Achmea
Year report
2020

Achmea's annual reporting comprises two parts. Our aim is to ensure that each of these parts aligns with the specific interests of our stakeholders and to improve clarity and accessibility. Together the two parts constitute Achmea's integrated annual report.

PART 1 | ANNUAL REVIEW

Part 1 is the 'Annual Review'. This is aimed at a broader target audience, such as customers, employees and interest groups. In conjunction with the first section of part 2 (Results and developments in 2020), this constitutes the Executive Board's report and describes our strategy, the progress made in 2020 and our vision of the future. The supplements to part 1 contain detailed information, including related to sustainability. The external auditor has reviewed the sustainability information included in this part on pages 3 to 63 and supplement B, supplement D and supplements E of this part. The assurance report containing the auditor's opinion can be found on pages 205 to 207 of part 2.

DEEL 2 | YEAR REPORT

Part 2 is the 'Year Report'. This part describes the main financial developments. It contains a part of the Executive Board's report (the 'Annual Review', which is part of the Executive Board's report, is included in part 1), and the Supervisory Board report, a report on our Governance, an explanation of our risk management, the consolidated and company financial statements and other information. The external auditor has audited the 2020 consolidated financial statements as included on pages 54 to 173 and company financial statements as included on pages 174 to 187 of the Year Report. The auditor's report can be found on pages 191 to 203 of part 2 (other information).

CONTENTS

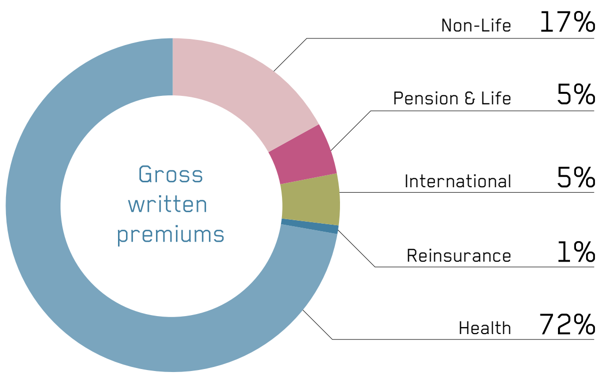
PART 2 | YEAR REPORT

EXECUTIVE BOARD REPORT

RESULTS AND DEVELOPMENTS IN 2020

GROUP RESULTS

GROSS WRITTEN PREMIUMS	NET RESULT	TOTAL EQUITY	SOLVENCY SII
€20,175 MILLION	€642 MILLION	€10,559 MILLION	208%



RESULTS

(€ MILLION)

	2020	2019	Δ
Non-Life Netherlands	260	178	46%
Pension & Life Netherlands	253	363	-30%
Retirement Services*	22	38	-42%
International activities	23	22	5%
Other activities*	-163	-116	-41%
Operational result (excluding Health Netherlands)[1]	**395**	**485**	**-19%**
Health Netherlands	235	62	279%
of which Basic Health Insurance	75	-26	n.m.**
of which Supplementary Health Insurance	166	86	93%
Operational result (including Health Netherlands)	**630**	**547**	**15%**
Corporate income tax impact rate change	-92	-43	114%
Corporate income tax expenses	80	109	27%
Net result	**642**	**481**	**33%**
Non-Life Netherlands	3,668	3,564	3%
Health Netherlands	14,284	14,082	1%
Pension & Life Netherlands	1,005	1,164	-14%
International activities	1,104	1,041	6%
Gross written premiums	**20,175**	**19,949**	**1%**
Gross operating expenses[2]	2,058	2,092	-2%

1 The operational result is calculated by adjusting the profit before tax for certain items. These are items within income and expenses which are significant and which arise from events or transactions which are clearly distinct from the normal business operations, and are therefore not expected to occur regularly. Examples of such items include exceptional depreciation losses from goodwill and pre-tax results from divestment of business activities.

2 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 and reinsurance commissions, and before the allocation of claims handling expenses and allocated investment costs.

* As of 1 January 2020, SAREF was moved from the Other activities segment to the Retirement Services segment. The comparative figures for 2019 have been adjusted accordingly. As of 1 January 2020 assets under management including part of Achmea Bank's mortgage portfolio.

** n.m.: not meaningful

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

BALANCE SHEET	31 December 2020	31 December 2019	(€ MILLION) Δ
Total assets	93,655	89,480	5%
Total equity	10,559	10,185	4%

ASSETS UNDER MANAGEMENT	31 December 2020	31 December 2019	(€ BILLION) Δ
Achmea Investment Management	203	147	38%
Syntrus Achmea Real Estate & Finance	37	23	61%
Total Assets under Management*	227	161	41%

SOLVENCY II	31 December 2020	31 December 2019	Δ
Solvabiliteitsratio before dividend	212%	219%	-7%-pt
Solvabiliteitsratio after dividend[1]	208%	214%	-6%-pt

RATINGS	31 December 2020	31 December 2019	
S&P (Financial Strength Rating)	A (Stable)	A (Stable)	
Fitch (Insurer Financial Strength)	A+ (Stable)	A+ (Stable)	

EMPLOYEES IN THE NETHERLANDS AND ABROAD[2]	31 December 2020	31 December 2019	Δ
FTEs Netherlands	13,300	13,414	-1%
FTEs International	3,027	2,977	2%
Total FTEs	16,327	16,391	-

* Total assets under management after eliminations
1 The solvency ratios reported here are based on a Partial internal model and are after the deduction of (planned) payment of dividends and coupons on hybrid capital.
2 The number of FTEs is based on a working week of 36 hours.

OVERVIEW OF GROUP RESULTS

The enormous impact of the Covid-19 outbreak on society, including our customers and business operations, dominated 2020. The operational result increased to €630 million in 2020 (2019: €547 million). This financial result was also significantly affected by Covid-19. The cost of claims on event and sickness insurance increased, while the negative trends on the financial markets, especially in the first half of the year, had a negative impact on the investment results. These effects were more than compensated for by the result at our health business and the lower cost of claims in the mobility and home insurance portfolios.

The operational result at Non-Life Netherlands increased to €260 million in 2020 (2019: €178 million). The combined ratio improved from 95.0% in 2019 to 92.9% in 2020. The impact of Covid-19 varied across business lines. The lower cost of claims from a decline in the number of traffic accidents and break-ins was partly cancelled out by a higher cost of claims on event insurance. The result on the sickness insurance portfolio was also negatively affected by Covid-19. Moreover, a larger amount was allocated to the reserve for injury claims from previous years. The investment results were lower due to the less positive trends on the financial markets and impairments.

The Dutch Health business earned a result of €235 million in 2020 (2019: €62 million). The results on basic and supplementary health insurance were positive, although the result on other healthcare services and activities was negative. The higher Covid-19-related medical expenses for basic health insurance were partly compensated for by the additional €238 million contribution from the statutory catastrophe scheme from the Health care insurance fund (“Zorgverzekeringsfonds”). In contrast, regular medical expenses decreased because of a drop in the number of people receiving regular medical treatment. Furthermore, €136 million in reserves were used to minimise the increase in premiums for 2021. Overall this led to a positive result for basic health insurance of €75 million (2019: €26 million negative). Supplementary health insurance accounted for €166 million of the operational result from the health business (2019: €86 million). The higher result is due to lower medical expenses caused by a drop in the use of regular healthcare services because of the Covid-19 pandemic.

The operational result on our Dutch Pension & Life business was €253 million in 2020 (2019: €363 million). The decrease was primarily driven by the turbulence on the financial markets triggered by the Covid-19 outbreak in the first half of the year. This led to a drop in investment income of €73 million as a result of lower realised gains and higher impairments on equities and real estate investments.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Furthermore, in 2019 there was a recalibration of the provision for insurance liabilities with a significant positive impact. In line with our service-book strategy, written premiums decreased and expenses are declining in line with expirations in the portfolio. On balance, Covid-19 has had a limited impact on the technical result.

The operational result for Retirement Services decreased to €22 million in 2020 (2019: €38 million). This can largely be attributed to a one-off positive transaction result of €18 million in 2019 from the acquisition of a mortgage portfolio by Achmea Bank. In underlying terms, the result has increased, while additional investment has been made in further growth by combining our mortgage activities and developing a new IT platform for pension administration.

The total operational result for International activities of €23 million in 2020 is in line with that of 2019 (€22 million). The cost of claims arising from natural disasters in Australia and Greece (total impact of €12 million in 2020) and shortfalls in the healthcare system in Slovakia are compensated for by a lower cost of claims at Mobility and Health in Greece, and in Turkey by the reduction in road traffic caused by Covid-19.

The result on Other activities decreased by €47 million to €163 million negative (2019: €116 million negative). The lower operational result is mainly due to the result of Achmea Reinsurance having decreased by €31 million. This is partly because of three major corporate fire claims and the impact of Covid-19 on the incoming reinsurance. In addition, financing expenses were €8 million higher also owing to the timely issue of a bond to refinance an existing bond that was repaid in November. As the newly-issued bond pays a lower rate of interest, this will lead to lower financing expenses in future. The result on our Other activities is negative, as some of the expenses from the holding company and shared service activities, as well as financing expenses, are shown in this segment.

Uncertainty remains regarding the further evolution, duration and intensity of the Covid-19 pandemic and its impact on the markets in which we operate, as well as on our products and customers. We profit here from the wide variety of our activities and corresponding diversification. Our current estimates take account as much as possible of the impact as known at present. This applies to the situation on the financial markets and therefore our investment results, as well as to insurance-related trends within Health. We are closely monitoring developments relating to Covid-19 in 2021 and its potential effects. On top of all this, we continue to keep track of the impact on our business models of external developments, such as long-term low interest rates, the use of new technology and the risk of a growing number of claims arising from climate change and extreme weather.

Net result

The net result increased to €642 million in 2020 (2019: €481 million). The regular tax rate was about 13%. The deviation from the nominal tax rate of 25% (€169 million negative) was primarily caused by regular deviations, such as unrecognised tax losses at Achmea Australia and Onlia Canada (€11 million), the deduction of the interest paid on perpetuals that was accounted through equity (€14 million negative) and the statutory exemption of healthcare activities from corporate income tax (€62 million negative).

On balance the effective tax rate over 2020 was-1.8% (€12 million benefit). The one-off lower effective tax rate is due to our having adjusted the provision for deferred taxes downwards in 2018 (charge of €141 million) after a reduction in the corporate income tax rate was announced. This planned tariff reduction was first delayed in 2019 and further reversed last year, leading to a reversal of the reduction in the provision for deferred taxes in 2020 (revenue of €92 million in 2020).

Income

Gross written premiums increased slightly by 1% to €20,175 million in 2020 (2019: €19,949 million). The decline in premiums from the closed-book Life portfolio was compensated for by the growth in premiums at Non-Life and Health.

Premiums from our Dutch Non-Life insurance grew by €104 million (3%) thanks to an increase in the number of customers and adjustments to premiums. Premiums from our international Non-Life insurance increased by €11 million (2%), mainly due to growth in Greece and Australia.

Overall, premiums within the Dutch Health business increased, partly as a result of the contributions from the catastrophe and solidarity schemes. Premiums from our international Health business grew by €54 million, primarily thanks to an increase in the number of health insurance policyholders in Slovakia.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Premiums from Pension & Life insurance activities in the Netherlands decreased by 14%. This drop is in line with our service-book strategy. Premiums in the open-book portfolio noted a small increase.

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 €36 million to €378 million (2019: €342 million) within the Retirement Services segment. This increase is being driven by higher revenues at Achmea Bank, Achmea Investment Management, Achmea Pension Services and Syntrus Achmea Real Estate & Finance. Our service propositions also continue to evolve. With these services we not only contribute to a healthy, safe and future-proof society through means such as damage prevention, we also expand our business model.

GROSS WRITTEN PREMIUMS IN THE NETHERLANDS AND ABROAD (€ MILLION)

	2020	2019	Δ
Non-Life	4,258	4,104	4%
Health	14,839	14,582	2%
Life	1,078	1,263	-15%
Gross written premiums	**20,175**	**19,949**	**1%**

Operating expenses

Gross operating expenses were €34 million lower in 2020 than in 2019 (2020: €2,058 million; 2019: €2,092 million). The lower expenses can partly be attributed to a smaller external workforce thanks to efficiency improvements and to lower expenses due to the Covid-19 outbreak. External contractor and marketing expenses were also lower in 2020. These effects more than compensated for an underlying increase in internal HR expenses, primarily from higher pension charges as a result of a lower notional interest rate.

The total number of employees has declined slightly to 16,327 FTEs (year-end 2019: 16,391 FTEs). In the Netherlands, the number of FTEs decreased to 13,300 (year-end 2019: 13,414 FTEs). The largest decrease was at Health, as a result of further integration of the health business, and at Pension & Life due to the decrease in activities in line with the service-book strategy.

In line with the realised growth, the total number of employees outside the Netherlands increased slightly to 3,027 FTEs (year-end 2019: 2,977 FTEs).

