

**Working on a healthy, safe
and future-proof society**

HALF YEAR REPORT
2019

Half Year Report 2019 of Achmea B.V.

Table of contents

REPORT OF THE EXECUTIVE BOARD

Interim results 2019	4
Uncertainties in the second half year of 2019	8
Statement of the Executive Board of Achmea B.V.	9

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of financial position (before appropriation of results)	11
Consolidated income statement	12
Consolidated statement of comprehensive income	13
Consolidated statement of changes in total equity	14
Condensed consolidated statement of cash flows.....	15

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies.....	16
2. Capital and risk management.....	19
3. Segment reporting.....	21
4. Subsequent events	25
5. Investment property.....	25
6. Investments	25
7. Liabilities related to insurance contracts.....	26
8. Financial liabilities.....	27
9. Fair value hierarchy	27
10. Gross earned premiums	32
11. Investment income.....	33
12. Net expenses from insurance contracts.....	34
13. Contingencies	34
14. Related party transactions.....	35

INDEPENDENT AUDITOR'S REVIEW REPORT

Review report.....	36
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INTERIM RESULTS 2019

Willem van Duin, Chairman of Achmea's Executive Board:

"2019 is the final year of our strategic planning period 'Delivering Together'. We have taken a good next step in the first half of this year on realising our strategic and financial targets.

From our cooperative background we commit to a healthy, safe and future-proof society. Over the past few months, we have again made significant progress. Syntrus Achmea Real Estate & Finance became the first Dutch asset manager to sign up to the 'Green Deal Healthcare' and through our healthcare real estate we focus on a safe and sustainable living environment. Zilveren Kruis encourages a healthy lifestyle and is improving patient care by organising an increasing amount of care at home, for patients with heart conditions, COPD or those requiring chemotherapy or immunotherapy. These eHealth solutions lead to fewer hospital admissions as well as lower healthcare expenses. Interpolis and Rabobank offer the 'Is your home still suitable?' test to create awareness about independent living when approaching the retirement age and help come up with solutions for now and later. All these initiatives allow us to play a broad and valuable role in the lives of our customers, one that goes beyond just offering insurance. Sustainability is a key part of this and the three international Sustainable Development Goals (SDGs) are anchored at the heart of our strategy. We recently gave our commitment on the Climate Agreement and, by doing so, demonstrate our duty to take responsibility in tackling climate change.

Our asset manager Achmea Investment Management is distinctive and successful with socially responsible investment services. In the first half of 2019 these services are implemented for pensioenfondsen Horeca & Catering. Assets under Management (AuM) increased to €142 billion and as of 1 January 2020, AuM will increase further due to pensioenfondsen Vervoer that selected Achmea Investment Management as overall manager.

As an insurance company, we traditionally provide assistance in the event of setbacks or illness and offer our customers help with prevention and advice. This enables us to prevent a great deal of suffering or loss. Yet the world is changing fast and our customers' requirements are changing accordingly. We are responding to those changing needs by creating innovative services on top of our insurance policies. For instance, Centraal Beheer offers assistance with odd jobs (KlusHulp), legal problems (Juridische Hulp) and vehicle breakdowns (PechHulp), no subscription necessary. Interpolis is improving traffic safety via AutoModus and WegWijsVR, by combating, amongst other things, mobile phone-induced driver distraction. By incentivising the installation of green roofs, Interpolis is also contributing to reducing the nuisance and damage or loss caused by the increasingly high levels of rainfall.

We will continue to develop appealing, innovative services which, in addition to having a major social impact, also add value for Achmea. This is why we will soon launch the Achmea Innovation Fund, which from 1 October 2019 will be able to issue growth capital to companies active in the domains of health, mobility, residential and financial solutions for now, tomorrow and later. The fund will focus on promising initiatives that match our strategic goals, based on up-and-coming technology in the Fintech and Insurtech industries. The ambition is for the fund to grow to an initial size of €100 million.

We have also performed well financially. Over the first half of 2019, we achieved an increase in the operational result to €284 million and an increase in the net profit to €234 million. Gross earned premiums are up slightly, to €17.6 billion, and expenses have decreased. With this cost reduction we have managed to meet our expense reduction target set at the end of 2016 of €200 million. Our focus will of course continue to be on making our business operations as efficient as possible. In doing so, we manage to keep premiums competitive for our customers and achieve results which enables us to reinvest in the best products and services. Our solvency ratio is robust. This means that our customers can rely on our sound financial position, as ought to be expected of an insurer with a cooperative identity.

Executive Board report

OVERALL RESULTS

The operational result in the first half of 2019 increased to €284 million (H1 2018: €192 million) and is developing in line with Achmea's ambitions for 2020.

The improved result is underpinned to a large extent by the result of Pension & Life and Non-Life. Health also made a substantial contribution to the operational result. Moreover, the result on Other activities has displayed a significant improvement compared to the first half of 2018.

The combined ratio (COR) at our property & casualty and income protection insurance business stands at 95.8%, while the COR stood at 97.9% in the first half of last year. The underlying result of Non-life improved further due to premium growth, claim management and higher investment income. Furthermore, last year's result was negatively affected by the January storms.

Our health activities contributed €57 million to the result. This contribution comes from both basic and supplementary health insurance. While the result in 2018 was mainly driven by the basic health result on prior years and by supplementary health insurance, this year basic health insurance makes a positive contribution from the current underwriting year in addition to supplementary health insurance.

Pension & Life earned a strong and stable result over H1 2019, with higher investment income and a higher technical result. In line with our service-book strategy, gross earned premiums have decreased. This year we have continued optimising our processes and systems with the ambition of making our administrative costs even more flexible and further reducing them.

The operational result for Retirement Services was break-even in the first half of 2019 (H1 2018: €10 million). The lower result was primarily impacted by a changed cost allocation and investments aimed at growth at Achmea Investment Management and Achmea Bank (totalling €10 million). When adjusted for this, the result is in line with last year. Retirement Services noted several commercial successes. The first half of 2019 saw significant growth in the number of participants at Achmea Pension Services and strong growth of Assets under Management at Achmea Investment Management. On 4 April, 'Pensioenfonds Vervoer' announced that it had selected Achmea Investment Management to act as integral asset manager of the fund from 2020 onwards. On 21 March, Achmea and a.s.r. agreed that Achmea Bank takes over part of the banking activities of a.s.r. Bank.

