of these portfolios is aligned with Achmea's strategy to position and grow Centraal Beheer as a financial service provider.

As of 31 December 2019, the Common Equity Tier 1 ratio stood at 19.2% (31 December 2018: 20.8%), a decrease caused by the two above-mentioned transactions.

ACHMEA INVESTMENT MANAGEMENT

As of 31 December 2019, Assets under Management (AuM) had grown to €147 billion (31 December 2018: €129 billion). This increase in AuM is mainly due to the positive growth in value of the investments thanks to the favourable financial markets. Furthermore, LocalTapiola and Pensioenfonds Horeca & Catering have opted for Achmea Investment Management's Socially Responsible Investment proposition. The Green Bond Fund launched in 2018 has now exceeded €120 million. On 4 April 2019, Pensioenfonds Vervoer announced that it had selected Achmea Investment Management as its overall manager for the fund. Onboarding of Pensioenfonds Vervoer was completed as of the start of 2020 and the total asset value of approximately €32 billion was added to the AuM of Achmea Investment Management. This is a major step towards further increasing the scale of our asset management activities.

Achmea Investment Management's contribution to the result decreased slightly to €6 million (2018: €8 million). This decrease can partly be attributed to one-off higher expenses for the onboarding of Pensioenfonds Vervoer.

ACHMEA PENSION SERVICES

Since the phasing-out of administrative services to mandatory sectoral pension funds in 2018, Achmea Pension Services has focused solely on services to the Centraal Beheer General Pension Fund (GPF) and to company, occupational and exempt sectoral pension funds.

It welcomed the Alliance and Metro company pension funds as clients in 2019. At the same time, the number of affiliated employers in the Centraal Beheer GPF also grew and was expanded further. The Delta Lloyd GPF, Cindu and Sligro pension funds switched to the Centraal Beheer GPF in 2019. In addition, as of January 2020 about 250 new employers joined the Centraal Beheer GPF, as did the Chemours and Equens pension funds.

The operational result of Achmea Pension Services improved slightly to €26 million negative in 2019 (2018: €29 million negative). This improvement derives from the phasing-out of our sectoral pension fund services and growth in revenue from the Centraal Beheer GPF. Achmea Pension Services is currently in a transitional phase, whereby the portfolio containing mandatory sectoral pension funds has been phased out and large-scale investments are now being made in the sustainable growth of the general pension fund and company pension fund administration. We are optimising processes in order to reduce expenses, while at the same time this enables us to maintain highly-valued services. Moreover, the replacement of the legacy IT infrastructure is an important element in further improvements of future results.

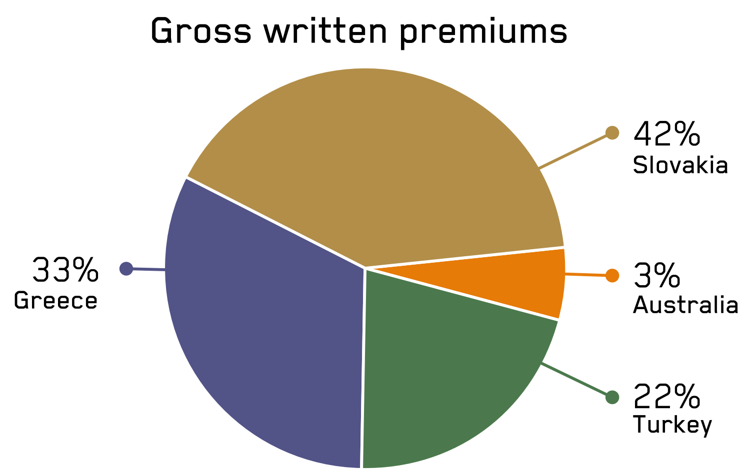
Results and developments in 2019

International activities

GROSS WRITTEN PREMIUMS
€1,041 million

OPERATIONAL RESULT
€22 million

ACTIVE FOREIGN OPERATIONS
5



RESULTS (€ MILLION)

	2019	2018	Δ
Gross written premiums (excluding Ireland)	1,041	1,037	0%
Gross written premiums (including Ireland)	1,041	1,106	-6%
Operating expenses	240	266	-10%
Profit before tax	**22**	**29**	**-24%**
GROSS EARNED PREMIUMS PER COUNTRY	2019	2018	Δ
Slovakia	442	415	7%
Greece	341	331	3%
Turkey	231	271	-15%
Australia	27	20	35%
Ireland [1]	0	69	n.b.

1. *The premiums for 2018 include the figures up to and including May 2018 for Irish insurer Friends First*
n.m.: not meaningful

GENERAL INFORMATION

Achmea International focuses on property & casualty, health and agricultural insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge and online expertise gained in the Netherlands. This expertise is used selectively and capital-light in specific international markets. We are accelerating growth and gaining market share in existing and new markets. We do so on the basis of our commitment to the individual local societies. For instance, in Australia we do our best to “Keep Farmers Farming”, allowing Achmea to deliver added value to its customers in times of crisis, such as during the wildfires

Gross written premiums
When adjusted for exchange-rate effects and the absence of premium contribution from Friends First, which was sold in 2018, gross written premiums increased by 3% to €1,041 million (2018: €1,006 million).

In Slovakia both the property & casualty and health businesses performed well, with premium growth of 15% and 6% respectively. The digital channel, a cornerstone of our international strategy, noted a 22% increase in premiums.

In Greece, Interamerican saw growth of 4% in its property & casualty business versus 2018, partly thanks to its leading role in creating a mobility ecosystem. In doing so it outperformed the general market and consolidated its position as market leader. Within the health business, Interamerican launched the 'BeWell' modular healthcare product and showed growth in gross written premiums of 4% here as well. Interamerican's direct online insurance channel 'Anytime' also grew further this year, with the new portfolio in Cyprus displaying particularly strong growth and doubling its market share.

In Turkey, gross written premiums decreased by 4% in local currency to TRY 1,467 million (2018: TRY 1,522 million). In line with our strategic objectives, Non-Motor products are undergoing growth, while Motor products are noting a decline. Health business premiums decreased by 49% due to the departure of a major group health contract.

In Australia, gross written premiums grew in local currency by 34% to AUD 43 million (2018: AUD 32 million) thanks to its unique 'All-in-One Farm Pack'. This product is sold via a successful partnership with Rabobank and Angus Australia.

In Canada, Onlia was successfully launched with the digital motor vehicle proposition and an app aimed at promoting safe driving behaviour. The 'Onlia Sense'-app got off to a promising start and, combined with the sales of online car insurance, Onlia made an innovative breakthrough in the Canadian market.

Operating expenses

Operating expenses totalled €240 million (2018: €266 million). When adjusted for exchange-rate effects and the sale of Friends First, operating expenses were up slightly by 2%, mainly caused by higher personnel expenses due to strong inflation in Turkey and investments in growth. The expense ratio improved by about 1%-pt in Australia, Greece and Slovakia, in line with our strategic objective of creating added value for customers.

Operational result

The total operational result was €22 million (2018: €29 million). The decrease can mainly be attributed to a higher cost of claims deriving from the wildfires in Australia, as well as to lower positive one-off results on Health in Slovakia and Greece. In spite of the economic conditions in Turkey, the business displayed stable and positive results. Greece and Slovakia also made a stable, positive contribution to the result for International.

Results and developments in 2019

Other activities

OPERATIONAL RESULT OTHER ACTIVITIES	OPERATIONAL RESULT ACHMEA REINSURANCE	GROSS WRITTEN PREMIUMS ACHMEA REINSURANCE	ASSET UNDER MANAGEMENT SYNTRUS ACHMEA REAL ESTATE & FINANCE
€-108 million	€33 million	€271 million	€23,3 billion

RESULTS (€ MILLION)

	2019	2018	Δ
Total gross Income	384	330	16%
Operating expenses	250	352	-29%
Interest and similar expenses	66	57	16%
Operational result	**-108**	**-212**	**n.m.**
ACHMEA REINSURANCE	2019	2018	Δ
Gross written premiums	271	205	32%
Operational result	**33**	**-13**	**n.m.**

n.m.: not meaningful

GENERAL INFORMATION

Other activities comprises the results of Achmea Reinsurance and Syntrus Achmea Real Estate & Finance. Part of the result also relates to the non-allocate costs for activities at holding company level and at the Shared Service Centers.

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 coverage to the Dutch and foreign insurance entities within Achmea. As such, it serves as the principal centre of excellence. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and to increase earnings for Achmea.

Syntrus Achmea Real Estate & Finance manages in excess of €20 billion in real estate and mortgages on behalf of over sixty pension funds and other institutional investors. It expressly aims to make sustainable investments that earn both a financial and a social return.

Operational result

The operational result improved considerably to €108 million negative in 2019 (2018: €212 million negative). The result on our Other activities is negative, as part of the expenses from the holding company and shared service activities are shown in this segment. The improvement of the operational result was driven primarily by two factors. The operational result of Achmea Reinsurance increased to €33 million, while this amounted €13 million negative in 2018. Reorganisation expenses were also substantial lower in this segment in 2019 than they were last year, while expenses were lower due to an adjusted cost allocation method.

In addition to Achmea Reinsurance, Syntrus Achmea Real Estate & Finance also made a positive contribution to the result of €7 million. The sale of Independer means that this operating company no longer makes a contributes to the result as of 2019.

ACHMEA REINSURANCE COMPANY

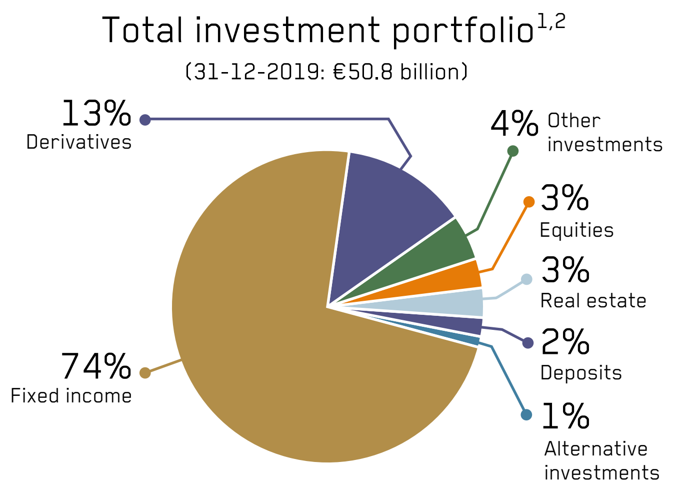
The result of Achmea Reinsurance improved considerably to €33 million in 2019 (2018: €13 million negative). While last year's result in the Netherlands was significantly negatively affected by reinsurance claims in the wake of the severe January storm (€-30 million), there were no exceptional claims in 2019. The improved result at Achmea Reinsurance was also supported by a more positive claims development of €8 million on group business from prior years compared to 2018.

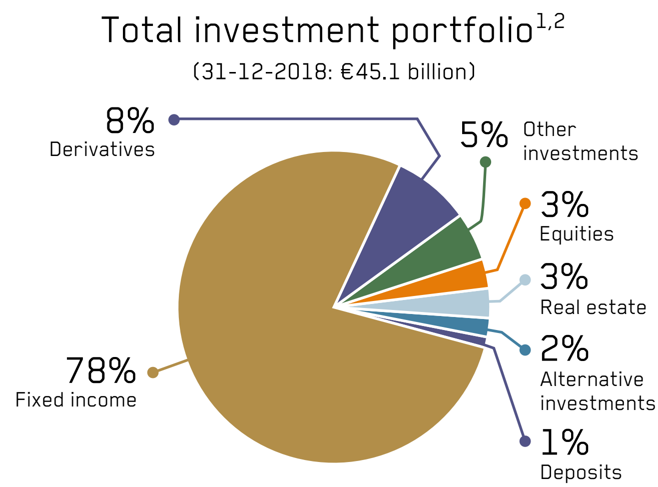
Gross written premiums increased substantially to €271 million compared to 2018 (€205 million), largely due to a new reinsurance contract for income protection. Slight growth was also achieved in the reinsurance portfolio for third parties. Achmea Reinsurance's total risk profile remained more or less the same.

SYNTRUS ACHMEA REAL ESTATE & FINANCE

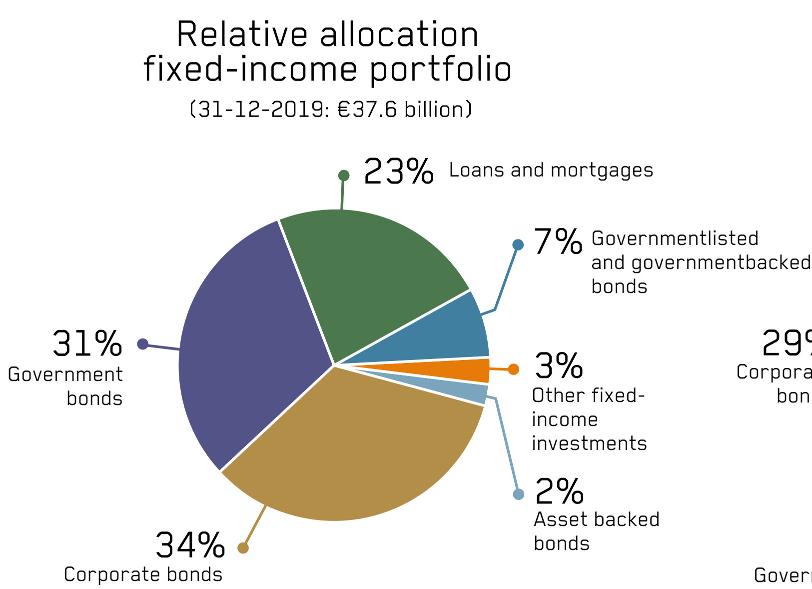
Assets under Management in real estate and mortgages increased to €23.3 billion (2018: €21.5 billion). This increase is due to the new mandates for institutional investors and higher revaluations of existing portfolios. Of the individual asset classes, residential property mortgages in particular experienced strong growth. Management fees increased to €90 million (2018: €82 million). The operational result decreased to €7 million (2018: €11 million) due to higher reorganisation expenses and higher investment in projects.

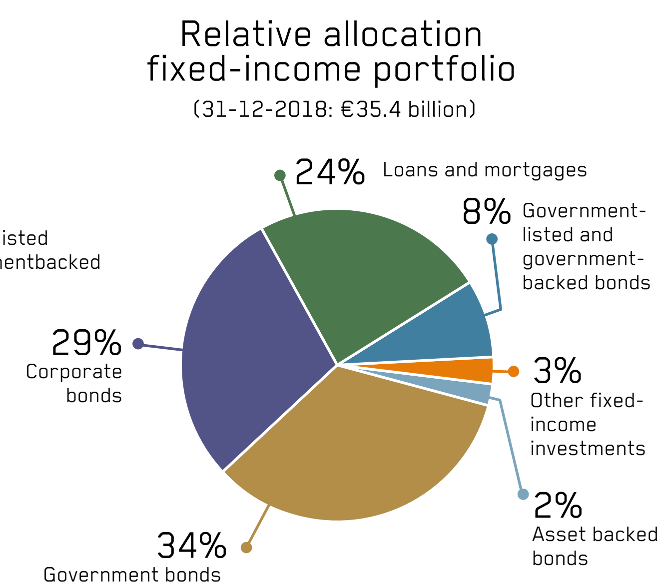
Investments





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. *The total investments portfolio contains Investment property and Investments own risk as included in the consolidated financial statements 2019..*





FIXED-INCOME PORTFOLIO

The value of our fixed-income portfolio increased by over 6% to €37.6 billion in 2019 (year-end 2018: €35.4 billion). The increase was mainly due to higher valuations caused by the lower bond yields and tighter spreads in 2019.

Within the fixed-income portfolio, the portion of government bonds, government-related bonds and government-backed loans decreased by 4 percentage points, largely due to a higher allocation to corporate bonds and mortgages, and as of year-end 2019 stood at €14.3 billion (31 December 2018: €15.0 billion) or 38% (31 December 2018: 42%). The bulk of the portfolio 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. In line with our business operations we also invest in Greek government bonds (€68 million as of 31 December 2019).

In 2019, the residential mortgages portfolio was further expanded via the Centraal Beheer Achmea and Hypotrust Woonbewust channels. The residential mortgages portfolio increased to €7.9 billion (31 December 2018: €7.5 billion). In so doing, we increase the returns on our portfolio.

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 2018: 23%).

EQUITY- AND ALTERNATIVE INVESTMENTPORTFOLIO

Our equity portfolio had a total value of €1.7 billion at year-end 2019 (31 December 2018: €1.5 billion), i.e. roughly 3% of our total investment portfolio. The portfolio's higher value can entirely be attributed to the positive growth in value in 2019 as a result of the positive trends on the financial markets. In addition to the equity portfolio, we also manage a portfolio of alternative investments such as private equity, hedge funds, infrastructure and commodities. In spite of received distributions, a positive return means that the size of this portfolio remained the same at €0.7 billion as of year-end 2019 (31 December 2018: €0.8 billion).

REAL ESTATE PORTFOLIO

Despite value increases, our real estate portfolio remained more or less the same at €1.4 billion in 2019, mainly driven by sales, and by year-end 2019 it represented about 3% of our total investment portfolio. At year-end 2019, the real estate portfolio comprised €1.1 billion in direct real estate investments, including 51% residential real estate, 23% retail, 25% offices and 1% other real estate holdings. Additionally, our real estate portfolio comprised €324 million in indirect real estate investments (31 December 2018: €275 million).

TOP 5 INVESTMENTS GOVERNMENT BONDS

(€ MILLION)

	31-12-2019	31-12-2018	RATING
The Netherlands	5,861	6,697	AAA
Germany	1,749	1,959	AAA
France	1,229	1,158	AAA
Austria	468	432	AA+
Italy	312	242	BBB

DISTRIBUTION FIXED INCOME PORTFOLIO BY RATING

	31-12-2019	31-12-2018
AAA	31%	35%
AA	14%	14%
A	15%	13%
BBB	16%	14%
<BBB	1%	1%
Not rated	23%	23%
Total	**100%**	**100%**

Interpolis Automodus

The increasing number of distractions in traffic - especially due to people using mobile phones - is putting road safety in danger. Via the Automodus app, Interpolis makes drivers aware of the dangers and offers them an innovative solution for not using their mobiles at the wheel. For every 100 kilometres driven while Automodus is activated, €1.00 will be put aside. This money will be donated to initiatives aimed at improving road safety in the Netherlands.

Interpolis

Capital- and riskmanagement

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 2019 Achmea had a solid Solvency II capital position and a solvency ratio of 214%. The composition of the risk profile and the key risks identified remained largely unchanged in 2019.

Note 2 (p. 58) Capital and risk management in the financial statements contains a more detailed description of the developments in 2019, Achmea's capital position, risk profile and its capital and risk management policy.

Governance

Governance

Supervisory Board Report

MAIN DEVELOPMENTS IN 2019

The Supervisory Board discussed major developments inside and outside Achmea on several occasions in 2019. Achmea's strategy and long-term value creation were key items on the Supervisory Board's agenda in 2019. In this respect, the Board examined the strategic developments for Achmea and the corresponding dilemmas, macro-economic environmental analysis and risks and opportunities for the business. Achmea's cooperative identity and its goal of contributing to a healthy, safe and future-proof society were also frequent topics of discussion.

Other important topics that were considered include the progress on the strategic agenda and the achievement of targets for the Delivering Together (2017-2019) planning period, the dual-tranche issue of Restricted Tier 1 and Tier 2 Notes, the capital policy, the acquisition of a portfolio from a.s.r. Bank by Achmea Bank, the appointment of Ernst & Young as external auditor for the financial years 2021 to 2025, as well as the changes to governance implemented by the Executive Board and Supervisory Board in 2019.

In 2019, the board closely monitored progress on the development of the Group's liquidity and solvency position, as well as profitability and free capital generation. In addition, the Board discussed low interest rates, volatility on the financial markets, the impact of these on the solvency ratio and measures to restrict their impact.

The Supervisory Board again devoted attention to succession planning and the composition of the Executive Board in 2019, 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 and its 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 2019, 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 Baarn and at InShared in Leusden, and one meeting was held at Interpolis in Tilburg. The members of the Supervisory Board and Executive Board discussed Achmea's strategic direction at the two-day strategy session. The visit to InShared was inspired by a desire to learn more about its way of working in the Netherlands and abroad, as well as to learn more about aspects such as the commercial development of Achmea Pension Services, Achmea Investment Management, Syntrus Achmea Real Estate & Finance and the International business.

The working visit to the Tilburg office was partly to celebrate the 50th birthday of Interpolis and to attend a symposium on the Power of Cooperation, as well as to learn more about efforts by Interpolis to improve road safety in the Netherlands.

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 twelve occasions in 2019, the Remuneration Committee three times and the Selection & Appointments Committee held a total of five meetings.

The table below provides an overview of the attendance rates of each individual board member. On the few occasions on which members were unable to attend meetings, this was generally due to a change to the schedule or the scheduling of additional meetings. As in previous years, attendance rates were high in 2019. Members who were unable to attend a meeting informed the relevant chairman and provided the chairman with input prior to the meeting.

ATTENDANCE RATES

NAAM	SUPERVISORY BOARD	AUDIT & RISK COMMITTEE	SELECTION- & APPOINTMENTS COMMITTEE	REMUNERATION COMMITTEE
J. van den Berg	92%			100%
P.H.M. Hofsté	92%	100%	100%*	
R.A. Joosten	92%**			
S.T. van Lonkhuijzen	100%***			100%
M. Lückerath	92%		100%	100%
A.C.W. Sneller	92%	92%		
A.W. Veenman	100%	92%	100%	100%
R.Th. Wijmenga	100%	100%		
W.H. de Weijer	92%		100%	

* *Joined in november 2019.*

** *Joined on 11 april 2019.*

*** *Resigned on 11 april 2019.*

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

The Supervisory Board reviewed the final phase of the Delivering Together planning period. This was the lead theme in our ambition and strategy for the period 2017-2019. During this period, Achmea's financial result improved due to measures relating to expenses, cost of claims, premiums and investments. Measures were also taken to reduce the volatility of the result and the solvency ratio, while capital was released by means of balance sheet management. At the same time, Achmea invested in growth in Retirement Services and the International business, as well as in digitisation and innovations aimed at improving services to customers.

With a view to developing the 2025 Strategy and the 2020-2022 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. In this context, the Supervisory Board discussed a number of dilemmas with the Executive Board, including i) the impact of low interest rates on investment results and economic solvency and the extent to which mitigating measures could affect future investment income, ii) aspects to be considered in relation to the balance sheet as part of value creation for the individual stakeholders, and iii) a sound balance between administrative costs, profit and solvency on the one hand and premium levels on the other, within the framework of earning a responsible return.

The Supervisory Board talked about the 2025 Strategy and identified the core values and basic principles of the new strategic period. The expectations of Achmea's stakeholders, naturally including our customers, both with respect to the value we offer them and our contribution to society, are central to this. Achmea is focusing on accelerating digitisation and on fundamentally different business models that could materialise in the future, via our own efforts and together with others. The Supervisory Board endorses this change, which is the lead philosophy for the coming 2020-2022 strategic period, and which we have called 'Strength in Unity'.

Achmea's cooperative identity forms the basis for its role in society: it aims to be trend-setting and relevant to individual customers, customers as a group and society. Achmea wants to contribute to a healthy, safe and future-proof society. We do this via our insurance policies, services and investments, and also via our own business operations. In this respect we concentrate on five focus areas and three sustainable development goals. The five focus areas are: good health closer to everyone; clean, safe and smart mobility; safe and sustainable home and living environments; carefree enterprise; and financial solutions for now, tomorrow and later. The United Nation's Sustainable Development Goals (SDGs) give further direction to Achmea's social assignment. We place the emphasis on three goals: good health and well-being, sustainable cities and communities, and climate action. The Supervisory Board endorses the choice of these focus areas and sustainable development goals.

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 Supervisory Board and the Executive Board also discussed together the Group's financial ambitions, the economic uncertainties, including the low interest rates, 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.

The implementation of the international strategy in 2019 focused on i) growth in existing markets, based in part on the core qualities of 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 activities with Onlia in Canada.

The Supervisory Board noted that major progress was made in 2019 in improving the operational result, the Solvency II ratio 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 and employee engagement scores are high. 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, Pension & Life and in the investments (financial markets).

The 2020-2022 Business Plan and 2020 budget were approved at the end of 2019. The Supervisory Board endorses the plans defined by the Executive Board, the measures implemented and the urgency of their implementation.

Governance
The changes to governance proposed by the Executive Board were also discussed in detail. The aim is to create closer collaboration between the business lines and simplify management of our organisation. One component of the change was also to set up a new Distribution & Innovation management team aimed at focusing more on integrated customer marketing and commercial strength from the strong brands across the entire Group. As of 1 September 2019, the responsible members of the Executive Boards and the CFOs at Achmea Schadeverzekeringen N.V. and Pensioen & Levensverzekeringen N.V. were appointed members of the management boards. The change to the composition of the management boards is part of the organisational change and adjustment to governance which also serves to improve performance management and financial management.

Furthermore, as of 1 September 2019 the Supervisory Boards of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V. comprise all members of the Supervisory Board of Achmea B.V.

Finance and risk
In each quarter of 2019, 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 2018. The discussions on the annual and interim reporting were also attended by the external auditor.

These centred around the good progress being made on the strategic priorities formulated by the Executive Board.
The Supervisory Board noted that the operational result improved greatly over 2019 compared to 2018. Major steps were taken in 2019 towards achieving Achmea's long-term financial and strategic objectives. The measures implemented by the Executive Board to improve the structural performance have contributed positively to the higher financial return. Achmea's financial position has improved in several respects compared to the end of 2018.

Risks and their impact on Achmea were an important agenda item for the Supervisory Board in 2019. 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 2019 the board examined the low interest rates and market volatility, and their impact on future capital generation, as well as measures to restrict this impact. In this context, the Supervisory Board agreed to amend the capital hedge.

The internal control of compliance and operational risks, including compliance with the rules governing privacy (GDPR), the duty of care and CDD (Sanctions Act), were also discussed extensively. The Supervisory Board endorses the importance the Executive Board attaches to compliance with laws and legislation. Moreover, the Supervisory Board concluded that the integral risk reporting 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 2018 to the holders of preference shares and ordinary shareholders.
The Supervisory Board was also intensively involved by the Executive Board in the decision to hold a dual-tranche issue of Restricted Tier 1 and Tier 2 Notes. The Supervisory Board approved this proposal.

Compliance with laws and regulations and auditing
Together with the Executive Board, the Supervisory Board noted in 2019 that the compliance requirements arising from laws and

regulations, external regulation and national and international (industry) associations continue at the same high level.

The Supervisory Board and its committees discussed a variety of issues in detail, including 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.