Investments

Investment income[1] from our own risk investment portfolio was €992 million in 2020 (year-end 2019: €1,115 million). The turbulence on the financial markets triggered by the Covid-19 pandemic is a major reason for the drop in investment income. This turbulence chiefly manifested itself in the first half of 2020 in volatile equity markets, lower yields on fixed-income investments and lower valuations on the commercial real estate market (primarily retail and offices). After the outbreak of the Covid-19 pandemic and the imposition of restrictions and lockdowns, countries were subsequently able to ease restrictions somewhat during the summer months, only to largely reverse them later in the year. Both the FED and the ECB continued to pursue stimulatory policies, amongst others by purchasing government bonds, which pushed yields down further in the second half of 2020. Equity markets also profited from this policy and continued their recovery in the second half of 2020. This also led to tighter spreads on corporate bonds and a partial revival on the commercial property market.

Investment results were partly affected by lower realised gains on equities, as well as by lower direct income from fixed-income investments, dividend yields and rental income. Furthermore, compared to 2019 the result over 2020 includes €56 million more in impairments on equities and fixed-income securities and an impact of €52 million due to lower property valuations for offices and retail spaces. These negative effects were mitigated to some extent by positive price results arising from higher equity indices and the continued lower interest rates in the second half of 2020. In spite of the fact that Achmea pursues a prudent investment policy with a relatively small allocation to equities and real estate, the absolute size of the investment portfolio means that this still translates into a significant impact on the result.

The larger part of our investment portfolio comprises fixed-income securities. Fluctuations in the value of these, caused by movements in market interest rates, are not immediately visible in the result of our Dutch pension and life insurance business. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk for this segment 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. Our fixed-income and interest-rate derivatives portfolio has increased sharply in value as a result of the lower yields.

[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).

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Although under the accounting rules this has no impact on the result, this led to the FFA growing by €2.1 billion to €11.9 billion in 2020 (year-end 2019: €9.8 billion).

The value of the total investment portfolio grew sharply to €54.6 billion (year-end 2019: €50.8 billion). This was largely due to the lower interest rates and tighter spreads. In spite of the decrease in the direct investment results, the portfolio has strongly increased in value.

Capital management

Total equity

Achmea's equity increased by €374 million to €10,559 million in 2020 (2019: €10,185 million). This is due to the addition of the net result and dividend and coupon payments of €223 million.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31-12-2019[1]	10,185
Net result	642
Movement in revaluation reserve	-29
Movement in exchange difference reserve	-46
Remeasurement of net defined benefit liability	30
Dividends and coupon payments to holders of equity instruments and impact capital transactions	-223
Total equity 31-12-2020	**10,559**

Solvency II

Based on the Partial Internal Model, Achmea Group's solvency ratio declined from 214% as of year-end 2019 to 208% as of year-end 2020. This can partly be explained by the inclusion, in line with new guidance from DNB, of the banking entities (Achmea Bank, Achmea Investment Management and Syntrus Achmea Real Estate & Finance) in the group solvency ratio from year end 2020. The addition of these entities had a negative impact on the Solvency II ratio of 8 percentage points. The reduction in the Ultimate Forward Rate (UFR) at the start of 2020 by 15 basis points had a negative effect of 1 percentage point. On balance market developments had a negative impact on the solvency ratio of 7 percentage points. Portfolio developments, including the phasing-out of the service book and the result on the health and property & casualty businesses, had a positive impact of 11 percentage points. Adjustments to insurance parameters relating to mortality, expenses and lapse had a positive overall effect of 4 percentage points. The dividend and coupon payments to be paid in 2021 have been deducted from the Eligible Own Funds. This has a negative effect of 5 percentage points.

SOLVENCY II RATIO FOR ACHMEA GROEP (€ MILLION)

	31-12-2020	31-12-2019	Δ
Eligible Own Funds under Solvency II	10,696	9,317	1,379
Solvency Capital Requirement	5,153	4,352	801
Surplus	5,543	4,965	578
Solvency II Ratio[2]	208%	214%	-6%-pt

[1] The accountability of the interest compensation has been changed retrospectively. Therefore the value of Other reserves within total equity as of 1 January 2019 and 31 December 2019 has been adjusted with €-6 million.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Free Capital Generation[1]

Total Free Capital Generation amounted to €200 million in 2020. Capital generation mainly derives from the operational activities of over €300 million. Furthermore, an update of amongst others the mortality data led to more than €200 million in additional Free Capital Generation. This largely helped to mitigate the negative Free Capital Generation caused by market developments, the run-off of the UFR and the reduction of the UFR by 15 basis points. The operational result on the health business is not included in the Free Capital Generation.

Financing

The debt-leverage ratio[2] decreased to 24.0% (2019: 24.9%). This improvement is the result of an increase in total equity versus a more or less unchanged debt position. In relation to the debt position, a Senior Unsecured bond worth €750 million was issued in May 2020 and used to refinance a previously-issued Senior Unsecured bond worth €750 million in November 2020. The lower coupon rate on this newly-issued bond will lead to a reduction of €8 million in financing and holding charges in the coming years.

The higher operational result and the above-mentioned refinancing at a lower coupon rate improved the fixed-charge coverage ratio to 5.9x[3] (2019: 5.3x).

On 8 September 2020, Standard & Poor's (S&P) affirmed its A rating and stable outlook for Achmea's Dutch core insurance entities. S&P's judgement was that both Achmea's revenue and its results would be negatively affected by the Covid-19 pandemic in 2020 but assumes that the group will remain solid owing to its, in the view of S&P, robust capitalisation and strong market position. The credit rating (ICR[4]) for Achmea B.V. remained unchanged at BBB+. The rating (FSR[5]) for Achmea Reinsurance Company N.V. and the rating (ICR) for Achmea Bank N.V. remained unchanged at A-.

Fitch affirmed its rating for Achmea B.V. and its insurance entities on 4 September 2020. This decision was supported by a Very Strong PRISM FBM score. Its ratings are A (IDR[6]) and A+ (IFS[7]) with a stable outlook. Fitch's rating (IDR) for Achmea Bank N.V. was affirmed at A with a stable outlook.

Covid-19

The first Covid-19 patient was diagnosed in the Netherlands in February 2020, after which the virus quickly spread around the country. Zilveren Kruis and the other Dutch health insurers rapidly set to work to offer healthcare providers financial assistance in light of the enormous drop in demand for certain types of care, as well as for financing care related to Covid-19. This enabled healthcare providers to survive these tough times and guaranteed continuity of healthcare for our policyholders.

At the start of the outbreak, our international medical, travel and breakdown assistance provider Eurocross made a valuable contribution to the repatriation of Dutch nationals stranded abroad. Moreover, Eurocross actively supported public health services in source and contact tracing for Covid-19. In addition, we helped our customers with a sustainable return to work, also after they had recovered from Covid-19 and where required assisted our customers by adjusting the terms of our cover and proposing payment plans. Finally, we are supporting the MKBDoorgaan.nl initiative that helps entrepreneurs to find information on government schemes, loans and/or other solutions in today's tough economic climate.

In its capacity as a major asset manager and together with other institutional investors, Achmea Investment Management urged the pharmaceutical industry to collaborate on a vaccine against Covid-19 and not to put profits first.

Our sense of social responsibility has prompted us to help restrict the impact of Covid-19 as much as possible outside the Netherlands as well. For example, in Greece we donated food parcels for the victims of flooding in Karditsa, while in Slovakia we set up a platform to promote the importance of a healthy lifestyle, especially during lockdowns.

1 This relates to the amount of freely capital that is generated. This is the increase in capital above the Solvency Capital Requirement.
2 Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill).
3 The FCCR is based on the results and financing charges of the last four quarters.
4 ICR: Issuer Credit Rating.
5 FSR: Financial Strength Rating.
6 IDR: Issuer Default Rating.
7 IFS: Insurer Financial Strength.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Future developments

We live in a world where new technology, demographic developments and economic and political changes lead to new possibilities and opportunities. There is a challenging environment in which we have to respond to changing circumstances time and again and this partly determines our strategic choices and the speed with which we can realize our strategy. We will also continue to pay attention to the impact of external developments such as long-term low interest rates, the use of new technology and increasing damage as a result of climate change and extreme weather on our business models. The development of turnover and profitability partly depends on the aforementioned aspects and circumstances.

At the same time, we are faced with uncertainties about the further course, duration and intensity of the Covid-19 pandemic and its consequences for the markets in which we operate, our products and customers. The uncertainties and risks arising from Covid-19 focus in particular on the degree and speed of economic recovery, developments in healthcare costs and developments in financial markets. In that context, we closely monitor the developments surrounding Covid-19 and the possible consequences for our insurance business. The breadth of our insurance products and service activities and the associated diversification of risks means that we are well prepared for the uncertainties that this pandemic creates.

We prepare for the future from our own strength and together with others. With our strategy ‘The Sum of Us’, which has also proven to be robust in the light of Covid-19, we are preparing for the future and responding to the various developments. We continue to focus on creating value for our customers and society.

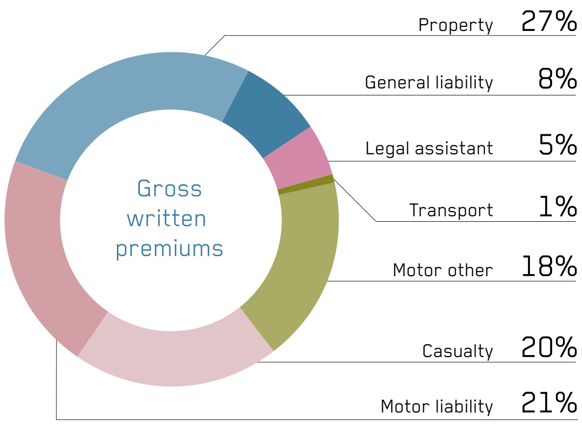
In 2020, we started the ‘value makers’ program to do business smarter, faster and more efficiently, to further optimize our balance sheet management, and to reduce the current demand on capital. This program will be further developed and rolled out in 2021. Parallel to this, we want to strengthen our performance management so that we can make timely and targeted adjustments to opportunities and risks in new developments. We continue to invest in the development of new propositions and services to our customers, while at the same time keeping an eye on active claims management and further balance sheet optimization. We do not expect any major changes to our financing structure. A responsible return is still necessary in order to properly fulfill our social role and to be able to continue to invest in further strengthening our company and our competitive position. We look for a balance between short-term results and long-term continuity.

The changing environment, including accelerating digitization, is also having an impact on our employees. We continue to invest in healthy working practices, the promotion of craftsmanship and new forms of leadership and encourage our employees to acquire new skills and competences to increase their employability.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

NON-LIFE NETHERLANDS

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	CLAIMS RATIO	EXPENSE RATIO
€3,668 MILLION	€260 MILLION	67.8%	25.1%



RESULTS (€ MILLION)

	2020	2019	Δ
Gross written premiums	3,668	3,564	3%
Operating expenses	901	890	1%
Operational result	**260**	**178**	**46%**

NON-LIFE NETHERLANDS	2020	2019	Δ
Claims ratio	67.8%	69.0%	-1.2%-pt
Expense ratio	25.1%	26.0%	-0.9%-pt
Combined ratio	**92.9%**	**95.0%**	**-2.1%-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 mobility-, home-, liability- and travel insurance. In addition, we offer sickness and disability insurance. 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 as much as possible. We distribute our products and services directly through our brands Centraal Beheer, FBTO and InShared, which gives us a strong position in the retail market. Interpolis is the brand for Rabobank customers and via Avéro Achmea we have an excellent partnership with Intermediaries.

Our focus is on a high level of customer satisfaction, innovative services and digitisation of processes. Customers can communicate with us more often, at any time, and in the way that they want.

Gross written premiums

Gross written premiums increased by 3% to €3,668 million in 2020 (2019: €3,564 million). This growth was partly prompted by an increase in the number of customers and the high levels of customer satisfaction and retention of existing customers, who award high scores to our strong and mainly online market propositions. Premium adjustments also contributed to the increase in written premiums.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Gross written premiums from our property & casualty insurance business increased by 2% to €3,021 million (2019: €2,948 million) based on strong online distribution and customer service in both the retail and commercial lines.

Gross written premiums from the income protection insurance business increased by 5% to €647 million (2019: €616 million) as a result of growth in the portfolio and premium adjustments.

Operating expenses

Operating expenses increased slightly to €901 million in 2020 (2019: €890 million) due to higher commission expenses as a result of the growing portfolio. The expense ratio decreased to 25.1% (2019: 26.0%) in the wake of increased revenue and further cost control based on digitisation of operations in, among others, the claims and underwriting processes.

Operational result

The operational result at Non-Life increased to €260 million in 2020 (2019: €178 million). The combined ratio improved from 95.0% in 2019 to 92.9% in 2020, which also increases the underwriting result. This is due to lower traffic intensity due to Covid-19, volume growth, managing the cost of claims and operational cost control. In line with the trend of the past few years, underwriting performance has continued to evolve positively. The investment results were lower due to the less favourable trends on financial markets and impairments.