Our international activities noted a lower operational result compared to H1 2018. The start-up costs of the online joint venture launched in Canada early this year, a lower health result in Greece and a flood in Australia have all contributed to this. In Turkey, we managed to keep the operational result stable despite challenging conditions.

The Other activities segment has a sharply improved result compared to H1 2018. In addition to financing expenses and shareholder expenses, this segment also contains the result of Achmea Reinsurance and Syntrus Achmea Real Estate & Finance. The improved result, compared to last year, can largely be attributed to higher results for Achmea Reinsurance, while there was also a high cost of claims in H1 2018 due to the January storm. Moreover, reorganisation expenses were lower than last year and a change in the cost allocation to Achmea Bank has also contributed here.

OPERATIONAL RESULT PER SEGMENT

	(€ MILLION)	
	H1 2019	H1 2018
Non-life Netherlands	89	4
Pension & Life Netherlands	204	190
Retirement Services Netherlands		10
International activities	7	19
Other activities	-73	-131
Operational result (ex-Health)	227	92
Health Netherlands	57	100
Operational result	284	192
Transaction results		8
Result before tax	284	200
Tax	50	67
Net result	234	133

Executive Board report

The net result increased to €234 million in the first half of 2019 (H1 2018: €133 million). This was primarily due to the increased operational result.

The effective tax rate is lower than last year. This is mainly due to an additional provision of €35 million made in 2018 for the tax settlement in the Netherlands for the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. Moreover, an adjustment of the IAS12 accounting standard means that tax income on perpetuals is processed via the income statement from 2019 onwards. Combined with the tax-exempt income from Health, the effective tax rate is therefore lower at 18% than the nominal tax rate (25%).

Gross earned premiums

Gross earned premiums increased slightly by 1% to €17,571 million (H1 2018: €17,448 million) in H1 2019. The premium growth in comes from basic health insurance and our property & casualty and income protection insurance activities in the Netherlands.

Retail and corporate premiums at Non-Life Netherlands grew further (+6%) due to portfolio growth and premium measures. Internationally, gross earned premiums increased for our property & casualty activities in local currency, but decreased in euros due to exchange-rate effects.

In Health, premiums are up (+2%) due to premium growth in basic health insurance. This is in line with medical expense inflation. Premiums from supplementary health insurance decreased slightly due to a drop in the number of policyholders. The international health activities saw growth in gross earned premiums in Slovakia and Greece, while gross earned premiums declined in Turkey.

Gross earned premiums from life insurance activities decreased (-24%) as a result of our previously made strategic decision to stop actively selling pension insurance products in the Netherlands. Gross earned premiums were also lower than last year due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS EARNED PREMIUMS

	(€ MILLION)	
	H1 2019	H1 2018
Non-life	2,491	2,359
Health	14,373	14,153
Life	707	936
Total gross earned premiums	17,571	17,448

Operating expenses

Gross operating expenses¹ decreased by €48 million in the first half of 2019 to €1,059 million (H1 2018: EUR 1,107 million). Combined with the prior expense reductions, this means that the strategic objective of reducing costs by €200 million in the period 2017-2019, was accomplished by the middle of the year already.

Expenses in the first half of this year declined in part as a result of the sale of Friends First and Independer. At the same time, we have continued to invest in rationalising and digitising business operations in order to make the company even more efficient in the future. At Non-Life and Retirement Services there were also higher expenses due to investment in achieved and future growth.

The total number of internal and external employees in the Netherlands declined to 13,514 FTEs in the first half of 2019 (year-end 2018: 13,772 FTEs). The decrease in the number of employees of more than 250 FTEs is due to the continued optimisation of processes and systems. The largest reductions were at Health and Pension & Life as a result of more efficient business operations.

The number of internal and external employees outside the Netherlands increased slightly to 2,932 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 different markets.

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

Investments

In the first half of 2019, investment income² from our own risk investment portfolio was €600 million (H1 2018: €592 million). Higher realised gains on equities and fixed-income investments had a positive impact on the result. Real estate revaluations were positive, but due to flattening market sentiment meant these were lower in the first half of 2019 than in the first six months of 2018. As opposed to this lower result, foreign exchange result developments were positive. This is due to a previous reduction of our USD positions and the lower costs for FX-contracts following from this reduction. 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 immediately visible in the results. All realised and non-realised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a so-called Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover commitments to our customers with pensions or life insurance policies. As a result of the positive growth in value caused by, among other developments, lower interest rates, the FFA increased by €2.4 billion to €9.4 billion in the first six months of 2019.

The value of our investment portfolio is €50.1 billion (31 December 2018: €45.1 billion). The value of the investment portfolio increased by €3.7 billion, largely as a result of the lower interest rates and tighter spreads. Additional purchases amounting to €1.1 billion and the upturn in equity values of €240 million have also contributed to this increase.

CAPITAL MANAGEMENT

Total equity

Achmea's equity increased by €344 million to €10,049 million in H1 2019 (2018: €9,705 million). The total equity was positively affected by the net result of €234 million. The increase is also due to higher revaluations in particular of equities and bonds. Dividend payments on ordinary and preference shares and coupon payments on hybrid capital amounting to a total of €167 million helped to partly mitigate this increase.

DEVELOPMENT OF TOTAL EQUITY

	(€ MILLION)
Total equity 31/12/2018	9,705
Net result	234
Movement revaluation reserve	293
Movement exchange difference reserve	-9
Remeasurement of net defined benefit liability	-7
Dividends and coupon payments to holders of equity instruments	-167
Total equity 30/6/2019	10,049

Solvency II

The solvency ratio decreased slightly to 195% in the first half of the year based on the approved Partial Internal Model. The decrease in Eligible Own Funds (€67 million) and the increase of the Solvency Capital Requirement (€49 million) are largely caused by tightening of credit spreads in Italy, leading to a lower volatility adjustment and with that a higher value for liabilities. Moreover, the profit over the first half year and dividends from the banking and asset management activities, which do not form part of group solvency, have a positive effect on the Eligible Own Funds under Solvency II.

SOLVENCY II RATIO FOR ACHMEA GROUP

	30/06/2019	31/12/2018	Δ
Eligible Own Funds under Solvency II	8,858	8,925	-67
Solvency Capital Requirement	4,546	4,497	49
Surplus	4,312	4,428	-116
Solvency II Ratio	195%	198%	-3%

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

UNCERTAINTIES IN THE SECOND HALF YEAR OF 2019

The risks and uncertainties to which Achmea Group (hereinafter: Achmea) is exposed are described in greater detail in the capital and risk management section of the Achmea B.V. Consolidated Financial Statements for 2018. The capital and risk management section also outlines Achmea's risk management and control system, which includes a strategic risk analysis (identifying the key risks) as well as sensitivities. Achmea distinguishes the following risk types: insurance risk, market risk, including interest rate risk, counterparty default risk, liquidity risk, operational risk and compliance risk.