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. 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 in 2018 that the remuneration benchmark gives no reason to modify the remuneration policy for the Executive Board. 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. This decision remained unchanged in 2019. In line with existing policy, as of 1 January 2019 the fixed salary paid to Executive Board members was adjusted by the increment of 2.25% under the Collective Labour Agreement. Please see Explanatory note 33 of the consolidated financial statements. The compensation paid to the members of the Supervisory Board for the activities on behalf of Achmea B.V. remained unchanged in 2019.

In view of the changes to governance at Achmea, as of 1 September 2019 all members of the Supervisory Board of Achmea B.V. also constitute the Supervisory Boards of the entities Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. This led to the compensation they receive for their activities on behalf of these two entities being reviewed and adjusted (marginally). Please also see Explanatory note 33 of the consolidated financial statements and the Explanatory notes of the 2019 financial statements for Achmea Schadeverzekeringen N.V. and for Achmea Pensioen- en Levensverzekeringen N.V.

Achmea publishes detailed information on its remuneration policy, including the remuneration of the Executive Board and the Supervisory Board, in the 2019 Achmea Remuneration Report, to be published on www.achmea.nl in May 2020.

Composition of the Executive Board

The Executive Board's composition was discussed by the Supervisory Board on several occasions. Ms Lidwien Suur joined the Executive Board as of 1 September 2019. Her appointment filled the position which was vacated following the retirement of Mr Roelof Konterman effective 1 January 2019.

The Supervisory Board reappointed Ms Bianca Tetteroo, member of the Executive Board since 2015, for a four-year term starting on 15 June 2019. Mr Robert Otto, also member of the Executive Board since 2015, was likewise reappointed for a four-year term starting on 17 August 2019. As the holder of the A-share in Achmea and to the satisfaction of the Supervisory Board, Stichting Administratiekantoor Achmea appointed Ms Bianca Tetteroo Vice-chair of the Executive Board as of 1 January 2020.

Composition of the Supervisory Board
The Supervisory Board's composition was on the agenda on several occasions. As of 31 December 2019, the Supervisory Board had nine members. The Board comprised three female and six male members.

The composition of the Supervisory Board was changed in 2019. The General Meeting appointed Mr Joosten member of the Supervisory Board as of 11 April 2019 on the recommendation of the Supervisory Board. He succeeds Mr Vermeer, who on expiry of his third term of appointment retired as a member of the Supervisory Board in 2018. On the recommendation of Rabobank, Mr Kloosterman was appointed member of the Supervisory Board by the General Meeting as of 16 December 2019. After completing two four-year terms of appointment, Ms Van Lonkhuijzen retired as a member of the Supervisory Board as of 11 April 2019.

COMPOSITION OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2019

NAAM	NATIONALITEIT	GESLACHT	FUNCTIE	TERMIJN	JAAR VAN EERSTE BENOEMING	LOPENDE TERMIJN
J. van den Berg [a] (1964)	Dutch	Man	Member	First	2018	2018-2022
P.H.M. Hofsté [c] (1961)	Dutch	Woman	Member	Second	2015	2019-2023
R.A. Joosten [d] (1958)	Dutch	Man	Member	First	2019	2019-2023
A.M. Kloosterman [b] (1956)	Dutch	Man	Member	First	2019	2019-2024
M. Lückerath [c] (1968)	Dutch	Woman	Member	Third	2011	2019-2021
A.C.W. Sneller [c] (1965)	Dutch	Woman	Member	Second	2013	2017-2021
A.W. Veenman [a] (1947)	Dutch	Man	Chairman	Third	2009	2017-2021
R.Th. Wijmenga [a] (1957)	Dutch	Man	Memeber	Second	2015	2019-2023
W.H. de Weijer [a] (1953)	Dutch	Man	Vice-chairman	First	2016	2016-2020

a) Nominated by Vereniging Achmea
b) Nominated by Rabobank
c) Nominated by Central Works Council
d) Nominated by the Supervisory Board

EXPERTISE OF THE SUPERVISORY BOARD

NAME	EDUCATION	MANAGEMENT	GOVERNANCE	INSURANCE	BANKING	FINANCE / RISK / AUDIT	HR / REMU-NERATION	LEGAL / COMPLIANCE	COMMERCIE / CUSTOMER CENTRICITY	IT	HEALTH
J. van den Berg	Medicine / Management	•	•	•			•		•		•
P.H.M. Hofsté	Economy / Accountancy	•	•		•	•		•			
R.A. Joosten	Chemical Technology/ Business Administration	•	•	•					•		
A.M. Kloosterman	Dutch Law	•	•		•			•			
M. Lückerath	Economy		•		•	•	•	•			
A.C.W. Sneller	Econometrics / Controlling	•				•		•	•	•	•
A.W. Veenman	Mechanical Engeneering	•	•			•		•	•	•	
R.Th. Wijmenga	Econometrics	•	•	•		•		•	•		
W.H. de Weijer	Healthcare management	•	•	•			•				•

Permanent education
Four permanent education (PE) sessions were organised for Supervisory Board members in 2019. All the sessions were attended by virtually all the Supervisory Board members. The different PE sessions focused on: i) content, background and comparison of Employee Engagement Surveys, ii) Talent, Development and Performance (Achmea's new approach to learning ability, performance and job satisfaction by making the link to intrinsic motivation and discontinuing performance appraisals), and iii) IFRS 9 and IFRS 17 (two sessions).

At the IT summer courses, the focus was on trends in scalable analytics, chatbot applications, using IFRS 17 to generate higher-quality data and the impact of new technologies on future generations.

Evaluation of the Supervisory Board
Each year, the Supervisory Board carries out a self-assessment of its performance. 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 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.

The points for improvement arising from the previous evaluation led to additional attention being devoted to business and commercial topics in 2019, as well as to strategic and external developments and simplifying governance.

Suggestions for further improvement included: reinforcing the focus on management development and succession planning, increasing external input for permanent education and maintaining an even tighter focus on dialogue on strategic developments. Furthermore, the Chairman of the Supervisory Board also conducts individual evaluation interviews with the individual Supervisory Board members and together with another Supervisory Board member with the individual members of the Executive Board. The functioning of the Executive Board and its individual members is discussed in the Supervisory Board, the Selection & Appointments Committee and the Remuneration Committee. The points arising from the evaluation are taken on board by the individual members of the Supervisory and Executive Boards.

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.

Shareholder relations
The Chairman of the Executive Board is the primary point of contact for shareholders. The Chairman of the Supervisory Board conducts meetings with shareholders on specific topics. This includes aspects such as recommendations for nominating members of the Supervisory Board. In addition, the Chairman of the Supervisory Board has contact with shareholders in the context of the General Meeting. The Chairman of the Supervisory Board 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.

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 2019 the Audit & Risk Committee held two private meetings with the external auditor. 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.

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.

An extensive tender process was held due to the expiry of PwC's term of appointment as external auditor after the 2020 financial year. Partly based on observations from the Executive Board, the Audit & Risk Committee prepared the selection process for the external auditor and advised the Supervisory Board on the nomination of an external auditor. In light of that advice, the Supervisory Board nominated Ernst & Young for the position of external auditor. The General Meeting subsequently appointed Ernst & Young for the financial years 2021 to 2025.

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 a good 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 and at the meetings of the Audit & Risk Committee. The Audit & Risk Committee discusses Internal Audit's performance. The Director of Internal Audit is not present on this occasion.

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 2019. 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 2019.

New additional positions held by Supervisory and Executive Board members leads Compliance to issue advice to the Chairman of the Supervisory Board in connection with potential conflicts of interest (or the appearance of these).

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 Achmea Zorgverzekeringen N.V. and its subsidiaries, Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V.

In 2019, 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 2019 a great deal of attention was again devoted to the regular reporting by both Risk Management and Compliance and by 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 2019 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 2018 financial statements, much attention was devoted to Achmea's solvency and liquidity position and the financial results over 2018, which constituted an improvement on those for 2017. The Committee also discussed uncertainties relating to the growing volatility on the financial markets. Furthermore, the proposal for, and careful consideration of, the Executive Board regarding the payment of dividends to the holders of preference and ordinary shares were discussed. 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 2019 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 sensitivity to interest rates of Achmea Pensioen- en Levensverzekeringen N.V.'s economic solvency was a topic of discussion on several occasions, especially after the sharp drop in rates in August 2019. The Audit & Risk Committee discussed measures to further control interest rate sensitivity, including adjusting the interest rate hedge.

Other topics discussed by the Committee included the 2019 Recovery Plan, the Solvency and Financial Condition Reporting, the Regular Supervisory Report, the 2018 Achmea Valuation, the ratings and the payment of dividends by the operating companies. The Committee also discussed portfolio measures with the Executive Board, including the transaction between Achmea Bank and a.s.r. Bank. Additionally, the Executive Board regularly updated the Audit & Risk Committee in 2019 on the talks 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 also debated 1Finance, the transformation of the financial column, the new financial reporting standards IFRS 9 and IFRS 17, and in 2019 it discussed the dual-tranche issue of Restricted Tier 1 and Tier 2 Notes in detail. The IFRS adequacy tests, the Three Lines of Defense programme and the internal market risk model were also examined.

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 (ORSA). Other topics discussed extensively with the Executive Board include the annual Internal Audit/PwC 2019 Audit Plan, including the benchmark to be used for measuring the materiality of the financial statements, the 2020 Investment Plan and the corresponding controls and monitoring.

In addition, the Committee examined the appointment of external auditor Ernst & Young over the financial years 2021 to 2025. The Audit & Risk Committee again discussed the implementation and reassessment of the Audit Plan in 2019 and presented positive advice to the Supervisory Board. Moreover, the Audit & Risk Committee was briefed on the Recovery and Resolution (Insurance Firms) Act, the update of the Internal Audit Charter and the Independence Policy.

At the end of 2019, the 2020-2022 Group Business Plan, the financial translation of this and the 2020 Budget were discussed in detail. The Audit & Risk Committee issued a positive recommendation on this to the Supervisory Board. In its deliberations, the Committee examined in detail the volatility on the financial markets, the potentially long-term low interest rates, the evolution of the healthcare market and Achmea's strategy for 2020-2025.

The Audit & Risk Committee and PwC discussed the Management Letter of PwC. It was established that Achmea has made good progress on the priorities formulated by the Executive Board. The Audit & Risk Committee established that the principles of the implemented governance change aimed at focusing more on integrated customer marketing, innovation and commercial strength towards the market were discussed with PwC. PwC supports the initiated move towards strengthening performance management and financial management. The Committee endorses the Executive Board's target of improving performance management and financial management. 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.

REMUNERATION COMMITTEE REPORT

In 2019, the Remuneration Committee is comprised of the following four members of the Supervisory Board: Ms Mijntje Lückerath (Chair), Ms Joke van Lonkhuijzen (until 11 April 2019), Mr Aad Veenman and Mr Jan van den Berg. The Remuneration Committee receives advice from internal and external specialists in Achmea's remuneration policy, including the Human Resources Director.

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 and controlled 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 2019.

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 carefully 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.

The performance management process essentially remained unchanged in 2019.

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, particularly as to whether variable remuneration should be awarded.

Partly in view of the positive financial results over 2018, variable remuneration was allocated over 2018 to Executive Board members and other groups of Achmea employees in 2019. This was also the case last year. Half of the variable remuneration over 2018 was paid to Executive Board members in May 2019, while the other half has been deferred and will be payable in 2024 following a sustainability test. Please also see Explanatory note 33 of the consolidated financial statements.

Final decision-making on awarding variable remuneration over 2019 has yet to take place. More information on this will be given in the 2019 Achmea Remuneration Report to be published in May 2020.

In 2019, there were no downward adjustments or clawback of variable remuneration awarded to the Executive Board relating to previous years.

Internal remuneration ratios

The Remuneration Committee discussed the internal remuneration ratios during the past year. As a benchmark for the internal remuneration ratios, it examined the ratio between the remuneration of the Chairman of the Executive Board and that of the average Achmea employee in 2019. In 2019 the CEO pay ratio was 24.1 (2018: 22.9).

The CEO pay ratio is calculated based on the total remuneration of the Chairman of the Executive Board in 2019: the sum of the fixed salary + variable remuneration + pension divided by the median salary expenses (including variable remuneration) + pension per average Achmea FTE in the Netherlands and abroad, as calculated in the 2019 financial statements.

The internal remuneration ratios were also a topic of discussion in 2019 between the Chairs of the Executive and Supervisory Boards and the Central Works Council in one of their consultative meetings. This is in line with 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 developments in laws and legislation relating to remuneration policy at financial companies. The new Talent, Development and Performance (TOP) approach for board members and senior managers was also on the agenda. This approach also applies to them from 2019. As part of TOP, a number of non-meaningful adjustments were made to the (fixed) remuneration structure for board members and senior managers, as performance appraisal scores will no longer be used as part of TOP. Until 2019, the performance appraisal score at the end of the year directly affected the amount of the salary increment as of 1 January. This has now been replaced by a system of fixed salary increments, irrespective of the performance appraisal score.

Also in 2019, Internal Audit conducted an audit of the remuneration policy; the results were discussed in the Remuneration Committee, at which it was established that Achmea's remuneration policy is controlled and that there were no material findings.

2019 Remuneration Report

A detailed summary of the remuneration for the members of the Executive Board is given in Explanatory Note 33 of the consolidated financial statements, "Related party transactions".

For more information about remuneration, please see the 2019 Remuneration Report, which will be published on our websites www.achmea.nl and www.achmea.com at the end of May 2020.

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.

As of 31 December 2019, the Selection & Appointments Committee is comprised of four members of the Supervisory Board: Mr Aad Veenman (Chairman), Ms Petri Hofsté, Ms Mijntje Lückerath and Mr Wim de Weijer.

Changes and vacancies

Priority in 2019. Ms Lidwien Suur was selected by the Committee following an extensive selection process. In light of the Committee's advice, the Supervisory Board appointed her as member of the Executive Board as of 1 September 2019. She succeeds Mr Roelof Konterman, who retired as of 1 January 2019. The decisive factors in this selection process – in addition to the specific required professional competencies – were her management experience in the financial sector and her excellent suitability based on the profile for Executive Board members and enhancement of the right combination of skills.

The expiry of the terms of appointment of Ms Bianca Tetteroo and Mr Robert Otto in 2019 was 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 issued positive advice on reappointments to the Supervisory Board. The Supervisory Board reappointed both members for a further four-year term.

The composition of the Supervisory Board was discussed in detail due to i) the filling of the vacancy that arose following the retirement of Mr Antoon Vermeer in 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.

Ms Joke van Lonkhuijzen retired in April 2019. After a period of eight years in the post, she indicated that she would not be available for reappointment for a third term.

The Committee held extensive discussions on the composition of the Supervisory Board. Members of the Supervisory Board are selected 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.

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 issued positive advice to the Supervisory Board on the reappointments of Ms Petri Hofsté, Ms Mijntje Lückerath and Mr Roel Wijmenga. With respect to the reappointment of Ms Mijntje Lückerath after a period of eight years, the fact that her specific expertise on areas such as corporate governance and remuneration policy are important to the proper functioning of the Supervisory Board as a whole was taken into account.

The Committee discussed filling the vacancies in the Supervisory Board. 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 advised appointing Mr Roelof Joosten as Supervisory Board member. The General Meeting appointed Mr Joosten on the recommendation of the Supervisory Board on 11 April 2019. The Committee also issued a positive recommendation to the Supervisory Board to nominate Mr Lex Kloosterman as member of the Supervisory Board. On the recommendation of Rabobank, Mr Kloosterman was appointed member of the Supervisory Board by the General Meeting as of 16 December 2019.

Succession planning

The Selection & Appointments Committee also discussed succession planning for the Supervisory Board, the Executive Board and for the first management level below the Executive Board in 2019, based on a discussion of the Human Resources Performance Potential Portfolio. This meeting was once again held in 2019 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.

2019 FINANCIAL STATEMENTS AND DIVIDENDS

PwC audited the Achmea B.V. 2019 financial statements and issued an unqualified audit report on 10 March 2020. 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 2019 financial statements. After approval of the financial statements by the General Meeting, the Executive Board proposes payment of a dividend of €149.7 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 2019 reporting year.

ACKNOWLEDGEMENTS

We would like to thank Ms Joke van Lonkhuijzen, who resigned from the Supervisory Board on 11 April 2019, for her many years of committed service as a Supervisory Board member at Achmea and its subsidiaries, and for the valuable contribution she has made to our Group during her tenure.

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 enthusiasm that have enabled Achmea to remain relevant to its customers and to society every day.

We were deeply saddened by the sudden loss of our supervisory director Roelof Joosten on 2 March 2020. He had been supervisory director since April 2019. With his passing, we have lost a warm and enthusiastic colleague. We are very grateful to him for his contribution.

10 March 2020

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
A.M. (Lex) Kloosterman[1]
M. (Mijntje) Lückerath
A.C.W. (Lineke) Sneller
R.Th. (Roel) Wijmengapass

1) Mr Lex Kloosterman joined the Supervisory Board on 16 December 2019.

Eurocross: Rabies cases

In recent years Eurocross has seen a sharp rise in the number of Dutch holidaymakers reporting possible cases of rabies infection after being bitten or wounded by an animal. This is very unfortunate, because contracting this infectious disease can cause great distress, forcing people to interrupt or break off their holidays. In a worst case scenario, rabies can even be fatal. Eurocross doctor Floriana Luppino provides information on rabies.

eurocross assistance

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 2019

Ms Suur joined the Executive Board as of 1 September 2019. Her appointment filled the position which was vacated following the retirement of Mr Konterman effective 1 January 2019. Ms Suur was previously a member of the management board of ANWB, where her portfolio included Finance and Strategy, and held the position of general director of Unigarant and the ANWB insurance business. The Supervisory Board reappointed Ms Bianca Tetteroo as of 15 June 2019 and Mr Otto as of 17 August 2019 for a four-year term. As the holder of the A-share, Stichting Administratiekantoor Achmea appointed Ms Tetteroo as Vice-chair of the Executive Board as of 1 January 2020.

Changes in the Supervisory Board in 2019

A procedure to fill the vacancy on the Supervisory Board was followed during 2019, resulting in the appointment of Mr Joosten effective 11 April 2019. Mr Kloosterman was also appointed member of the Supervisory Board on the recommendation of Rabobank on 16 December 2019.

Furthermore, Mr Wijmenga and Ms Hofsté were reappointed for a further four-year term. Ms Lückerath was reappointed for a third term, this time for two years. Ms Van Lonkhuijzen retired as member of the Supervisory Board as of 11 April 2019.

CORPORATE GOVERNANCE CODES

Code of Conduct for Insurers

The Code of Conduct for Insurers was drawn up based on core values established in 2018: ‘providing security’, ‘making it possible’ and ‘social responsibility’. The Code includes principles relating to the conscientious treatment of customers and the permanent education of directors and internal supervisors. This Code of Conduct (the most recent version dates from June 2018) 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 conscientious treatment of customers, please see part 3 Supplements - Principles for Sustainable Insurance. Details on how permanent education of directors and internal supervisors is embedded are included in the relevant sections of this section.

Banking Code

The services we provide to our customers also include banking products, which we offer through Achmea Bank N.V. The Banking Code, 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 role in restoring trust in society in relation to banks and their roles in the community. 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 are 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 and 2016. Although Achmea has listed instruments (the bonds it issues), it is not a listed company. We have voluntarily adopted and embedded the majority of the Corporate Governance 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 2019 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 the Executive Board by the AGM (principle 3.1.1)

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. Although all members of Achmea’s Supervisory Board fulfil their duties without interference or consultation, as of 31

December 2019 two of the nine members of the Supervisory Board of 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. Mr De Weijer was nominated by Vereniging Achmea as a member of the Supervisory Board 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 the fixing of the remuneration policy for the Executive Board 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.

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 day-to-day business at Achmea and day-to-day business at the affiliated companies, for the accomplishment of company targets and for determining strategy and policy aimed at achieving these targets. 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 2019. 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 the risk management anchored in the organisation and policies and their implementation. Together with another member of the Executive Board, the CFO and CRO sit on the Asset Liability Committee, which is chaired by the CFO. They also sit on the Group Risk Committee, which is chaired by the CRO. This facilitates improved short-term management of the balance sheet and also guarantees integral risk management at group level.

As of 1 September 2019, the responsible members of the Executive Boards and the CFOs at Achmea Schadeverzekeringen N.V. and Pensioen & Levensverzekeringen N.V. were appointed members of the management boards. The change to the composition of the management boards is part of the organisational change and adjustment to governance. The aim is to create closer collaboration between the business lines and simplify management of our organisation. One component of the change was also to set up a new Distribution & Innovation management team aimed at focusing more on integrated customer marketing and commercial strength from the strong brands across the entire Group.

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 uses the 'four stakeholders' model, which ensures 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.

Composition and diversity

Supervisory Board on the non-binding nomination of Stichting Administratiekantoor Achmea (the holder of the A-share in Achmea B.V.). Executive Board members are selected based on their proven experience and competence in the financial services industry. 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 2019, the Executive Board was comprised of six members, four men and two women. 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 succession 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 Supervisory Board and the chairman of the Executive 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 risk and compliance 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.

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

COMPOSITION OF THE EXECUTIVE BOARD AS OF 31 DECEMBER 2019

NAME	NATIONALITY	GENDER	EDUCATION	POSITION	APPOINTED
W.A.J. van Duin (1960)	Dutch	Man	Law	Chairman	January 2004
B.E.M. Tetteroo (1969)	Dutch	Woman	Economy / Accountancy	Vice-chairman	June 2015
M.A.N. Lamie (1966)	Dutch	Man	Economy / Accountancy	Chief Financial Officer	January 2017
R. Otto (1967)	Dutch	Man	Law / MBA	Member	August 2015
L. Suur (1974)	Dutch	Woman	Internationale bedrijfskunde	Member	September 2019
H. Timmer (1961)	Dutch	Man	Economy	Chief Risk Officer	March 2014

the business. Supervisory Board approval is required for important business-related decisions, such as the appointment and dismissal of members of the Executive Board, 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, even if 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.

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 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 put forward a candidate for a single seat. 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 2019. 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 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 formal 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 2019, the Supervisory Board had nine 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 knowledge and experience laid down in the profile. 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 2019, the Supervisory Board was comprised of six male and three 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 target 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 2019 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. For more information on education courses attended in 2019, 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 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 & Appointments 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 2019, 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 60.75% of the voting rights in the general meeting. Rabobank, Achmea's second largest shareholder, is likewise a cooperative organisation. At the end of 2019, 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 5.20% 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 2019

	CAPITAL RIGHTS	VOTING RIGHTS
Vereniging Achmea (direct en via STAK)	64.48%	60.75%
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 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. In the annual general meeting held in April 2019 – besides regular resolutions regarding the 2018 annual report and financial statements, the dividend distribution, and the discharge from liability of the members of the Executive Board and the Supervisory Board – the members also considered the resignation of Ms Van Lonkhuijzen as member of the Supervisory Board and the reappointments of Ms Lückerath, Ms Hofsté and Mr Wijmenga as members of the Supervisory Board. In this meeting the General Meeting appointed Mr Joosten as supervisory director. In the annual general meeting held in May 2019, the members considered the planned reappointment of Ms Suur as member of the Executive Board. In the annual general meeting held in December 2019, Mr Kloosterman was appointed as supervisory director and the appointment of the external auditor Ernst & Young over the financial years 2021 to 2025 was considered.

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 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 2019 included the following:

- Diversity Policy & Inclusion
- Smoking ban at Achmea
- Stichting Achmea Rechtsbijstand and Avéro in Radar
- Road Safety awareness campaign
- Alcohol policy at events
- Children who don't go to the dentist: our role in society
- Development of moral compass

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.

Apart from his overall responsibility for Achmea, his core responsibilities include Corporate Strategy & CSR, Communication, 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), 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.

BIANCA E.M. TETTEROO (1969)

Vice-chairman of the Executive Board
Bianca Tetteroo joined the Executive Board in June 2015 and is Vice-chair as per 1 January 2020. Ms Tetteroo is a chartered 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.

Ms Tetteroo is responsible for the business units Zilveren Kruis, Achmea IT, Achmea Pension Services, Achmea Investment Management and Syntrus Achmea Real Estate & Finance. She is member of the Supervisory Boards of Achmea Investment Management B.V., Achmea Bank N.V. and Syntrus Achmea Real Estate and Finance. Ms Tetteroo is also a member of the Supervisory Board of Netspar and Kunsthal Rotterdam.

MICHEL A.N. LAMIE (1966)

Chief Financial Officer
Michel Lamie joined the Executive Board on 1 January 2017 and has been appointed as Chief Financial Officer effective 1 April 2017. Within the Executive Board he is responsible for Finance, Balance sheet management, Strategy (M&A and Programboard) and Achmea Reinsurance. Mr Lamie is also Chairman of the Supervisory Board of Achmea Reinsurance Company N.V. and he is statutory director of Achmea Pensioen– en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. He is Vice-president of the Board of Directors of Interamerican Greece.

Mr Lamie is a chartered accountant and 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. After his career at RSA Mr Lamie worked at Achmea most recently as Group Director Finance & Control. He has been a member of the board of De Goudse Verzekeringen since 2005, as Vice-chairman and since 2009, as executive Board Chairman. In addition, Mr Lamie also served for many years as a board member of the Dutch Association of Insurers (Verbond van Verzekeraars), and as chairman of the Supervisory Board of insurance broker Van Lanschot Chabot. Besides his position at Achmea Mr Lamie is member of the Supervisory Board of Royal De Heus.

ROBERT OTTO (1967)

Robert Otto joined the Executive Board of Achmea 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.

Mr Otto is responsible for Pension & Life, Achmea Bank, Human Resources, InShared and Achmea's companies in Australia, Canada, Greece, Turkey and Slovakia. Mr Otto is a statutory director of Achmea Pensioen- en Levensverzekeringen N.V. He is also a Charmain of the Supervisory Board of Achmea Hagelunie N.V and an member of the Supervisory Board Achmea Reinsurance Company N.V. 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, member of the Board at ICMIF and Chairman of the Supervisory Board of InShared.

LIDWIEN SUUR (1974)

Lidwien Suur joined Achmea's Executive Board in September 2019. She studied International Business at Maastricht University and started her career in 1998 at ING/Nationale – Nederlanden, where her postions included Director of Income Protection Insurance and Strategy Programme Director. From early 2012, Lidwien Suur was managing director of Unigarant and ANWB Verzekeren and after 2014 a member of the board of the ANWB, becoming CFO in 2016.