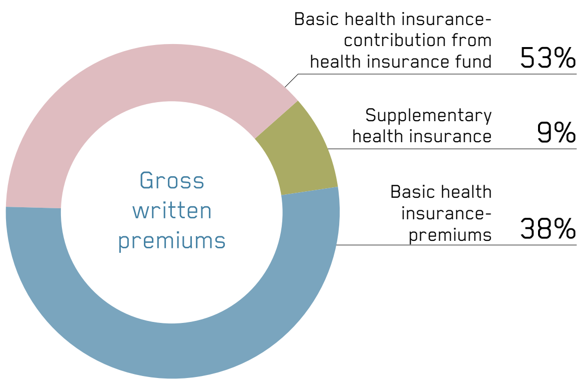
The result on property & casualty increased to €238 million in 2020 (2019: €164 million). This led to an improvement in the combined ratio for the property & casualty insurance business to 92.2% (2019: 94.8%). The result was positively impacted by fewer reported claims caused by a decrease in the number of traffic accidents and break-ins. On the other hand, we have seen a higher cost of claims for cancellation and event insurance arising from the Covid-19 pandemic. Moreover, a larger amount was allocated to the reserve for injury claims from previous years.

The operational result from our income protection insurance business was €22 million over 2020 (2019: €14 million). The result was negatively affected by a much higher number of claims and longer recovery periods in our sickness insurance portfolio, which was related to Covid-19. Despite this, the underlying underwriting result improved due to growth, premium adjustments and lower expenses. The combined ratio stood at 96.9% (2019: 96.3%).

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

HEALTH NETHERLANDS

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	COMBINED RATIO BASIC HEALTH INSURANCE	COMBINED RATIO SUPPLEMENTARY HEALTH INSURANCE
€14,284 MILLION	€235 MILLION	99.4%	86.6%



RESULTS (€ MILLION)

	2020	2019	Δ
Gross written premiums	14,284	14,082	1%
Operating expenses	477	515	-7%
Operational result	**235**	**62**	**279%**
Result current year	260	147	77%
Result prior years[1]	-25	-85	71%

BASIC HEALTH	2020	2019	Δ
Claims ratio	97.6%	98.0%	-0.4%-pt
Expense ratio	1.8%	2.2%	-0.4%-pt
Combined ratio	**99.4%**	**100.2%**	**-0.8%-pt**

SUPPLEMENTARY HEALTH	2020	2019	Δ
Claims ratio	76.0%	82.3%	-6.3%-pt
Expense ratio	10.6%	10.5%	0.1%-pt
Combined ratio	**86.6%**	**92.8%**	**-6.2%-pt**

[1] Results on prior years refer to earnings from health expenses and/or equalisation from previous book years and allocations to a mutation of loss provisions.

GENERAL INFORMATION

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

Under the Dutch healthcare system, basic health insurance is mandatory for all on the basis of the solidarity principle and insurers have a duty to accept all applicants. The government determines the substance of this basic health insurance.

In addition supplementary insurance is offered. Participation in this is voluntary, and there is no duty to accept applicants. To ensure that healthcare remains affordable in the future, Achmea focuses on preventing illness and promoting a healthy lifestyle. Zilveren Kruis and Achmea's other health insurance brands aim to bring good health closer to everyone. Our ambition is to be able to provide healthcare online and at customers' homes. This will reduce the impact of treatments, improve the quality of life and helps keep premiums affordable. Initiatives such as Gezond Ondernemen (Healthy Enterprise) and the Actify lifestyle platform enable us to help our customers to work and live more healthily. 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.

About 4.8 million people in the Netherlands opted to be insured by one of our health insurance brands in 2021, which constitutes a slight drop compared to 2020. With a market share of 28%, Achmea is the market leader in healthcare.

Covid-19

Since the beginning of Covid-19, as a health insurer we have enabled healthcare providers to survive these tough times and guaranteed continuity of healthcare for our policyholders. Those healthcare providers that have experienced a drop in income due to postponed treatment or a drop in care purchasing during the Covid-19 pandemic were eligible for a continuity contribution to cover their fixed expenses. The total amount paid by Achmea in continuity contributions was around €1 billion. Hospitals were given appropriate compensation from health insurers for lost income. Furthermore, in consultation with the health insurer, healthcare providers were also able to charge additional expenses incurred for providing care related to Covid-19. These might relate to providing care to an individual policyholder or a group of policyholders. Examples include additional expenses for extra personal protective equipment or expenses incurred through having to separate patients who are (potentially) infected with Covid-19 from other patients. The support measures amounted to several billion euros nationwide. Health insurers used premiums, the equalisation contribution, including the contribution from the catastrophe scheme, and, if necessary, their reserves for this purpose.

Based on the catastrophe scheme provided by law, higher Covid-19-related costs incurred by healthcare insurers in the Netherlands are largely compensated by additional contributions from the Health Insurance Equalisation Fund. Based on how the second wave of Covid-19 infections unfolded, it became clear by the end of 2020 that Covid-19-related expenses driven by the second wave were well above the own risk threshold. As a result, health insurers will receive compensation for the Covid-19 expenses incurred above this threshold up to a certain maximum. The catastrophe scheme applies to Covid-19 expenses incurred in two years (2020 and 2021) combined. Based on this legislation, the contribution is to be distributed over 2020 and 2021 in proportion to the claims submitted.

With the approval of the Netherlands Authority for Consumers & Markets, health insurers have also agreed to jointly absorb the consequences of Covid-19, and to share the expenses resulting from Covid-19 and the compensation from the catastrophe scheme based on their market share.

Gross written premiums

Gross written premiums from basic and supplementary health insurance were slightly higher at €14,284 million than in 2019 (2019: €14,082 million). Gross written premiums from basic health insurance amounted to €13,064 million (2019: €12,834 million). Premiums rose about 2% due to additional contributions from the catastrophe scheme and the solidarity scheme related to the Covid-19 pandemic (€251 million in total). Gross written premiums excluding the contributions from the catastrophe and solidarity schemes were virtually the same as in 2019 due to the increase in the premium for basic health insurance in 2020 with fewer policyholders.

Gross written premiums from supplementary health insurance decreased slightly to €1,220 million (2019: €1,248 million) due to a decline in the number of policyholders compared to 2019.

Operating expenses

The total operating expenses of our health activities decreased to €477 million (2019: €515 million). This can largely be attributed to lower restructuring expenses and lower staff expenses due to fewer FTEs as a result of ongoing efficiency improvements.

Operational result

The operational result from our health business amounted to €235 million in 2020 (2019: €62 million). The results on basic and supplementary health insurance were positive, although the result from other activities was negative.

Basic health insurance

The operational result from basic health insurance amounted to €75 million over 2020 (2019: €26 million negative). The operational result in the current underwriting year amounted to €107 million (2019: €66 million). The positive result in basic health insurance can mainly be explained by the fact that regular health care was limited because of Covid-19, and because of the contribution from the catastrophe scheme and the solidarity scheme (€251 million in total). In addition, reserves (€136 million) were deployed to limit the increase in basic health insurance premiums in 2021. The result from prior years amounted to €32 million negative (2019: €92 million negative).

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

In line with the overall trend in results, at 99.4% the combined ratio for basic health insurance is lower compared to 2019 (100.2%).

Supplementary health insurance
Supplementary health insurance policies account for €166 million of the operational result from the health business (2019: €86 million); €159 million of the result derives from the current underwriting year (2019: €79 million). There was also a positive result from previous underwriting years of €7 million (2019: €7 million). The higher result is due to lower medical expenses caused by a drop in the purchase of healthcare and partly postponed treatment of regular healthcare services due to the Covid-19 pandemic. Very little of this postponed treatment has since taken place.

The percentage of basic health insurance policyholders with supplementary coverage remained stable in 2020 at around 76%[1]. The combined ratio of supplementary health insurance policies improved to 86.6% in 2020 (2019: 92.8%), mainly as a result of the postponement of care due to the Covid-19 pandemic.

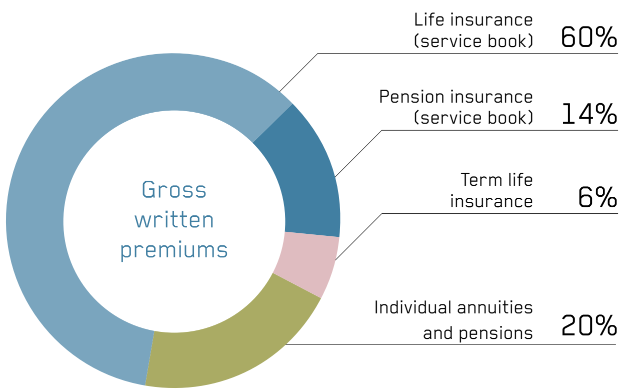
Other (healthcare offices and services)
The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies, particularly Eurocross, aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. The operational result from the Other category amounted to €6 million negative in 2020 (2019: €2 million). The lower operational result is mainly caused by the drop in revenue at healthcare providers due to the absence of care required in foreign countries in the wake of the Covid-19 pandemic. This has only been partly offset by lower operating expenses.

1 Up to full year 2019 this percentage was reported based on the Zilveren Kruis label and was representative of all labels. Due to a changing portfolio distribution and percentage of customers with supplementary health insurance at other (digital) labels, from half year 2020 this percentage is reported based on the total Health segment.

PENSION & LIFE NETHERLANDS

GROSS WRITTEN PREMIUMS
€1,005 MILLION

OPERATIONAL RESULT
€253 MILLION



RESULTS (€ MILLION)

	2020	2019	Δ
Gross written premiums	1,005	1,164	-14%
Operating expenses	149	155	-4%
Operational result	**253**	**363**	**-30%**

GENERAL INFORMATION

Pension & Life primarily manages a service-book portfolio containing group pension contracts and traditional savings and life insurance products. In addition, Pension & Life manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. Pension & Life's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction. The total technical provisions are evolving in line with the natural development of the portfolio, but at the same time are affected by market developments and short-term volatility. Due to the decrease in interest rates the technical provisions increased by 2% to €47 billion in 2020.

Gross written premiums

In 2020, total gross written premiums decreased by 14% to €1,005 million (2019: €1,164 million). Of this amount, €742 million came from the service book and €263 million from the open book.

In 2020, total written premiums on our service-book pension portfolio amounted to €136 million (2019: €244 million). Total premiums on our service-book life insurance portfolio amounted to €606 million (2019: €680 million). In line with our strategy, no new insurance contracts are being sold in these portfolios. The decline in the premium income is in accordance with expectations and the result of natural portfolio development.

The open-book portfolio saw a slight increase in written premiums from term life insurance policies to €58 million (2019: €57 million). Production of individual annuities and pensions amounted to €205 million in 2020 (2019: €183 million).

OPERATING EXPENSES

In 2020 the operating expenses amounted to €149 million and are therefore lower than they were in 2019 (€155 million). Expenses are evolving in line with expectations, with previous cost-cutting initiatives and IT investments having led to a reduction in expenses.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

Operational result

The operational result decreased to €253 million in 2020 (2019: €363 million). This decrease was driven primarily by the turbulence on the financial markets in the first half of 2020, triggered by the Covid-19 outbreak. This led to a fall in investment income and the interest result.

The investment result decreased by €73 million in 2020 compared to the same period in the previous year, mainly due to lower realisations and impairments as a result of negative developments on the stock markets and impairments on commercial real estate (mainly retail and offices).

The technical result decreased by €55 million in 2020 compared to the same period last year. This difference was mainly caused by a recalibration of the provision for insurance liabilities carried out in 2019 and other one-off effects that had a positive impact of €45 million. The technical result was also affected by lower risk premiums due to the run-off in the (active) portfolio. On balance, Covid-19 has had a limited impact on the technical result.

RETIREMENT SERVICES NETHERLANDS

NET INTEREST MARGIN	OPERATIONAL RESULT	ASSET UNDER MANAGEMENT	COMMON EQUITY TIER 1 RATIO ACHMEA BANK
€142 MILLION	€22 MILLION	€227 MILLION	20,4%

RESULTS* (€ MILLION)

RETIREMENT SERVICES	2020	2019	Δ
Total Income	368	360	2%
of which: administration and management fees pension administration	235	217	8%
Operating expenses[1]	346	322	7%
Operational result	**22**	**38**	**-42%**

ACHMEA BANK	2020	2019	Δ
Net interest margin[2]	142	127	12%
Fair value result[3]	-8	18	n.m.*
Operating expenses	106	105	1%
Changes to loan loss provisions	-3	3	n.m.*

	31 December 2020	31 December 2019	Δ
Common Equity Tier 1 ratio	20.4%	19.2%	1.2%-pt

(€ BILLION)

ASSET UNDER MANAGEMENT[4]	31 December 2020	31 December 2019	Δ
Achmea Investment Management	203	147	56
Syntrus Achmea Real Estate & Finance**	37	23	14
Total Asset under Management* **	**227**	**161**	**66**

* n.m.: not meaningful
** As of 1 January 2020, SAREF has been reclassified from the Other activities segment to the Retirement Services segment. The comparative figures for 2019 have been adjusted accordingly. As of 1 January 2020 assets under management includes part of Achmea Bank's mortgage portfolio.
*** Total assets under management after eliminations.
1 Operating expenses including other expenses.
2 The day one effect of €18 million, related to the acquisition of the a.s.r. portfolio was included in the interest margin in 2019. This has been adjusted in the comparative figures in 2020 and is included in the Fair Value result.
3 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 comprises the result relating to the activities of Achmea Bank.
4 The Assets under Management (AuM) include a derivatives (overlay) portfolio.