By the nature of its activities as an insurance company, Achmea is exposed to a variety of risks. Primarily this means insurance-related risks, but interest rate risk and changes in the financial markets are also relevant factors. Economic and political developments also have an impact, for example with regard to health insurance. These risks may affect Achmea's financial position and results for the second half of 2019.

Zeist, 13 August 2019

Willem van Duin

Chairman of the Executive Board of Achmea B.V.

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board reviewed the Achmea B.V. Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019 (hereinafter: the Interim Financial Statements) on 5 August 2019 and authorised them for submission to the Supervisory Board. The Interim Financial Statements were authorised for issue in accordance with the resolution of the Executive Board of 13 August 2019.

The Executive Board of Achmea B.V. declares that, to the best of the Executive Board's knowledge, the Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and net result of Achmea B.V. These Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards as at 30 June 2019 as adopted by the European Union, specifically IAS 34 'Interim Financial Reporting'. The Executive Board is of the opinion that the information contained in these Interim Financial Statements has no omissions likely to significantly modify the scope of any statements made. Furthermore, the Executive Board of Achmea B.V. declares that, to the best of the Executive Board's knowledge, the Executive Board Report includes a fair view of the information required pursuant to section 5:25d of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Zeist, 13 August 2019

Executive Board

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

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

R. (Robert) Otto

B.E.M. (Bianca) Tetteroo

H. (Henk) Timmer, CRO

ACHMEA B.V.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2019

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF RESULTS)

		(€ MILLION)	
	NOTES	30 JUNE 2019	31 DECEMBER 2018
Assets			
Intangible assets		738	739
Associates and joint ventures		58	50
Property for own use and equipment		555	403
Investment property	5	1,103	1,103
Investments	6	76,452	70,948
Deferred tax assets		521	553
Amounts ceded to reinsurers		621	671
Receivables and accruals		13,650	5,883
Cash and cash equivalents		1,435	1,466
Total assets		95,133	81,816
Equity			
Equity attributable to holders of equity instruments of the company		10,041	9,697
Non-controlling interest		8	8
Total equity		10,049	9,705
Liabilities			
Liabilities related to insurance contracts	7	65,577	55,065
Other provisions		1,102	1,089
Financial liabilities	8	16,472	15,197
Derivatives		1,803	731
Deferred tax liabilities		26	10
Income tax payable		104	19
Total liabilities		85,084	72,111
Total equity and liabilities		95,133	81,816

Condensed Consolidated Interim Financial Statements

CONSOLIDATED INCOME STATEMENT

		(€ MILLION)	
	NOTES	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018
Gross earned premiums	10	17,571	17,448
Reinsurance premiums		-133	-145
Change in provision for unearned premiums and current risks (net of reinsurance)		-7,648	-7,435
Net earned premiums		9,790	9,868
Income from associates and joint ventures		4	6
Investment income	11	3,416	768
Other income		195	215
Total income		13,405	10,857
Net expenses from insurance contracts	12	11,762	9,258
Fair value changes and benefits credited to investment contracts		24	33
Interest and similar expenses		129	146
Operating expenses		1,158	1,175
Other expenses		48	45
Total expenses		13,121	10,657
Result before tax		284	200
Income tax expenses		50	67
Net result		234	133
Net result attributable to:			
Holders of equity instruments of the company		234	133
Non-controlling interest		0	0
Average number of outstanding ordinary shares		390,002,711	392,775,342
Earnings per share		0.47	0.23

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(€ MILLION)	
	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018
Items that will not be reclassified to the Income statement ¹		
Remeasurements of net defined benefit liability ²	-7	1
Unrealised gains and losses on property for own use ³	5	5
	-2	6
Items that may be reclassified subsequently to the Income statement ¹		
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures ⁴	-9	-33
Unrealised gains and losses on financial instruments 'Available for sale' ³	1,192	43
Changes in the provision for Profit sharing and bonuses for policyholders from unrealised investment income ³	-802	-85
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal ³	-105	-46
Impairment charges on financial instruments 'Available for sale' reclassified to the Income statement on disposal ³	3	12
	279	-109
Net other comprehensive income	277	-103
Net result	234	133
Comprehensive income	511	30
Comprehensive income attributable to:		
Holders of equity instruments of the company	511	30
Non-controlling interest	0	0

^{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

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUA- TION RESERVE	EXCHANGE DIFFE- RENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRU- MENTS	SUBTOTAL EQUITY ¹	NON-CON- TROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2019	11,357	-335	34	746	-416	-7	-3,346	314	1,350	9,697	8	9,705
Net other comprehensive income				293	-9		-7			277		277
Net result								234		234		234
Comprehensive income				293	-9		-7	234		511		511
Appropriations to reserves			11	14			289	-314				
Dividends and coupon payments							-167			-167		-167
Balance at 30 June 2019	11,357	-335	45	1,053	-425	-7	-3,231	234	1,350	10,041	8	10,049

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

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUA- TION RESERVE	EXCHANGE DIFFE- RENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRU- MENTS	SUBTOTAL EQUITY ¹	NON-CON- TROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2018	11,357	-235	696	934	-363	-7	-4,006	215	1,350	9,941	8	9,949
Net other comprehensive income				-71	-33		1			-103		-103
Net result								133		133		133
Comprehensive income				-71	-33		1	133		30		30
Appropriations to reserves			-663	27			851	-215				
Dividends and coupon payments							-164			-164		-164
Issue, sale and purchase of equity instruments		-100								-100		-100
Balance at 30 June 2018	11,357	-335	33	890	-396	-7	-3,318	133	1,350	9,707	8	9,715

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

Share capital/premium includes €10,923 million share premium (2018: €10,923 million).