Lidwien Suur's responsibilities on the Executive Board include the business units Non–life, Centraal Beheer, Interpolis, Market Strategy & Innovation and Achmea Corporate Relations. She is statutory director of Achmea Schadeverzekeringen N.V. Ms Suur is a member of the Non-life Insurance sector management board of the Dutch Association of Insurers. She is a board member of Motor Guarantee Fund and board member of Green Card Bureau. Lidwien Suur is also a member of the Supervisory Board of Microkrediet voor Moeders, a foundation that provides micro-loans to extremely poor women in Asia.

HENK TIMMER (1961)

Chief Risk Officer

Henk Timmer joined the Executive Board in March 2014. Mr Timmer studied Economics in Utrecht and followed the post doctoral IT Audit in Tilburg. Mr Timmer has 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 the 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, 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.

Biographies Executive and Supervisory Board members

Supervisory board

AAD W. VEENMAN (1947)

Aad Veenman is Chairman of the Supervisory Board of Achmea B.V. As from September 2019 he is also Chairman of the Supervisory Board of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V.

From 2002 until 2009 he was President Director 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 Top Team Logistics, Chairman of the Supervisory Board of One Logistics, member of the Aufsichtsrat TenneT TSO GmbH, Chairman of the SBM Offshore Stichting Continuïteit, Chairman of the Lucht en Ruimtevaart Nederland and Chairman of the Royal NLR.

WIM H. DE WEIJER (1953)

Vice-chairman of the Supervisory Board
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 and as from September 2019 a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V. 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 and Het Gastenhuis BV.

JAN VAN DEN BERG (1964)

Jan van den Berg is a member of the Supervisory Board of Achmea B.V., Achmea Zorgverzekeringen N.V. and its subsidiaries and Achmea Schadeverzekeringen N.V. As from September 2019 he is also a member of the Supervisory Board of Achmea Pensioen- en Levensverzekeringen N.V.
Mr Van den Berg has more than 20 years of executive experience in the international insurance market. He worked for Nationale Nederlanden, 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.

PETRI H.M. HOFSTÉ (1961)

Petri Hofsté is a member of the Supervisory Board of Achmea B.V., Achmea Pensioen- en Levensverzekeringen N.V., and Achmea Investment Management B.V. As from September 2019 she is also a member of the Supervisory Board of Achmea Schadeverzekeringen N.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 Pon Holdings N.V. and Chair of the Board of Stichting Nyenrode and member of the board of Vereniging Hendrick de Keyser.

ROELOF JOOSTEN (1958) (PASSED AWAY 2 MARCH 2020)

We were deeply saddened by the sudden loss of our supervisory director Roelof Joosten on 2 March 2020. Roelof had been supervisory director since 11 April 2019. With his passing, we have lost a warm and enthusiastic colleague.

Roelof Joosten was a member of the Supervisory Board since 11 April 2019. As from September 2019 he was also a member of the Supervisory Board of Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V.

Between June 2015 and January 2018, Roelof Joosten was Chief Executive Officer (CEO) of FrieslandCampina. He joined the dairy business in 2004 and became a member of its Executive Board in 2012. Mr Joosten studied chemical technology in Groningen.

He worked for almost 15 years for Unilever and moved to Quest in 1998. Unilever had sold Quest, a producer of fragrances and flavourings, to the British ICI shortly before Joosten joined. Mr Joosten was a member of the Supervisory Boards of Migros Genossenschafts Bund and Rotterdam School of Management.

A.M. LEX KLOOSTERMAN (1956)

Lex Kloosterman is a member of the Supervisory Board since 16 December 2019. He is also a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V.

After graduating form the Leiden University with a law degree, he worked successively in various positions at ABN AMRO, Fortis and from 2009 untill 2017 at Rabobank.

Mr Kloosterman is a member of the board of Stichting Continuïteit Takeaway.com, the treasurer of Stichting De Oude Kerk Amsterdam and Stichting Zorg en Bijstand.

MIJNTJE LÜCKERATH-ROVERS (1968)

Mijntje Lückerath-Rovers is a member of the Supervisory Board of Achmea B.V. and Achmea Pensioen- en Levensverzekeringen N.V. As from September 2019 she is a member of the Supervisory Board of Achmea Schadeverzekeringen 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 of Achmea B.V. en Achmea Zorgverzekeringen N.V. and its subsidiaries. As from September 2019 she is also a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V.

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 a member of the Supervisory Board of ProRail BV, CCV Group BV and Infomedics Holding BV, and a non-executive director at Ortec International BV.

ROEL TH. WIJMENGA (1957)

Roel Wijmenga is a member of the Supervisory Board of Achmea B.V., Achmea Pensioen- en Levensverzekeringen N.V. and 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 roles in the insurance sector, at AMEV and Fortis. Currently, mr Wijmenga is Chairman of the Philips Pension Fund and until 1 April 2019 a member of the Supervisory Board of Bouwinvest.

De Friesland: Dokter Appke, for all your health-related questions

Had a fall? Do I need to take my child to the emergency room? The ‘Dokter Appke’ app provides expert answers to health-related questions

Questions are forwarded by the app to experienced medical nurses in the Medicinfo team. You can also include a photo if you wish. The answer is sent via the app too. If necessary, the team may consult a doctor and a medical specialist.

De Friesland

Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF RESULT)

			(€ MILLION)
	NOTES	31 DECEMBER 2019	31 DECEMBER 2018
Assets			
Intangible assets	13	738	739
Associates and joint ventures	14	64	50
Property for own use and equipment	15	554	403
Investment property	5	1,104	1,103
Investments	6	78,758	70,948
Deferred tax assets	16	416	553
Amounts ceded to reinsurers	7	636	671
Receivables and accruals	17	6,255	5,883
Cash and cash equivalents	18	963	1,466
Total assets		**89,488**	**81,816**
Equity			
Equity attributable to holders of equity instruments of the company		10,183	9,697
Non-controlling interest		8	8
Total equity	**19**	**10,191**	**9,705**
Liabilities			
Liabilities related to insurance contracts	7	57,770	55,065
Other provisions	20	1,106	1,089
Financial liabilities	8	18,475	15,197
Derivatives	6	1,918	731
Deferred tax liabilities	16	28	10
Income tax payable			19
Total liabilities		**79,297**	**72,111**
Total equity and liabilities		**89,488**	**81,816**

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2019	2018
Gross written premiums	10	19,949	19,918
Reinsurance premiums		−334	−294
Change in provision for unearned premiums and current risks (net of reinsurance)		−91	61
Net earned premiums		**19,524**	**19,685**
Income from associates and joint ventures		3	7
Investment income	11	4,742	1,066
Other income	21	384	578
Total income		**24,653**	**21,336**
Net expenses from insurance contracts	12	21,430	17,995
Fair value changes and benefits credited to investment contracts		34	23
Interest and similar expenses	22	252	288
Operating expenses	23	2,292	2,358
Other expenses	24	98	106
Total expenses		**24,106**	**20,770**
Result before tax		**547**	**566**
Income tax expenses		109	107
Income tax impact rate change		−43	144
Income tax expenses	**25**	**66**	**251**
Net result		**481**	**315**
Net result attributable to:			
Holders of equity instruments of the company		480	314
Non-controlling interest		1	1
Earnings per share (in euros per share)	27	1.01	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTE	2019	2018
Items that will not be reclassified to the Income statement [1]			
Remeasurements of net defined benefit liability [2]		−18	12
Unrealised gains and losses on property for own use [3]		8	9
		−10	**21**
Items that may be reclassified subsequently to the Income statement [1]			
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures [4]		−13	−53
Share in other comprehensive income of Associates and joint ventures [3]		−1	
Unrealised gains and losses on financial instruments 'Available for sale' [3]		1,536	−79
Changes in the provision for Profit sharing and bonuses for policyholders from unrealised investment income [3]		−1,033	−84
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal [3]		−337	−128
Reclassification to the Income statement as Profit sharing and bonuses for policyholders from investment income [3]		157	9
Impairment charges on financial instruments 'Available for sale' reclassified to the Income statement on disposal [3]		14	48
		323	**−287**
Net other comprehensive income	**26**	**313**	**−266**
Net result		481	315
Comprehensive income		**794**	**49**
Comprehensive income attributable to:			
Holders of equity instruments of the company		793	48
Non-controlling interest		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 STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	SUBTOTAL EQUITY 1	NON-CONTROLLING 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				−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**
Net other comprehensive income				344	−13		−18			313		313
Net result								480		480	1	481
Comprehensive income				**344**	**−13**		**−18**	**480**		**793**	**1**	**794**
Appropriations to reserves			19	30			265	−314				
Dividends and coupon payments							−203			−203	−1	−204
Issue, repurchase and sale of equity instruments									−100	−100		−100
Other movements							−4			−4		−4
Balance at 31 December 2019	**11,357**	**−335**	**53**	**1,120**	**−429**	**−7**	**−3,306**	**480**	**1,250**	**10,183**	**8**	**10,191**

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 2018: €10,923 million). For more information refer to Note 19.

In September 2019 Achmea B.V. completed the issue of €500 million in Perpetual Capital Securities. Additionally in November 2019 the repayment of the Restricted €600 million has taken place. These transactions are presented as Other equity instruments in the table above. For more information refer to Note 19.

In 2019 €68 million was paid out in coupon payments on Other equity instruments (2018: €51 million). This amount is included under Dividend and coupon payments and as of 2019 the tax effect (€17 million) is recognised in the consolidated income statement. With regard to the result for the year 2018 dividends of €118 million were distributed in 2019 to holders of ordinary shares (2018: €124 million). In 2019 an amount of €20 million (2018: €20 million) in dividend was paid out on preference shares. Achmea B.V. received €3 million (2018: €3 million) thereof in dividend on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	2019	2018
Cash flow from operating activities		
Result before tax	547	566
Adjustments of non-cash items and reclassifications:		
Unrealised results on Investments, including foreign currency results and value changes and provisions for uncollectability	−3,322	459
Amortisation and impairment on Intangible assets, Property for own use and equipment (including foreign currency results)	88	82
Amortisation of Deferred acquisition costs recognised as Receivables and accruals (including foreign currency results)	31	22
Income from Associates and joint ventures	−4	−7
(Accrued) Interest expenses	20	24
Other changes and reclassifications	32	44
	−2,608	**1,190**
Changes in operating assets and liabilities:		
Changes in Receivables and accruals (excluding Deferred acquisition costs) and Other liabilities recognised as Financial liabilities	499	716
Changes in Liabilities related to insurance contracts net of reinsurance	1,377	−2,435
Changes in Other provisions	−1	57
Changes in Financial liabilities (excluding holding activities)	1,676	−1,658
Changes in assets and liabilities classified as Held for Sale		−99
	3,551	**−3,419**
Cash flows operating items not reflected in Result before tax:		
Purchase of Investment property	−15	−17
Purchase of Investments	−32,571	−27,716
Divestments of Investment property	69	133
Divestments of Investments	31,349	28,392
Capitalised Deferred acquisition costs recognised as Receivables and accruals	−25	−13
Received / paid Income taxes	−7	
Other changes	−11	98
	−1,211	**877**
Total Cash flow from operating activities	**−268**	**−1,352**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	NOTES	2019	2018
Cash flow from investing activities			
Purchase of Subsidiaries, Associates and joint ventures and other investments(net of cash)		−14	−10
Purchase of Property for own use and equipment		−71	−48
Investments in Intangible assets		−34	−26
Disposal of Subsidiaries, Associates, joint ventures and capital interests (net of cash)			333
Disposal of Property for own use and equipment		14	9
Divestments of Intangible assets		5	
Dividends received from Associates and joint ventures		1	38
		−99	**296**
Cash flow from financing activities			
Redemption of equity instruments		−600	
Issue of equity instruments		500	
Issue of subordinated loans		250	
Repurchase of own shares			−100
Dividends and coupon payments		−203	−209
Interest paid		−51	−53
Lease contracts		−32	
		−136	**−362**
Net cash flow		**−503**	**−1,418**
Net cash and cash equivalents at 1 January		1,466	2,884
Net cash and cash equivalents at 31 December	**18**	**963**	**1,466**
Cash and cash equivalents include the following items:			
Cash and bank balances		959	1,448
Call deposits		4	18
Cash and cash equivalents at 31 December	**18**	**963**	**1,466**

Included in the cash flows from operating activities for 2019 is interest received amounting to €1,461million (2018: €1,487 million), dividends received amounting to €83 million (2018: €92 million) and interest paid amounting to €175 million (2018: €216 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 2019 were authorised for issue in accordance with a resolution of the Executive Board on 10 March 2020. 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 2019 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 2019, the following new Standards, amendments to Standards and Interpretations issued by the International Accounting Standard Board (IASB) were adopted:

IFRS 16 Leases

As of 1 January 2019, for operational leases, excluding those with a term of less than a year and so-called low-value leases, Achmea has recognised a liability arising from future lease payments and a right of use asset on the balance sheet.

The right of use asset is valued at cost. Upon initial recognition, cost is equal to the initial amount of the lease liability plus lease payments that preceded the commencement period of the lease and minus rent discounts received. Initial direct costs are added to this cost. In addition, when determining cost, any expenses for dismantling or removal or returning the underlying asset to its original condition are also taken into account. Right of use assets are then depreciated on a straight-line basis over the period from the commencement of the lease until the end of its economic life or, if shorter, until the end of the lease. In addition, where applicable, impairments and revaluations of the lease liabilities are periodically deducted from the right of use assets.

The lease liabilities are valued based on the present value of the lease payments that have not yet been paid upon commencement of the lease. The discount rate is either the interest percentage implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is based on a risk-free curve and if applicable a premium is added for creditworthiness and lease-specific aspects. If a lease contract consists of both lease and non-lease (i.e. service cost) components, Achmea recognizes the non-lease components separately.

Achmea has applied IFRS 16 retrospectively without adjusting the comparative figures. The effect of this retrospective application has been recognised in the opening balance at 1 January 2019.There is no impact on the Total Equity as per 1 January 2019. The table below explains the IFRS 16 transition:

TRANSITION TABLE TO IFRS 16 AS PER 1 JANUARY 2019

(€ MILLION)

	IAS 17 31 DECEMBER 2018	IFRS 16 IMPACT	IFRS 16 1 JANUARY 2019
Property for own use and equipment		151	151
Total assets		**151**	**151**
Other provisions	43	-43	
Loans and borrowings		194	194
Total liabilities	**43**	**151**	**194**

The increase of €151 million in Property for own use and equipment concerns the cost of the right of use asset. In assessing whether an impairment applies on 1 January 2019, Achmea uses the option (IFRS 16 C10(b)) of maintaining a vacancy provision as of 31 December 2018. The vacancy provision has been deducted from the right of use asset and also results in a decrease of €43 million in the Other provisions. Loans and borrowings increased by €194 million due to the initial recognition of the lease liabilities.

The table below shows the reconciliation between the lease liability at 1 January 2019 and contingent lease liabilities at 31 December 2018. A weighted average interest rate of 1.55% was used for the discounting of the lease liability at 1 January 2019.

(€ MILLION)

	1 JANUARY 2019
Operational lease liabilities 31 December 2018	**186**
Application of IFRS 16 exemptions	-1
- Leases of low-value assets (low-value leases)	0
- Leases with a term of 1 year or less	-1
Extension and termination options reasonably certain to be exercised	0
Variable lease payments based on an index or a rate	9
Residual value guarantees	0
Other	13
Lease liability at 1 January 2019 (excluding discounting)	**207**
Effect of discounting	13
Lease liability at 1 January 2019 (including discounting)	**194**

For more information please refer to Note 8 Financial liabilities, Note 15 Property for own use and equipment, Note 22 Interest expenses and similar expenses and Note 23 Operating expenses.

Other amendments

In addition to the foregoing (changes in) Standards the following amendments to Standards became effective in 2019. These have no significant impact on Total equity as per 31 December 2019, Net result for 2019 and comparative figures of Achmea as these are not applicable to Achmea and/or only result in a limited amendment:

- Amendments to IFRS 9: Prepayment features with negative compensation (clarification of the requirements for the valuation of 'prepayment features' in specific financial assets. Achmea will apply this amendment when it applies IFRS 9 as a whole. Achmea has deferred the application of this standard, as is explained in Note 30 Credit quality financial assets and Disclosures Concerning IFRS 9).
- Amendments to IAS 19: Plan amendment, curtailment or settlement (clarification of the requirements on recognising adjustments to defined benefit obligations).
- Amendments to IAS 28: Long-term interests in associates and joint ventures (clarification regarding the valuation of certain longterm interests in associates and joint ventures).
- Annual improvements to IFRSs 2015-2017 cycle (annual improvements comprising of a number of non-urgent changes). These include the amendment to IAS 12.57a. As a result of this amendment, as of 1 January 2019 the tax effects on coupon payments with respect to Other equity instruments will be recognised in the Consolidated income statement rather than directly in Total equity.
- IFRIC Interpretation 23 Uncertainty over income tax treatments (clarification regarding uncertainty in income tax treatment).
-

D. CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards and Interpretations were issued in 2019 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2019. 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.

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 30 Credit quality financial assets and Disclosures Concerning 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 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 2019 the standard has not yet been endorsed by the EU.

Following publication of the standard, an implementation process began, which is taking into account the interaction with the future standard on financial instruments (IFRS 9). At present we have not yet made choices regarding the options offered by IFRS 17 and it is too early to quantify the impact of IFRS 17 on the equity and result. However, the initial application of this standard is expected to have a significant impact on Achmea's consolidated financial statements.

Other amendments with future application date

Except for the above (amendments to) standards, there are (amendments to) standards that were issued in 2019 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2019. 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:

- IFRS 3 Business Combinations: Definition of a Business (amendments, effective date 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (amendments, effective as of 1 January 2020)

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

There are no material amendments related to accounting policies, previous period errors 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 2018.

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 (power to) 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. 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%.

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').

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.

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 Investment 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 (Investment 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.

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 number of key estimates which are not explained in a note to a specific financial statement item are presented below.

Measurement income tax receivable

The measurement of the income tax receivable 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 income tax to be paid may result in other cash flows under the tax position.

As in previous years, at the end of 2019 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 actual income tax to be paid may differ from this. Achmea appealed the case to the Supreme Court. The court sitting took place on 13 February 2019. Achmea is now awaiting the Supreme Court’s judgment, which is expected in 2020.

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 and statements about the capital are an important part of this. Each year, the risk and solvency position are assessed in conjunction with each other in the Own Risk & Solvency Assessment (ORSA).

This section discusses capital and risk management at Achmea in greater detail on the basis of: A. Developments in 2019, 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 2019

This section provides an overview of the most important developments in 2019 in the field of capital and risk management, both with respect to changes in the capital and risk position and with respect to developments in the risk management system.

Capital and risk position

With a solvency ratio of 214%, Achmea had a solid Solvency II capital position at year-end 2019. The risk appetite of Achmea Group and the underlying entities has not changed materially in 2019. See section B for further information on the capital position and section C for further information on the risk profile.

The key risks are reassessed annually with the boards of the operating companies and the Executive Board. With respect to strategic risk, in 2019 additional attention was devoted to the future revenue model, trends on the financial markets, including the long-term low interest rates, sustainability and climate change.

Key areas for attention in the long term will be the strategic risks associated with the future revenue model. There is specific attention for innovation and IT investments. Control of Achmea's innovation portfolio was centralised in 2019 and an Achmea-wide innovation policy is under development. In addition, this year the Achmea Innovation Fund was launched, focusing on investing in startups and scaling-up to help Achmea improve and innovate strategically.

In the area of financial risks, a great deal of attention has been focused on developments in interest rates and spreads. Persistently low or declining interest rates constitute a key risk for Achmea. This risk is frequently monitored and adjustments are made if necessary. Particular attention is paid to the valuation of the technical provisions under Solvency II and the liability adequacy test under IFRS. In valuing the insurance liabilities, it is assumed for the long term – in accordance with the regulations – that interest rates will be higher than the current market rate (because of the use of the Ultimate Forward Rate). Monitoring is in place to ensure that the current investment portfolio generates a sufficient return. Given the decline in interest rates in 2019, the risk management policy underwent an extensive evaluation this year year focusing among other things on the hedging strategy and the possibility for negative interest rates to be incorporated in models. This led to an adjustment in the hedging strategy particularly for Achmea Pensioen- en Levensverzekeringen N.V., aimed at ensuring the stability of the solvency ratio over time. The internal model for interest rate risk is appropriate for dealing with negative interest rates. Within the market risk budget, which has remained constant, changes have been made to optimise the investment portfolio to generate a higher expected return. The shift has mainly been from government bonds to corporate bonds.

Sustainability and climate change is increasingly becoming an essential risk theme for the business. In 2019 policy on the various sub-areas was brought together in a single sustainability policy relating to the themes climate & energy transition, safety & livability, and health & healthcare. This policy has been elaborated in plans for different areas. For the business operations, targets are being elaborated in relation to energy consumption, mobility, procurement and other subjects. With respect to investment & finance, we are working to make both our real estate portfolio and our investment policy more sustainable. In relation to insurance & services, we are focusing on products related to adaptation and mitigation. This involves considering the consequences of climate change for premiums and reinsurance. One element of this is an explicit, integrated assessment of the physical consequences of changing weather (physical risks) and the transition to a climate-neutral economy (transition risks) in the short and long term. These will be implemented in the years ahead.

In relation to non-financial risks, a consistently high level of capacity continues to be devoted to managing Know Your Client, privacy, information security including cybercrime, and the duty of care for existing and new products and services. The public and political focus on Know Your Client results in new regulations and more intense monitoring in this area. With respect to Know Your Client, privacy and information security, additional attention is deemed necessary due to rapid developments in this area, while societal developments with respect to the duty of care are being monitored very closely.

Risk Management System

The Achmea risk management system sets out how Achmea manages the risks. Capital management forms an integral part thereof. See section D for further information on the risk management system and the subsequent sections on the management of key risks and capital management.

The risk management system is evaluated annually based on internal and external developments. In 2019 various improvement processes were being undertaken to strengthen the Risk & Compliance organisation, changes were made to the partial internal model approved by the College of Supervisors which is used to calculate the Solvency Capital Requirement (SCR) under Solvency II, and model risk governance was further extended. The risk appetite of Achmea Group and the underlying entities did not change in material terms in 2019.

Improvement processes are being undertaken to make the operational and risk processes more streamlined and to organise instruments and techniques more efficiently, including the increasing digitisation of the Internal Control Framework (CFW).

Achmea uses an approved internal model for calculating the insurance risks for non-life and income protection insurances and a partial internal model for calculating market risk. These models provide Achmea with better insight into the risks, enabling improved risk management. As part of model management, the models are periodically assessed and improved. This year several changes were made to the models.

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

On 1 January 2019 the Recovery and Resolution (Insurance Firms) Act entered force. Key elements for Achmea are the production of a Preparatory Crisis Plan (VCP) and the preparation by De Nederlansche Bank (DNB) of a resolution plan. Achmea has conducted a gap analysis between the requirements for the Preparatory Crisis Plan (VCP) and the current recovery plan. On this basis Achmea is working to produce the first Preparatory Crisis Plan (VCP), which adds greater depth in relation to the feasibility of recovery measures and their applicability to all business units. In essence the VCP is a collection of recovery measures that Achmea at group level and the supervised entities can adopt in the event of a crisis situation.

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 as approved by the European Union (EU-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, at group level Achmea strives for a target Solvency II ratio of at least 165%.

At year-end 2019 Achmea and its entities are sufficiently capitalised in accordance with statutory requirements.

Insurance activities

The capital requirements for insurance companies are subject to Solvency II, the solvency regime for insurance companies in the European Union.

SOLVENCY RATIO

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Eligible own funds Solvency II	9,317	8,925
Solvency Capital Requirement	4,352	4,497
Surplus	**4,965**	**4,428**
Ratio (%)	214%	198%

For the purposes of calculating the Solvency Capital Requirement (SCR) under Solvency II, Achmea uses a risk a partial internal model, approved by the College of Supervisors, as risk model. 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 16% percentage points to 214% (31 December 2018: 198%). The improved capital position results from a combination of an increase of €392 million in the Solvency II eligible own funds to €9,317 million (2018: €8,925 million) and a decrease of €145 million in the Solvency Capital Requirement to €4,352 million (2018: €4,497 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 2019	31 DECEMBER 2018
Tier 1	7,349	7,070
Tier 2	1,580	1,347
Tier 3	388	508
Total eligible own funds Solvency II	**9,317**	**8,925**

The Tier 1 capital has increased by the net profit for the year 2019 and the upturn in equity values. Set against this, €500 million RT1 capital was raised in 2019 and €600 million was redeemed. The Tier 2 capital increased due to the issue of €250 million Tier 2 capital in 2019. The Tier 3 capital decreased due to a lower net deferred tax.This impact is partially offset by higher planned dividend payments for the year 2019 and interest rate and spread developments.

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, valuation differences and the impact of possible restrictions must be taken into account. The table below shows the composition of eligible own funds under Solvency II and the relationship with the IFRS equity.

RECONCILIATION BETWEEN IFRS EQUITY AND SOLVENCY II ELIGIBLE OWN FUNDS

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Equity Financial statements	10,191	9,705
Solvency II valuation and classification differences	775	706
Available own funds Solvency II	**10,966**	**10,411**
Not qualifying equity and foreseeable dividends	-729	–575
Equity in banking- and investment institutions (CRD IV)	-920	–911
Eligible own funds Solvency II	**9,317**	**8,925**

The Solvency II valuation and classification differences of € 775 million (2018: € 706 million) result from the difference in valuation and presentation between IFRS and Solvency II. The Solvency II valuation and classification differences can be grouped into three categories:

- Items not recognised under Solvency II such as goodwill and Deferred Acquisition Costs of €-671 million (2018: € -676 million).
- Items for which the valuation methods under IFRS and Solvency II differ. Under Solvency II assets and liabilities are presented at their economic value, whereas IFRS also includes other valuation methods besides market value, such as amortised cost. One example is the valuation of investments at amortised cost and of insurance liabilities according to the net premium method, including the tax effects of these valuation differences. The valuation difference amounts to €360 million (2018: €397 million).
- Items comprised of: 1) reclassification of subordinated debts for a net amount of €750 million, 2) repurchase of own shares for a net amount of €336 million. This adds up to a total of €1,086 million (2018: €985 million).

Not qualifying equity and foreseeable dividends includes changes in the availability of Achmea's equity in accordance with Solvency II requirements. These are mainly adjustments for foreseeable dividends and the value of repurchased own shares amounts to €-729 million (2018: € -575 million). The adjustment in the value of the repurchased own shares was changed from original repurchase value to market value. This has an effect in the Solvency II revaluations and an equally large opposite effect in the non-eligible own funds.

Equity in banking- and investment institutions (CRD IV) includes the restrictions imposed by the supervisory authorities.

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, the realisation moment or the 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 estimates are applied additionally or instead.

The most important additional 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 in the year ahead and claims related to this premium income 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.