GENERAL INFORMATION

Through Retirement Services, Achmea provides (financial) solutions for institutional and retail customers for now, tomorrow and later. Achmea Pension Services offers services to company, occupational and exempt sectoral pension funds and to the Centraal Beheer General Pension Fund (APF). Achmea Investment Management manages the assets of Achmea Group and pension funds, including the Centraal Beheer APF, and retail customers, alongside capital accrual products and strategic and portfolio advice. Retail customers in the third and fourth pillars can choose from a wide range of (financial) services. These products and services are primarily distributed through the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pension & Life and Syntrus Achmea Real Estate & Finance (SAREF). As of 2020, the latter forms part of our Retirement Services segment following the announcement of the bundling of the mortgage activities at the end of 2019. SAREF manages €37 billion in real estate and mortgages on behalf of over sixty pension funds and other institutional investors. This means that the task of attracting investors for real estate and mortgages is part of Retirement Services too.

Operational result

The operational result for Retirement Services decreased to €22 million in 2020 (2019: €38 million). This decrease can largely be attributed to a one-off positive transaction result of €18 million in 2019 from the acquisition of a mortgage portfolio by Achmea Bank. The result has increased in underlying terms, while additional investments have also been made in further growth.

Retirement Services saw revenue grow by €36 million to €378 million in 2020 due to growth in assets under management, primarily owing to new customers and the acquisition of mortgage portfolios. At the same time, the level of investment was raised for developing a new platform for pension administration (RAP platform), leading to the result of Achmea Pension Services remaining the same on balance.

Achmea Bank

Achmea Bank's result decreased by €15 million to €35 million (2019: €50 million). The result over 2019 included non-recurring income of €18 million from the acquisition of a mortgage portfolio. When adjusted for this one-off effect, the result increased by €3 million in 2020. The higher interest results are partly due to the acquisition of a portfolio from a.s.r. bank. An increase in the amount of interest compensation deriving from early repayments on mortgages, as well as mortgage conversions, also had a positive impact on the result.

Mortgage production amounted to €1,581 million in 2020 (2019: €1,774 million), of which €890 million was for Achmea Pension & Life (2019: €1,037 million).

As of 31 December 2020, the Common Equity Tier 1 ratio stood at 20.4% (year-end 2019: 19.2%). This represents an increase caused by the addition of the result over 2019 and a slight reduction in the size of the portfolio.

Achmea Investment Management

As of 31 December 2020, assets under management at Achmea Investment Management totalled €203 billion (year-end 2019: €147 billion). The increase can largely be attributed to the acquisition of new customers. Despite the turbulence on the financial markets at the beginning of 2020, the value of our customers' assets increased by the positive investment return earned over 2020. Also because of the growth in our customer portfolio and assets under management, Achmea Investment Management's contribution to the result increased to €12 million (2019: €6 million).

At an ICAAP ratio of 169%, the capital position is robust and solid. From this strong capital position we are investing continually in improvement projects to further develop as a leading Dutch asset manager.

Achmea Pension Services

The operational result of Achmea Pension Services remained stable in 2020 at €26 million negative (2019: €26 million negative). In 2020, revenue growth and lower ongoing expenses were used to raise the level of investment. Over the past few years, Achmea Pension Services has made significant progress on transforming itself into the best digital pension provider in the Netherlands. It has acquired InAdmin RiskCo in partnership with pension fund PGB. This means that the RiskCo Administration Platform (RAP) can be used as a basis for further development into a state-of-the-art pension platform for the entire sector. An investment programme has been set up for this development and will be rolled out further over the coming years. This move enables us to create a strong and broadly accessible model from which the entire pension sector will be able to profit. The idea is to achieve scale and cost benefits in the long term for participants, pension administrators and pension funds. In 2020 Achmea Pension Services has attracted two major new clients: the Ahold Delhaize company pension fund and the sectoral pension fund for general practitioners. Both funds will join starting from 1 January 2022.

In 2020 the Centraal Beheer APF continued its strong growth thanks to the confidence and accession of a number of new employers and pension funds. The Centraal Beheer APF is one of the biggest APFs in terms of assets under management and a market leader measured in terms of the number of affiliated pension funds, employers and (active) participants

Syntrus Achmea Real Estate & Finance

The results at Syntrus Achmea Real Estate & Finance decreased in 2020 due to higher one-off (project) expenses relating to the bundling of mortgage activities and a decline in revenue from the property portfolio, partly caused by the Covid-19 outbreak and the ongoing debate on the environment and health (PFAS) that has led to delays at a number of construction projects. This caused a decrease in the result to €1 million (2019: €7 million).

Assets under management in real estate and mortgages increased to €37 billion in 2020 (2019: €23 billion), partly thanks to the centralisation of mortgage activities within Achmea (€11 billion) as well as the expansion of existing mandates for real estate and mortgages. This growth was achieved in spite of the turbulence and uncertainty on the real estate market.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

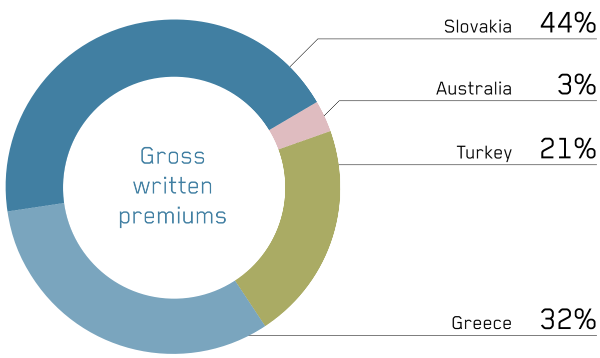
As part of the bundling of mortgage activities within Achmea from 1 October 2020, the separate account platform that forms the basis for the further centralised growth of mortgages at Achmea went live in the final quarter of 2020.

At an ICAAP ratio of 127%, the capital position is robust and sufficiently solid to allow SAREF to continue its investment and growth to develop itself as a leading asset manager specialising in real estate and mortgages.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

INTERNATIONAL ACTIVITIES

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	ACTIVE FOREIGN ESTABLISHMENTS
€1,104 MILLION	€23 MILLION	5



RESULTS

(€ MILLION)

	2020	2019	Δ
Gross written premiums	1,104	1,041	6%
Operating expenses	242	240	-
Operational result	**23**	**22**	**5%**

GROSS WRITTEN PREMIUMS PER COUNTRY	2020	2019	Δ
Slovakia	487	442	10%
Greece	351	341	3%
Turkey	231	231	-
Australia	35	27	30%

GENERAL INFORMATION

Achmea's international activities focus on non-life, health and agricultural insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge and digital expertise gained in the Netherlands. This expertise is used selectively and in a capital-light manner in specific international markets. We focus on growth in existing and new market segments.

Gross written premiums

Gross written premiums increased by 6% to €1,104 million (2019: €1,041 million). Adjusted for exchange rate effects, the increase amounts to 12%.

In Slovakia, the health business performed well, with a premium growth of 13%, while the property & casualty business noted a decrease of 3% caused by the decline in premiums in the travel portfolio due to Covid-19. The announced acquisition of Slovakian insurer Poštová poisťovňa is in line with our strategy aimed at consolidating our market position by boosting distribution capacity and the size of property & casualty and healthcare activities via the online and banking distribution channels.

In Greece, Interamerican posted growth of 3% at an aggregate level in what was a shrinking market due to Covid-19. Interamerican's direct online channel, Anytime, was again an important driver behind this growth in 2020, in both Greece (9%) and Cyprus (23%). Interamerican saw growth in excess

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

of 5% in its property & casualty business versus 2019, partly because of its leading role in creating a mobility ecosystem, and in doing so has strengthened its position as market leader. Within the Health business, Interamerican noted growth in gross written premiums of 1%, largely thanks to the BeWell modular healthcare product.

In Turkey, gross written premiums increased by 25% in local currency, partly as a result of high inflation, to TRY 1,835 million (2019: TRY 1,467 million). The devaluation of the Turkish lira caused that gross written premiums remained the same in euros. In line with our strategic goals, the home and health-care portfolios displayed robust growth. Profitable growth was achieved in the health business, partly thanks to active use of the long-term partnership with Garanti BBVA and its network.

In Australia, gross written premiums grew in local currency by 32% to AUD 57 million (2019: AUD 43 million) owing to its unique 'All-in-One Farm Pack'. This premium growth is supported by partnerships with Rabobank and Angus Australia.

In Canada, the strong growth at Onlia demonstrates that the online business model is gaining ground in the Canadian insurance market particularly at this time. Partly by broadening the focus to home insurance and actively encouraging customers to provide input, Onlia succeeded in more than quadrupling the number of policies sold and earned an NPS of 65.

Operating expenses

Operating expenses totalled €242 million in 2020 and despite the premium growth were in line with those of 2019 (2019: €240 million).

Operational result

The total operational result of €23 million in 2020 is in line with that of 2019 (€22 million), even though Australia and Greece were hit by natural disasters (total impact of €12 million in 2020) and the healthcare system in Slovakia experienced shortfalls caused by the impact of Covid-19. The positive contribution is mainly related to a lower cost of claims in Mobility and Health in Greece and Turkey due to the reduction in road traffic and a drop in regular hospital treatments because of Covid-19.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

OTHER ACTIVITIES

OPERATIONAL RESULT OTHER ACTIVITIES €-163 MILLION	OPERATIONAL RESULT ACHMEA REINSURANCE €2 MILLION	GROSS WRITTEN PREMIUMS ACHMEA REINSURANCE €289 MILLION

RESULTS (€ MILLION)

	2020	2019	Δ
Total gross income	319	293	9%
Operating expenses	142	167	-15%
Interest and similar expenses	72	66	9%
Operational result	**-163**	**-116**	**-41%**

ACHMEA REINSURANCE	2020	2019	Δ
Gross written premiums	289	271	7%
Operational result	**2**	**33**	**-94%**

GENERAL INFORMATION

Other activities comprises the results of Achmea Reinsurance. Part of the result also relates to the expenses at holding company level and for activities at the shared service centres. As of 1 January 2020, Syntrus Achmea Real Estate & Finance has been reclassified from the Other activities segment to the Retirement Services segment. Comparative figures have been adjusted accordingly.

Operational result

The operational result amounted to €163 million negative and is therefore €47 million lower than in 2019. The result on our Other activities is negative, as part of the expenses from the holding company and shared service activities, as well as the financing charges for the bonds issued by Achmea, are shown in this segment. The lower operational result is mainly due to the result of Achmea Reinsurance having decreased by €31 million. Furthermore, in 2020 there were temporarily double financing charges due to the issue of a €750 million Senior Unsecured bond for refinancing a bond that matured in November 2020. The lower coupon rate on this newly-issued bond will lead to an annual reduction of €8 million in future financing and holding charges and therefore to an improvement in the result on our Other activities.

ACHMEA REINSURANCE COMPANY

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance 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.

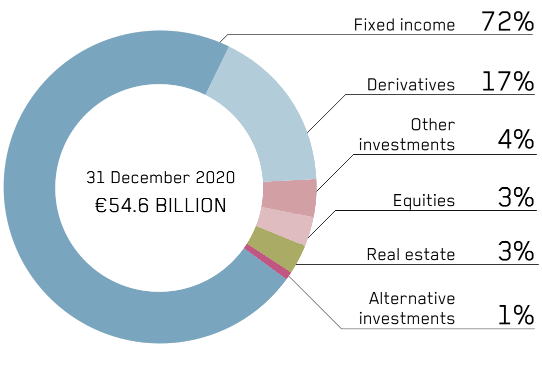
Gross written premiums amounted to €289 million, an increase compared to 2019 (€271 million). This mainly derives from growth in the incoming reinsurance portfolio for third parties, both for life and other selected risks. Achmea Reinsurance's total risk profile remained broadly unchanged.

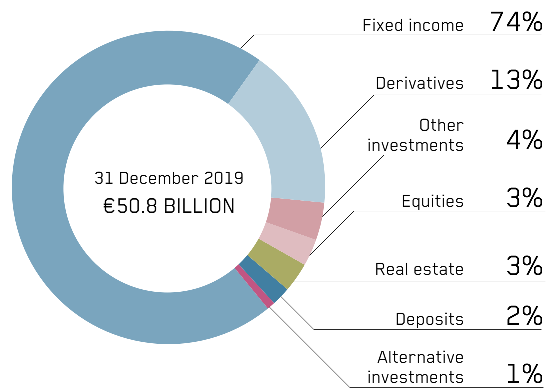
The operational result was €2 million in 2020 (2019: €33 million). Compared to 2019, this result was negatively affected by a higher cost of claims from three major corporate fire claims in the Achmea portfolio, a higher cost of claims on incoming life and non-life insurance policies arising from Covid-19 and lower investment income due to the turmoil on the financial markets.