In the first half of 2019 an amount of €32 million (first half of 2018: €32 million) was paid as a coupon payment on Other equity instruments. This amount is recognised in Dividend and coupon payments and the tax effect in 2019 is recognised in the consolidated income statement. With regard to the result for the year 2018, €118 million was distributed to holders of ordinary shares in 2019 (2018: €124 million). In 2019 an amount of €20 million (first half of 2018: €20 million) in dividend was distributed on preference shares (of which Achmea B.V. received €3 million in dividend on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(€ MILLION)	
	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018
Net cash and cash equivalents at 1 January	1,466	2,884
Cash flow from operating activities		
Result before tax	284	200
Adjustments of non-cash items and reclassifications	-2,493	165
Changes in assets and liabilities	2,714	-2,114
Cash flow operating items not reflected in result before tax	-102	570
Total cash flow from operating activities	403	-1,179
Cash flow from investing activities		
Acquisitions and investments	-51	-38
Divestments, disposals and dividends received	5	147
Total cash flow from investment activities	-46	109
Total cash flow from financing activities	-388	-310
Net cash flow	-31	-1,380
Net cash and cash equivalents at 30 June	1,435	1,504
Cash and cash equivalents include the following items:		
Cash and bank balances	1,432	1,483
Call deposits	3	21
Cash and cash equivalents at 30 June	1,435	1,504

Notes to the Condensed Consolidated Interim Financial Statements

GENERAL INFORMATION

Achmea B.V. is a private company with limited liability incorporated in the Netherlands and seated in Zeist. The head office is located at Handelsweg 2 in Zeist. The Achmea Group comprises Achmea B.V. and the entities it controls. The Condensed Consolidated Interim Financial Statements (hereinafter: Interim Financial Statements) are part of the Half year report which also includes the Executive Board report.

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Interim Financial Statements of Achmea B.V. have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. The accounting policies, used to prepare these Interim Financial Statements, are in accordance with the International Financial Reporting Standards, including International Accounting Standards (IAS) and Interpretations as at 30 June 2019 and as adopted by the European Union. The Interim Financial Statements should be read in conjunction with the Achmea Consolidated Financial Statements 2018. The Achmea Consolidated Financial Statements 2018 are available at www.achmea.com. All amounts in the Interim Financial Statements are in millions of euros unless stated otherwise. Income tax for the first half year of 2019 is determined based on the estimated effective income tax rate for 2019.

B. CHANGES IN ACCOUNTING POLICIES

In 2019 the following standards, changes to IFRS-EU standards or interpretations issued by the International Accounting Standards Board (IASB) became effective:

IFRS 16 Leases

As of 1 January 2019, for operational leases, excluding those with a term of less than a year and so-called small 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 minus 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.

Achmea has applied IFRS 16 retrospectively without adjusting the comparative figures. The table below explains the IFRS 16 transition:

TRANSITION TABLE TO IFRS 16 PER 1 JANUARY 2019

	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

Notes to the Condensed Consolidated Interim Financial Statements

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.

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 30 June 2019, Net result in the first half year of 2019 and comparative figures of Achmea:

- 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 was explained in the consolidated financial statements of Achmea B.V. for 2018).
- 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 long-term 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).

C. CHANGES IN STANDARDS AND ADMENTMENTS WITH FUTURE APPLICATION DATE

In 2019, no new Standards or amendments to Standards and Interpretations were issued by the IASB, in addition to those already disclosed in the Achmea Consolidated Financial Statements 2018. The expected effect on Achmea of amendments with a future application date remains unchanged as compared with 2018.

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

In the first half of 2019 there were no material amendments related to changes in accounting policies, previous period errors and changes in presentation as compared with the 2018 Achmea B.V. Consolidated Financial Statements other than the changes described above.

E. CHANGES IN ACCOUNTING ESTIMATES

For the preparation of the Interim Financial Statements, estimates and assumptions are used (e.g. for some of the reported assets and liabilities and the reported amounts of revenues and expenses for the accounting period). The actual outcome may deviate from these estimates. In preparing these Interim Financial Statements, the nature of the assumptions and estimates used in applying Achmea's accounting policies and the key sources of estimation uncertainties are the same as applied to the 2018 Achmea Consolidated Financial Statements.

F. CONSOLIDATION AND ACCOUNTING FRAMEWORK

The Interim Financial Statements comprise Achmea B.V. and its subsidiaries, associates and joint ventures. The accounting policies and calculation methods as used for the preparation of the Interim Financial Statements are the same as applied to the 2018 Achmea Consolidated Financial Statements with exception of the aforementioned adjustments.

G. SEASONALITY

Inherent in the insurance business and the contractual commitments of Achmea there is a certain degree of seasonality. Gross written premiums and the related Change in provision for unearned premiums (net of reinsurance) are based on the contractual annual premium for the insurance contracts. The inception of a major part of the insurance contracts is the first of January of a financial year with a contractual term of a year. Gross written premiums are based on the whole contractual term. The premium for

Notes to the Condensed Consolidated Interim Financial Statements

the future coverage period is included in the Insurance liabilities for unearned premiums, as part of the liabilities related to insurance contracts. The related balance sheet item Receivables and accruals has the same seasonality.

Notes to the Condensed Consolidated Interim Financial Statements

2. CAPITAL AND RISK MANAGEMENT

The Solvency II results as at 30 June 2019 are set out below. The calculations to determine the solvency ratio as at 30 June 2019 are based on the information available to us and our current insights regarding the economic situation. They represent our best estimate. The calculated amounts of the Solvency Capital Requirement (SCR) and Solvency II eligible own funds are in accordance with the principles set by EIOPA and further interpretation by Achmea. In case of a different interpretation to DNB this could lead to changes in the associated assumptions and therefore also the reported Solvency II figures.

For the calculation of the solvency capital requirement under Solvency II, Achmea uses a partial internal model approved by the college of supervisors. In the partial internal model, the risks are calculated using an internal model or using the Solvency II standard formula. Internal models are used to calculate the solvency capital requirement for the insurance risks for non-life and income protection insurance and for the market risk. For more information on the scope of the internal model, reference is made to Note 2 Capital and risk management in the Achmea B.V. Consolidated Financial Statements for 2018.

The table below provides an overview of the Solvency II results as at 30 June 2019.

SOLVENCY RATIO

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
Eligible own funds Solvency II	8,858	8,925
Solvency Capital Requirement	4,546	4,497
Surplus	4,312	4,428
Ratio (%)	195%	198%

The solvency ratio decreased slightly to 195% in the first half of the year based on the approved Partial Internal Model. The decrease in Eligible own funds (€67 million) and the increase of the Solvency Capital Requirement (€ 49 million) are largely caused by tightening credit spreads in Italy, leading to a lower 'volatility adjustment' and with that to a higher value for liabilities. Moreover, the profit over the first half year and dividends from the banking and asset management activities, which do not form part of group solvency, have a positive effect on the Eligible own funds.