The final amount of the reported Solvency II figures is still subject to the assessment by De Nederlandsche Bank (DNB) as part of the supervisory review process and as a result interpretations 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. The banking capital requirements are governed by the Capital Requirement Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). Based on these directives, De Nederlandsche Bank has issued minimum capital requirements.

Achmea uses the standardised approach to determine its credit risk. The Total Capital Ratio based on CRD IV/CRR decreased from 20.8% in 2018 to 19.5% in 2019, which was related to the growth in the balance sheet due to the acquisition of the portfolio of a.s.r and the internal transfer of the Obvion mortgage portfolio from the insurance activities to the banking activities.

CAPITAL RATIO CRD IV/CRR

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Core capital - Tier 1	857	847
Supplementary capital - Tier 2	1	3
Qualifying capital	**858**	**850**
Risk-weighted assets	4,403	4,085
Core Equity Tier 1 ratio	19.5%	20.7%
Total Capital ratio	19.5%	20.8%

As a result of timing differences there may be minor differences between the equity of banking activities as set out under Solvency II and the equity as presented above under CRD IV/CRR. In addition, certain deductions from the equity 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, as a consequence of differences between non-economic expectations and actual developments or improbable events.
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 other investments. This encompasses interest rate risk, equity risk, property risk, spread risk, currency risk and market concentration risk.
Counterparty risk	Achmea is exposed to counterparty risk in its investments, 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 mainly with regard to the insurance and banking activities.
Solvency risk	Achmea is exposed to the risk of being unable to comply with the regulator's solvency requirements.
Non-financial	
Operational risk	Achmea runs the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Key operational risks include risks with respect to information security and cybercrime, risks related to the digitisation of our services, and liability risk on products and services.
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. . Key compliance risks include the risks related to duty of care, product development, customer due diligence, privacy (compliance with the General Data Protection Regulation), integrity and fraud control, and competition.

In addition to this Achmea runs strategic risks. These concern specific risk events related to the feasibility of Achmea's strategy. This may involve internal events such as insufficient innovation or external events such as technological developments and changes to laws and regulations. An overview of these specific risk events is given in the table of key risks included in this section.

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

The scope of the internal model at group level is:

- For non-life risk, the premium and reserve risk of the Greek and Dutch non-life activities. In this connection Achmea Reinsurance Company N.V. does not use an internal model for the premium and reserve risk of the non-life activities.
- For health risk (health Not Similar to Life Techniques, NSLT), the premium and reserve risk of the Greek and Dutch non-life activities.
- For non-life risk, the natural catastrophe risk of the Greek and Dutch non-life activities (excluding external incoming reinsurance contracts).
- The health risk (health Similar to Life Techniques, SLT) of the Dutch non-life activities.
- For market risk, the risks related to interest rate, equity, property and spread of the Dutch entities and Achmea B.V. (Group) (derived from the entities that use an internal model for market risk, market risk derived from the legal entity Achmea B.V. and market risk derived from the Dutch health entities).

The other risks and risk types are calculated using the standard formula. For aggregation Achmea uses a mixture of aggregation techniques for the internal model permitted under Solvency II and parts of the standard formula.

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.

SOLVENCY CAPITAL REQUIREMENT (€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Market risk	2,365	2,566
Counterparty Risk	273	261
Life Risk	1,791	1,636
Health Risk	1,773	1,832
Non Life Risk	892	823
Intangible Assets	0	0
Diversification	-2,541	−2,496
Basic Solvency Capital Requirement	**4,553**	**4,622**
LAC EP	-221	−205
LAC DT	-618	−582
Operational Risk	599	596
Solvency Capital Requirement (Consolidated)	**4,313**	**4,431**
SCR Other Financial Sectors & Other entities	39	66
Solvency Capital Requirement	**4,352**	**4,497**

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 (LAC EP), and (2) the Loss-Absorbing Capacity of Deferred Taxes (LAC DT). 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 market risk has decreased due to minor changes in how market risk is modelled, a decline in the volatility of shares and lower credit spreads. The decrease in the health risk is the result of lower premium volume and a newly concluded reinsurance contract at Income Protection as of 2019. The lower market interest rates combined with a decrease in the Volatility Adjustment lead to a higher value for liabilities and thus also for life risk. This effect is partially offset by the contracting life portfolio and changes in the valuation assumptions.

Material risks

In the beginning of this section the main risk have been described. Below the material 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 assessed with the boards of the operating companies 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. 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.

Key themes	Details
Future revenue model	It is important for Achmea to update its processes, products and services fast enough and to adapt to new trends. Key focus areas in this regard include the possibility that other providers will launch new distribution, product and/or service models; underperformance in healthcare procurement and the equalisation result; and declining insurance needs for Non-Life Insurance due to advances in technology (including driverless vehicles and fireproof houses) reducing or eliminating certain risks and the shift from ownership-based to user-based insurance products (more liability). We are addressing these themes, for example, by monitoring the specific trends mentioned above, improving management of Achmea's innovation portfolio at the central level, and developing an Achmea-wide innovation policy.
Sustainability and climate change	Sustainability and climate change have an impact on many aspects of the internal business operations and relate to areas such as claims management, investment and finance, operational management and our range of products and services. To cover risks related to climate change the policy on the various sub-areas was brought together in a single sustainability policy relating to the themes climate & energy transition, safety & livability, and health & healthcare. This policy ensures that the measures to be implemented are consistent and comprehensive. This has been elaborated in plans for different areas, which will be implemented in the years ahead. Over the longer term, it is important for our future revenue model that we adapt our products and services as and when needed in order to keep up-to-date with trends in sustainability and climate change.
Leveraging Achmea's combined strength	It is important for Achmea as a Group to use the Group's scale to be able to provide a full range of products and services and keep expenses in check. More so than in the past, Achmea works with partners across supply chains, domains, brands and distribution channels. Due to the speed of the changes affecting our company, we need to be able to quickly adjust.
Financial markets	As a financial services provider with an investment portfolio, products with minimum guarantees, and profit-sharing provisions, Achmea has substantial 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. In addition, we are exposed to the risk of investment returns falling short of the market average. This risk is managed by having a robust investment plan in place, resulting in a diversified investment portfolio and active management of the various financial positions. See the section on Market Risk for further information.
Prolonged low or lower interest	If interest rates remain low for an extended period of time or decline even further, this will result in lower investment income in the future. Particular attention is paid to the valuation of the technical provisions under Solvency II and the liability adequacy test under IFRS. The valuation of the liabilities is based on a rise in interest rates (through the use of the Ultimate Forward Rate) to a level higher than the current market interest rate. This is why we have put additional monitoring in place to ensure that the current investment portfolio generates a sufficient return. We pursue an active interest-rate risk policy in order to manage this risk – see the section on Market Risk for further details.
Distribution partners	Achmea makes use of several distribution partners for the sale of its products, such as Rabobank. The parties' mutual expectations are consistently aligned to ensure that the products and services developed match what the distribution partners wish to sell.

Longevity risk	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 patterns of the life and pension activities. Longevity risk is managed through active product management in order to ensure diversification of the life insurance and pension portfolios and through periodic assessment of the possible transfer of a portion of the risk.
Non-Life and Income Protection	Setbacks may manifest in the Non-Life and Income Protection portfolios 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. This is kept in check through claims monitoring, with a specific focus on claims management and changes in laws and regulations and case law. Natural catastrophes such as storms and extreme hail events may have a significant impact, with the risk of thunderstorms combined with hail and strong winds appearing to increase during the summer months as a result of climate change. Catastrophe risk is largely mitigated by reinsurance.
Cybercrime	Cybercrime is an increasingly important social issue, including for Achmea. ‘Cybercrime’ refers to the risk of material damage arising from, for example, loss of data or unauthorised data processing, prolonged disruption of business operations, and hardware disruptions as a result of inadequate security measures. It also includes the risk of Achmea developing a negative reputation as a result of incidents on social media and/or loss or theft of privacy-sensitive data. A specific maturity model is used for cyber security to identify the level of security, which also involves the use of scenario analyses. An integrated security approach has been implemented for control purposes, with a strong focus on awareness and outsourcing. Achmea’s reputation is monitored on an ongoing basis, and in addition Achmea has taken out its own cyber-risk insurance. Through information security and privacy protection measures, the key security and privacy risks are managed through a control framework.
Duty of care	This refers to the risk that Achmea is required to pay or compensate a larger amount of money due to potential liability claims. Achmea monitors customer feedback and social and legal trends with regard to the duty of care. Key areas of focus in terms of the duty of care are product development, customer advice, and advertising and website communications.
Laws and regulations	Laws and regulations have a significant impact on Achmea as a company. There is a risk that Achmea’s business operations, revenue model and, more specifically, the solvency requirements will be affected by political developments and changes in tax-related and other laws and regulations and/or by changes in how the principle of societal solidarity is applied. This risk affects all Achmea product ranges. In addition, Achmea is exposed to reputational risk when it fails to comply with laws and regulations. Main areas for attention are the compliance themes related to Know Your Client and privacy. However, since any changes in laws and regulations are closely monitored, this can be adequately anticipated upon.
Competences and talents	Achmea relies to a large extent on the competences and talents of its people to achieve its corporate objectives. As part of its efforts to be an attractive employer, Achmea gives extra attention to entrepreneurship, innovation, agile working and working in an international context, required expertise and appropriate remuneration.

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:

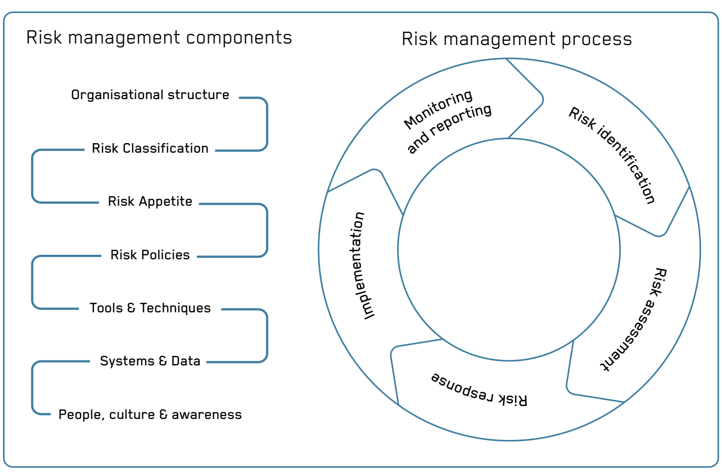
- Principles pertaining to risk appetite such as maintaining a solid capital and liquidity position that is sufficient for Achmea to meet its obligations, now and in the future.
- Principles pertaining to the risk management structure and the chosen integrated approach for the management of risks. Achmea assesses the various risk types and the risks inherent in the various operating companies 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 endeavouring to realise 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



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 governance structure is based on the 'Three Lines of Defence' model, the main features of which are set out in the diagram below.

THREE LINES OF DEFENCE

FIRST LINE	SECOND LINE	THIRD LINE
EXECUTION AND CONTROL	SUPPORT, MONITORTING AND REPORTING	TESTING AND JUDGEMENT
• Executive Board and Finance & Risk Committee on group level. • Business management and Finance & Risk Committees on business level.	• 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 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 operating companies 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.

Solvency II key functions

The 'Three Lines of Defence' model has been set up for all supervised entities. The risk management function, the actuarial function, the compliance function and the internal auditfunction have been set up in line with the Solvency II requirements at group level and for the insurance 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 chairperson of the Executive Board, the Audit & Risk Committee and the Supervisory Board.
- The internal auditfunction 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, management and change 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 already operational for the partial internal model for Solvency II and is being implemented gradually for all other models within Achmea.

Besides the approval in the MAC the partial internal model Solvency II is also approved by the Executive Board, the boards of the entities that use the model, the Audit & Risk Committee and the Supervisory Board. After the internal governance is completed a newly developed models will be submitted for approval to the College of Supervisors. Following approval by the MAC, major model changes 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
Returns, result and volatility of result	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
Capital	Achmea has a strong capital position.	– Solvency ratio Solvency II – Capital surplus S&P – Capital surplus Fitch – Economic solvency AP&L – 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 capacity 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 – Impact of interest rate on economic solvency of AP&L – Counterparty limit breaches – Amount of Solvency Capital Requirement for insurance risks – Deviation from expected annual result due to catastrophic events

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 – Deviation from market average in AFM surveys related to Customer Centricity 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 – Reputation score – Financial loss because of operational risks – Urgent issues and 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 and implementation 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 association of Investors of sustainable development. – Inquiries of the 'fair insurance pointer'

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 operating companies 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 operating companies, 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.

Reports are drawn up periodically 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.

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 Preparatory Crisis Plan contains information on the degree to which Achmea as Group is prepared for, and can recover from, severe (financial) developments.

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, our 'risk response'. 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. 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, both for life and non-life, has concluded 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 boundaries 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 the programmes of the non-Dutch entities. In addition, a gradual integration of the reinsurance programmes of Achmea and the non-Dutch entities is taking place. This is achieving cost benefits and improving the quality of the reinsurance programme.

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 2019 the catastrophe programme was the main reinsurance programme. The renewal of this programme takes place on 1 July each year and Achmea includes the intention to extend the programme in its modelling. 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.

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

In the Netherlands Achmea is no longer selling any new life insurance products, with the exception of annuities and term life insurance. 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 2019	31 DECEMBER 2018
Mortality	183	210
Longevity	1,347	1,134
Disability	25	26
Lapse	338	381
Expense	600	599
Catastrophe	140	128
Diversification	-842	–842
Solvency Capital Requirement Life risk	**1,791**	**1,636**

The SCR for longevity risk increased in 2019 from €1,636 million to €1,791 million. This SCR was calculated using the Solvency II standard formula. The lower market interest rate and lower volatility adjustment lead to a higher provision and therefore also to an increase in the Solvency Capital Requirement. This effect is partially offset by the contracting life portfolio in the Netherlands and changes in the models.

Longevity risk and expense risk are predominant in Life risk and these exposures are monitored closely. For Life, catastrophe risks are associated with a possible 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.

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. In addition, Achmea Pensioen- en Levensverzekeringen N.V. has reinsured a portfolio of immediate annuities at Canada Life.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 differences between current developments and non-economic assumptions or the occurrence of improbable 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. Since the end of 2018, online car and home insurance has been offered in Canada via a joint venture (Onlia), and the Non-life risk has been placed outside Achmea.

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 2019	31 DECEMBER 2018
Lapse	132	119
Premium and reserve	590	592
Catastrophe	525	431
Diversification	-355	–319
Solvency Capital Requirement Non-life risk	**892**	**823**

The Solvency Capital Requirement (SCR) for Non-life risk increased from €823 million to €892 million in 2019. The SCR is calculated using a partial internal model approved by the College of Supervisors. The higher SCR is mainly due to an increase in catastrophe risk. This is caused firstly by indexation of the private home insurance risks at the Dutch non-life business and secondly by a change at Eureko Sigorta prompted by a downgrade to reinsurer ratings (in line with the lower rating for Turkish government bonds), meaning that the relevant reinsurance may no longer be included as a risk mitigation instrument in the SCR.

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 in the Netherlands includes the risk of flood. For Non-life concentration risk refers to major claims resulting from the above-mentioned natural perils and large fires. As a result of climate change, the probability of hail is expected to increase. In 2019 Achmea modified its internal model for hail risk, incorporating the latest insights on hail risk in the quantification of the risk. Achmea has close contact with the companies developing the catastrophe models, with universities and the Royal Netherlands Meteorological Institute (KNMI). In this way Achmea is keeping close track of climate change and evaluating its impact.

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.

Reinsurance is used to manage exposure to weather-related events, natural disasters, events 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. Premiums and reinsurance programmes can be modified each year. 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 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, is mandatory for anyone who lives or works in the Netherlands and must be purchased from a Dutch-based 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 (5% 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.
- 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 are 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 (ZiN) 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 2019	31 DECEMBER 2018
Health risk SLT	215	251
Health risk NSLT	1,642	1,677
Health catastrophe	50	59
Diversification	-134	−155
Solvency Capital Requirement Health risk	**1,773**	**1,832**

The Solvency Capital Requirement for the health risk decreased in 2019 from €1,832 million to €1,773million. 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 is mainly a consequence of lower premium and reserve risk in the health business due to lower premium volume and a newly concluded reinsurance contract for WIA.

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 ZiN 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.

Within disability, after the initial claims report a customer follows a reintegration program 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. A reinsurance contract has been agreed for the WGA product; Achmea Schadeverzekeringen N.V. has concluded a quota share agreement with Achmea Reinsurance for this purpose, fully underwritten by the reinsurance market. In addition to the quota share agreement Achmea Reinsurance offers stop-loss cover, which is also fully underwritten by the reinsurance market. Finally, additional cover is also provided for high salaries by the WIA supplementary cover product. This reduces the financial consequences and volatility of the work-related disability risk in relation to this portfolio.

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.

Notes to the Consolidated Financial Statements

MARKET RISK (SOLVENCY II CAPITAL REQUIREMENT)

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Interest rate	1,265	1,047
Equity	1,255	1,346
Property	345	373
Spread	1,318	1,429
Currency	114	95
Concentration	0	0
Diversification	-1.932	–1,724
Solvency Capital Requirement Market risk	**2,365**	**2,566**

The Solvency Capital Requirement (SCR) for market risk decreased in 2019 from €2,566 million to €2,365 million. This SCR has been calculated using a partial internal model approved by the College of Supervisors. The market risk has decreased due to changes in how market risk is modelled, a decline in the volatility of equities, and lower credit spreads.

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-DEC-19			31-DEC-18		
	IMPACT ELIGABLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)	IMPACT ELIGABLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)
Equity -20%	-425	-69	-6%	-393	-138	–3%
Interest -50 basis points	264	131	0%	191	104	0%
Interest +50, basis points	-247	-115	0%	-179	-110	1%
Property -20%	-255	-18	-5%	-251	-13	–5%

The outcomes are related to changes in the composition of the balance sheet and cash flows. The sensitivities have been calculated using the partial internal model for market risk approved by the College of Supervisors. The adjusted hedging strategy described in A: Developments in 2019 has been taken into account.

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.

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 risk-free discount rate is used 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. Achmea Group maintains a limit for the interest rate sensitivity of the Solvency II solvency ratio at parallel interest rate shocks of 50 basis points. 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. For the purpose of ensuring that the solvency ratio remains stable over the longer term, the interest rate sensitivity limits of the Solvency II solvency ratio of Achmea Group and Achmea Pensioen- en Levensverzekeringen N.V. are wider when the Solvency II solvency ratio is at a higher level. Additionally, the longer-term effects of parallel interest rate 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 eligible own funds Solvency II at parallel interest rate shocks of 50 basis
- 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 €4,542 million (2018: €2,694 million) with a notional amount of €40.1 billion (2018: €33.4 billion).

Banking activities

The focus of the banking activities of Achmea is on retail banking products (mortgages, deposits and savings). 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.

SENSITIVITIES BANKING ACTIVITIES (€ MILLION)

	2019 ACHMEA BANK	2018 ACHMEA BANK
Duration Equity (in years)	2.49	1.81
Stress test -200 basis points	-9	-12
Stress test +200 basis points	-58	-45
Income at Risk +100 basis points	10	15

Compared with 2018, the negative stress test decreased (-200 basis points), mainly as a result of the development of the interest rate curve and the negative interest rate. The positive stress test (+200 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. The credit risk on mortgages and countries is also taken into account in calculating the Solvency Capital Requirement under Solvency II.

Achmea runs spread risk in its fixed-income investments. For the composition of the fixed-income investments for the different rating classes please refer to Note 30 Credit quality financial assets and Disclosures concerning IFRS 9. When drawing up the economic balance sheet Achmea also applies the Volatility Adjustment to many of its insurance entities to value the insurance liabilities. Changes in the spreads lead to changes in the Volatility Adjustment and consequently in the value of the insurance liabilities.

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, mortgages and asset backed securities), the credit rating, the maturity profile and the regional allocation. Based on the approved internal model for market risk the composition of the investment portfolio is optimized, taking account of the dynamics of the Volatility Adjustment.

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 subsidiary Eureko Sigorta and associate Garanti Emiklilik.

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

EXCHANGE RATE RISK

(€ MILLION)

	2019 TOTAL EXPOSURE	2019 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2019 NET EXPOSURE	2018 TOTAL EXPOSURE	2018 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2018 NET EXPOSURE
Net position						
US dollar	1,290	1,170	120	1,388	1,357	31
Pound sterling	298	299	−1	341	365	−24
Japanese yen	154	149	5	135	132	3
Swiss franc	698	685	13	329	330	−1
Turkish lira	58	1	57	55		55
Danish krone	173	152	21	17	3	14
Other	258	176	82	267	191	76
Total	**2,929**	**2,632**	**297**	**2,532**	**2,378**	**154**

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 balance of Achmea does not comprise any material market concentration risks.

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 related to derivatives, bank balances, retail loans, reinsurance, securities lending, receivables of healthcare providers, intermediaries, and policyholders. The credit risk on mortgages and countries is taken into account under spread risk in calculating the Solvency Capital Requirement under Solvency II.

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 30 Credit quality financial assets and Disclosures concerning IFRS 9.

The Solvency Capital Requirement (SCR) under Solvency II provides a quantification of counterparty default risk. In 2019 the SCR slightly increased from €261 million at year-end 2018 to €273 million at year-end 2019. The increase is mainly due to new regulations on risk classification for derivatives, as a result of which the SCR for this risk has increased.

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.

The limits per rating in the Counterparty Risk Policy are given in the following table:

MAXIMUM EXPOSURE ON GROUPLEVEL (€ MILLION)

	SUPRANATIONAL INSTITUTIONS AND GOVERNMENTS	OTHER COUNTERPARTIES
AAA	(no limit)	700
AA+, AA, AA-	500	500
A+, A, A-	400	400
BBB+	250	250
BBB	200	200
BBB-	125	125

Achmea uses ratings from S&P, Moody's, Fitch, DBRS and AMBest (only for reinsurers). If multiple ratings are available for the same financial instrument, the second best rating is used (second best rating methodology). See Note 30 Credit quality financial assets and Disclosures concerning IFRS 9. This is assessed on a case by case basis for counterparties with a low rating or no rating.

Reinsurers are subject to a higher credit rating with a minimum rating restriction at level A-. The counterparty default risk policy also contains limit deviations for specific exposures and makes it possible to apply for exemptions in specific situations. A specific deviation applies regarding exposure limits 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 additional security was agreed with Rabobank Group to mitigate this risk.

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 counterparty default risk policy defines collateral requirements that must be specified in the individually negotiated Credit Support Annexes (CSA). Only 'prime collateral' is accepted, comprised of 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 improved valuation adjustments related to remaining maturity of the collateral received, further reduces the counterparty default risk. In addition, Central Clearing is used for a portion of the derivatives portfolio.

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. Counterparty risk is monitored quarterly by the Risk Committee of Achmea Reinsurance.

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 (ZiN). 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 insurances such as non-life, the cover can be suspended or terminated in the event of default.

Healthcare providers

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

Retail loans

Achmea's retail loans are mainly comprised of loans with real estate as collateral (mortgages) and/or with a security deposit as collateral. The counterparty default risk is the risk of payment arrears and impairment resulting from deterioration in the credit standing of the counterparty.

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.

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 non-regular transactions have an impact, such as the refinancing of external funding, internal capital injections or M&A transactions.

From the perspective of the insurance activities the liquidity risk is in particular related to stress scenarios such as catastrophes in the form of extreme storms and hail in the case of non-life insurance or large-scale surrender in the case of the life activities.
Maturity analyses of the insurance liabilities are presented in Note 7, Liabilities related to insurance contracts. In addition, the liquidity risk is related to collateral requirements arising from derivative positions mainly held in order to hedge the interest rate risk.

With respect to the banking activities there is a liquidity risk due the difference in maturity of the assets and the liabilities, particularly between the mortgage loans and the short-term savings.

The table below sets out the maturities of the banking operations in 2019 and 2018.

LIQUIDITY RISK EXPOSURE BANKING

(€ MILLION)

2019	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Investments	1,927	1,174	4,780	5,592	13,473
Cash and cash equivalents	72				72
Other assets	39		1		40
Total assets	**2,038**	**1,174**	**4,781**	**5,592**	**13,585**
Liabilities					
Financial liabilities	4,321	1,080	3,888	1,881	11,170
Derivatives	2	17	110	336	465
Total liabilities	**4,323**	**1,097**	**3,998**	**2,217**	**11,635**
Net liquidity gap	**-2,285**	**77**	**783**	**3,375**	**1,950**

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 gap	**–882**	**430**	**–153**	**3,059**	**2,454**

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 Achmea B.V. 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 Achmea B.V. company is managed based on a monthly analysis of the three-year forecast 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.

The liquidity risk of the insurance activities is managed by the entities. In its liquidity planning, cash inflows and outflows from insurance activities are taken into account for the liquidity risk of the insurance activities. Furthermore, a number of stress scenarios are set up and regularly updated by each insurer. These stress scenarios consider subjects such as a catastrophe in the case of non-life insurance, large-scale lapse in the case of life insurance and also the possible impact of changes in collateralrequirements. The entities report on this matter each quarter. Liquidity risk within Achmea's insurance operations is mitigated through the availability of cash and a high level of investments in liquid assets.

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 requirements, including any refinancing requirement in the capital market and net increase in assets in the retail business (particularly 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.

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 2019.

I. OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed 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.

The Solvency Capital Requirement under Solvency II is a quantitative indicator of the level of the operational risk. The Solvency Capital Requirement for operational risk increased from €593 million at year-end 2018 to €599 million at year-end 2019.

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 van scenario analyses. A scenario analysis regarding cybercrime led for instance to a cyber risk insurance being taken out. The risk analyses also take into account innovations that have an impact on operations and control, such as the use of algorithms in processes.

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 belonging to Duty of care, Product development, Customer due diligence, 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 being given to providing clear and timely product information to customers and to opportunities for improving the suitability of the sold product and the 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. Compliance is closely involved in monitoring compliance with the Money Laundering and Terrorist Financing (Prevention) Act (Wwft), the Sanctions Act 1977, privacy issues and compliance with the General Data Protection Regulation (GDPR), including big data initiatives and ethical issues associated with artificial intelligence. The integrity risk as part of compliance risk is set out in the Achmea Code of Conduct and the Integrity & Fraud Policy. In that 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 Achmea employees. 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 Systematic Integrity Risk Analysis.

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.

Supervisory investigations have a major impact on the business. These investigations arise not only from local regulations but also from international legislation such as EU legislation on the duty of care, outsourcing, CDD and sustainability. Much effort is required to assist the regulators in their investigations and this is coordinated by the Laws & Regulation Committee.

Privacy, CDD and duty of care were the main focus areas for the compliance function in 2019. Short-cycle monitoring is used to monitor compliance with laws and regulations. Any compliance issues identified by this monitoring are addressed by the responsible management, to be handled within the established frameworks for the defined compliance and integrity risk appetite.