RESULTS AND DEVELOPMENTS IN 2020 CONTINUED

INVESTMENTS

TOTAL INVESTMENT PORTFOLIO[1,2]

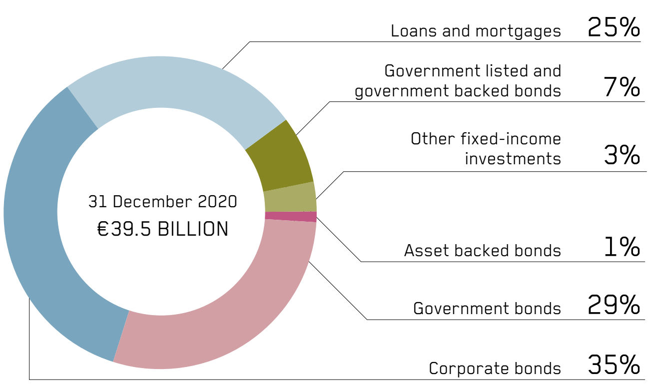


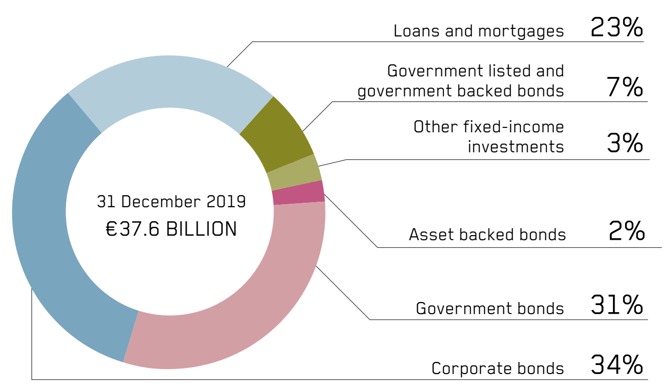


[1] The year report shows fixed-income funds as part of the fixed-interest portfolio and real estate funds as part of real estate. In the financial statements, these investment categories are shown as part of equities and similar investments.

[2] The total investments portfolio contains Investment property and Investments own risk as included in the consolidated financial statements 2020.

RELATIVE ALLOCATION FIXED-INCOME PORTFOLIO





FIXED-INCOME PORTFOLIO

The value of our fixed-income portfolio increased by over 5% to €39.5 billion in 2020 (year-end 2019: €37.6 billion). The increase was mainly due to higher valuations caused by the lower bond yields in 2020.

Within the fixed-income portfolio, the portion of government bonds, government-related bonds and government-backed loans decreased by 3 percentage points to 35% (2019: 38%), largely due to a higher allocation to corporate bonds and mortgages, and as of year-end 2020 stood at €14.0 billion (31 December 2019: €14.3 billion).

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 2020, the residential mortgages portfolio was further expanded via Centraal Beheer 'Leef'. The residential mortgages portfolio increased to €8.6 billion (2019: €7.9 billion). In so doing, we increase the returns on our portfolio.

Our fixed-income portfolio is prudently invested. The bulk, 76% of the portfolio 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 (2019: 23%).

EQUITY- AND ALTERNATIVE INVESTMENTPORTFOLIO

Our equity portfolio had a total value of €1.5 billion at year-end 2020 (2019: €1.7 billion), i.e. roughly 2.7% of our total investment portfolio. After a sharp decline in stock indices in March 2020 due to Covid-19, they recovered in the second half of the year. The decline in our equity portfolio is mainly caused by sales. 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 2020 (2019: €0.7 billion).

REAL ESTATE PORTFOLIO

Our real estate portfolio decreased, mainly driven by sales, by €145 million to €1.3 billion by year-end 2020 and represented about 2.5% of our total investment portfolio. At year-end 2020, the real estate portfolio comprised €1.0 billion in direct real estate investments, including 56% residential real estate, 20% retail and 24% offices. Additionally, our real estate portfolio comprised €368 million in indirect real estate investments (2019: €324 million).

TOP 5 INVESTMENTS GOVERNMENT BONDS (€ MILLION)

	31 December 2020	31 December 2019	RATING
The Netherlands	5,667	5,861	AAA
Germany	1,712	1,749	AAA
France	1,517	1,229	AA
Austria	429	468	AA+
Spain	361	296	A-

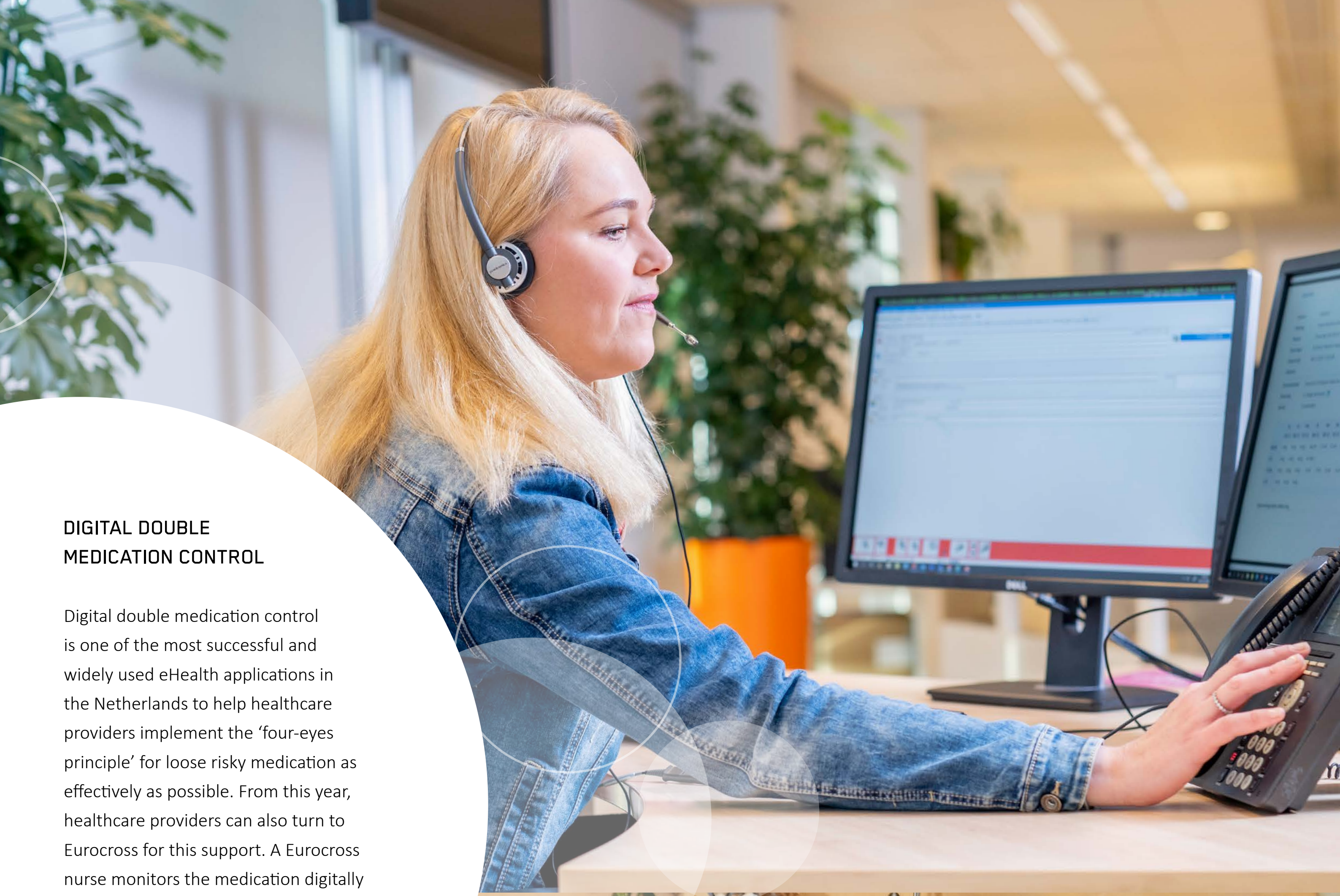
DISTRIBUTION FIXED INCOME PORTFOLIO BY RATING	31 December 2020	31 December 2019
AAA	30%	31%
AA	13%	14%
A	15%	15%
BBB	18%	16%
<BBB	1%	1%
Not rated	23%	23%
Total	**100%**	**100%**

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 2020 Achmea had a solid Solvency II capital osition and a solvency ratio of 208%. The composition of the risk profile and the key risks identified remained largely unchanged in 2020.

Note 2 (page 69) Capital and risk management in the financial statements contains a more detailed description of the developments in 2020, Achmea's capital position, risk profile and its capital and risk management policy.



DIGITAL DOUBLE MEDICATION CONTROL

Digital double medication control is one of the most successful and widely used eHealth applications in the Netherlands to help healthcare providers implement the ‘four-eyes principle’ for loose risky medication as effectively as possible. From this year, healthcare providers can also turn to Eurocross for this support. A Eurocross nurse monitors the medication digitally and checks the prescribed medication before it is administered to the client by a care worker.

eurocross assistance

GOVERNANCE

SUPERVISORY BOARD REPORT

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 sixteen occasions in 2020, for ten ordinary meetings and six extraordinary meetings. Almost all meetings took place in a digital environment. A comprehensive strategy session was held in June 2020. At the strategy session, the members of the Supervisory Board and Executive Board discussed Achmea's strategic direction, the possible long-term effects of Covid-19 and the long-term earnings model.

An additional five meetings of the Supervisory Board were held in the period March- May 2020. During these meetings, the Supervisory Board and the Executive Board discussed the impact of Covid-19 on Achmea, its customers and society, and actions taken to limit this impact, based on the Covid-19 Integral Dashboard developed. This integral Covid-19 Dashboard was subsequently discussed in the regular meetings of the Supervisory Board.

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 eleven occasions in 2020, the Remuneration Committee four times and the Selection & Appointments Committee held a total of eight meetings.

The table below provides an overview of the attendance rates of each individual Supervisory 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 2020. The member who was unable to attend a meeting informed the chairman and provided the chairman with input prior to the meeting.

ATTENDANCE RATES

NAME	SUPERVISORY BOARD	AUDIT & RISK COMMITTEE	SELECTION- & APPPOINTMENTS COMMITTEE	REMUNERATION COMMITTEE
J. van den Berg	100%		100%[1]	100%
P.H.M. Hofsté	94%	100%	100%	
M.R. van Dongen	100%[2]	100%[3]		
A.M. Kloosterman	100%			100%[4]
M. Lückerath	100%		100%	100%
A.C.W. Sneller	100%	100%		
A.W. Veenman	100%	100%[5]	100%	100%
R.Th. Wijmenga	100%	100%		
W.H. de Weijer	100%		100%	

1 Joined on 1 March 2020
2 Joined on 28 April 2020
3 Joined on 8 October 2020
4 Joined on 11 September 2020
5 Resigned on 8 October 2020

Strategy and 'The Sum of Us'

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

With a view to further implementing the 2025 Strategy and developing the Business Plan 2021-2023, the Supervisory Board was involved in strategic issues at an early stage and discussed these issues with the Executive Board in several constructive consultation sessions. The long term impact of Covid-19 on society, the insurance business and Achmea's operations was discussed. Due to Covid-19, we expect a greater focus on health risks and financial buffers, an acceleration in digitisation and a lasting change in behaviour regarding the way we work. In addition, we expect a greater awareness regarding sustainability and corporate social responsibility and we are seeing a change in risk acceptance and insurance.

The Supervisory Board and the Executive Board discussed the progress of the 2025 Strategy and of the spearheads formulated for the strategic period The Sum of Us. The expectations of Achmea's stakeholders, including of course our customers, are central to this, both with regard to the value that Achmea offers them and Achmea's contribution to society. The Supervisory Board established with the Executive Board that, looking at the long term impact of Covid-19, Achmea's strategic spearheads respond well to the expected impact. This is mainly due to the increased focus on data and technology, accelerating the realisation of the ambition with partners, connecting to new distribution models and ecosystems, the focus on the development of our employees and organisation and fulfilment of Achmea's social role. Achmea's cooperative identity is both the basis for this and a source of inspiration.

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 found that, with the spearheads formulated by the Executive Board, good progress was made in these 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 also discussed with and emphasised to the Executive Board the importance of developing the Group's long-term earning potential and achieving its financial ambitions. The economic uncertainties, including low interest rates, scenarios and sensitivities and the short- and long-term measures formulated by the Executive Board were discussed in detail.

In this context, the Supervisory Board also discussed a number of choices and dilemmas with the Executive Board, such as i) the impact of low interest rates on investment results and solvency and the extent to which mitigating measures will 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) the optimal use of capital to realise the strategic ambitions.

The Supervisory Board, together with the Executive Board, continuously monitored the impact of Covid-19, the realisation of the financial ambitions, the further reduction of expenses and complexity, and at the same time a continued focus on excellent (digital) customer service, innovations and strategic initiatives to increase the long-term return.

Detailed discussions on the acceleration of the implementation of the international strategy focused on the following areas in 2020: i) growth in existing markets, based in part on the key qualities of the Dutch business and ii) the development of a digital property & casualty insurance company on the InShared model in existing international markets with the use of online competencies from the Dutch business. In addition, the existing activities in Turkey, Greece, Slovakia, Australia and Canada were also discussed.