Below is an overview of the composition of the eligible equity under Solvency II (eligible own funds). This consists of the available equity (on economic principles) and subordinated loans qualifying as equity, from which the Tier 3 restriction and other restrictions are deducted. This equity serves as a buffer to absorb risks and financial losses.

ELIGIBLE OWN FUNDS SOLVENCY II

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
Tier 1	6,896	7,070
Tier 2	1,338	1,347
Tier 3	624	508
Total eligible own funds Solvency II	8,858	8,925

Notes to the Condensed Consolidated Interim Financial Statements

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

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
IFRS Equity Financial statements	10,049	9,705
Subordinated liabilities in Basic Own Funds IFRS	-1,350	-1,350
Own shares (at cost based on IFRS accounting policies)	335	335
Total IFRS excess of assets over liabilities	9,034	8,690
Valuation differences Solvency II	-859	-355
Total economic excess of assets over liabilities	8,175	8,335
Subordinated loans eligible under Solvency II and "grandfathered" instruments	2,098	2,076
Available own funds Solvency II	10,273	10,411
Foreseeable dividends, payments and expenses	-27	-209
Not eligible tier 3 capital	0	0
Own shares (at market value based on Solvency II accounting policies) ¹⁾	-453	-335
Equity in banking- and investment institutions (CRD IV)	-889	-911
Other restrictions	-46	-31
Eligible own funds Solvency II	8,858	8,925

^{1.} Until 31 December 2018 own shares purchased were valued at cost price. The adjustment from cost price to market value in accordance with Solvency II principles has no impact on the Solvency II Eligible Own Funds for 2018 or 2019.

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, reference is made to the explanation of the risk management system in the consolidated financial statements of Achmea B.V. for 2018 for a further description of the partial internal model.

SOLVENCY CAPITAL REQUIREMENT

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
Market Risk	2,332	2,566
Counterparty Risk	284	261
Life Risk	1,845	1,636
Health Risk	1,896	1,832
Non Life Risk	852	823
Intangible Assets	0	0
Diversification	-2,577	-2,496
Basic Capital Requirement	4,632	4,622
Loss-Absorbing Capacity	-748	-787
Operational Risk	593	596
Required Capital (Consolidated)	4,477	4,431
Required Capital Other Financial Sectors & Other entities	69	66
Required Capital	4,546	4,497

Notes to the Condensed Consolidated Interim Financial Statements

3. SEGMENT REPORTING

Segments are components of Achmea that are regularly reviewed by the Executive Board in order to allocate resources to the segment and to assess its performance. The division into segments and the manner in which information on segments has been determined has remained unchanged compared with the Achmea B.V. Consolidated Financial Statements for 2018.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER- NATIONAL ACTIVITIES	OTHER ACTIVITIES ¹	INTER- SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets	635				74	29		738
Associates and joint ventures		3			44	11		58
Property for own use and equipment	68	5			65	417		555
Investment property		3	1,063		4	33		1,103
Investments	7,103	3,746	52,431	11,908	1,362	1,405	-1,503	76,452
Deferred tax assets			556		36	28	-99	521
Income tax receivable			6			105	-111	
Amounts ceded to reinsurers	190		157		280	79	-85	621
Receivables and accruals	1,522	11,376	287	160	285	287	-267	13,650
Cash and cash equivalents	94	232	578	151	208	176	-4	1,435
Total assets	9,612	15,365	55,078	12,219	2,358	2,570	-2,069	95,133
Equity								
Equity attributable to holders of equity instruments of the company	1,821	3,235	3,934	823	519	-291		10,041
Non-controlling interest	7		1					8
Total equity	1,828	3,235	3,935	823	519	-291		10,049
Liabilities								
Liabilities related to insurance contracts	7,103	11,047	46,501		1,291	717	-1,082	65,577
Other provisions	17		5	3	45	34	998	1,102
Financial liabilities	382	1,081	3,394	10,828	467	2,095	-1,775	16,472
Derivatives	14	2	1,243	529		15		1,803
Deferred tax liabilities	117			8			-99	26
Income tax payable	151			28	36		-111	104
Total liabilities	7,784	12,130	51,143	11,396	1,839	2,861	-2,069	85,084
Total equity and liabilities	9,612	15,365	55,078	12,219	2,358	2,570	-2,069	95,133

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

Notes to the Condensed Consolidated Interim Financial Statements

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(€ MILLION)

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

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

Notes to the Condensed Consolidated Interim Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 2019

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER- NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER- SEGMENT ELIMINATIONS	TOTAL
Gross earned premiums	2,192	14,133	624		528	120	-26	17,571
Reinsurance premiums	-40	-1	-23		-70	-26	27	-133
Change in provision for unearned premiums and current risks (net of reinsurance)	-517	-7,057			-33	-40	-1	-7,648
Net earned premiums	1,635	7,075	601		425	54		9,790
Income from associates and joint ventures		-1	2		2	1		4
Investment income	70	15	3,106	172	48	10	-5	3,416
Other income	19	58	1	60	15	58	-16	195
Total income (excluding non-operational items) ¹	1,724	7,147	3,710	232	490	123	-21	13,405
Net expenses from insurance contracts	1,184	6,807	3,423		333	16	-1	11,762
Fair value changes and benefits credited to investment contracts					24			24
Interest and similar expenses	2		3	112		32	-20	129
Operating expenses related to insurance activities	424	218	76		109	29		856
Operating expenses for non-insurance activities	14	50		120	6	112		302
Other expenses	11	15	4		11	7		48
Total expenses (excluding non-operational items) ¹	1,635	7,090	3,506	232	483	196	-21	13,121
Operational result	89	57	204		7	-73		284
Transaction results (mergers and acquisitions)								0
Result before tax	89	57	204	0	7	-73		284
Income tax expenses	18		49	1	9	-27		50
Net result	71	57	155	-1	-2	-46		234
Expense ratio ²	25.8%	3.1%			25.4%			
Claims ratio ^{2 & 3}	70.0%	96.2%			77.0%			
Combined ratio ^{2 & 3}	95.8%	99.3%			102.4%			
Amortisation charges	2	1	1		10	31		45
(Reversal of) Impairment losses	4	2	4	-1		-4		5

^{1.} Total income and Total expenses are presented in the Segment Consolidated income statement excluding non-operational items. The amounts as presented in the table above can be reconciled with the amounts as presented in the Consolidated income statement as follows:

Transaction results (acquisitions and disposals) are presented as part of Other income in the Consolidated income statement.