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 explains the solvency ratio under Solvency II and the composition of the eligible equity under Solvency II (eligible own funds. 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 2019	SOLVENCY II VALUE 31 DECEMBER 2018
4.625%	500	2019	Perpetual	24-03-2029	Tier 1	473	
2.5%	250	2019	24-09-2039	24-06-2029	Tier 2	240	
6.0%	500	2013	04-04-2043	04-04-2023	Tier 2 [1]	551	553
4.25%	750	2015	Perpetual	04-02-2025	Tier 2	790	794
5.5%	311 [2]	2004	01-01-2024		Restricted Tier 1 [1]	311	311

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. To prevent them from no longer qualifying as capital instruments, they need to be refinanced before that date. On 1 November 2019, a nominal amount of €600 million was repaid. This loan qualified as ‘grandfathering’ Tier 1 capital under Solvency II.

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.

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–2	F1	
	Secured debt programma	A–		
	Covered bond programma		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'[3], the 'fixed-charge coverage ratio'[4] and the 'double leverage ratio'[5]. The debt leverage ratio was 24.9% in 2019 (31 December 2018: 26.5%) due to the positive results and the redemption of a CHF 200 million loan. In addition, the €600 million Restricted Perpetual Tier 1 bond was repaid and there was an issuance of Restricted Perpetual Tier 1 Notes worth €500 million and Tier 2 Notes worth €250 million. The fixed charge coverage ratio was 5.3 (31 December 2018: 4.4x) as a result of the increased operational result. At year-end 2019 the double leverage ratio decreased slightly to 98.8% compared with 2018 (31 December 2018: 102.8%) due to capital upstreaming 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.

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 (i) the sum of the equity of the subsidiaries, including the associated goodwill and other Intangible assets, and (ii) the total equity of the Group (ordinary shares, hybrid capital, subordinated debt and preference shares).*

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. In 2019 the committed credit facilities of €750 million were replaced with new committed credit facilities of €1 billion. At year-end 2019, the committed credit facilities of €1 billion 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.

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% and is expected to remain above 130% in the next 12 months. 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 of Achmea B.V.. 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 financial scope, disposal of assets and attracting additional funding. The group companies' financial scope for dividend payments is determined based on similar criteria as mentioned above. Depending on the activities of the group company different percentages and ratios apply.

3. SEGMENT REPORTING

Achmea's activities are divided into segments 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 mainly 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.

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 Syntrus Achmea Real Estate & Finance B.V. and Achmea Reinsurance Company N.V. 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 2019

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets [1]	635				78	25		738
Associates and joint ventures					51	13		64
Property for own use and equipment	75	5			63	411		554
Investment property		3	1,059		4	38		1,104
Investments	6,980	3,766	53,009	13,474	1,307	1,606	−1,384	78,758
Deferred tax assets			531		36		−151	416
Income tax receivable						183	−183	
Amounts ceded to reinsurers	252		124		269	132	−141	636
Receivables and accruals	1,290	4,323	297	182	269	245	−351	6,255
Cash and cash equivalents	132	196	256	100	177	113	−11	963
Total assets	**9,364**	**8,293**	**55,276**	**13,756**	**2,254**	**2,766**	**−2,221**	**89,488**
Equity								
Equity attributable to holders of equity instruments of the company	1,930	3,269	4,028	859	468	−371		10,183
Non-controlling interest	7		1					8
Total equity [1]	**1,937**	**3,269**	**4,029**	**859**	**468**	**−371**		**10,191**
Liabilities								
Liabilities related to insurance contracts	6,753	3,755	46,405		1,249	757	−1,149	57,770
Other provisions	22		5	6	40	28	1,005	1,106
Financial liabilities	440	1,268	3,328	12,399	464	2,319	−1,743	18,475
Derivatives	13	1	1,420	465		19		1,918
Deferred tax liabilities	155			10		14	−151	28
Income tax payable	44		89	17	33		−183	
Total liabilities	**7,427**	**5,024**	**51,247**	**12,897**	**1,786**	**3,137**	**−2,221**	**79,297**
Total equity and liabilities	**9,364**	**8,293**	**55,276**	**13,756**	**2,254**	**2,766**	**−2,221**	**89,488**

1. *The total Equity of the segment Other activities is -€371 million due to the consistent application of the allocation of Intangible assets to the cashflow-generating units. As a result €662 million of Intangible assets from the segment Other activities has been allocated to the segment Non-life Netherlands (€635 million) and the segment International activities (€27 million). Excluding this allocation, the total Equity of the segment Other activities is €291 million, of the segment Non-life Netherlands is €1,302 million and of the segment International activities is €441 million.*

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	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]	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. *The total Equity of the segment Other activities is -€553 million due to the consistent application of the allocation of Intangible assets to the cashflow-generating units. As a result €668 million of Intangible assets from the segment Other activities has been allocated to the segment Non-life Netherlands (€619 million), the segment International activities (€47 million) and the segment Pension & Life Netherlands (€2 million). Excluding this allocation, the total Equity of the segment Other activities is €115 million, of the segment Non-life Netherlands is €1,046 million, of the segment International activities is €448 million and of the segment Pension & Life Netherlands is €4,131 million.*

Notes to the Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT 2019

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross written premiums	3,564	14,082	1,164		1,041	271	−173	19,949
Reinsurance premiums	−196	−2	−25		−135	−149	173	−334
Change in provision for unearned premiums and current risks (net of reinsurance)	−78	4	1		−14	−4		−91
Net earned premiums	**3,290**	**14,084**	**1,140**		**892**	**118**		**19,524**
Income from associates and joint ventures	1	−1	−1		3	1		3
Investment income	137	22	4,111	360	79	40	−7	4,742
Other income	31	115	1	128	34	112	−37	384
Total income (excluding non-operational items)	**3,459**	**14,220**	**5,251**	**488**	**1,008**	**271**	**−44**	**24,653**
Net expenses from insurance contracts	2,366	13,606	4,721		675	65	−3	21,430
Fair value changes and benefits credited to investment contracts					34			34
Interest and similar expenses	4	1	5	216	1	66	−41	252
Operating expenses related to insurance activities	862	413	155		232	58		1,720
Operating expenses for non-insurance activities	28	102		242	8	192		572
Other expenses	21	36	7		36	−2		98
Total expenses (excluding non-operational items)	**3,281**	**14,158**	**4,888**	**458**	**986**	**379**	**−44**	**24,106**
Operational result	**178**	**62**	**363**	**30**	**22**	**−108**		**547**
Transaction results (mergers and acquisitions)								
Result before tax	**178**	**62**	**363**	**30**	**22**	**−108**		**547**
Income tax expenses	39		49	9	15	−46		66
Net result	**139**	**62**	**314**	**21**	**7**	**−62**		**481**
Expense ratio [1]	26.0%	2.9%			25.3%			
Claims ratio [1 & 2]	69.0%	96.6%			74.6%			
Combined ratio [1 & 2]	95.0%	99.5%			99.9%			
Amortisation charges	3	2	2		20	61		88
(Reversal of) Impairment losses	11	7	13	−3	14	−5		37

1. *The ratios of the segment International activities include both Non-life and Health insurance.*
2. *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 €94 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 2018

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross written 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
(Reversal of) 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 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.*

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS

	THE NETHERLANDS	TURKEY	GREECE	SLOVAKIA	OTHER [1]	TOTAL 2019	TOTAL 2018
Gross written premiums	18,908	231	341	442	27	19,949	19,918
Other income	350	4	28	2		384	578
Total assets	87,234	633	1,256	294	71	89,488	81,816
Non-current assets	73,359	202	985	206	15	74,767	67,773

1. *Other includes Australia and Canada.*

4. SUBSEQUENT EVENTS

The developments around the Coronavirus in 2020 have a potential impact on our business operations, our insurance results and the financial markets. The outcomes of this are still uncertain, but are being closely monitored.

NOTES TO SIGNIFICANT BALANCE SHEET AND INCOME STATEMENT ITEMS

5. INVESTMENT PROPERTY

(€ MILLION)

	2019	2018
Balance at 1 January	1,103	1,113
Purchases	15	17
Disposals	−69	−133
Fair value changes recognised in profit or loss	51	104
Transfer from property for own use	4	2
Balance at 31 December	**1,104**	**1,103**

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Residential	563	546
Retail	254	284
Offices	276	247
Other	11	26
Total	**1,104**	**1,103**

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 2019	31 DECEMBER 2018[1]
Less than 1 year	34	39
1 - 5 years	83	99
Over 5 years	39	47
Total	**156**	**185**

1. *As of 31 December 2019 the minimal lease payments under operational lease contracts, not cancellable without penalty, are classified by duration rather than by the theoretical annual rent in the expiry year of the contract. The comparative figures have been recalculated and adjusted in the same way for comparative purposes.*

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.

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 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018	**31 DECEMBER 2019**	31 DECEMBER 2018
Investments own risk								
Equities & similar investments	26	68	2,956	2,870			2,982	2,938
Fixed income investments	3,059	2,762	34,560	32,328	518	505	38,137	35,595
Derivatives	6,504	3,432					6,504	3,432
Other financial investments	43	37	430	92	1,618	1,914	2,091	2,043
Investments backing linked liabilities								
Equities & similar investments	4,504	4,337					4,504	4,337
Fixed income investments	3,881	3,441					3,881	3,441
Derivatives	92	47					92	47
Other financial investments [1]	7,185	7,273					7,185	7,273
Banking credit portfolio								
Fixed income investments	201	215			13,181	11,627	13,382	11,842
Total at 31 December	**25,495**	**21,612**	**37,946**	**35,290**	**15,317**	**14,046**	**78,758**	**70,948**

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 €2,982 million (31 December 2018: €2,938 million) consist of investments in listed ordinary shares of €1,599 million (31 December 2018: €1,433 million), alternative investments of €723 million (31 December 2018: €758 million), investments in real estate funds of €324 million (31 December 2018: €275 million), investments in fixed-income funds of €270 million (31 December 2018: €413 million) and other investments of €66 million (31 December 2018: €59 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	
	2019	2018	2019	2018	2019	2018	**2019**	2018
Balance at 1 January	**44,008**	**43,489**	**15,098**	**16,488**	**11,842**	**12,725**	**70,948**	**72,702**
Investments and loans granted [1]	24,798	19,350	5,161	7,411	2,612	955	32,571	27,716
Divestments and disposals	–23,335	–18,561	–6,242	–8,051	–1,772	–1,780	–31,349	–28,392
Fair value changes	4,546	–240	1,291	–766			5,837	–1,006
Change in value due to fair value hedge accounting					26	–58	26	–58
Foreign currency differences	–23	–125	2	30			–21	–95
Accrued interest and rental	55	87	215	231			270	318
Cash movements			137	–83			137	–83
Changes due to reclassification [2]	–674	8			674			8
Oher changes [3]	339			–162			339	–162
Balance at 31 December	**49,714**	**44,008**	**15,662**	**15,098**	**13,382**	**11,842**	**78,758**	**70,948**

1. *The high investments in the Banking credit portfolio are largely explained by the acquisition of the mortgage portfolio of a.s.r. bank..*
2. *The amount in 2019 takes into account a reclassification relating to the transfer of a mortgage portfolio from the insurance business to the banking business (Investments own risk -€674 million to Banking credit portfolio €674 million)*
3. *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.*

Reclassification relating to the transfer of a mortgage portfolio

On 1 December 2019 an investment portfolio of mortgage loans amounting to €674 million was transferred within the group from the insurance business to the banking business and then reclassified from 'Available for sale' to 'Loans and receivables'. The initial measurement of these mortgage loans within banking (amortised cost of these assets) is the fair value at the moment of reclassification. Up until the date of reclassification, an amount of €30 million in unrealised gains and losses prior to the deduction of deferred taxes was recognised in the Total equity. In accordance with the accounting policies on certain types of life insurance in the Dutch insurance business, these unrealised gains and losses are already included under Insurance liabilities – Profit sharing and bonuses for policyholders.

On 31 December 2019 the reclassified mortgage loans had a carrying amount of €665 million and a fair value of €654 million. If the mortgage loans had not been reclassified, from the moment of reclassification, an amount of €20 million in unrealised gains and losses would have been recognised in the Total equity. In accordance with the accounting policies on certain types of life insurance in the Dutch insurance business, these unrealised gains and losses would have been transferred to Insurance liabilities – Profit sharing and bonuses for policyholders.

The effective interest rate on the mortgage loans at the moment of reclassification is 3.76%. An expense of €0 million is recognised in the income statement for the period of reclassification up to and including 31 December 2019. On the date of reclassification the principal that we expect to recover is €613 million.

Investments own risk

The investments designated as 'At fair value through profit or loss' as at 31 December 2019 amounted to €3,128 million (31 December 2018: €2,867 million). Derivatives are used for hedging purposes. Achmea holds no financial instruments for trading purposes.

Based on their contractual maturity, an amount of €34,194 million (31 December 2018: €32,193 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 2019	31 DECEMBER 2018
Government and government related guaranteed bonds	14,345	15,002
Securitised bonds [1]	878	1,115
Corporate bonds	12,957	10,172
Convertible bonds	323	314
Mortgages	7,918	7,474
Loans, deposits with credit institutions	356	194
Investment loans	891	862
Deposits with re-insurers	459	446
Other	10	16
	38,137	**35,595**

1. *Securitised bonds include €580 million (2018: €772 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 2019, 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.

Notes to the Consolidated Financial Statements

INVESTMENTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

(€ MILLION)

	31 DECEMBER 2019		31 DECEMBER 2018	
	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	333	16,119	562	21,220
Car leasing receivables securities	121	8,424	69	10,369
Other securities	126	5,010	141	4,899
Carrying amount of interest in structured entity as at 31 December	**580**	**29,553**	**772**	**36,488**

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.

DERIVATIVES CLASSIFIED BY NATURE

(€ MILLION)

	ASSETS	LIABILITIES	31 DECEMBER 2019
Interest rate derivatives	6,431	1,889	4,542
Currency derivatives	21	11	10
Equity derivatives	52	18	34
	6,504	**1,918**	**4,586**
	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**

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

(€ MILLION)

31 DECEMBER 2019	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS [1]	TOTAL
Interest rate derivatives	228	357	265	1,059	1,909
Currency derivatives	11				11
Equity derivatives	18				18
	257	**357**	**265**	**1,059**	**1,938**
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**

1. *The interest rate derivatives with an estimated time to maturity of more than five years increased mainly as a consequence of declining market interest rates in 2019. The decline in interest rates means that the expected variable interest receivables from these contracts has decreased, while the outgoing fixed interest payments have remained unchanged.*

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

(€ MILLION)

	31 DECEMBER 2019			31 DECEMBER 2018		
	Nominal amount	Fair value assets	Fair value liabilities	Nominal amounts	Fair value assets	Fair value liabilities
Interest derivatives	40,066	6,431	1,863	33,382	3,385	665
Cross-currency interest rate swaps	667		26	677	1	27
Forward exchange contracts	2,023	21	11	2,046	14	21
	42,756	6,452	1,900	36,105	3,400	713

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.

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 2019	31 DECEMBER 2018
Mortgages	12,682	11,109
Loans, deposits and advances with credit institutions	714	759
Other loans and advances to private sector	1	1
Allowance account	−15	−27
	13,382	**11,842**

1 *The Banking credit portfolio includes a provision for credit losses. Additions to and withdrawals from the provisions during 2019 amounted to €11 million (2018: €15 million) and €23 million (2018: €27 million).*

The Banking credit portfolio measured at fair value is subject to the development of the yield curve. The impact on the fair value of the Banking credit portfolio amounted to €7 million cumulatively at year-end 2019 (year-end 2018: €2 million). The effect in 2019 is €5 million (31 December 2018: €-4 million).

An amount of €541 million (31 December 2018: €747 million) is not available on demand, and consists of collateral for derivatives and funds related to securitisation transactions. An amount of €10,287 million (31 December 2018: €8,649 million) of the Banking credit portfolio can be recovered after twelve months after reporting date.

The fair value of the Banking credit portfolio measured at amortised cost at year-end is €13,514 million (31 December 2018: €11,840 million). This increase is mainly attributable to the acquisition of two mortgage portfolios, one of which from the insurance business. As at 31 December 2019, the carrying amount of the loans is affected by impairment losses amounting to €91 million (31 December 2018: €148 million). There are no reversals of impairment losses in both 2019 and 2018. 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 2019, the interest income related to impaired financial instruments is €3 million (31 December 2018: €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 credit standing of the borrower and on the expected future cash flows of such asset. Current observable data may include changes in unemployment rates, arrears, property and commodity prices and the value of the collateral as well as developments in interest rates and exchange rates. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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.

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 2019		31 DECEMBER 2018	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
Non-life insurance				
Unearned premiums	1,338	98	1,266	117
Provision for unexpired risks	36		37	
Outstanding claims (including IBNR)	6,222	412	6,149	393
Profit sharing and bonuses for policyholders	22		23	
Total Non-life insurance	**7,618**	**510**	**7,475**	**510**
Health insurance				
Unearned premiums	29		30	
Provision for unexpired risks	19		23	
Outstanding claims (including IBNR) [1]	3,851		3,794	
Total Health insurance	**3,899**		**3,847**	
Life insurance				
Provision for life policy liabilities	21,115	126	21,804	161
Deferred interest surplus rebates	−12		−16	
Profit sharing and bonuses for policyholders	9,838		7,035	
Insurance liabilities where policyholders bear investment risk	15,312		14,920	
Total Life insurance	**46,253**	**126**	**43,743**	**161**
Total	**57,770**	**636**	**55,065**	**671**

1. *In 2019 the receivable against the Ministry of Health, Welfare and Sport (VWS) is recognised under Receivables and accruals (€108 million), see Note 17. In 2018 the receivable against this Ministry was presented as part of the Liabilities related to insurance contracts (€64 million).*

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.

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

(€ MILLION)

2019	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	638	1,221	1,048	270	3,177
Property & Casualty	2,025	1,723	638	55	4,441
Health insurance	3,751	119	3	26	3,899
Life insurance	2,096	5,966	16,575	21,616	46,253
Balance at 31 December	**8,510**	**9,029**	**18,264**	**21,967**	**57,770**

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**

NON-LIFE PORTFOLIO ANALYSIS

(€ MILLION)

	31 DECEMBER 2019		31 DECEMBER 2018	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Accident	3,177	42%	3,149	42%
Motor liability	1,970	26%	1,857	25%
Motor hull	372	5%	348	5%
Transport /aviation liability	73	1%	75	1%
Property	929	12%	985	13%
General liability	908	12%	870	12%
Legal assistance	182	2%	184	2%
Other	7	0%	7	0%
	7,618	**100%**	**7,475**	**100%**

MOVEMENT TABLE NON-LIFE

(€ MILLION)

	2019		2018	
	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	1,266	117	1,255	117
Added during the year	4,104	306	3,897	254
Released to the Income Statement	−4,018	−319	−3,844	−231
Foreign currency differences	−14	−6	−42	−23
Balance at 31 December	**1,338**	**98**	**1,266**	**117**
PROVISION FOR UNEXPIRED RISKS NON-LIFE				
Balance at 1 January	37		43	
Added during the year				
Released to the Income Statement	−1		−6	
Balance at 31 December	**36**		**37**	
OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE				
Balance at 1 January	6,149	393	6,101	334
Current period claims reported	2,734	140	2,805	137
Change in reported claims previous periods	−151	7	−219	49
Plus claims reported	**2,583**	**147**	**2,586**	**186**
Current period claims paid	1,245	24	1,302	40
Previous period claims paid	1,298	87	1,251	46
Less claims paid	**2,543**	**111**	**2,553**	**86**
Foreign currency differences	−27	−17	−62	−41
Unwinding of discount	72		73	
Effect of changes in assumptions	−1		−1	
Changes due to reclassification	−11		5	
Balance at 31 December	**6,222**	**412**	**6,149**	**393**
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	23		22	
Net movements during the period	−1		1	
Balance at 31 December	**22**		**23**	
TOTAL NON-LIFE INSURANCE LIABILITIES	**7,618**	**510**	**7,475**	**510**

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)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,734	2,805	2,737	2,930	2,594	2,593	2,780	2,733	2,594	2,848	
One year later		2,744	2,645	2,909	2,622	2,532	2,615	2,482	2,468	2,633	
Two years later			2,611	2,814	2,658	2,587	2,634	2,437	2,443	2,504	
Three years later				2,815	2,597	2,542	2,641	2,435	2,439	2,471	
Four years later					2,564	2,419	2,598	2,369	2,445	2,477	
Five years later						2,366	2,507	2,330	2,413	2,465	
Six years later							2,494	2,324	2,369	2,447	
Seven years later								2,312	2,371	2,453	
Eight years later									2,354	2,442	
Nine years later										2,432	
Estimate of cumulative claims	**2,734**	**2,744**	**2,611**	**2,815**	**2,564**	**2,366**	**2,494**	**2,312**	**2,354**	**2,432**	**25,426**
Cumulative payments	−1,245	−1,888	−1,910	−2,261	−2,068	−2,014	−2,248	−2,090	−2,135	−2,248	−20,107
	1,489	**856**	**701**	**554**	**496**	**352**	**246**	**222**	**219**	**184**	**5,319**
Insurance liabilities claims prior years (<2010)											1,428
Effect of discounting											−525
Outstanding claims at 31 December 2019											**6,222**

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(NET OF REINSURANCE)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,594	2,668	2,616	2,653	2,477	2,525	2,677	2,692	2,524	2,773	
One year later		2,628	2,574	2,696	2,555	2,468	2,519	2,433	2,399	2,572	
Two years later			2,540	2,606	2,602	2,548	2,540	2,402	2,374	2,439	
Three years later				2,619	2,528	2,507	2,560	2,400	2,400	2,407	
Four years later					2,506	2,385	2,523	2,335	2,410	2,450	
Five years later						2,335	2,436	2,299	2,372	2,439	
Six years later							2,475	2,287	2,330	2,372	
Seven years later								2,287	2,343	2,424	
Eight years later									2,333	2,414	
Nine years later										2,424	
Estimate of cumulative claims	**2,594**	**2,628**	**2,540**	**2,619**	**2,506**	**2,335**	**2,475**	**2,287**	**2,333**	**2,424**	**24,741**
Cumulative payments	−1,221	−1,829	−1,882	−2,093	−2,055	−2,006	−2,241	−2,084	−2,126	−2,245	−19,782
	1,373	**799**	**658**	**526**	**451**	**329**	**234**	**203**	**207**	**179**	**4,959**
Insurance liabilities claims prior years (<2010)											1,376
Effect of discounting											−525
Outstanding claims at 31 December 2019											**5,810**

Notes to the Consolidated Financial Statements

HEALTH PORTFOLIO ANALYSIS

(€ MILLION)

	31 DECEMBER 2019		31 DECEMBER 2018	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Basic Health insurance	3,675	94%	3,619	94%
Supplementary Health insurance	80	2%	95	2%
Other	144	4%	133	4%
	3,899	**100%**	**3,847**	**100%**

MOVEMENT TABLE HEALTH INSURANCE LIABILITIES

(€ MILLION)

	2019		2018	
	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	30		29	
Added during the year	14,582	3	14,435	3
Released to the Income Statement	−14,583	−3	−14,434	−3
Balance at 31 December	**29**		**30**	
PROVISION FOR UNEXPIRED RISKS HEALTH				
Balance at 1 January	23		109	
Added during the year	19		23	
Released to the Income Statement	−23		−109	
Balance at 31 December	**19**		**23**	
OUTSTANDING CLAIMS (INCLUDING IBNR) HEALTH				
Balance at 1 January	3,794		4,365	
Current period claims reported	13,799	1	13,954	2
Change in reported claims previous periods	182		−177	
Plus claims reported	**13,981**	**1**	**13,777**	**2**
HKC premiums related to current period claims reported				
HKC premiums related to change in reported claims previous periods				3
HKC premiums related to claims reported				**3**
Current period claims paid	10,173	1	10,421	2
Previous period claims paid	3,751		3,938	
Less claims paid	**13,924**	**1**	**14,359**	**2**
HKC premiums related to previous claims paid				3
Less HKC premiums related to claims paid				**3**
Effect of changes in assumptions			3	
Changes due to reclassification			8	
Balance at 31 December	**3,851**		**3,794**	
TOTAL HEALTH INSURANCE LIABILITIES	**3,899**		**3,847**	

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	13,799	13,954	13,873	13,458	13,105	12,551	12,777	12,840	11,907	10,101	
One year later		13,852	13,663	13,229	12,897	12,321	12,598	12,553	11,679	11,163	
Two years later			13,624	13,218	12,844	12,216	12,473	12,641	11,706	11,023	
Three years later				13,243	12,885	12,186	12,541	12,235	12,370	10,966	
Four years later					12,901	12,209	12,556	12,213	12,370	10,966	
Five years later						12,199	12,582	12,219	12,370	10,966	
Six years later							12,570	12,228	12,370	10,966	
Seven years later								12,224	12,370	10,966	
Eight years later									12,378	10,966	
Nine years later										10,973	
Estimate of cumulative claims	**13,799**	**13,852**	**13,624**	**13,243**	**12,901**	**12,199**	**12,570**	**12,224**	**12,378**	**10,973**	**127,763**
Cumulative payments	−10,173	−13,663	−13,598	−13,241	−12,894	−12,198	−12,570	−12,224	−12,378	−10,973	−123,912
Outstanding claims at 31 December 2019	**3,626**	**189**	**26**	**2**	**7**	**1**					**3,851**

LIFE PORTFOLIO ANALYSES

(€ MILLION)

	31 DECEMBER 2019		31 DECEMBER 2018	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Insurances with guarantees regarding to investment income [1]	30,418	66%	28,307	65%
Other life insurance	15,835	34%	15,436	35%
	46,253	**100%**	**43,743**	**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)

	2019		2018	
	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	21,804	161	22,423	205
Change in composition of the Group [1]			44	
Benefits paid	−1,912	−45	−1,954	−56
Net premiums received	762	25	846	6
Technical result	−137	−18	−60	6
Unwinding of discount	693	3	674	
Cost withdrawal	−74		−87	
Changes due to reclassification [2]	−21		−78	
Other changes			−4	
Balance at 31 December	**21,115**	**126**	**21,804**	**161**
DEFERRED INTEREST SURPLUS REBATES				
Balance at 1 January	−16		−23	
Amortisation	4		7	
Balance at 31 December	**−12**		**−16**	
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	7,035		6,875	
Changes due to (un)realised fair value changes of related investments in fixed income through the Equity	1,378		114	
Changes due to (un)realised fair value changes of related investments in fixed income and interest rate derivatives through the Income statement	1,406		74	
Granted profit sharing rights [3]	19		−33	
Other changes			5	
Balance at 31 December	**9,838**		**7,035**	
INSURANCE LIABILITIES WHERE POLICYHOLDERS BEAR INVESTMENT RISKS				
Balance at 1 January	14,920		16,094	
Benefits paid	−1,391		−1,413	
Net premiums received	501		612	
Technical result	−39		−40	
Unwinding of discount	39		38	
Cost withdrawal	−29		−37	
Effect of fair value changes	1,290		−403	
Changes due to reclassification [2]	21		69	
Balance at 31 December	**15,312**		**14,920**	
TOTAL LIFE INSURANCE LIABILITIES	**46,253**	**126**	**43,743**	**161**

1. *Change in composition of the Group in 2018 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. *Changes due to reclassification in 2019 and 2018 relate to changes in Insurance liabilities where policyholders bear investment risks, resulting from reclassification related to changes in the assessment of the underlying risk of the contracts and resulting from contractual changes.*
3. *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.*

The Provision for life policy includes an amount of €2.6 billion (31 December 2018: €2.3 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 €18.3 billion (31 December 2018: €19 billion) respectively €15.3 billion (31 December 2018: €14.9 billion) relate to 'service book' in the Netherlands; benefits paid related to this 'service book' activities amounted to €1.5 billion (2018: €1.8 billion) respectively €1.4 billion (2018: €1.4 billion).