The Supervisory Board noted that in 2020, a year largely dominated by the effects of Covid-19, the safeguarding and improvement of customer service has been achieved while at the same time employees have made a mass and seamless transition to working from home. Working from home effectively was possible on the one hand thanks to Achmea's IT investments in recent years to enable time- and place-independent working. On the other hand, a culture of cooperation and trust has been particularly decisive. The Supervisory Board noted that this strong investments had been made in this area in recent years and had borne fruit in this unique period. The Supervisory Board also emphasised the importance of programmes such as TOP (Talent, Development and Performance), which focuses on working on the basis of trust between a manager and his or her employees and the culture of feedback and development.

The Supervisory Board endorses the Executive Board's vision regarding the importance of investing in innovation and digitisation. The renewal of the business was accelerated in the Covid-19 period through the efforts of the Executive Board and staff. Based on 'The Sum of Us', the company has continuously improved its processes in recent years with major innovations, particularly in the IT and data infrastructure, which have improved its propositions. The range of services has been further expanded. Achmea has established an innovative omni channel customer service with which it has maintained its leading position in the Dutch market. This has contributed to solid growth in 2020 in the number of customers through direct channels, such as Centraal Beheer. Moreover, major growth was achieved in 2020 at Achmea Investment Management and also at Achmea Pensioenservices, due in part to the acquisition of InAdmin RiskCo. In addition, the International activities have also experienced growth.

The Supervisory Board discussed the fact that major progress was made in 2020 in improving the operational result. Major follow-up steps were taken in 2020 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. 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 has noted that customer satisfaction remains high and that Customer Centricity and employee engagement scores are high. The development of health care premiums and premium setting in relation to restricting increases in health insurance premiums for customers by using the health insurers' capital for the customers were discussed. In addition, the volatility of the development of results, particularly in Health and Pensions & Life, as well as the effects of the Covid-19 pandemic on the investments (financial markets) were discussed.

The Supervisory Board also discussed the 'value makers' programme, which is part of the Strategy 2025. In this strategic period, this programme aims to create extra financial room to invest in innovation and growth, in keeping with our cooperative identity and the social impact that Achmea aims to achieve. The 2021-2023 Business Plan and 2021 budget were approved at the end of 2020. The Supervisory Board endorses the plans defined by the Executive Board, the measures implemented and the urgency of their implementation.

Finance and risk

In 2020, the Supervisory Board discussed Achmea's financial situation extensively each quarter based on the half-yearly and quarterly figures. In addition, after the outbreak of the Covid-19 pandemic, the Supervisory Board and the Executive Board discussed the impact of Covid-19 on Achmea and its business, the financial situation and risks, as well as the impact on its customers and society in extra and regular meetings on the basis of the developed Integral Covid-19 Dashboard. In addition, the 2019 annual report was also discussed and approved. 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.

Risks and their impact on Achmea were an important agenda item for the Supervisory Board in 2020. 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 2020, in addition to the effects of Covid-19, the board examined in detail the low interest rates and market volatility, and their impact on future capital generation, as well as measures to restrict this impact.

The internal control of compliance and operational risks, including compliance with the rules governing privacy (GDPR), the duty of care and CDD, were also discussed extensively. The Supervisory Board endorses the importance the Executive Board attaches to internal control based on the standards used by Achmea for this purpose, whereby the applicable laws and regulations are of course complied with. Moreover, the Supervisory Board concluded that the integral risk reporting is of a high quality.

The careful consideration by the Executive Board in April 2020 of the interests of the company and those of its stakeholders regarding a dividend payment was endorsed by the Supervisory Board. The uncertainties surrounding the effects of Covid-19, and in particular the call by EIOPA and DNB for insurers not to pay dividends, weighed heavily in the deliberations. This led to the Executive Board's decision, which was approved by the Supervisory Board, to propose to the General Meeting that the 2019 profit accruing to ordinary and preference shareholders be added to the reserves. The General Meeting decided in accordance with that proposal. The Executive Board indicated that it would assess the possibilities of paying a dividend to the providers of capital within the framework of the dividend policy later in 2020.

In September 2020, at a moment in the year when the effects of Covid-19 on Achmea's financial and risk position were even more visible, the Executive Board presented a proposal to pay a dividend from the reserves to the General Meeting. The Supervisory Board approved the proposal made by the Executive Board and established that it is properly substantiated, the interests of the business and all the stakeholders having been considered. The General Meeting decided to pay a dividend from the reserves to the holders of preference shares and ordinary shareholders.

The Executive Board involved the Supervisory Board intensively in the decision to refinance by issuing a senior bond loan under the existing EMTN programme. The Supervisory Board approved this proposal.

SUPERVISORY BOARD REPORT CONTINUED

Compliance with laws and regulations and auditing

Together with the Executive Board, the Supervisory Board noted in 2020 that the compliance requirements arising from laws and regulations, external regulation and national and international (industry) associations continue to increase.

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. Items on the agenda also included the company's diversity and Management Development policies, including the focus on internal training and internal promotion.

Achmea has its own remuneration policy that is aligned with its identity and strategy, as well as laws and legislation governing remuneration. At Achmea, without exception, variable remuneration for all employees in the Netherlands is restricted to a maximum of 20% of the fixed portion of their salary.

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 2020 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.

In line with existing policy, as of 1 January 2020 the fixed salary paid to Executive Board members was adjusted by the increment of 1% under the Collective Labour Agreement. Please see Explanatory note 32 of the consolidated financial statements.

The compensation paid to the members of the Supervisory Board for their activities on behalf of Achmea B.V. remained unchanged in 2020.

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.
The compensation they receive for their activities on behalf of these two entities is unchanged. Please also see Explanatory note 32 of the consolidated financial statements and the Explanatory notes of the 2020 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 2020 Achmea Remuneration Report, to be published on www.achmea.com later in 2021.

Composition of the Executive Board

The Executive Board's composition in 2020 was a topic of discussion by the Supervisory Board on several occasions.

On 28 April 2020, after discussion in the General Meeting, the Supervisory Board reappointed Mr Lamie for a period of four years as of 1 January 2021.

Furthermore, the Supervisory Board considered the filling of the position of Chairman and Vice-Chairman due to the announcement by the Chairman of the Executive Board, Mr Willem van Duin, that he would step down as Chairman of Achmea's Executive Board in April 2021 after an impressive, nearly 34-year career.

As the holder of the A-share in Achmea and to the satisfaction of the Supervisory Board, Stichting Administratiekantoor Achmea appointed Ms Bianca Tetteroo as Chair of the Executive Board and Mr Michel Lamie as Vice-Chairman of the Board of Directors with effect from the date of the General Meeting 2021 (13 April 2021).

SUPERVISORY BOARD REPORT CONTINUED

Composition of the Supervisory Board

The composition of the Supervisory Board was changed in 2020. Very unexpectedly, our esteemed fellow Supervisory Board member Mr Joosten passed away in March 2020. With his passing, we lost a warm, enthusiastic colleague. The Supervisory Board's composition was on the agenda on several occasions in 2020.

The General Meeting appointed Ms Van Dongen member of the Supervisory Board as of 28 April 2020 on the recommendation of the Supervisory Board. On the same date, Mr De Weijer was reappointed for a period of four years. As of 31 December 2020, the Supervisory Board had nine members. The Supervisory Board comprised five male and four female members.

COMPOSITION OF THE SUPERVISORY BOARD AS OF 31 DECEMBER 2020

NAME	NATIONALITY	GENDER	POSITION	TERM	YEAR OF FIRST APPOINTMENT	CURRENT TERM
J. van den Berg[a] (1964)	Dutch	Man	Member	First	2018	2018-2022
M.R. van Dongen[b] (1969)	Dutch	Woman	Member	First	2020	2020-2024
P.H.M. Hofsté[c] (1961)	Dutch	Woman	Member	Second	2015	2019-2023
A.M. Kloosterman[d] (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	Member	Second	2015	2019-2023
W.H. de Weijer[a] (1953)	Dutch	Man	Vice-chairman	Second	2016	2020-2024

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

EXPERTISE OF THE SUPERVISORY BOARD

NAME	EDUCATION	MANAGEMENT	GOVERNANCE	INSURANCE	BANKING	FINANCE/ RISK/AUDIT	HR/ REMUNERATION	LEGAL/ COMPLIANCE	COMMERCE/ CUSTOMER CENTRICITY	IT	HEALTH
J. van den Berg	Medicine / Management	•	•	•			•		•		•
M.R. van Dongen	Business Economics, Financing / Management	•	•	•		•		•			•
P.H.M. Hofsté	Economy / Accountancy	•	•		•	•		•			
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	•	•	•			•				•

SUPERVISORY BOARD REPORT CONTINUED

Permanent education

Three continuing education sessions (PE sessions) were organised for Supervisory Board members in 2020. All the sessions were attended by almost all the Supervisory Board members. The various PE sessions dealt with the regulations surrounding IFRS 9 and IFRS 17, the choices these regulations entail and their effects on the company. In addition, a deep-dive was made into the international activities and in particular the activities in Turkey, covering macroeconomic developments, the development of the company and its distribution channels and the new IT system.

Evaluation of the Supervisory Board

Each year, the Supervisory Board carries out a self-assessment of its performance, and on average once every three years the evaluation is carried out with the support of an external party. The outcome of this evaluation was discussed by the Supervisory 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.

As a result of the points for improvement from the previous evaluation, in 2020, the full Supervisory Board placed additional focus on management development and succession planning, to maintaining a further strengthened focus on the dialogue on strategic developments, and to discussing the dilemmas that arise in the committees of the Supervisory Board in the Supervisory Board, as well.

Suggestions for further improvement included: i) further increasing the focus on cultural diversity in succession issues, ii) further enriching the content of good Continuing Education for, and deep dives into, themes by the Supervisory Board with an even broader view from outside, iii) wider assurance of knowledge in the Supervisory Board about developments in InSurTech and digitisation.

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.

The Supervisory Board is independent in its supervisory role. The advisory role of the Supervisory Board is appreciated and in that context 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 excellent. In these, the interests of the company's stakeholders are incorporated

Culture

The Supervisory Board and the Executive Board discussed, among other things, the open culture, leadership and transparency in communications between the Supervisory Board and the Executive Board. As part of the strategic direction of the company, the culture in the company and the required employee and leadership profile were discussed. Among other things, the TOP (Talent, Development and Performance) programme, with a focus on direct feedback and the creation of an environment in which our employees can work on their personal development and excel, are important to Achmea. 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. Integrity as part of the transparent and honest corporate culture remains an important part of that and is based on indicating desired conduct from the perspective of Achmea's cooperative identity, as determined in Achmea's General Code of Conduct. The code of conduct describes Achmea's core values, core qualities and rules of conduct.

SUPERVISORY BOARD REPORT CONTINUED

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 primarily concerns aspects such as nominations for the appointment of 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 also invited to attend a number of meetings of the board of Vereniging Achmea, the majority shareholder of Achmea B.V., as an observer.

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

Relations with the external auditor

PricewaterhouseCoopers Accountants NV (PwC) is Achmea B.V.'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 2020 the Audit & Risk Committee held two private meetings with the external auditor. The Audit & Risk Committee and subsequently also the Supervisory Board discuss the performance of the external auditor annually. The external auditor is not present on this occasion.

The Supervisory Board and the Audit & Risk Committee agree that the working relationship with the accountant 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.

Due to the expiry of PwC's term as external auditor, in 2019, 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 annually. The Director of Internal Audit is not present on this occasion.

Relations with Compliance

The Supervisory Board has noted that the Risk and Compliance function is properly anchored in the organisation and was structured more efficiently in 2020. 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 business units and particulars relating to the financial, operational and compliance risks.

Relations with external supervisors

The Supervisory Board has noted that Achmea's relationship with the external Supervisors is good. The Supervisory Board has an annual consultation meeting with the Management Board of DNB, and the Chairman of the Supervisory Board and the Chairman of the Audit & Risk Committee regularly speak with DNB and the AFM.

Relationship with the Central Works Council (COR)

The Supervisory Board has a good relationship with the Central Works Council. 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 2020. 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 material conflicts of interest must be published in the Annual Report. No such transactions occurred in 2020. 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), after which a committee led by the Chairman of the Supervisory Board decides on the desirability of the additional position.

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee is comprised of the following four members of the Supervisory Board: Mr Roel Wijmenga (Chairman), Ms Lineke Sneller, Ms Petri Hofsté and Ms Miriam van Dongen (as of 8 October 2020). Mr Aad Veenman stepped down as a member of the Audit & Risk Committee as of 8 October 2020. 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 2020, 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 2020 a great deal of attention was again devoted to the regular reporting by both Risk 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 2020 there were explicit discussions on Achmea's risk appetite and its control, partly based on the Risk & Compliance reports and Audit Memoranda.