^{2.} The ratios of segment International activities include both Non-life and Health insurance business.

^{3.} The ratios of the segment Non-life are adjusted by correcting Movements in insurance liabilities where policyholders bear investment risks (included in Net expenses from insurance contracts) by €38 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.

Notes to the Condensed Consolidated Interim Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 2018

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER- NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER- SEGMENT ELIMINATIONS	TOTAL
Gross earned premiums	2,065	13,910	784		600	123	-34	17,448
Reinsurance premiums	-26	2	-31		-92	-29	31	-145
Change in provision for unearned premiums and current risks (net of reinsurance)	-445	-6,896	-33		-27	-37	3	-7,435
Net earned premiums	1,594	7,016	720		481	57		9,868
Income from associates and joint ventures					5	1		6
Investment income	29	8	470	196	61	14	-10	768
Other income	6	50	8	63	30	63	-13	207
Total income (excluding non-operational items) ¹	1,629	7,074	1,198	259	577	135	-23	10,849
Net expenses from insurance contracts	1,202	6,712	927		364	53		9,258
Fair value changes and benefits credited to investment contracts					33			33
Interest and similar expenses	2		1	140		25	-22	146
Operating expenses related to insurance activities	395	227	76		117	29		844
Operating expenses for non-insurance activities	12	16		112	28	163		331
Other expenses	14	19	4	-3	16	-4	-1	45
Total expenses (excluding non-operational items) ¹	1,625	6,974	1,008	249	558	266	-23	10,657
Operational result	4	100	190	10	19	-131		192
Transaction results (mergers and acquisitions)					8			8
Result before tax	4	100	190	10	27	-131		200
Income tax expenses	1		45	3	11	7		67
Net Result	3	100	145	7	16	-138		133
Expense ratio ^{2 & 4}	24.8%	2.8%			23.0%			
Claims ratio ^{2, 3 & 4}	73.1%	95.7%			74.4%			
Combined ratio ^{2, 3 & 4}	97.9%	98.5%			97.4%			
Amortisation charges	1	1	1		9	23		35
(Reversal of) Impairment losses	3	4	7	-1	1	-2		12

^{1.} Total income and Total expenses are presented in the Segment Consolidated income statement excluding non-operational items. The amounts as presented in the table above can be reconciled with the amounts as presented in the Consolidated income statement as follows:

Transaction results (acquisitions and disposals) is presented as part of Other expenses in the Consolidated income Statement.

^{2.} The ratios of segment International activities include both Non-life and Health insurance business.

^{3.} The ratios of the segment Non-life are adjusted by correcting Movements in insurance liabilities where policyholders bear investment risks (included in Net expenses from insurance contracts) by €33 million for the unwinding of discount of the provisions for income products. This unwinding of discount took place based on the rate as applied to set the premiums of these contracts (so-called contract rate).

^{4.} As of year-end 2018 a reassessment was made of the allocation of claims handling expenses to the Net expenses from insurance contracts. Consequently for comparative purposes the ratios for the first half of 2018 have been adjusted: the claims ratio by -0.2% and the Expense ratio by -0.4%.

Notes to the Condensed Consolidated Interim Financial Statements

4. SUBSEQUENT EVENTS

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

5. INVESTMENT PROPERTY

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
Residential	536	546
Retail	279	284
Offices	274	247
Other	14	26
Total	1,103	1,103

In the first half year of 2019, the fair value movements related to Investment property amounted to €15 million (first half year 2018: €47 million). These are presented as part of Realised and unrealised gains and losses in Investment income in the Consolidated income statement.

6. INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

	(€ MILLION)							
	INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	30 JUNE 2019	31 DECEMBER 2018	30 JUNE 2019	31 DECEMBER 2018	30 JUNE 2019	31 DECEMBER 2018	30 JUNE 2019	31 DECEMBER 2018
Investments own risk								
Equities & similar investments	63	68	2,809	2,870			2,872	2,938
Fixed income investments	2,958	2,762	34,383	32,328	494	505	37,835	35,595
Derivatives	6,080	3,432					6,080	3,432
Other financial investments	43	37	409	92	1,786	1,914	2,238	2,043
Investments backing linked liabilities								
Equities & similar investments	4,438	4,337					4,438	4,337
Fixed income investments	3,816	3,441					3,816	3,441
Derivatives	81	47					81	47
Other financial investments ¹	7,476	7,273					7,476	7,273
Banking credit portfolio								
Fixed income investments	208	215			11,408	11,627	11,616	11,842
Total	25,163	21,612	37,601	35,290	13,688	14,046	76,452	70,948

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

The increase in Derivatives and Fixed income investments under Investments own risk is mainly attributable to market developments. Lower interest rates on all terms and spread developments are causing an increase in realised and unrealised gains and losses. For more information please refer to Note 11 Investment income.

An amount of €292 million (31 December 2018: €275 million) related to property investment funds is included in Equities & similar investments as part of Investments own risk 30 June 2019.

Impairments in respect of investments in the first half of 2019 amounted to €4 million (first half of 2018: €14 million), which are recognized in the Consolidated income statement as part of the Realised and unrealised value adjustments.

Notes to the Condensed Consolidated Interim Financial Statements

FIXED INCOME INVESTMENTS CLASSIFIED BY NATURE

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
Government and government related guaranteed bonds	14,469	15,002
Securitised bonds ¹	1,105	1,115
Corporate bonds	12,567	10,172
Convertible bonds	318	314
Mortgages	7,876	7,474
Loans, deposits with credit institutions	151	194
Investment loans	901	862
Deposits with re-insurers	436	446
Other	12	16
	37,835	35,595

¹ Securitised bonds include €779 million (2018: €772 million) asset backed securities (collateralised).