In 2012, Achmea implemented a compensation scheme for holders of unit-linked policies that had been agreed with consumer organisations. In addition, Achmea meets the supplementary measures formulated at the time by the Dutch Minister of Finance. Yet a number of our customers do not think this is enough. They have combined their objections and are being represented by an interest group. We did not take up this group's offer as we do not recognise the situation they outlined or the alleged liability. Achmea wishes to continue its policy of dealing prudently with individual complaints. In January 2019, we received a summons from Vereniging Woekerpolis.nl (association that represents customers with unit-linked policies) and the Dutch Consumers' Association. This case is currently ongoing

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.

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 2019: 3.90%, year-end 2018: 4.05%). 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 2019: 3.90%, year-end 2018: 4.05%). 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 (Value of Business Acquired (VOBA)), refer to the note 13 Intangible assets, and deferred acquisition costs, refer to note 17 Receivables and accruals) at each reporting date 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. In this, first the recognised value of business acquired will be reduced. Any remaining deficit is either compensated first by reductions of deferred acquisition costs or ultimately 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 written 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)

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.

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.

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.

8. FINANCIAL LIABILITIES

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Investment contracts	234	218
Banking customer accounts	6,742	5,135
Loans and borrowings	5,883	5,596
Operational Leases	181	
Other liabilities	5,435	4,248
Total financial liabilities	**18,475**	**15,197**

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)

	2019	2018
Balance at 1 January	218	244
Consideration received	58	67
Consideration paid	−76	−82
Effect of fair value changes related to financial assets	34	−11
Balance at 31 December	**234**	**218**

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Within 1 year	10	9
1-5 years	45	43
5-15 years	21	27
Over 15 years	158	139
	234	**218**

Banking customer accounts

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

(€ MILLION)

	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2019	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2018
Less than 3 months	4,088	8	4,096	2,903	7	2,910
3-12 months	442	19	461	430	18	448
1-5 years	1,279	118	1,397	1,013	99	1,112
Over 5 years	933	174	1,107	789	165	954
	6,742	**319**	**7,061**	**5,135**	**289**	**5,424**

The fair value of Banking customer accounts measured at amortised cost at year-end is €6,861 million (31 December 2018: €5,191 million). The increase in the Banking customer accounts is mainly due to the acquisition of the savings portfolio of a.s.r. bank.

Notes to the Consolidated Financial Statements

Loans and borrowings

LOANS AND BORROWINGS CLASSIFIED BY FINANCING ACTIVITY

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Secured bank loans	1,870	1,619
Unsecured loans	3,103	3,399
Subordinated loans	755	507
Others	155	71
	5,883	**5,596**

The fair value of loans and borrowings measured at amortised cost at year-end is €6,048 million (31 December 2018: €5,746 million). The amortised value of these loans and borrowings is €5,881 million (31 December 2018: €5,594 million).

The nominal amount of loans measured at fair value is €2 million (31 December 2018: €2 million). The fair value also amounts to €2 million (31 December 2018: €2 million).

MOVEMENT TABLE LOANS AND BORROWINGS 2019

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2019
Balance at 1 January	1,619	3,399	507	71	5,596
Money deposited	500	203	248	96	1,047
Money withdrawn	−264	−504		−12	−780
Foreign currency differences		1			1
Change in value due to fair value hedge accounting	15	4			19
Balance at 31 December	**1,870**	**3,103**	**755**	**155**	**5,883**

MOVEMENT TABLE LOANS AND BORROWINGS 2018

(€ 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.*

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2019	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2018
Less than 3 months	184	25	209	58	23	81
3-12 months	1,370	19	1,389	555	20	575
1-5 years	3,139	91	3,230	4,032	112	4,144
Over 5 years	1,190	18	1,208	951	23	974
	5,883	**153**	**6,036**	**5,596**	**178**	**5,774**

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 bonds covered by the residential mortgages. Under the maximum €5 billion Conditional Pass Through Covered Bond Programme Achmea Bank issues bonds 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 €3.9 billion (31 December 2018: €4.1 billion).

In 2019 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 2019 Achmea Bank N.V. issued €500 million covered bonds with a maturity of 7 years (maturity date is 20 February 2026). The bonds are listed on Euronext Amsterdam.

Unsecured loans and borrowings

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Senior Unsecured Bond Achmea Bank N.V.	2,183	2,183
Commercial Paper	173	290
Debt instruments Achmea B.V.	747	747
Senior Unsecured Notes Achmea B.V.		179
	3,103	**3,399**

In October 2012, Achmea Bank N.V. established an Unsecured Medium Term Note (EMTN) programme of €10 billion. At year-end 2019 the total outstanding amount is €2.1 billion, of which €379 million Private Placements (31 December 2018: €398 million). The total net position of Unsecured loans within the EMTN programme remained unchanged in 2019.

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 2019 the total outstanding amount is €173 million (31 December 2018: €290 million).

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

In June 2019 the loan in Swiss francs (Senior Unsecured Note) with a carrying value of €179 million was redeemed.

The syndicated credit facility of Achmea B.V. has a limit of €1 billion and will mature in 2024. Both in 2018 and in 2019, the committed credit lines were 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.

In addition, Achmea B.V. issued €250 million of Subordinated Notes in September 2019 with a coupon of 2.5%. These Subordinated Notes have a maturity of 20 years (maturity date is 24 September 2039). 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 2019 was 5.0% (2018: 6.0%).

Lease liabilities

The duration of Lease liabilities is as follows:

(€ MILLION)

	2019	2018
Shorter than 1 year	27	
Between 1 and 5 years	73	
More than 5 years	81	
Balance at 31 December	**181**	

The valuation of the lease liabilities took no account of the variable lease payments of €24 million.

For further explanation of the application of IFRS 16, please refer to Note 1 Accounting policies, under C Initial application of accounting policies.

Other liabilities

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Liabilities out of direct insurance:		
Policyholders	1,153	999
Agents	68	60
Prepaid premiums	698	650
Obligation from received collateral in the form of cash [1]	2,006	1,403
Investment liabilities	507	106
Reinsurance liabilities	81	56
Taxes and social security premiums	163	159
Creditors	267	304
Post-employment benefits	27	26
Accruals and deferred income	204	187
Other	261	298
	5,435	**4,248**

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

An amount of €572 million (31 December 2018: €334 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 €560 million as at 31 December 2019 (31 December 2018: €275 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.

Lease liabilities
Upon initial recognition the lease liabilities are valued based on the present value of the lease payments that have not yet been paid upon commencement of the lease. The discount rate is either the interest percentage implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is based on a risk-free curve and if applicable a premium is added for credit standing and lease-specific aspects.

Lease payments that are taken into account in valuing lease liabilities are comprised of fixed lease payments, variable lease payments (for example dependent on an index), liabilities for the residual value of guarantees, the expected value of the exercise of purchase options and any penalties for early termination.

The lease liabilities are valued at amortised cost using the effective interest method. The value of the lease liability is remeasured in the event of changes in the future lease payments. If the right-of-use asset still has a carrying amount at the time of revaluation, a corresponding adjustment will be made to the carrying amount of the right-of-use asset. If the carrying amount is already zero, the revaluation will be recognised in the income statement.

Other liabilities
Other liabilities are accounted for at amortised cost.

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 2019

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2019
Assets				
Recurring fair value measurements				
Investment property			1,104	1,104
Investments				
Equities and similar investments	5,465	1,303	718	7,486
Fixed income investments	30,440	3,133	8,128	41,701
Derivatives	85	6,511		6,596
Other financial investments	548	7,110		7,658
Cash and cash equivalents	963			963
Total assets measured at fair value on a recurring basis	**37,501**	**18,057**	**9,950**	**65,508**
Non-recurring fair value measurements				
Property for own use and equipment			554	554
Total assets measured at fair value on a non-recurring basis			**554**	**554**
Liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		234		234
Loans and borrowings		2		2
Derivatives	11	1,889	18	1,918
Total liabilities measured at fair value on a recurring basis	**11**	**2,125**	**18**	**2,154**

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**

Main changes in the fair value hierarchy in 2019

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 2019 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 2019

(€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL 2019	DERIVATIVES	LIABILITIES TOTAL 2019
Balance at 1 January	**1,103**	**714**	**7,696**	**9,513**	**18**	**18**
Investments and loans granted	15	30	1,368	1,413		
Divestments and disposals	−69	−109	−1,393	−1,571		
Fair value changes included in Income Statement	51	−12	−8	31		
Fair value changes included in Other comprehensive income		63	460	523		
Changes due to reclassification	4			4		
Changes in fair value hierarchy (transfers from level 3)		−1	−3	−4		
Changes in fair value hierarchy (transfers to Level 3)		33	8	41		
Balance at 31 December	**1,104**	**718**	**8,128**	**9,950**	**18**	**18**

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 [1]	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				
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**

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

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2019 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investment property	1,104	Market-rent-capitali-sation-method	Gross Initial Yield	3.2 - 17.4 (6.4) (%)	Increase will result in a decrease in value
Investments					
Equities and similar investments	718	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	7,926	Discoun-ted cash flows	Total spread	100 - 448 (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	202	Discoun-ted cash flows	Total spread	89-240 (bp)	An increase of 10 basis points will result in a €0.7 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 €3.3 million higher income in the Income statement.

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 flow	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 flow	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.

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €281 million (31 December 2018: €290 million), property funds, amounting to €274 million (31 December 2018: €234 million), and infrastructure funds, amounting to €118 million (31 December 2018: €141 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

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 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.

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.

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.

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 2019.

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.

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 2019				FAIR VALUE AS AT 31 DECEMBER 2019
		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	13,699		772	13,260	14,032
Other financial investments	1,618		1,791		1,791
Receivables	6,206		6,229		6,229
Financial liabilities					
Banking customer accounts	6,742		6,861		6,861
Loans and borrowings	5,881	1,496	4,438		5,934
Other liabilities	5,435		5,443		5,443

(€ 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
Financial 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
Financial 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

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.

10. NET EARNED PREMIUMS

(€ MILLION)

	2019	2018
Gross written premiums non-life	4,104	3,897
Reinsurance premiums	−306	−254
Change in provision for unearned premiums and current risks (net of reinsurance)	−95	−25
Net earned premiums Non-life	**3,703**	**3,618**
Gross written premiums health	14,582	14,435
Reinsurance premiums	−3	
Change in provision for unearned premiums and current risks (net of reinsurance)	3	82
Net earned premiums Health	**14,582**	**14,517**
Gross written premiums life	1,263	1,586
Reinsurance premiums	−25	−40
Change in provision for unearned premiums and current risks (net of reinsurance)	1	4
Net earned premiums Life	**1,239**	**1,550**
Total net earned premiums	**19,524**	**19,685**

BREAKDOWN GROSS WRITTEN PREMIUMS

(€ MILLION)

	2019	2018
Non-life insurance		
Accident	720	684
Motor liability	879	783
Motor hull	790	757
Transport/aviation liability	49	50
Property	1,168	1,148
General liability	302	277
Legal assistance	183	186
Other	13	12
Gross written premiums Non-life	**4,104**	**3,897**
Health		
Basic health insurance	5,469	5,227
Contribution from Health insurance fund	7,365	7,394
Supplementary health insurance	1,248	1,321
Other health insurance	500	493
Gross written premiums Health	**14,582**	**14,435**
Life		
Single own risk	351	379
Annual own risk	411	598
Single policies where policyholders bear investment risks	49	65
Annual policies where policyholders bear investment risks	452	544
Gross written premiums Life	**1,263**	**1,586**
Total gross written premiums	**19,949**	**19,918**

ACCOUNTING POLICIES NET EARNED PREMIUMS

Gross written 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 written 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.

11. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS -AT FAIR VALUE THROUGH PROFIT OR LOSS [1]		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
Direct income from investments								
Investments own risk	358	366	549	520	72	90	979	976
Investments backing linked liabilities	238	286					238	286
Banking credit portfolio				1	357	328	357	329
Investment expenses	−1	−1	−20	−25	−3	−3	−24	−29
Direct operating expenses investment property	−18	−22					−18	−22
	577	**629**	**529**	**496**	**426**	**415**	**1,532**	**1,540**
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	1,502	39	359	179	−15	3	1,846	221
Investments backing linked liabilities	1,294	−746					1,294	−746
Banking credit portfolio	3	52					3	52
Impairment losses on investments								
Investments own risk			−18	−58			−18	−58
Foreign currency differences [2]	16	1	30	65	39	−9	85	57
	2,815	**−654**	**371**	**186**	**24**	**−6**	**3,210**	**−474**
Total income from investments	**3,392**	**−25**	**900**	**682**	**450**	**409**	**4,742**	**1,066**

1. *Investments at fair value through profit or loss include investment income from property investments.*
2. *The currency risk is 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 28 Hedge accounting.*

Total income from the investment portfolio amounts to €4.7 billion in 2019 (2018: €1.1 billion). The increase in income is mainly due to an increase in realised and unrealised gains and losses on Investments own risk (€1.6 billion) and Investments backing linked liabilities (€2.0 billion). The increase in realised and unrealised gains and losses on Investments own risk 'At fair value through profit or loss' is mainly due to interest rates declining more sharply in 2019 than in 2018. The increase in realised and unrealised gains and losses on Investments backing linked liabilities is mainly attributable to increasing stock markets. The stock markets increased in 2019, whereas they decreased in 2018.

An amount of €0.6 million (2018: €0.3 million) of Direct operating expenses investment property relates to property not generating any rental income in 2019.

(€ MILLION)

	INVESTMENTS OWN RISK		INVESTMENTS BACKING LINKED LIABILITIES		BANKING CREDIT PORTFOLIO		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
Direct income by type:								
Dividend	65	71	18	21			83	92
Rental income from investment property	62	69		11			62	80
Interest income	852	836	220	254	357	329	1,429	1,419
Total	**979**	**976**	**238**	**286**	**357**	**329**	**1,574**	**1,591**

Direct interest revenue from investments own risk classified as ‘At fair value through profit or loss’ includes revenue from derivatives amounting to €255 million (2018: €225 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 €175 million (2018: €-109 million) for Investments own risk, €1,249 million (2018: €-712 million) for Investments backing linked liabilities and €3 million (2018: €2 million) for Banking credit portfolio.

A total of €68 million (2018: €84 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 €18 million in 2018 (2018: €58 million). In 2019, there were no impairment losses on investments related to investments classified as ‘Loans and receivables’ (2018: 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.

12. NET EXPENSES FROM INSURANCE CONTRACTS

(€ MILLION)

	2019 GROSS	2019 REINSURANCE	2018 GROSS	2018 REINSURANCE
Non-Life				
Claims paid	2,543	111	2,553	86
Changes in insurance liabilities own risk	113	37	117	99
Claim handling expenses	280		310	
Recoveries	−187		−188	
Other changes due to granted profit sharing rights			2	
	2,749	**148**	**2,794**	**185**
Health				
Claims paid	13,924		14,359	2
Changes in insurance liabilities own risk	58		−579	
Claim handling expenses	79		83	
Recoveries	−29		−28	
	14,032		**13,835**	**2**
Life				
Benefits paid own risk	1,912	45	2,043	74
Benefits paid for insurances where policyholders bear investment risks	1,391		1,413	
Changes in insurance liabilities own risk	−689	−36	−677	−61
Changes in insurance liabilities where policyholders bear investment risks [1]	392		−1,178	
	3,006	**9**	**1,601**	**13**
Profit sharing and bonuses for policyholders				
Amortisation interest surplus rebates	4		7	
Benefits policyholders	162		−95	
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	209		12	
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	1,406		74	
Changes to provision for Profit sharing and bonuses for policyholders due to granted profit sharing rights and other changes	19		−33	
	1,800		**−35**	
Total net expenses from insurance contracts	**21,587**	**157**	**18,195**	**200**

1. *The expenses under Changes in insurance liabilities where policyholders bear investment risks increased due to the increase in the realised and unrealised gains and losses on Investments backing linked liabilities as a result of market developments.*

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. The increase in the expenses under Profit sharing and bonuses for policyholders is mainly attributable to the large decline in interest rates in 2019.

ACCOUNTING POLICIES NET EXPENSES FROM INSURANCE CONTRACTS

The accounting policies for Net expenses from insurance contracts are closely related to the accounting principles for Liabilities related to insurance contracts and amounts ceded to reinsurance. See Note 7 for further explanation.

OTHER NOTES

Other statement of financial position

13. INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	SOFTWARE [1]	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	TOTAL 2019
Cost						
Balance at 1 January	1,266	293	129	738	265	2,691
Acquisitions						
Internally developed		3				3
Sale, disposals and decommissioning		−34				−34
Purchases and acquisitions		31				31
Foreign currency differences					−5	−5
Balance at 31 December	**1,266**	**293**	**129**	**738**	**260**	**2,686**
Amortisation and impairment losses						
Balance at 1 January	645	235	129	734	209	1,952
Sale, disposals and decommissioning		−29				−29
Amortisation charge for the year		18		2	7	27
Changes due to reclassification and other movements				1	−1	
Foreign currency differences					−2	−2
Balance at 31 December	**645**	**224**	**129**	**737**	**213**	**1,948**
Carrying amount						
At 1 January	621	58		4	56	739
At 31 December	**621**	**69**		**1**	**47**	**738**

1. *In the category Software an amount of €17 million is included for internally developed software.*

An amount of €714 million (31 December 2018: €706 million) of the Intangible assets is expected to be recovered more than twelve months after the reporting date. The foreign currency differences in 2019 on distribution networks of €-3 million (31 December 2018: €-9 million) relate to Eureko Turkey.

(€ 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
Change in composition of the Group	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
Changes due to reclassification and other movements						
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.*

GOODWILL BY CASH GENERATING UNIT

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Non-life Netherlands	617	617
Other	4	4
	621	**621**

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.

The most sensitive key assumptions in calculating the value-in-use in the yearly impairment test are:

NON-LIFE NETHERLANDS

	2019	2018
Average annual premium/sales growth rate	3.0%	3.5%
Average claims ratio [1]	68.7%	68.6%
Average expense ratio [2 & 3]	27.6%	26.3%
Terminal value growth	0.5%	0.9%
Discount rate	8.1%	7.8%

1. *The average claims ratio of Non-life is adjusted for the technical interest (impact -1.8%, 2018: impact -1.9%).*
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 for the non-technical costs (impact -1.1%, 2018: impact -0.4%).*

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 €578 million (2018: €555 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)

2019	CHANGE OF RATIO WITH	Δ SURPLUS
Average annual premium growth rate	−0.5%	−49
Average claims ratio	0.5%	−241
Average expense ratio	0.5%	−241
Terminal value growth	−0.5%	−76
Discount rate	0.5%	−200

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.

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.

14. ASSOCIATES AND JOINT VENTURES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION / STARTING DATE	% OWNERSHIP 2019	% OWNERSHIP 2018	NET ASSET VALUE 2019	NET ASSET VALUE 2018	BOOK VALUE 31 DECEMBER 2019	BOOK VALUE 31 DECEMBER 2018
Garanti Emeklilik ve Hayat A.S.	Turkey	Life insurance	2007	15.00%	15.00%	37	30	37	30
Onlia Holding Inc.	Canada	Non-life insurance	2018	50.00%	50.00%	11	6	11	6
Other								16	14
								64	**50**

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.

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.

15. PROPERTY FOR OWN USE AND EQUIPMENT

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Property for own use		
In development		
In use	279	284
Equipment		
Software	5	6
Hardware	18	15
Office furniture	12	15
Other	95	83
Right of use of property for own use and equipment [1]		
Property Own Use	131	
Equipment	14	
	554	**403**

1. *For further explanation of the application of IFRS 16, please refer to Note 1 Accounting policies, under C Initial application of accounting policies*

During 2019 the initial value of €151 million changed by €6 million, consisting of a combination of new lease contracts (€19 million) and depreciation of right-of-use assets (€25 million).

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.

Right-of-use asset for property for own use and equipment

Achmea has elected not to recognise right-of-use assets and lease liabilities in the balance sheet for short-term leases (1 year or less) or leases of low-value assets (USD 5,000 or less). The right-of-use asset related to the leases is recognised in the Income Statement during the term of the lease applying the straight-line method.

Upon commencement of a lease Achmea recognises a right-of-use asset in the balance sheet. The right-of-use asset is valued at cost minus cumulative depreciation. Upon initial recognition, cost is equal to the initial amount of the lease liability plus lease payments that preceded the commencement period of the lease, plus initial direct costs, taking into account any costs of dismantling, removing or restoring the underlying asset and minus any lease incentives received.

Right-of-use assets are then depreciated using the straight-line method over the period from the commencement of the lease until the end of the useful life of the right-of-use asset or, if shorter, until the end of the lease. In addition, where applicable, the right-of-use asset is periodically reduced by impairment losses and, where applicable, adjusted for remeasurements of the lease liabilities.

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 2019	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2019
Intangible assets	−12	2		−10
Property for own use and equipment	4	−24	−2	−22
Investments	−1,182	−682	−78	−1,942
Receivables and accruals	1	−1		
Liabilities related to insurance contracts	1,862	539	−1	2,400
Other provisions	3	−13	6	−4
Amortisation	5	−1		4
Financial liabilities	−79	104		25
Loss carry-forwards	63	−45		18
Tax-rate changes	−122	43	−2	−81
	543	**−78**	**−77**	**388**
Comprising:				
Deferred tax assets				416
Deferred tax liabilities				−28

(€ 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
Tax-rate changes		−144	22	−122
	699	**−232**	**76**	**543**
Comprising:				
Deferred tax assets				553
Deferred tax liabilities				10

In mid-December 2018, the Dutch parliament passed a resolution to gradually reduce the Dutch corporate tax rates 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. In 2018 the rate adjustment leads to an expense in the 2018 result of €144 million and an addition to the equity of €22 million.

The 2019 tax plan limited the reduction in the rate to 21.7% in 2021 (instead of 20.5%), while the rate for 2020 remains at 25%. The foregoing limited the deferred net tax asset recognised in 2018 and led in 2019 to a gain of €43 million in the result and a deduction from the equity of €2 million.

The tax rates used in calculating deferred tax assets and liabilities differ per jurisdiction, and in both 2019 and 2018 these tax rates ranged from 10% to 36%.

An amount of €460 million (2018: €513 million) of the Deferred tax assets and liabilities is expected to be recovered more than twelve months after reporting date.

Deferred tax assets amounting to €58 million (2018: €52 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 offsettable 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)

	2019	2018
Deferred acquisition costs	49	55
Receivables from direct insurance	1,254	1,209
Receivables from indirect insurance	153	139
Receivables on reinsurance	6	11
VWS-arrangements [1]	108	
Investment receivables	75	40
Contribution from Dutch Health insurance fund	2,340	2,241
Prepayments to Dutch hospitals	1,013	887
Payments related to Dutch short-term mental care (GGZ)	347	332
Other prepayments and accrued income	372	451
Undue payments healthcare providers	178	137
Receivables under recourse	119	111
Other	241	270
Balance at 31 December	**6,255**	**5,883**

1. *The VWS arrangements are receivables against the Ministry of Health, Welfare and Sport (VWS). They relate to a discount to be received for certain medications, in relation to which the Ministry negotiates directly with pharmaceutical companies. The Ministry pays the discount to health insurers in arrears. In 2018 a net amount of €64 million was recognised in this respect in the item Liabilities related to insurance contracts (Note 7).*

An amount of €2,649 million (31 December 2018: €2,345 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 €2,661 million as at 31 December 2018 (31 December 2018: €2,348 million). Impairment losses recognised in 2018 related to Receivables and accruals amounted to €44 million (31 December 2018: €40 million) and are included in Other expenses.

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)

	2019	2018
Cash and bank balances	959	1,448
Call deposits	4	18
Balance at 31 December	**963**	**1,466**

Cash and cash equivalents subject to restrictions amounted to €44 million (31 December 2018: €46 million). The restrictions mainly relate to the minimum reserve to be maintained at De Nederlandsche Bank N.V. of €43 million (31 December 2018: €45 million).

ACCOUNTING POLICIES CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, bank balances and call deposits and are measured at fair value.

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.

OVERVIEW 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 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**	
Shares issued 1 January 2019	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2019 [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 2019.*

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 €266 million and is part of the total share premium.

Share rights, approval rights and restrictions

Each share confers the right to one vote at Achmea's general meeting. Stichting Administratie-Kantoor 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. A portion of these depositary receipts are held by Achmea B.V. The value of the depositary receipts held by Achmea B.V. is €45 million and is presented under 'Own shares' within Total equity.

An overview of the shareholders of Achmea as at 31 December 2019 is presented in Other Information.

Own shares

'Own shares' are presented under Total equity. No voting rights are attached to these ordinary shares and depositary receipts for shares and no dividend is payable on them.

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.

An amount of €53 million (31 December 2018: €34 million) of Total equity contributed by subsidiaries at year-end 2019 is subject to, claims under provisions in the articles of association of a number of subsidiaries. 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, 2019 €312 million (31 December 2018: €284 million). 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 2019, an amount of €12 million (2018: €4 million) is reallocated from the Revaluation reserve to the Retained earnings.

Part of the Revaluation reserve is related to property for own use. The revaluation surplus for property for own use amounted to €52 million in 2019 (2018: €44 million). The majority of the remainder of the revaluation reserve is related to available for sale investments.

The total Revaluation reserve amounts to €1,120 million (2018: € 746 million) and contains a negative amount of €63 million (31 December 2018: €381 million) relating to unrealised losses net of deferred taxes on assets carried at fair value. The positive Revaluation reserve thus amounts to €1,186 million (31 December 2018: €1,127 million), which cannot be distributed to shareholders.