During the meetings to discuss the 2019 financial statements, much attention was devoted to Achmea's solvency and liquidity position and the financial results over 2019, which constituted a strong improvement on those for (the results for) 2018. The realisation of long-term financial and strategic objectives and the management of these objectives were also discussed. In addition, the proposal for, and careful consideration of, the Executive Board regarding the interests of the company and its stakeholders regarding the payment of dividends to the holders of preference and ordinary shares was discussed at length on several occasions. The careful consideration was endorsed by the Audit & Risk Committee. The uncertainties surrounding the effects of Covid-19, and in particular the call by EIOPA and DNB for insurers not to pay dividends, weighed heavily in the deliberations. This led to the Executive Board's decision to propose to the General Meeting that the 2019 profit accruing to ordinary and preference shareholders be added to the reserves and that options be re-examined later in the year. The Audit & Risk Committee advised the Supervisory Board positively on the Executive Board's decision, given the uncertainties surrounding the effects of Covid-19 and in view of the calls from EIOPA and DNB, to propose to the General Meeting that the 2019 profit accruing to ordinary and preference shareholders be added to the reserves.

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 has closely monitored developments and has established that good progress has been made.

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 the capital, liquidity and solvency positions. With regard to Achmea Pensioen- en Levensverzekeringen N.V., the outcome of the study into the scalability of expenses at Achmea Pensioen- en Levensverzekeringen N.V. was discussed, and the interest rate sensitivity of the solvency of Achmea Pensioen- en Levensverzekeringen N.V. and possible mitigating measures to limit that sensitivity were discussed multiple times.

Other topics discussed by the Committee included the Solvency and Financial Condition Reporting, the Regular Supervisory Report, the 2019 Achmea Valuation and the Annual Report, the ratings and the payment of dividends by the OTSOs.

Discussions on portfolio measures were also held with the Executive Board. Additionally, the Executive Board regularly updated the Audit & Risk Committee in 2020 on the content of the talks with the regulators.

SUPERVISORY BOARD REPORT CONTINUED

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 discussed the management of integrity and fraud risk, the governance and control of participations, the updating of the Group Risk Appetite 2020, model management and model validation, and the management of the compliance theme Customer Due Dilligence. In addition, the Preliminary Crisis Plan, the refinancing of the senior bond loan and the Q&A Savings Values and LACDT were also discussed. The quarterly reports on Fiscal Affairs were also discussed several times, and in-depth discussions were held on fiscal policy and the improvement process implemented in respect of fiscal governance.

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 during discussions of the risk appetite, including comprehensive risk reporting and Own Risk & Solvency Assessment (ORSA). In addition, the non-regular Own Risk & Solvency Assessment related to the uncertainties surrounding Covid-19 was discussed. Other topics discussed extensively with the Executive Board include the annual Internal Audit Plan 2020, including scope and definition of starting points, the PwC audit plan 2020 including the benchmark to be used for measuring the materiality of the financial statements, the developments of the tax positions, the 2020 Investment Plan and the Covid-19 impact, and the 2021 Investment Plan and the corresponding controls and monitoring.

The Audit & Risk Committee extensively discussed the transition plan for the new external auditor Ernst & Young over the financial years 2021 to 2025. In addition, the Audit & Risk Committee discussed the implementation and reassessment of the Audit Plan and presented positive advice to the Supervisory Board. Moreover, the Audit & Risk Committee was briefed on the update of the Internal Audit Charter and the Independence Policy.

In September 2020, the Audit & Risk Committee assessed the Executive Board's proposal for dividend payment from the reserves, made at a time in the year when the effects of Covid-19 on Achmea's financial and risk position were even better understood, and submitted it to the Supervisory Board with a positive advice. The Audit & Risk Committee endorsed this proposal of the Executive Board and the underlying insights and analyses. It was concluded that the proposal was based on a good foundation and a broad consideration of the interests of all stakeholders of Achmea, as a result of which a positive recommendation could be made to the Supervisory Board.

At the end of 2020, the 2021-2023 Group Business Plan, the financial translation of the business plan and the 2021 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, uncertainties relating to Covid-19, 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. The Audit & Risk Committee determined with PwC that the formulation of strategic spearheads into concrete action plans for each group entity was increasingly being driven top-down and was thus in line with the objectives of the amended governance structure implemented last year. It was also discussed that value creation and cost reduction remain important in the context of structural improvement of returns. The Audit & Risk Committee further concluded with PwC that the financial resilience in the time of Covid-19 appeared to be in order. The way the organisation dealt with the Covid-19 crisis and how the organisation functioned during the (crisis) times is good. 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 2020, the Remuneration Committee is comprised of the following four Supervisory Board members: Ms Mijntje Lückerath (Chair), Mr Aad Veenman, Mr Jan van den Berg and (as of 11 September 2020) Mr Lex Kloosterman. The Remuneration Committee receives advice from internal and external specialists in Achmea's remuneration policy, including the Human Resources Director. The Remuneration Committee held four meetings in 2020.

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 at www.achmea.com).

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 the (annual) 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, and whether it needs to be amended, is discussed. In 2020, the Group Remuneration Policy was updated. The substantive changes relate to the alignment with a new strategic planning period, with the changes in the Achmea organisation and with interim changes in legislation and regulations. This does not involve a material policy change.

Performance management process

A few years ago, 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 performance management process is evaluated annually and discussed in the Remuneration Committee. This was again the case in 2020. In essence, the process of performance management has remained unchanged.

Performance evaluation and variable remuneration

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.

After the adoption of the 2019 financial statements, in 2020 variable compensation was allocated to the groups of Achmea employees that qualify for variable remuneration. This is in view of the good results and the achievement of the targets for the performance year 2019. In connection with the Covid-19 pandemic, payment of the variable remuneration for 2019 was postponed until after the 2020 half-year figures and then reassessed against, among other things, solvency and liquidity, as explained in the 2019 Remuneration Report published in the autumn of 2020. After it was determined that Achmea's financial position was solid and the payment of variable remuneration was justified, half of the 2019 variable remuneration was paid out in September 2020, while the other half has been postponed and will become payable in 2025 following a sustainability test. Please also see Explanatory note 32 of the consolidated financial statements.

Final decision-making on awarding variable remuneration over 2020 has yet to take place. More information on this will be given in the 2020 Achmea Remuneration Report to be published in 2021.

In 2020, 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 also 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 2020. In 2020 the CEO pay ratio was 24.2 (2019: 24.1) and is therefore virtually unchanged.

The CEO pay ratio is calculated based on the total remuneration of the Chairman of the Executive Board in 2020: 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 2020 financial statements.
The internal remuneration ratios were also a topic of discussion in 2020 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 Works Councils Act and, incidentally, has been applied at Achmea for some time already on the basis of its cooperative identity.

Other topics

Laws and regulations

Developments in laws and legislation relating to remuneration policy at financial companies also received attention over the past year. The state of affairs of the Hoekstra package (additional rules regarding remuneration policy of financial enterprises) and the legislation on sustainability in relation to Achmea's remuneration policy were among the topics discussed. Developments in sustainability policy and legislation are included in the update of Achmea's remuneration policy in 2020, whereby the balanced manner of performance management supports the steering towards sustainability objectives. Achmea's (variable) reward structure with its balance of stakeholder perspectives does not contain elements that could be detrimental to the achievement of sustainability goals.

Audit of the Achmea Remuneration Policy

In 2020, Internal Audit conducted an audit of the remuneration policy. The results were discussed in the Remuneration Committee, at which it was also established that Achmea's remuneration policy is controlled and that there were no material findings.

2020 Remuneration Report

A detailed summary of the remuneration for the members of the Executive Board is given in Explanatory Note 32 of the consolidated financial statements, "Related party transactions".
For more information on the (variable) remuneration, please see the 2020 Remuneration Report, which will be published on our website www.achmea.com later in 2021.

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 2020, the Selection & Appointments Committee is comprised of five members of the Supervisory Board: Mr Aad Veenman (Chairman), Ms Petri Hofsté, Ms Mijntje Lückerath, Mr Jan van den Berg and Mr Wim de Weijer.

Changes and vacancies

The composition of the Executive Board and the Supervisory Board was an important priority in 2020.

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 to the Supervisory Board on the reappointment of Mr Lamie as of 1 January 2021. The Supervisory Board reappointed Mr Lamie for a further four-year term.

Following the announcement in 2020 by the Chairman of the Executive Board, Mr Van Duin, of his intention to step down in April 2021, the Selection & Appointment Committee has issued a positive recommendation to the Supervisory Board to nominate Ms Tetteroo to the Board of Directors of Stichting Administratiekantoor Achmea for appointment as Chairman of the Board of Directors and to nominate Mr Lamie for Vice-Chairman of the Board of Directors.

The composition of the Supervisory Board was discussed in detail due to i) the filling of the vacancy that was created following the sudden death of Mr Roelof Joosten in March 2020 and ii) the expiry of Mr Wim De Weijer's term of appointment as of the date of the General Meeting in April 2020.

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 a positive recommendation to the Supervisory Board on the reappointment of Mr Wim de Weijer.

SUPERVISORY BOARD REPORT CONTINUED

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 Ms Miriam van Dongen as Supervisory Board member. The General Meeting appointed Ms Van Dongen as of 28 April 2020 on the recommendation of the Supervisory Board.

The Committee discussed the filling of the vacancy of Chairman of the Supervisory Board that arises due to Mr Aad Veenman stepping down from the Supervisory Board after a period of 12 years. Following careful assessment by the Selection & Appointment Committee, the Selection & Appointment Committee advised the Supervisory Board to nominate Mr Jan van den Berg to the Board of Directors of Stichting Administratiekantoor Achmea for appointment as Chairman of the Supervisory Board. The Supervisory Board has nominated Mr Van den Berg and Stichting Administratiekantoor Achmea has appointed Mr Van den Berg as Chairman of the Supervisory Board with effect from the date of Achmea's General Meeting in 2021.

Succession planning

The Selection & Appointments Committee also discussed succession planning for the Executive Board and for the first management level below the Executive Board in 2020, based on a discussion of the Human Resources Performance Potential Portfolio. This meeting was once again held in 2020 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.

2020 FINANCIAL STATEMENTS AND DIVIDENDS

PwC audited the Achmea B.V. 2020 financial statements and issued an unqualified audit report on 11 March 2021. 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 2020 financial statements. After approval of the financial statements by the General Meeting, and with the approval of the Supervisory Board, the Executive Board proposes payment of a dividend of €149.7 million on ordinary shares. For the preference shares, the Executive Board, with the approval of the Executive Board, recommends that the General Meeting agree 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 2020 reporting year.

ACKNOWLEDGEMENTS

We were deeply saddened by the sudden loss of our fellow Supervisory Board member Roelof Joosten on 2 March 2020. Roelof had been a Supervisory Board member since April 2019. With his passing, we have lost a warm and enthusiastic colleague. We look back on his contribution to our Supervisory Board with appreciation and gratitude. 2020 was largely dominated by the effects of Covid-19. The service to customers was assured through tremendous effort and focus, while at the same time employees switched en masse and seamlessly to working from home. Achmea also made additional efforts to mitigate the effects of Covid-19 on customers, employees and society. We would like to take this opportunity to offer our compliments and thanks to the Executive Board, the Central Works Council and all Achmea employees for their great commitment and the enthusiasm they have shown which made this possible.

The Supervisory Board would also like to thank Mr Van Duin for his tremendous efforts and commitment to Achmea. Willem van Duin has been of great value to Achmea for decades. Over the course of his rich, nearly thirty-four-year career, he has been a dedicated and essential part of many major change processes. His high level of involvement and expertise have

SUPERVISORY BOARD REPORT CONTINUED

helped shape Achmea into the group it is today: the leading cooperative (financial) services provider with strong brands and a leader in mobile and online services. Achmea also has a clear strategy aimed at contributing to a healthy, safe and future-proof society. Although we regret the decision of Mr Willem van Duin to retire, the Supervisory Board respects his decision to step down. At the same time, we are very pleased that the appointment of Bianca Tetteroo will ensure a very competent successor, with very broad managerial experience and who, moreover, comes from within our own organisation. In this way, the continuity of management is guaranteed for the future and the leadership of Achmea is in very good hands.

The Supervisory Board would also like to thank Ms Lückerath, who is stepping down as a Supervisory Board member after a period of 10 years as of the date of the Annual General Meeting in 2021, for her highly valued contribution over many years.

We are also particularly grateful to Mr Aad Veenman for his very much appreciated, tremendous commitment over the past twelve years as a member and Chairman of the Supervisory Board for the past four and a half years. He has devoted a great deal of time, energy and vigour to our cooperative group and the development of Achmea.

11 March 2021

Supervisory Board

A.W. (Aad) Veenman, Chairman
W.H. (Wim) de Weijer, Vice-chairman
J. (Jan) van den Berg
M.R. (Miriam) van Dongen
P.H.M. (Petri) Hofsté
A.M. (Lex) Kloosterman
M. (Mijntje) Lückerath
A.C.W. (Lineke) Sneller
R.Th. (Roel) Wijmenga


WORKING TOGETHER
FOR HEALTHY FOOD AND
BEAUTIFUL FLOWERS AND PLANTS
Greenhouse horticultural entrepreneurs in the Netherlands and abroad want to be assured of a high-quality and sustainable greenhouse for growing vegetables, fruit, flowers and plants. With reliable installations, business operations and cultivation results become more predictable throughout the entire useful life. Achmea Agro (Interpolis, Avéro Achmea en Hagelunie) has been actively involved in the HortiQ and Hortivation foundations since 2007 to improve the greenhouse. The joining of forces ensures guaranteed construction quality, integrated greenhouse systems and more business continuity. Technical innovations become available quickly and responsibly through joint knowledge management.
achmea

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 way as many listed organisations, its cooperative origin determines the way in which corporate governance is arranged at the level of the Executive Board, 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 2020

In December 2020, the Chairman of the Executive Board, Mr Van Duin, announced his retirement from the Executive Board. He will step down as of the date of the General Meeting in April 2021. As the holder of the A-share in Achmea, Stichting Administratiekantoor Achmea appointed Ms Tetteroo as Chair and Mr Lamie as Vice-chair of the Executive Board, as of the date of the 2021 General Meeting, as per the close of the General Meeting.