7. LIABILITIES RELATED TO INSURANCE CONTRACTS

	(€ MILLION)			
	30 JUNE 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	1,790	93	1,266	117
Provision for unexpired risks	39		37	
Outstanding claims (including IBNR)	6,150	373	6,149	393
Profit sharing and bonuses for policyholders	26		23	
Total Non-life insurance	8,005	466	7,475	510
Health insurance				
Unearned premiums	7,091		30	
Provision for unexpired risks	20		23	
Outstanding claims (including IBNR)	4,081		3,794	
Total Health insurance	11,192		3,847	
Life insurance				
Provision for life policy liabilities	21,494	155	21,804	161
Deferred interest surplus rebates	-14		-16	
Profit sharing and bonuses for policyholders	9,411		7,035	
Insurance liabilities where policyholders bear investment risk	15,489		14,920	
Total Life insurance	46,380	155	43,743	161
Total	65,577	621	55,065	671

Notes to the Condensed Consolidated Interim Financial Statements

8. FINANCIAL LIABILITIES

	(€ MILLION)	
	30 JUNE 2019	31 DECEMBER 2018
Investment contracts	237	218
Banking customer accounts	5,084	5,135
Loans and borrowings	5,859	5,596
Other liabilities	5,292	4,248
Total financial liabilities	16,472	15,197

Secured loans

The banking activities of Achmea are partly funded by loans secured by pledged mortgage receivables. With respect to this Achmea Bank N.V. issues debentures through separate entities (SPVs) and through its Conditional Pass Through Covered Bond Programme. In case of the SPVs Achmea Bank transfers the mortgages to the SPV, and the SPV issues notes covered by the residential mortgages. Under the maximum €5 billion Conditional Pass Through Covered Bond Programme Achmea Bank issues notes covered by residential mortgages. All debentures are issued in euro. Achmea Bank also has a trust arrangement under which mortgage receivables are pledged to Stichting Trustee Achmea Bank as security for several banking liabilities. The carrying amount of these residential mortgage loans is €4.1 billion (31 December 2018: €4.1 billion).

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

9. FAIR VALUE HIERARCHY

This note provides an overview of financial instruments that are measured subsequently to initial recognition at fair value, classified into three levels (fair value hierarchy) based on the significance of the observable inputs used in making the fair value measurements. The levels are the same as applied to in the Consolidated Financial Statements of Achmea B.V. for 2018.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 30 JUNE 2019

	(€ MILLION)			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	30 JUNE 2019
Financial assets				
Recurring fair value measurements				
Investments				
Equities and similar investments	5,239	1,345	726	7,310
Fixed income investments	29,978	3,300	8,087	41,365
Derivatives	8	6,153		6,161
Other financial investments	592	7,336		7,928
Cash and cash equivalents	1,435			1,435
Total financial assets measured at fair value on a recurring basis	37,252	18,134	8,813	64,199
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		237		237
Loans and borrowings		2		2
Derivatives	95	1,693	15	1,803
Total financial liabilities measured at fair value on a recurring basis	95	1,932	15	2,042

Notes to the Condensed Consolidated Interim Financial Statements

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 31 DECEMBER 2018

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2018
Financial assets				
Recurring fair value measurements				
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 financial assets measured at fair value on a recurring basis	35,513	14,445	8,410	58,368
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		218		218
Loans and borrowings		2		2
Derivatives	55	658	18	731
Total financial liabilities measured at fair value on a recurring basis	55	878	18	951

No significant changes in the fair value hierarchy during the first half of 2019

At each reporting date Achmea assesses the classification of the financial instruments measured at fair value. The assessment of the classification in the fair value hierarchy requires judgement, for example the importance of (un)observable inputs used in determining the fair value or with respect to activity of the market. In case of inactive markets, judgement is required on the valuation techniques to be used in order to determine the fair value as well as the interpretation of the level of using (market) data. As a result, the outcome of the classification process may differ between reporting periods. Achmea's policy is to determine the level of the fair value hierarchy each reporting period and to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There have been no significant changes in the hierarchy in the first half year of 2019.

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

Depending on the specific financial instruments, Achmea has set valuation policies and procedures for determining the fair value. The valuation policies and procedures for determining the fair value are the same as applied to in the Consolidated Financial Statements of Achmea B.V. for 2018.

Notes to the Condensed Consolidated Interim Financial Statements

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

FINANCIAL ASSETS / FINANCIAL LIABILITIES

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL 2019	DERIVATIVES	LIABILITIES TOTAL 2019
Balance at 1 January	714	7,696	8,410	18	18
Investments and loans granted	6	641	647		
Divestments and disposals	-50	-313	-363		
Fair value changes included in Income statement	2	-5	-3	-3	-3
Fair value changes included in Other comprehensive income	54	71	125		
Changes in fair value hierarchy (transfers from level 3)	-1	-3	-4		
Changes in fair value hierarchy (transfers to level 3)	1		1		
Balance at 30 June	726	8,087	8,813	15	15

FINANCIAL ASSETS / FINANCIAL LIABILITIES

(€ MILLION)

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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

DESCRIPTION	FAIR VALUE AS AT 30 JUNE 2019 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	726	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	7,880	Discounted cash flows	Total spread	129 - 373 (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	207	Discounted cash flows	Total spread	138-257 (bp)	An increase of 10 basis points will result in a €0.7 million lower income in the Income statement
Derivatives	15	Black Scholes model	Underlying value of the shares	N/A	An increase of 10% will result in €3.2 million higher income in the Income statement.

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €307 million (31 December 2018: €290 million), property funds, amounting to €245 million (31 December 2018: €234 million), and Infrastructure funds, amounting to €132 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.

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

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2018 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	714	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	7,482	Discounted 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	Discounted 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	Underlying value of the shares	N/A	An increase of 10% will result in €2.8 million higher income in the Income statement.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

(€ MILLION)

	CARRYING AMOUNT AS AT 30 JUNE 2019	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 30 JUNE 2019
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Investments					
Fixed income investments	11,902		723	11,409	12,132
Other financial investments	1,786		1,996		1,996
Receivables	13,598		13,663		13,663
Financial liabilities					
Banking customer accounts	5,084		5,118		5,118
Loans and borrowings	5,672	1,303	4,499		5,802
Other liabilities	5,292		5,254		5,254

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2018	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2018
		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

Notes to the Condensed Consolidated Interim Financial Statements

10. GROSS EARNED PREMIUMS

BREAKDOWN GROSS EARNED PREMIUMS

	(€ MILLION)	
	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018
Non-life insurance		
Accident	570	551
Motor liability	484	425
Motor hull	433	419
Transport/aviation liability	30	32
Property	675	654
General liability	192	174
Legal assistance	100	98
Other	7	6
Gross earned premiums Non-life	2,491	2,359
Health		
Basic health insurance	5,450	5,212
Contribution from Health insurance fund	7,435	7,377
Supplementary health insurance	1,248	1,321
Other health insurance	240	243
Gross earned premiums Health	14,373	14,153
Life		
Single own risk	186	208
Annual own risk	257	407
Single policies where policyholders bear investment risks	33	46
Annual policies where policyholders bear investment risks	231	275
Gross earned premiums Life	707	936
Total gross earned premiums	17,571	17,448