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 ve Hayat A.S.

Hedging reserve

The amounts presented within the Hedging reserve 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 (2018: €7 million) cannot be distributed to shareholders. If the hedge relation is discontinued Achmea amortises the related fair value adjustment over de remaining duration of the hedged position.

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 results of the health insurers 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 €-136 million relating to defined benefit plans (31 December 2018: €-118 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 2019, Note 22 Proposal for appropriation of result.

Other equity instruments

In September 2019 Achmea B.V. completed the issue of €500 million of Perpetual Capital Securities with a coupon of 4.625%. These perpetuals can be redeemed in March 2029 at the earliest and then once every 6 months thereafter. The notes are listed on the Irish Stock Exchange in Dublin, Ireland. These capital instruments qualify as Other equity instruments and their purpose is to support the funding of the organisation. The Perpetual Capital Securities qualify as Restricted Tier 1 notes.

In addition, Achmea holds a second Other equity instrument to support the funding of the organisation. This Other equity instrument consists of a hybrid loan of €750 million with a coupon of 4.25%.

These hybrid loans, listed on the Irish Stock Exchange, have a very long maturity period The contractual terms and conditions are such that the payment of the coupon and redemption payments is in the power of disposal of the company and that no previously agreed payment obligations apply. And are therefore classified under IFRS as Equity.

In November 2019 Achmea B.V. redeemed the perpetual 6% bonds with a principal of €600 million together with all outstanding payments.

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. As a result of the amendment to IAS 12.57a, as of 2019 the tax related to the coupon payments is recognised directly in the Income Statement. In 2018 the tax effect related to the coupon payment was directly recognised in the Total equity (2018: €17 million).

ACCOUNTING POLICIES TOTAL EQUITY

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.

Non-controlling interest

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.

20. OTHER PROVISIONS

(€ MILLION)

	2019	2018
Post-employment benefits	952	860
Other provisions	154	229
Balance at 31 December	**1,106**	**1,089**

POST-EMPLOYMENT BENEFITS

(€ MILLION)

31 DECEMBER 2019	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	944	8	952
Fair value of total investments backing defined benefit obligation	−1,006		−1,006
Fair value of non-qualifying investments backing defined benefit obligation	1,006		1,006
Unfunded status	**944**	**8**	**952**
Effect of asset ceiling			
Net defined benefit liability	**944**	**8**	**952**

(€ 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**

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 11,600 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 2019 contributions paid to the CDC scheme amounted to €204 million (2018: €231 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).

MOVEMENT TABLE POST-EMPLOYMENT BENEFITS

(€ MILLION)

	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF INVESTMENTS BACKING DEFINED BENEFIT OBLIGATION	NET DEFINED BENEFIT LIABILITY 2019
Balance at 1 January	860		860
Net interest expense on net defined benefit liability	14		14
Remeasurement of net defined benefit liability			
Actuarial gains and losses arising from changes in financial assumptions	101		101
Experience gains and losses	9		9
Benefits paid by the plan			
Benefit payments	−32		−32
Balance at 31 December	**952**		**952**

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
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**

SIGNIFICANT ACTUARIAL ASSUMPTIONS AT REPORTING DATE (EXPRESSED AS WEIGHTED AVERAGE ASSUMPTIONS)

	2019		2018	
	THE NETHERLANDS	OTHER COUNTRIES	THE NETHERLANDS	OTHER COUNTRIES
Discount rate	1.00	0.19	1.70	0.74
Future salary increases [1]		1.18		1.20
Future pension increases [1]				
Future pension increases for in-payment benefits	0.54		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 (2018: 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 €356 million (31 December 2018: €348 million).

OTHER PROVISIONS

(€ MILLION)

2019	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPLOYMENT BENEFITS)	OTHER	TOTAL
Balance at 1 January	65	30	44	36	54	229
Change in composition of the group						
Additions	71	1		7	16	95
Usage	−83	−1	−1	−2	−10	−97
Released	−6	−3		−3	−3	−15
Changes due to reclassification		−14	−43		−1	−58
Foreign currency differences						
Balance at 31 December	**47**	**13**		**38**	**56**	**154**
Current	45	8		6	28	87
Non-current	2	5		32	28	67
Balance at 31 December	**47**	**13**		**38**	**56**	**154**

1. *The reclassification presented under Onerous contracts relates to the application of IFRS 16. The application of IFRS 16 is explained further in Note 1 Accounting policies, under C Initial application of accounting policies.*

(€ 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 in 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**

Restructuring

In the context of reorganisation programmes announced earlier, a provision was formed amounting to €47 million at (31 December 2018: €65 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 2019 has a small impact on the net result.

Onerous contracts

Onerous contracts 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.

In 2019 Achmea applied IFRS 16 Leases retrospectively without adjusting the comparative figures. The effect of this retrospective application has been recognized in the opening balance at 1 January 2019, whereby the net amount for Onerous contracts related to operational leases has been transferred from Other provisions to Property for own use and equipment. For a more detailed explanation, please refer to Note 1 Accounting policies, under C Initial application of accounting policies.

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 Willis 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 AG2018, 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.

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.

Other income statement

21. OTHER INCOME

(€ MILLION)

	2019	2018
Fee income from trust and other fiduciary activities	210	249
Income from service contracts	133	124
Revenue from subleasing a right of use	2	
Other income	39	205
	384	**578**

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.

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.

22. INTEREST EXPENSES AND SIMILAR EXPENSES

(€ MILLION)

	2019	2018
Interest expenses:		
Instruments entrusted	47	60
Debt securities issued	53	60
Derivatives liabilities held for risk management	73	101
Interest expenses lease liabilities	3	
Other interest expenses	77	68
Impairment of financial instruments	−3	−1
Other banking expenses	2	
	252	**288**

23. OPERATING EXPENSES

(€ MILLION)

	2019	2018
Salaries	828	838
Social security charges	90	85
Pensions	187	223
Other	405	444
Staff costs	**1,510**	**1,590**
Depreciation Property for own use and equipment	36	39
Depreciation Right of use	25	
Results from sale and leasebacktransactions		
General expenses [1]	521	582
Gross operating expenses	**2,092**	**2,211**
Commissions paid and accrued	591	561
Reinsurance profit sharing and commission	–29	–19
	2,654	**2,753**
Less: allocated Claims handling expenses	359	393
Less: allocated Investment expenses	3	2
	2,292	**2,358**

1. *The General expenses include the costs of low-value assets amounting to €0.2 million, the costs of leases with a term of between 1 month and 1 year amounting to €0.3 million and variable costs under leases not included in the valuation of the lease liability amounting to €0.6 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.

Depreciation on the right-of-use asset amounting to €25 million concern buildings for own use (€19 million) and equipment (€6 million). This item has been recognised in connection with IFRS 16. For further explanation of the application of IFRS 16, please refer to Note 1 Accounting policies, under C Initial application of accounting policies.

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 2019
Internal FTE's	11,111	713	666	1,228	83	13,801
External FTE's	2,302	47	49	165	27	2,590

	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

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	TOTAL 2019	ACHMEA NETHERLANDS	FOREIGN COUNTRIES	TOTAL 2018
Audit financial statements	6	1	7	6	1	7
Other audit services	2		2	1		1
	8	**1**	**9**	**7**	**1**	**8**

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 €0 million (2018: €1 million), other non-audit services €9 million (2018: €7 million) mainly relating to advisory and consulting services.

ACCOUNTING POLICIES OPERATING EXPENSES

The accounting policies for operating expenses are closely connected with those for the associated balance sheet items. Please refer to the accounting policies for the associated balance sheet items.

24. OTHER EXPENSES

(€ MILLION)

	2019	2018
Amortisation charges on intangible assets	27	32
Impairment losses on receivables	44	40
Other expenses	27	34
	98	**106**

Other expenses include an amount of €2 million related to additions to Other provisions (2018: €5 million), in particular relating to legal disputes and onerous contracts, and €5 million related to donations (2018: €2 million).

25. INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2019	2018
Result before tax	547	566
Dutch corporate tax rate	25.0%	25.0%
Income tax using the Dutch corporate tax rate	137	141
Effect of tax rates in foreign jurisdictions	−1	4
Tax effect on:		
Non-deductible expenses	3	12
Tax exempt revenues	−16	−32
Participation exemption	−3	−63
Non-deductible losses	10	12
Change in tax rate	−43	144
Other	−25	30
Under provided in prior years	4	3
Effective tax amount	**66**	**251**

In mid-December 2018, the Dutch parliament passed a resolution to gradually reduce the Dutch corporate tax rates 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. In 2018 the rate adjustment leads to an expense in the 2018 result of €144 million.

The 2019 tax plan limited the reduction in the rate to 21.7% in 2021 (instead of 20.5%), while the rate for 2020 remains at 25%. The foregoing limited the deferred net tax asset recognised in 2018 and led in 2019 to a gain of €43 million in the result.

The effective tax rate in 2019 amounts to 12.2% (2018: 44.3%).

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX

(€ MILLION)

	2019	2018
Current income tax		
Current year	−16	16
Under provided in prior years	4	3
	−12	**19**
Deferred income tax		
Origination and reversal of timing differences	78	232
	78	**232**
Total income tax expense in Income Statement	**66**	**251**

Deferred income tax of €78 million is detailed in Note 16 Deferred tax assets and liabilities.

OVERVIEW INCOME TAX EXPENSES ACHMEA BY GROSS PREMIUMS PER BUSINESS LINE

(€ MILLION)

	GROSS WRITTEN PREMIUMS 2019	GROSS WRITTEN PREMIUMS 2018	RESULT BEFORE TAX 2019	RESULT BEFORE TAX 2018	INCOME TAX EXPENSES 2019	INCOME TAX EXPENSES 2018
Dutch taxable activities per segment						
Non-life Netherlands	3,564	3,364	178	97	39	19
Pension & Life Netherlands	1,164	1,420	363	334	49	226
Retirement Services Netherlands			30	15	9	5
International activities	1,041	1,106	22	37	15	37
Other activities	271	205	−108	−45	−46	−36
	6,040	**6,095**	**485**	**438**	**66**	**251**
Dutch non-taxable activities per segment						
Health Netherlands [1]	14,082	13,942	62	128		
Intersegment eliminations	−173	−119				
Total Dutch activities	**19,949**	**19,918**	**547**	**566**	**66**	**251**
International activities						
Turkey	231	271	25	24	3	3
Slovakia	442	415	9	14	1	4
Greece	341	331	19	22	5	30
Other	27	89	−31	−23	6	
Total International activities	**1,041**	**1,106**	**22**	**37**	**15**	**37**

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.

26. NET OTHER COMPREHENSIVE INCOME

(€ MILLION)

	2019			2018		
	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	−24	6	−18	16	−4	12
Unrealised gains and losses on property for own use	11	−3	8	12	−3	9
Currency translation differences (including realisations) on subsidiaries, goodwill, associates and joint ventures	−13		−13	−55	2	−53
Unrealised gains and losses on financial instruments 'Available for sale'	2,009	−473	1,536	−112	33	−79
Share in other comprehensive income of Associates and joint ventures	−1		−1			
Changes in provision for Profit sharing and bonuses for policyholders due to unrealized investment income	−1,378	345	−1,033	−114	30	−84
Gains and losses on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	−441	104	−337	−163	35	−128
Reclassification to the Income Statement as Profit sharing and bonuses for policyholders from realized investment income	209	−52	157	12	−3	9
Impairment charges on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	18	−4	14	58	−10	48
Total other comprehensive income	**390**	**−77**	**313**	**−346**	**80**	**−266**

27. EARNINGS PER SHARE

(€ MILLION)

	2019	2018
Net result	480	314
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	0	17
Net result attributable to holders of ordinary shares	**395**	**246**

As a result of the amendment to IAS 12.57a, as of 2019 the tax effect related to the coupon payment on Other equity instruments is recognised directly in the Income Statement rather than directly in Total equity.

Net income available for distribution to holders of ordinary shares fully relates to continuing operations

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2019	2018
Issued ordinary shares at 1 January	390,002,711	400,484,892
Weighted average number of ordinary shares	**390,002,711**	**390,746,564**

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

	2019	2018
Earnings per share continuing operations	1.01	0.63
Basic earnings per share	**1.01**	**0.63**

Other notes

28. 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 2019 amounted to €369 million (31 December 2018: €389 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 €421 million at year-end 2019 (31 December 2018: €420 million). In accordance with hedge accounting policies, Achmea determines the hedge relationship every six months. 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 €-52 million at year-end 2019 (31 December 2018: €-31 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, taking into account the development of the yield curve.

The results on hedge accounting for the banking activities are as follows:

RESULTS ON HEDGE ACCOUNTING (€ MILLION)

	GAINS	LOSSES	TOTAL 2019	GAINS	LOSSES	TOTAL 2018
Fair value changes of the hedged item attributable to the hedged risk	203	−201	2	82	−136	−54
Fair value changes of the related derivatives (including discontinuation)	211	−208	3	141	−82	59
Fair value changes of the hedging instrument - ineffective portion	414	−409	5	223	−218	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 2019 amounted to €-7 million (31 December 2018: €2 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, and 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 €24 million (2018: €37 million) and the fair value changes of the related derivatives amounted to €-57 million (2018: €-77 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.

29. 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 2019	31 DECEMBER 2018
Guarantees	86	84
Total	**86**	**84**

The Netherlands-based insurance companies of Achmea provided the 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.' with guarantees to a maximum of €41 million (2018: €42 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.

UNRECOGNIZED CONTRACTUAL COMMITMENTS (€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Commitments related to investments	1,180	1,096
Leases not yet commenced to which the lessee is committed	19	
Total	**1,199**	**1,096**

At year-end 2019 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 €92 million (2018: €90 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 €645 million (2018: €817 million). This commitment is offset by a received guarantee of €155 million (2018: €134 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 2019	31 DECEMBER 2018
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 Bundes Gerichtshof in Karlsruhe. The Bundes Gerichtshof 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. These procedures are ongoing.

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.

30. 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 2019	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments [1]	9,633	3,419	6,450	7,286	6,649	665	21,298	55,400
Derivatives		85	388	5,592	110	10	411	6,596
Other financial investments [2]			8,307	496	4		469	9,276
Amounts ceded to reinsurers			242	238		48	108	636
Receivables		2,454	27	16	7	8	3,694	6,206
Cash and cash equivalents		72	266	570	7	40	8	963

1. *Loans and mortgages without a rating relate to NHG mortgages (mortgages with National Mortgage Guarantee) for an amount of €5,481 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 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 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 2019	0 - 3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT
Investments					
Fixed income investments					100
Amounts ceded to reinsurers	1	1		2	
Receivables and accruals [1]	51	11	60	122	220
31 DECEMBER 2018					
Investments					
Fixed income investments					151
Receivables and accruals	24	9	447	480	272

1. *From 2019, the settlement of advances to healthcare providers will be included in the settlement of invoices from healthcare providers. That is why from 2019 there will no longer be any payment arrears by healthcare providers*

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 2019	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	6,452		6,452				
Derivatives liabilities		1,900	1,900				
				4,552	2,243	1,688	621
Cash and cash equivalents	7,021	6,209	812	812			812
31 DECEMBER 2018							
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

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 concern changes to segment structure, sales of operating companies that fall within the definition of discontinued operations, acquisition of a material operating company, and changes in total liabilities and within a segment.

In 2019 Achmea Bank N.V., part of Achmea, acquired a portion of the assets and liabilities connected with the banking activities of a.s.r. Under the aforementioned criteria this acquisition was regarded as a significant change in activities, on the basis of which Achmea reassessed at the end of 2019 whether it was eligible for the temporary exemption. The conclusion was that Achmea still qualifies for a temporary exemption from IFRS 9 and will continue to make use of this option.

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 repayments of the principal and interest payments, 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 elaboration of the business model. In anticipation of the specifics of the business model investments in the amount of €964 million (2018: €1,053 million), including €634 million (2018: €588 million) relating to investments in fixed income securities, have been included in other financial assets (non-"Solely Payments of Principal and Interest" (hereafter non-SPPI), including held for trading or managed 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 on a fair value basis'. For these investments no SPPI test is required under IFRS 9 and therefore Achmea has opted not to develop 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 39are included in other financial assets (non-SPPI, including held for trading or managed 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 €15,662 million (2018: €15,098 million), including €10,574 million (2018: €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 notes to the table on the following page and a larger part of the financial assets may be included as SPPI-compliant.

Notes to the Consolidated Financial Statements

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS WITHIN SCOPE OF IFRS9

(€ MILLION)

	FINANCIAL ASSETS THAT MEET THE SPPI TEST, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS			ALL OTHER FINANCIAL ASSETS: I.E. FINANCIAL ASSETS THAT DO NOT MEET THE SPPI TEST, THAT DO MEET THE DEFINITION OF HELD FOR TRADING, OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS			TOTAL		
	BOOK VALUE AS AT 31 DECEMBER 2019	FAIR VALUE AS AT 31 DECEMBER 2019	CHANGE IN FAIR VALUE FOR THE YEAR 2019	BOOK VALUE AS AT 31-12-2019	FAIR VALUE AS AT 31-12-2019	CHANGE IN FAIR VALUE FOR THE YEAR 2019	**BOOK VALUE AS AT 31-12-2019** [1]	**FAIR VALUE AS AT 31-12-2019**	**CHANGE IN FAIR VALUE FOR THE YEAR 2019**
Investments									
Equities and similar investments				7,486	7,486	1,530	7,486	7,486	1,530
Fixed income investments	49,799	50,132	1,587	5,131	5,131	135	54,930	55,263	1,722
Derivatives				6,596	6,596	2,657	6,596	6,596	2,657
Other financial investments	1,621	1,794	−43	7,612	7,612	31	9,233	9,406	−12
Receivables and accruals	1,326	1,330	3	3	3		1,329	1,333	3
Cash and cash equivalents	963	963					963	963	

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.*

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS WITHIN SCOPE OF IFRS9

(€ MILLION)

	FINANCIAL ASSETS THAT MEET THE SPPI TEST, EXCLUDING FINANCIAL ASSETS THAT MEET THE DEFINITION OF HELD FOR TRADING OR THAT ARE MANAGED AND EVALUATED ON A FAIR VALUE BASIS			ALL OTHER FINANCIAL ASSETS: I.E. FINANCIAL ASSETS THAT DO NOT MEET THE SPPI TEST, THAT DO MEET THE DEFINITION OF HELD FOR TRADING, OR THAT ARE 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**	**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	

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 €20,600 (2018 €18,583 million), 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 2019									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	8,164	3,342	5,138	6,112	5,684	253	21,106	49,799	21,692	21,359
Other financial investments			1,618	3				1,621		
Receivables and accruals			8	1	7	1	1,309	1,326	1,250	1,310
Cash and cash equivalents		72	266	570	7	40	8	963	48	48

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

31. 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);
- Providing mortgage receivables as collateral when raising loans for the banking business; and
- Receiving or providing collateral in the event of derivatives 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 2019	31 DECEMBER 2018
Carrying amount of transferred financial assets in the balance sheet	4,189	4,063
Fair value of non-cash collateral received not in the balance sheet	4,482	4,258
Net exposure	**−293**	**−195**

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 borrowed securities and the related collateral is determined daily by means of so-called ‘margin calls’. 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.

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	CARRYING AMOUNT	FAIR VALUE	FAIR VALUE
	31 DECEMBER 2019	31 DECEMBER 2018	31 DECEMBER 2019	31 DECEMBER 2018
Loans part of banking credit portfolio secured by mortgages	12,682	11,109	13,002	11,298
Secured loans part of Loans and borrowings	1,870	1,619	1,835	1,583
Net position	**10,812**	**9,490**	**11,167**	**9,715**

COLLATERALS

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Collateral provided for trust arrangements	138	175
Collateral provided for covered bonds	1,343	1,199
Collateral provided for securitisation	2,424	3,305
	3,905	**4,679**

Collaterals provided for trust arrangements

Achmea Bank N.V. (a subsidiary of Achmea B.V.) periodically pledges 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 provided for covered bonds

Achmea Bank has a covered bonds 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 entity is supported by mortgage receivables, given as collateral by Achmea Bank to this entity. The outstanding amount of these transferred mortgage receivables will at all times be at least 7% 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 provided for securitisation

Achmea Bank uses securitisation as a funding source. In all these securitisation transactions, Achmea Bank assigns a portfolio of mortgage receivables to a SPV which issues notes on the capital markets. 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 €1,160 million as at 31 December 2019 (31 December 2018: €1,376 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). Collateral investments in the context of derivative transactions

RECEIVED OR COLLAPSED COLLATERAL INVESTMENTS IN THE CONTEXT OF DERIVATIVE TRANSACTIONS

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Net position of assets and liabilities derivatives	4,590	2,701
Covered by securities in collateral	2,243	1,389
Liquid funds received in collateral	1,642	915
Net position	705	397

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 collateral in the form of securities takes place by 'transfer of title', meaning the legal ownership is transferred to the recipient of the collateral. 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 net position of the derivatives is taken as the starting point when determining the collateral to be received from or deposited with the relevant counterparty. The difference between the derivatives and the collateral (the net position) is in line with the contractual agreements on the initial margin and obligations to deposit additional collateral.

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 2019 also includes collateral deposited for cleared derivatives positions, the initial margin, of €755 million (31 December 2018: €388 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.

32. INTERESTS IN SUBSIDIARIES

Set out below are Achmea's principal subsidiaries as at 31 December 2019. 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 Pensioenservices N.V.	Zeist	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%
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 XII B.V., Dutch Residential Mortgage Portfolio I B.V., Dutch Residential Mortgage Portfolio II B.V. and Securitised Residential Mortgage Portfolio I B.V.

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 31 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. For more information about these consolidated structured entities refer to Note 19 Equity.

33. 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 32, 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 2019 and 2018.

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 variable remuneration awarded 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. This is the same as the scheme for personnel residing under the collective labour agreement (CAO personnel). The pension scheme for the Executive Board members is executed by Stichting Pensioenfonds Achmea. The rights of the members of the Executive Board accrued up to and including 31 December 2014 remain in the insured pension plan of Achmea Pensioen- en Levensverzekeringen N.V. The indexation on the rights of the members of the Executive Board 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.

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR

(€ MILLION)

	2019	2018
Short-term employee benefits	4.90	5.53
Post-employment benefits	1.90	2.14
Other long-term employee benefits	0.36	0.36
Employers'share social security contributions	0.06	0.06
Other benefits	0.13	0.13
Total	**7.35**	**8.22**

A total amount of €7.35 million was recognised in the reporting period 2019 for Executive Board remuneration (2018: €8.22 million). This total amount pertains to the performance year or financial year 2019, except the variable remuneration for 2019. 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 2019 and 2018. For the performance year 2018 it was decided after the adoption of the Financial Statements 2018 to award a variable remuneration to the members of the Executive Board. In 2019 an expense of €0.72 million was recognised for variable remuneration for the performance year 2018. In 2018 an expense of €0.72 million was recognised for variable remuneration for the performance year 2017.

Below is an overview of the remuneration of the members of the Executive Board for performance year 2019. The variable remuneration is presented in respect of the performance year. This can differ from the financial 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 2018.

REGULAR REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE CURRENT PERFORMANCE YEAR

Active board members as at 31 December 2019[1]	ANNUAL SALARY (SHORT-TERM EMPLOYEE BENEFITS)[2]	VARIABLE REMUNERATION AWARDED (OTHER SHORT-TERM EMPLOYEE BENEFITS) [2]	VARIABLE REMUNERATIO N AWARDED (OTHER LONG-TERM EMPLOYEE BENEFITS) [2]	POST-EMPLOYMENT BENEFITS (CAP €107.593)[3]	CONTRIBUTION NET POST-EMPLOYMENT BENEFITS (OVER €107.593)[3]	WAGE BENEFIT (OVER €107.593)[3]	TOTAL
W.A.J. (Willem) van Duin, Chairman [4]	1.10	t.b.d.	t.b.d.	0.05	0.26	0.20	**1.61**
M.A.N. (Michel) Lamie, CFO	0.77	t.b.d.	t.b.d.	0.04	0.15	0.10	**1.06**
R. (Robert) Otto	0.81	t.b.d.	t.b.d.	0.04	0.16	0.11	**1.12**
L.T. (Lidwien) Suur (as of 1/9)	0.25	t.b.d.	t.b.d.	0.01	0.03	0.03	**0.32**
B.E.M. (Bianca) Tetteroo	0.82	t.b.d.	t.b.d.	0.04	0.15	0.15	**1.16**
H. (Henk) Timmer, CRO	0.79	t.b.d.	t.b.d.	0.05	0.19	0.14	**1.17**
Total 2019	**4.54**	**t.b.d.**	**t.b.d.**	**0.23**	**0.94**	**0.73**	**6.44**
Total 2018	**5.17**	**0.36**	**0.36**	**0.27**	**1.03**	**0.84**	**8.03**
Average number of active and former Executive Board members 2019: 5.33							
Average number of active and former Executive Board members 2018: 6							

1. *Five of the six active members of the Executive Board were employed throughout 2019. Ms Suur joined on 1 September 2019.*
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 €107,593 (this is the fiscal cap 2019; 2018 €105,075), 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 €107,593' in individual cases includes a compensation for deprivation of benefits under the old Executive Board scheme.*
4. *The total remuneration of the chairman is exclusive of earlier compensation in the form of gross salary, which is compensation for paring back his employee benefits in connection with the introduction of the early pension and life-course savings scheme legislation in 2006. This is a personal entitlement and does not form part of the regular remuneration of the Executive Board. A sum of €0.13 million (2018: €0.13 million) for this earlier compensation is, however, included in the total remuneration of the Executive Board for the financial year, as other benefits.*

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 2019 the salary of all members of the Executive Board was raised as collectively agreed by 2.25%. Insofar as applicable the benefit of private use of a lease car is also included in the fixed annual salary.

Variable remuneration awarded

When the Financial Statements 2019 were adopted, it was not yet decided to award a variable remuneration for the performance year 2019. Should this be awarded, then this shall be included in the Remuneration Report 2019 that will be published in May 2020. This variable remuneration would be recognised in the Financial Statements 2020. For the performance year 2018 the decision on the 2018 variable remuneration was finalized after the adoption of the Financial Statements 2018 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 2019.

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 2019:

- Maximum pensionable salary €107,593
- Accrual 1.875% per year
- State pension offset €13,881
- 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 2019 the fiscal cap is €107,593.

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. The arrangements also apply to employees who entered the employment of Achmea after this date. These arrangements apply to all Achmea employees, and they also apply to the Executive Board

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 previous 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 € 107,593. In 2019 this percentage is 14.4% 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 2019 and 2018 no termination benefits were awarded related to termination of a labour contract.

Claw back

In 2019, 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 2018.