Notes to the Condensed Consolidated Interim Financial Statements

11. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS ¹		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES			TOTAL
	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018	FIRST HALF YEAR 2019	FIRST HALF YEAR 2018
Direct income from investments								
Investments own risk	178	190	274	276	37	46	489	512
Investments backing linked liabilities	126	155					126	155
Banking credit portfolio		3			175	163	175	166
Investment expenses	4	-4	-12	-14	-2	-2	-10	-20
Direct operating expenses investment property	-8	-11	-2				-10	-11
	300	333	260	262	210	207	770	802
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	1,429	-94	187	84	-15		1,601	-10
Investments backing linked liabilities	1,015	-182					1,015	-182
Banking credit portfolio ²	-39	32			36	-1	-3	31
Impairment losses on investments								
Investments own risk			-4	-14			-4	-14
Foreign currency differences ³	-1	101	22		16	40	37	141
	2,404	-143	205	70	37	39	2,646	-34
Total income from investments	2,704	190	465	332	247	246	3,416	768

^{1.} Investments at fair value through profit or loss include investment income from property investments.

^{2.} Achmea applies fair value hedge accounting to the interest rate risk connected with banking. As of 2019 the fair value changes for the hedged position are recognised in Realised and unrealised gains and losses - Banking credit portfolio. In 2018 this fair value change (€-29 million) was recognised in Direct income from investments - Banking credit portfolio.

^{3.} The Foreign currency differences are hedged for an important part by currency derivatives. As of 2019 the currency derivative positions are recognised in Realised and unrealised gains and losses - Investments own risk and Investments backing linked liabilities. In 2018 the currency derivative positions (€-84 million) were recognised in Foreign currency differences. For more information on this hedging refer to Note 29 Hedge accounting in the Achmea B.V. Consolidated Financial Statements for 2018.

Notes to the Condensed Consolidated Interim Financial Statements

12. NET EXPENSES FROM INSURANCE CONTRACTS

	(€ MILLION)			
	FIRST HALF YEAR 2019 GROSS	FIRST HALF YEAR 2019 REINSURANCE	FIRST HALF YEAR 2018 GROSS	FIRST HALF YEAR 2018 REINSURANCE
Non-Life				
Claims paid	1,298	66	1,316	37
Changes in insurance liabilities own risk	37	-3	92	49
Claim handling expenses	111		126	
Recoveries	-94		-97	
Other changes due to granted profit sharing rights	2		-2	
	1,354	63	1,435	86
Health				
Claims paid	6,708		6,704	
Changes in insurance liabilities own risk	288		175	
Claim handling expenses ¹	40		45	
Recoveries	-17		-16	
	7,019		6,908	
Life				
Benefits paid own risk	1,002	22	1,128	47
Benefits paid for insurances where policyholders bear investment risks	669		717	
Changes in insurance liabilities own risk	-352	-16	-396	-36
Changes in insurance liabilities where policyholders bear investment risks	568		-425	
	1,887	6	1,024	11
Profit sharing and bonuses for policyholders				
Amortisation interest surplus rebates	2		3	
Benefits policyholders	125		-17	
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	135		16	
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 derivatives through Income statement	1,303		8	
Changes to provision for Profit sharing and bonuses for policyholders due to granted profit sharing rights and other changes	6		-22	
	1,571		-12	
Total net expenses from insurance contracts	11,831	69	9,355	97

¹ As of year-end 2018 the operating expenses of the healthcare offices are presented as Operating expenses, and no longer as Claims handling expenses as part of Net expenses from insurance contracts. The reclassification increases the Operating expenses and decreases the Net expenses from Insurance contracts of the first half year 2018 with €13 million.

The value development of interest rate derivatives used to hedge the interest rate risk of the insurance liabilities is included in Profit sharing and bonuses for policyholders. This relates to the liabilities of the Dutch insurance business of which the cash flows are based on locked assumptions and discounted on that basis. As a result of interest rate developments in the first half of 2019, the value of the interest rate derivatives increased substantially. This slight increase in value led to a gain in Investment income and a loss in Profit sharing and bonuses for policyholders. In the first half of 2018 the change in the market value of the interest rate derivatives was marginal.

13. CONTINGENCIES

With the exception of the information stated below, the Contingencies at 30 June 2019 have not changed significantly compared to 31 December 2018.

Achmea and a.s.r. have agreed that Achmea Bank N.V., part of Achmea, will acquire a portion of the assets and liabilities related to the banking activities of a.s.r. These activities are comprised of a savings portfolio of approximately €1.7 billion and approximately 125,000 customers as well as a portfolio mortgage receivables of roughly €1.5 billion. The acquisition of these portfolios is aligned

Notes to the Condensed Consolidated Interim Financial Statements

with Achmea's strategy, which is aimed at combining growth in pensions and pension services with bank products and asset management. The envisaged transaction has already been approved by the Dutch Central Bank and the advisory process with the work councils has been completed. The transaction is expected to be finalised in the second half of 2019.

Achmea provides mortgage loans for its own account and for the risk and account of its clients (most of which are pension funds). In this capacity Achmea has commitments arising from offers for mortgage loans. If the clients accept the offers, Achmea is obliged to provide €926 million (31 December 2018: €817 million) in mortgage loans. This liability corresponds with a received guarantee of €195 million (31 December 2018: €134 million). The increase is connected with increased demand for mortgage products in the first half of 2019.

14. RELATED PARTY TRANSACTIONS

In the first half of 2019, the nature of related party transactions was similar to related party transactions in 2018. For an overview of transactions with related parties in 2018, please refer to Note 35 Related party transactions in the Achmea B.V. Consolidated Financial Statements for 2018.

AUTHORISATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Zeist, 13 August 2019

The Executive Board

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

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

R. (Robert) Otto

B.E.M. (Bianca) Tetteroo

H. (Henk) Timmer, CRO

The Supervisory Board

A.W. (Aad) Veenman, Chairman

J. (Jan) van den Berg

P.H.M. (Petri) Hofsté

R.A. (Roelof) Joosten

M. (Mijntje) Lückcrath-Rovers

A.C.W. (Lineke) Sneller

W.H. (Wim) de Weijer

R.Th. (Roel) Wijmenga

Independent Auditor's Review Report

REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2019, as included on page 10 to 35 of the half year report of Achmea B.V., Zeist, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity, the condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes. The Executive Board is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 13 August 2019

PricewaterhouseCoopers Accountants N.V.

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