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 €0.2 million (2018: €0.4 million). The weighted interest rate of these loans is 5.7% (2018: 3.3%). The loans are mortgage loans. In 2019 €0.2 million has been repaid (2018: €0.81 million). The loans are presented as part of the Investments - Banking credit portfolio.

Remuneration of supervisory board members

The table below gives an overview of the remuneration of the Supervisory Board members of Achmea B.V. in 2019.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD PER YEAR[1] (€ MILLION)

Supervisory Board members as at 31 December 2019:	
A.W. (Aad) Veenman, Chairman	0.20
W.H. (Wim) de Weijer, Vice-chairman	0.12
J. (Jan) van den Berg	0.11
P.H.M. (Petri) Hofsté	0.14
R. (Roelof) Joosten (as of 11 April)	0.05
A.M. (Lex) Kloosterman (as of 16 December)	0.00
M. (Mijntje) Lückerath-Rovers	0.10
A.C.W. (Lineke) Sneller	0.11
R.Th. (Roel) Wijmenga	0.15
Former member Supervisory Board	
S.T. (Joke) van Lonkhuijzen-Hoekstra (until 11 April)	0.02
Total 2019	**1.00**
Total 2018	**1.03**

1. *Excluding VAT and expenses, including remunerations for committee memberships and supervisory board memberships at group companies.*

In 2019 the composition of the Supervisory Board changed. Mr Joosten joined the Supervisory Board as of 11 April 2019, he passed away on 2 March 2020. Mrs Van Lonkhuijzen resigned from the Supervisory Board as of 11 April 2019. Mr Kloosterman joined the Supervisory Board on 16 December 2019.

In view of a change of governance at Achmea, all members of the Supervisory Board of Achmea B.V. who were not already members of the Supervisory Boards of the entities Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. have now joined those boards. The remuneration that they receive for these roles is recognised in the table above. The Total 2019 decreased by €0.03 million as a result of this change.

Members of the Supervisory Board have no loans outstanding with the banking operations of Achmea at year-end 2019 and 2018.

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.

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 €253 million to local Rabobank offices during 2019 (2018: €237 million) for insurance policies sold through them. Affiliated members ('aangesloten leden') of the Rabobank are granted a 10% discount (5% in 2020) on the basic health insurance premiums and a discount of 17.5% 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 2019 amounting to €2.7 million (2018: €3.9 million).

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 2019 are €68 million (2018: €66 million).

Balances and Commitments as of 31 December 2019 with Rabobank Group

Balances with Rabobank Group comprise commodity notes related shares, savings accounts that are backing liabilities for policyholders (see Note 6), bank accounts (see Note 18) 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 2019 Achmea has a receivable in the amount of €0.4 million (2018: €0.4 million) on Vereniging Achmea. Vereniging Achmea provided deposits to Achmea B.V. This concerns 2 term deposits with expiry date 31 January 2020 and an interest rate of 0,01%. At year-end 2019 the total amount of deposits is €11 million (31 December 2018: €15 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 2019, contributions made by Achmea relating to this defined contribution plan amounted to €204 million (2018: €231 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 2019 it received €8.9 million (2018: €8.7 million) in fees for these services.

Stichting Achmea Algemeen Pensioenfonds

Stichting Achmea Algemeen Pensioenfonds administers multiple pension schemes under the name Centraal Beheer APF. Achmea B.V. provided deposits to Stichting Achmea Algemeen Pensioenfonds. This concerns 2 term deposits with an expiry date of 12 July 2021 and 22 December 2021 and an interest rate of 7.6%. At year-end 2019 the total amount of deposits is €1.5 million (31 December 2018: €1.5 million). In addition, in 2019 Achmea B.V. made donations totalling €2.7 million to Stichting Achmea Algemeen Pensioenfonds (2018: €2.1 million) to increase the buffer capital. Achmea performs administrative and asset management services for Stichting Pensioenfonds Achmea. In 2019 it received €3.6 million (2018: €1.4 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 2018, the contributions on the 2018 result amounting to €1.6 million in 2019 (2018: €1.1 million) 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 2019 Achmea has no receivable on Stichting Achmea Foundation (2018: €0.2 million).

AUTHORISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Zeist, 10 March 2020

The Executive Board

W.A.J. (Willem) van Duin, Chairman

B.E.M. (Bianca) Tetteroo, Vice-chairman

M.A.N. (Michel) Lamie, CFO

R. (Robert) Otto

L. (Lidwien) Suur

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

A.M. (Lex) Kloosterman

M. (Mijntje) Lückerath-Rovers

A.C.W. (Lineke) Sneller

R.Th. (Roel) Wijmenga

COMPANY FINANCIAL STATEMENTS

Company Financial Statements of Achmea B.V.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET (BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2019	31 DECEMBER 2018
Assets			
Intangible assets	2	609	609
Financial fixed assets	3	10,892	10,318
Deferred tax assets	4	6	62
Total fixed assets		**11,507**	**10,989**
Receivables	5	244	128
Cash and cash equivalents	6	41	232
Total current assets		**285**	**360**
Total assets		**11,792**	**11,349**
Shareholders' equity			
Issued share capital		434	434
Share premium		10,923	10,923
		11,357	**11,357**
Own shares		–335	–335
Legal reserve		53	34
Revaluation reserve		1,120	746
Exchange difference reserve		–429	–416
Hedging reserve		–7	–7
Retained earnings		–3,306	–3,346
Result for the year		480	314
		8,933	**8,347**
Other equity instruments		1,250	1,350
Equity attributable to holders of equity instruments of the company	**7**	**10,183**	**9,697**
Liabilities			
Other provisions	8	4	7
Long-term liabilities	9	776	1,296
Short-term liabilities	10	829	341
Derivatives	11		8
Total liabilities		**1,609**	**1,652**
Total equity and liabilities		**11,792**	**11,349**

Company Financial Statements of Achmea B.V.

PROFIT AND LOSS ACCOUNT

(€ MILLION)

	NOTES	2019	2018
Other operating income	14		162
Revenue from receivables included in fixed assets and similar income	15	18	24
Currency differences of securities and loans			2
Income from associates and joint ventures		10	10
Total income		**28**	**198**
Interest expenses and similar expenses	16	56	54
Other expenses	17	58	80
Total expenses		**114**	**134**
Result before tax		−86	64
Income tax [1]	18	−42	−3
Results of subsidiaries and associates		524	247
Net result		**480**	**314**

1. *A negative amount is a gain in the Income tax.*

Notes to the Company Financial Statements of Achmea B.V.

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. INTANGIBLE ASSETS

For more detailed information on Goodwill reference is made to Note 13 Intangible assets in the Consolidated Financial Statements.

(€ MILLION)

	GOODWILL	TOTAL 2019	TOTAL 2018
Cost			
Balance at 1 January	1,236	1,236	1,271
Sale, disposal and decommissioning			−35
Balance at 31 December	**1,236**	**1,236**	**1,236**
Amortisation and impairment losses			
Balance at 1 January	627	627	627
Balance at 31 December	**627**	**627**	**627**
Carrying amount			
At 1 January	609	609	644
At 31 December	**609**	**609**	**609**

3. FINANCIAL FIXED ASSETS

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES AND JOINT VENTURES	BONDS	DERIVATIVES	LOANS	TOTAL 2019	TOTAL 2018
Balance at 1 January	**9,874**	**29**	**411**	**1**	**3**	**10,318**	**10,474**
Acquisitions	1					1	
Investments and loans granted	111		2,174		140	2,425	697
Sales, disposals and money withdrawn	−59		−2,000	6	−68	−2,121	−495
Annual results	524	10				534	257
Fair value changes	345		−4	−8		333	−237
Dividend received	−570					−570	−422
Foreign currency differences	−10	−2		2		−10	−45
Accrued interest							1
Unrecognised actuarial gains and losses on employee benefits	−18					−18	78
Other changes							10
Balance at 31 December	**10,198**	**37**	**581**	**1**	**75**	**10,892**	**10,318**

Equities and Derivatives are measured at fair value. The fair value of those investments based on quotes in an active market (listed) amounts to €580 million (31 December 2018: €411 million). The purchase price as per 31 December 2019 of Bonds and Derivatives amounts to €581 million (31 December 2018: €411 million). An amount of €3 million is recognised under Loans and Deposits, valued at amortised cost. The fair value of these investments amounts to €3 million (31 December 2018: €3 million).

In the Income Statement, under Foreign currency differences of securities and loans, an amount of €2 million is recognised (2018: €9 million) for foreign currency differences related to securities.

4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items:

(€ MILLION)

	BALANCE AT 1 JANUARY 2019	RECOGNISED IN PROFIT AND LOSS ACCOUNT	RECOGNISED IN EQUITY	**BALANCE AT 31 DECEMBER 2019**	BALANCE AT 1 JANUARY 2018	RECOGNISED IN PROFIT AND LOSS ACCOUNT	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2018
Other liabilities	11	−6	1	6	16	−8	3	11
Tax value of loss carry-forwards utilised	51	−51			30	20	1	51
	62	**−57**	**1**	**6**	**46**	**12**	**4**	**62**

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. No deferred tax assets have been recognised for carry forwards of losses from previous years.

5. RECEIVABLES

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Subsidiaries	95	92
Income tax receivables	148	34
Other receivables	1	2
	244	**128**

Receivables are measured at amortised cost. The fair value of these assets amounts to €244 million (31 December 2018: €128 million). In line with 2018, Receivables are expected to mature within one year after reporting date.

6. 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 (2018: €1 million).

7. 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 2018	**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**
Net other comprehensive income				344	−13		−18			313
Net result								480		480
Comprehensive income				**344**	**−13**		**−18**	**480**		**793**
Appropriations to reserves			19	30			265	−314		
Dividends and coupon payments							−203			−203
Issue, repurchase and sale of equity instruments									−100	−100
Other movements							−4			−4
Balance 31 December 2019	**11,357**	**−335**	**53**	**1,120**	**−429**	**−7**	**−3,306**	**480**	**1,250**	**10,183**

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

Reference is made to the Consolidated statement of changes in total equity and Note 19 Equity attributable to holders of equity instruments of the company in the Consolidated Financial Statements for more information.

8. OTHER PROVISIONS

(€ MILLION)

	2019	2018
Balance at 1 January	**7**	**17**
Usage		–8
Released	–3	–2
Balance at 31 December	**4**	**7**

Other provisions mainly relate to legal cases. In line with 2018 Other provisions are of a long-term nature.

9. LONG-TERM LIABILITIES

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2019
Balance at 1 January	746	499	51	1,296
Reclass to short-term liabilities	–746			–746
Money deposited		248		248
Foreign currency differences	2			2
Other changes	–2		–22	–24
Balance at 31 December		**747**	**29**	**776**

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	1	–18	–16
Balance at 31 December	**746**	**499**	**51**	**1,296**

The maturities of the long-term liabilities are between one and five years for an amount of €498 million (2018: €1,245 million) and longer than five years for an amount of €278 million (2018: €51 million).

The fair value of long-term liabilities measured at amortised cost at year-end is €766 million (31 December 2018: €1,303 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 expected maturity date of the Notes is within a year after the balance sheet date and the Notes are therefore classified as Short-term liabilities, for an amount of €746 million.

The syndicated credit facility of Achmea B.V. has a maximum size of €1 billion which will mature in 2024. In 2019 and 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.

In September 2019 Achmea B.V. issued €250 million of subordinated loans with a coupon of 2.5%. These subordinated loans have a maturity of 20 years (maturity date is 24 September 2039) 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 €29 million (2018: €51 million) relating to a financial guarantee provided to a group company as set out in Note 13 Contingencies.

In the Profit and loss account, under Value changes in receivables included in fixed assets, an amount of €-2 million (2018: €-7 million) is accounted for as foreign currency differences relating to long-term liabilities.

10. SHORT-TERM LIABILITIES

(€ MILLION)

	31 DECEMBER 2019	31 DECEMBER 2018
Loans	764	179
Subsidiaries	14	104
Other	51	58
	829	**341**

The fair value of Short term liabilities measured at amortised cost at year-end is €826 million (31 December 2018: €341 million).

The Loans include liabilities which have been reclassified from Long-term liabilities to Short-term liabilities. The expected maturity date of the Loans is within a year after the balance sheet date. For more information about these Loans please refer to Note 9 Long-term liabilities.

11. DERIVATIVES

(€ MILLION)

	2019	2018
Balance at 1 January	8	15
Fair value changes	−8	−7
Balance at 31 December		**8**

12. RELATED PARTY TRANSACTIONS

For an overview of transactions with affiliates, please refer to Note 33 Related party transactions in the Consolidated Financial Statements.

13. 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 2019 €29 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. 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)

	2019	2018
Guarantees	541	326
Balance at 31 December	**541**	**326**

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. These proceedings are still ongoing.

Notes to the Company Financial Statements of Achmea B.V.

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.

14. OTHER INCOME

(€ MILLION)

	2019	2018
Transaction result sale subsidiaries		162
		162

Transaction result sale subsidiaries relates to the sale of Independer.nl N.V. in 2018 for an amount of €167 (excluding advisory fees).

15. REVENUE FROM RECEIVABLES INCLUDED IN FIXED ASSETS AND SIMILAR INCOME

(€ MILLION)

	2019	2018
Other interest income	18	24
	18	**24**

Other interest income includes an amount of €20 million (2018: €24 million) relating to group companies.

16. INTEREST EXPENSES AND SIMILAR EXPENSES

(€ MILLION)

	2019	2018
Interest expenses loans and borrowings	56	54
	56	**54**

17. OTHER EXPENSES

(€ MILLION)

	2019	2018
General expenses	119	131
Charges general expenses to subsidiaries	−61	−51
	58	**80**

18. INCOME TAX

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2019	2018
Result before tax	−86	64
Dutch corporate tax rate	25%	25%
Income tax using the Dutch corporate tax rate [1]	−22	16
Tax effect on:		
Non-deductible expenses	2	14
Participation exemption	−3	−55
Other	−19	22
Effective tax amount	−42	−3

1. *A negative amount is a gain in the Income Tax.*

The effective tax rate amounts to 48.8% (2018: -4.7%).

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX

(€ MILLION)

	2019	2018
Current income tax		
Current year	−99	5
Over/(under) provided in prior years		4
	−99	**9**
Deferred income tax		
Origination and reversal of timing differences	57	−12
	57	**−12**
Total income tax expense in Income Statement	**−42**	**−3**

19. 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.

20. NUMBER OF EMPLOYEES

Other than the Executive Board members, Achmea B.V. did not employ any personnel in either 2019 or 2018. For more information on the remuneration of the Executive Board refer to Note 33 Related party transactions in the Consolidated Financial Statements.

21. SUBSEQUENT EVENTS

The developments around the Coronavirus in 2020 have a potential impact on our business operations, our insurance results and the financial markets. The outcomes of this are still uncertain, but are being closely monitored.

22. 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)

	2019
Net result attributable to holders of equity instruments of the company	480
Net result segment Health Netherlands	−62
Net result excluding segment Health Netherlands	**418**
Coupon payments on other equity instruments	−68
Dividend on preference shares	−17
Dividend base	**333**
To be distributed as follows:	
Dividend on preference shares	17
Proposed final dividend on ordinary shares	150
Addition to retained earnings	313
	480
Number of ordinary shares (excluding repurchased own shares)	390,002,711
Dividend per ordinary share (in euro's per share)	0.38

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.

AUTHORISATION OF THE COMPANY FINANCIAL STATEMENTS

Zeist, 10 March 2020

The Executive Board
W.A.J. (Willem) van Duin, Chairman
B.E.M. (Bianca) Tetteroo, Vice-chairman
M.A.N. (Michel) Lamie, CFO
R. (Robert) Otto
L. (Lidwien) Suur
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
A.M. (Lex) Kloosterman
M. (Mijntje) Lückerath-Rovers
A.C.W. (Lineke) Sneller
R.Th. (Roel) Wijmenga

Other Information

TRUSTREE REPORTS OTHER EQUITY INSTRUMENTS

EUR 600,000,000 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 2019.

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 arrear 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 2019 the interest on the Securities was paid in accordance with the Conditions and the relevant Final Terms. On the Coupon Payment Date falling on 1 November 2019 the Securities have been fully redeemed.

Amsterdam, 31 January 2020

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.

SHAREHOLDERS OF ACHMEA B.V. AT 31 DECEMBER 2019

COMPANY	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PRES)
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 own shares held by Achmea B.V. (see note 19 for further explanation).*

Stichting Administratiekantoor 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 Administratiekantoor Achmea are I.C.van den Broek, E.M.H. Hirsch Ballin and C.W. van der Waaij.

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 2019, including the Consolidated Financial Statements 2019 and the Company Financial Statements 2019 of Achmea B.V. The Consolidated Financial Statements 2019 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union effective at 31 December 2019. The Company Financial Statements 2019 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 2 March 2020 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 failings in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- 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 2019 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 2019 gives a true and fair view of the situation as at 31 December 2019, the development and performance during 2019 and describes the principal risks of the businesses of the Group. The Achmea B.V. Consolidated Financial Statements 2019 and Company Financial Statements 2019 will be submitted to the Annual General Meeting for approval on 14 April 2020.

Zeist, 10 March 2020

The Executive Board

W.A.J. (Willem) van Duin, Chairman
B.E.M. (Bianca) Tetteroo
M.A.N. (Michel) Lamie, CFO
R. (Robert) Otto
L. (Lidwien) Suur
H. (Henk) Timmer, CRO

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and Supervisory Board of Achmea B.V.

Report on the financial statements 2019

Our opinion

In our opinion:

- the consolidated financial statements of Achmea B.V. and its subsidiaries ('the group') give a true and fair view of the financial position of Achmea B.V. as at 31 December 2019 and of its result and cash flows for 2019 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. ('the company') give a true and fair view of the financial position of Achmea B.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Achmea B.V., Zeist as included in the Annual Report. The financial statements include the consolidated financial statements of Achmea B.V. and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the following statements for 2019: 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 balance sheet at 31 December 2019;
- the profit and loss account for 2019; 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.

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 our audit approach, we determine materiality and assess the risks of material misstatement in the financial statements. In this context, in consultation with the board of directors and the Audit and Risk Committee, we have intensively evaluated this year the benchmark to be used for determining the financial statements of Achmea BV. The outcome of this had an impact on the determination of materiality, which is further explained in the section 'Materiality'.

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.

Other areas of attention in our audit, which were not identified as key audit matters, relates to the automation of the group's business and financial processes and compliance with laws and regulations. Because the business operations and financial processes of the Group are highly automated, we addressed in our audit the effectiveness of internal control procedures that are used to manage the IT activities that were relevant for our audit. With regards to our work in the area of compliance with legislation and regulations, we refer to the section "Our focus on the risk of non-compliance with legislation and regulations".

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.

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: €100 million.

Audit scope

- We conducted audit work on the full financial information of fifteen components in the Netherlands and abroad. We performed additional audit procedures on two other components.
- Meetings were held with the responsible auditors and financial directors responsible from all significant components. Topics of discussion included the financial development of the components, the internal control framework, relevant accounting issues and the estimation uncertainties as described in the key audit matters. We have visited foreign group entities in Greece, Slovakia and Turkey.
- Our audit procedures cover 97% of the consolidated total income, 99% of the consolidated total assets and 97% of the result before tax.

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.

Group materiality	€100 million (2018: €46 million).
Basis for determining materiality	We determine materiality on the basis of our professional judgement. We used 1% of the total equity based on EU-IFRS accounting principles.
Rationale for the benchmark applied	We use total equity as the primary, generally-accepted auditing benchmark for determining materiality. In previous reporting periods, 1% of the required Solvency II capital was used as the benchmark. This adjustment was made on the basis of an in-depth assessment of the common information needs of users of the financial statements of Achmea B.V. and the current capital position in conjunction with the underlying risk profile of the company. We also took into account that the use of total equity as a benchmark is more common among comparable organizations in the Dutch insurance sector. The result before tax was considered to be a less

	relevant benchmark in view of the relative level when compared to the size of the business activities and the balance sheet. In determining the benchmark and the percentage used, we have taken into account that we design the audit of the Solvency II group information in such a way that a deviation of up to 5% of the solvency ratio could go undetected.
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 €3 million and €87 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 €5.0 million (2018: €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.

The group audit primarily focussed on the significant components. Six components are considered individually financially significant in size and ten components were included in the scope of our audit due to the significant or higher risks of material misstatements that were identified. Finally, we have included an insignificant foreign component in the scope of our group audit to obtain sufficient coverage for individual items in the consolidated financial statements.

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*.

We have audited the full financial information of fifteen components and we have audited for two components specific financial statement line items.

Overall, as a result of these audit procedures, we obtained the following coverage on the below listed financial statement line items:

Consolidated total income	97%
Balance sheet total	99%
Result before tax	97%

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 five components that are individually financially significant. In addition, two components were included in the scope of the group audit in order to obtain sufficient coverage of the required and available capital.

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.

During our audit, we discussed the financial results, the (important) estimates applied and the audit findings with the financial management 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.

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.

Our focus on the risk of non-compliance with laws and regulations

When planning and performing the audit, we take into account the applicable legal and regulatory framework. The objectives of our audit are to identify and assess the risks of material misstatement arising from non-compliance with laws and regulations. The primary responsibility for the prevention and detection of non-compliance with laws and regulations lies with the Executive Board under the supervision of the Supervisory Board.

Based on our knowledge of the activities of the company and its environment and in coordination with management and the Executive Board, we have identified legal and regulatory provisions that may have a material effect on the financial statements or may be of fundamental importance to the business operations. We have also obtained general insight into how the group complies with these. We communicated information to our audit teams and remained alert during our audit for potential indications of non-compliance with these laws and regulations.

The potential effect of legislation and regulations on the financial statements can vary widely. In accordance with our auditing standards, we therefore distinguish two categories of legislation and regulations. The first category comprises legal and regulatory provisions that are usually believed to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as EU-IFRS, Solvency II and tax law.

We tested the level of compliance as part of our audit of the financial statements. For Solvency II, we refer to our key audit matter *disclosures concerning the capital position based on Solvency II regulations*.

The second category concerns provisions of other laws and regulations whose consequences of non-compliance can indirectly have a material effect on amounts or disclosures in the financial statements, for example by imposing fines or sanctions. For the group, this concerns in particular the Financial Supervision Act (wft), know-your-client regulations (such as the Wwft and the Sanctions Act) and the General Data Protection Regulation (GDPR). Based on our audit standards, our audit procedures are limited for this category to questioning management and those charged with governance whether the company complies with such laws and regulations. In addition, we have inspected correspondence with relevant regulatory and supervisory authorities.

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.

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 (€9,317 million) and required capital (€4,352 million). This results in a solvency ratio of 214% as at 31 December 2019. 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 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 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. Achmea also has an internal model for determining market risk. The	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. 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.

Key audit matters	***Our audit procedures and observations***
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. We established that the estimats 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 have also examined whether the disclosure notes are adequate and in accordance with the financial reporting framework. We believe that the disclosure note meets this requirement.
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 (€10,504 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.	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.

Key audit matters	*Our audit procedures and observations*
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 (€1,104 million) and property for own use (€554 million) is assessed on a quarterly basis. These valuations are performed by external appraisers. The fair value of non-quoted investment funds (€718 million) is determined on the basis of the net asset 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 (€8,128 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 (€14,032 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 €13,260 million is classified as a category 3 valuation.	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 discount rate applied 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 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 have also examined whether the disclosure notes are adequate and in accordance with the financial reporting framework. We believe that the disclosure note meets this requirement.
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.	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.

Key audit matters	*Our audit procedures and observations*
Life insurance The assumptions used for the liabilities for life insurance contracts of €46,253 million relate to risks regarding longevity and mortality risks, lapses, future expenses and other assumptions used in the liability adequacy test including the used interest assumptions. 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 €7,618 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 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 €3,899 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 €2,340 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 2020. The fact that healthcare expenses from 2017 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 (€126 million for life-insurance and €510 million for non-life insurance).	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 believe that the assumptions of management are substantiated and that, based on the available audit evidence, the assumptions applied are reasonable. We audited the results of the liability adequacy test carried out by the management in collaboration with actuarial specialists. Specific attention was given to the development of the low interest rates in 2019 and its impact on the results of the adequacy test. Our procedures 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 believe that management, in determining its 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.

Key audit matters	*Our audit procedures and observations*
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 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 believe 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 numbers of insured persons had been used for the purpose of the estimate. Notes We have also examined whether the disclosure notes are adequate and in accordance with the financial reporting framework. We believe that the disclosure note meets this requirement.
Uncertainty in the valuation of the tax position We refer to paragraph I of the note accounting policies regarding the valuation of income tax payable. 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. The recognized tax liability of € 233 million reflects management's best estimate of the obligation based on a judgment of the Court of Justice in July 2018. Achmea has submitted an appeal in cassation to the Supreme Court and is awaiting the verdict, which is expected in the course of 2020. Given the uncertainty in the possible outcomes , we considered the audit of the tax position regarding this legal proceeding a key audit matter.	Legal proceedings Together with our own tax experts, we took note of the 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. Based on our procedures performed, we believe that the estimate of the Executive Board is substantiated and that based on the available audit evidence, the estimate made is reasonable. We also established that the disclosure notes are adequate and in accordance with the financial reporting framework. We believe that the disclosure note meets this requirement.

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 208-210 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 regarding 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 nine 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 23 to the financial statements.

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 fort 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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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, 10 March 2020
PricewaterhouseCoopers Accountants N.V.

Originally Dutch version signed by E.L. Rondhout RA

Appendix to our auditor's report on the financial statements 2019 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 fort he 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 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.

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 and Risk 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.

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the general meeting and Supervisory Board of Achmea B.V.

Assurance report on the sustainability information 2019

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 2019 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 2019 until 31 December 2019,

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 61-62 of the Annual Review.

What we have reviewed

We have reviewed the sustainability information included in the Annual Review for the period 1 January 2019 until 31 December 2019, as included in the following sections in the Annual Report (hereafter: "the sustainability information"):

- Introducing Achmea (page 3-11);
- Context & Strategy (page 12-25);
- Our Objectives & Results (page 26-59);
- the following Supplements related to the Annual Review as included in Part 3 of the Annual Report:
  - Supplement A - GRI index (page 3-7);
  - Supplement C - Other employee information (page 10-12);
  - Supplement D - Other sustainability information (page 13-18).

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., Zeist, with regard to corporate social responsibility and the thereto related business operations, events and achievements throughout 2019.

The basis for our opinion

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 – Dutch Code of Ethics).

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 relevant 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 61-62 of the Annual Review. The absence of an 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.

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 reliable and adequate 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 61-62 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 evidence 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.
- 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, 10 March 2020
PricewaterhouseCoopers Accountants N.V.

Originally Dutch version signed by E.L. Rondhout RA