The Supervisory Board is considering how to fill the vacancy in the Executive Board created by the resignation of Mr Van Duin.

The Supervisory Board also reappointed Mr Lamie for a period of four years as of 1 January 2021.

Changes in the Supervisory Board in 2020

Very unexpectedly, our esteemed Supervisory Board member Mr Joosten passed away in March 2020. With his passing, we lost a warm, enthusiastic colleague.

Ms Van Dongen was appointed as a supervisory director by the General Meeting with effect as of 28 April 2020.

The General Meeting also reappointed Mr De Weijer for a four-year period.

At the end of January 2021, it was announced that Mr Veenman would be stepping down from the Supervisory Board after a total term of 12 years with effect from the date of the General Meeting in 2021. Mr Van den Berg was appointed Chairman of the Supervisory Board as of that date.

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 1 Appendix C- 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 annual 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 Management Board, the Supervisory Board and the General Meeting. 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

CORPORATE GOVERNANCE CONTINUED

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 2020 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 General Meeting (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 2020 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 should 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 current Chairman of the Executive Board, Mr Van Duin. He was appointed for an indefinite period of time.

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 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 to have all employees take a special oath or affirmation for the financial industry, which matches 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.com.

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.com.

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 2020. 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.

The Executive Board members ensure that the interests of all parties that have dealings with Achmea, including customers, employees, partners and shareholders 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 'stakeholders model', which ensures that overall management and decision-making are in line with the interests of customers, employees, (business) partners, society and capital providers. 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

Members of the Executive Board are appointed by the 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 2020, 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 successor planning for the Executive Board and the management level immediately below it, the advancement of women to top positions remains a priority in each vacancy. In this, maintaining and strengthening the right mix of skills remain the key decisive factors in the selection process.

Permanent education

At the beginning of each year, the themes for the permanent education programme of both the Supervisory Board and the Executive Board are established in consultation with the chairman of the 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.

CORPORATE GOVERNANCE CONTINUED

COMPOSITION OF THE EXECUTIVE BOARD AS 31 DECEMBER 2020

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	Economics / Accountancy	Vice-chairman	June 2015
M.A.N. Lamie (1966)	Dutch	Man	Economics / Accountancy	Chief Financial Officer	January 2017
R. Otto (1967)	Dutch	Man	Law / MBA	Member	August 2015
L.T. Suur (1974)	Dutch	Woman	Internationale bedrijfskunde	Member	September 2019
H. Timmer (1961)	Dutch	Man	Economics	Chief Risk Officer	March 2014

SUPERVISORY BOARD

Responsibilities and role in corporate governance

The Supervisory Board is responsible for supervising and advising the Executive Board on its conduct and general management of the business. Supervisory Board approval is required for important business-related decisions, such as the appointment and dismissal of members of the Executive Board, 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). The size of the Supervisory Board has been set for some time now in consultation with the shareholders at a maximum of ten members and the nominations of the major shareholders have also been geared to this number. 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 2020. 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 2020, 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 2020, the Supervisory Board was comprised of five male and four female members. In addition to diversity in terms of knowledge, expertise and age, there is also gender diversity. Achmea's Supervisory Board therefore meets the legal 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 2020 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 2020, 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, Actuarial, 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.

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 Administratie-Kantoor Achmea (STAK Achmea). STAK Achmea is a shareholder that has issued depositary receipts for the ordinary shares that are held in the capital of Achmea B.V. to Vereniging Achmea. As of 31 December 2020, STAK Achmea's board consisted of the chairman and two deputy 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 2020, Vereniging Achmea owned – partly through STAK Achmea – a total of 64.48% of the ordinary shares in the capital of Achmea B.V. (60.75% of all shares, including preference shares).

Rabobank, Achmea's second largest shareholder, is likewise a cooperative organisation. At the end of 2020, Rabobank owned a total of 30% of the ordinary shares in the capital of Achmea B.V. and 28.27% of all shares, including preference shares.

CORPORATE GOVERNANCE CONTINUED

Other shareholders that collectively represent 5.52% of the ordinary shares in the capital of Achmea B.V. and hold 5.20% of all shares, including preference shares, 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).

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 2020

	CAPITAL-RIGHTS	VOTING-RIGHTS
Vereniging Achmea (direct and 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 2020 – besides regular resolutions regarding the 2019 annual report and financial statements, the profit appropriation, and the discharge from liability of the members of the Executive Board and the Supervisory Board – the members also considered the reappointment of Mr Lamie as member of the Executive Board, the reappointment of Mr De Weijer and the appointment of Ms Van Dongen as member of the Supervisory Board. A capital distribution was discussed at the Extraordinary General Meeting held in September 2020.

Voting rights

Specific rights are attached to A-shares, which are held by STAK 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. Vereniging Achmea, as depositary receipt holder for the shares held in Achmea by STAK Achmea, has the right to attend the General Meeting, but has no voting rights in respect of these depositary receipts. 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.

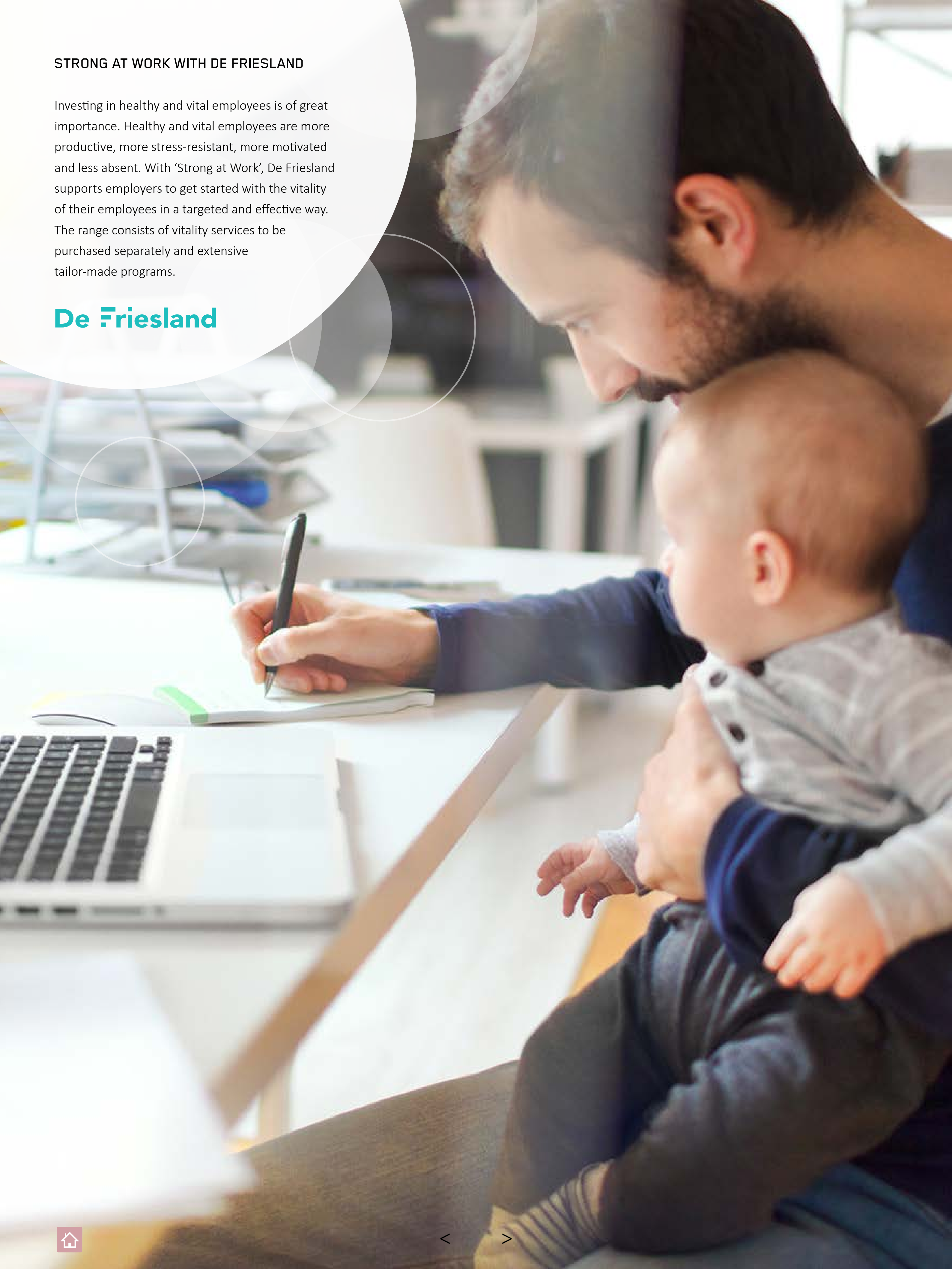
Provisions of the Articles of Association on dividend policy.

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 (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.

STRONG AT WORK WITH DE FRIESLAND

Investing in healthy and vital employees is of great importance. Healthy and vital employees are more productive, more stress-resistant, more motivated and less absent. With ‘Strong at Work’, De Friesland supports employers to get started with the vitality of their employees in a targeted and effective way. The range consists of vitality services to be purchased separately and extensive tailor-made programs.

De Friesland



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.

In 2020, Mr Van Duin announced his decision to step down as Chairman of the Executive Board of Achmea as of 2021.

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 the company that 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. and Syntrus Achmea Real Estate & Finance. Ms Tetteroo is also a member of the Supervisory Board of Netspar and Kunsthal Rotterdam. She is also a member of the Management Board of Garanti Emiklilik and, as of October 2020, of the National Cooperative Council.

Ms Tetteroo was appointed Chair of the Executive Board as of the conclusion of the General Meeting in April 2021.

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.

Mr Lamie will be appointed Vice-Chairman of the Executive Board as of the conclusion of the General Meeting in April 2021.

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.

BIOGRAPHIES EXECUTIVE AND SUPERVISORY BOARD MEMBERS CONTINUED

Mr Otto is responsible for the business units Pension and Life, Achmea Bank, Human Resources, InShared and Achmea's businesses in Australia, Canada, Greece, Turkey and Slovakia. He is Chairman of the Board of Eureko Sigorta, Interamerican Greece and Achmea Australia. He is also Chairman of the Supervisory Board of Union and a member of the Supervisory Board of Onlia. Mr Otto is a member of the Management Board of Achmea Pensioen- en Levensverzekeringen N.V. and Chairman of the Supervisory Board of InShared and member of the Supervisory Board of Achmea Bank N.V. Until 30 October 2020 he was a member of the Supervisory Board of N.V. Hagelunie. In addition to his position at Achmea, Mr Otto is also a member of the board of Thuiswinkel.org, member of the board of AMICE and member of the board of ICMIF.

Lidwien T. 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 positions 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 a member of the Management Board of Achmea Schadeverzekeringen N.V. She is also a member of the Supervisory Board of Reinsurance Company N.V. and, since 30 October 2020, a member of the Supervisory Board of N.V. Hagelunie. Since 24 June 2020, Ms Suur has also been Chair of the Non-Life Insurance Sector Board of the Dutch Association of Insurers and Chair of the Administrative Consultation between the Dutch Association of Insurers and NVGA. She is also a board member of the Guarantee Fund Motor Traffic (Waarborgfonds Motorverkeer) and a board member of the Netherlands Bureau of Motor Insurers (Nederlands Bureau der Motorrijtuigverzekeraars). Ms Suur is also a member of the Supervisory Board of Microcredit for Mothers, a foundation that provides microcredit to the poorest 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 CONTINUED

SUPERVISORY BOARD

Aad W. Veenman (1947)

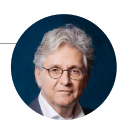
Aad Veenman is Chairman of the Supervisory Board of Achmea B.V. As from September 2019 he is also Chairman of the Supervisory Board of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V.

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, until July 2020, Chairman of the Advisory Board of the Royal NLR.

At the end of January 2021, it was announced that Mr Veenman would be stepping down from the Supervisory Board after a total term of 12 years with effect from the date of the General Meeting in 2021.

Wim H. de Weijer (1953)



Wim de Weijer is Vice-chairman of the Supervisory Board of Achmea B.V. He is also the Chairman of the Supervisory Board of Achmea Zorgverzekeringen N.V. and its subsidiaries and a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen 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 B.V. He is also a Board member of the North Holland Childcare Foundation.

Jan van den Berg (1964)

Jan van den Berg is a member of the Supervisory Boards of Achmea B.V., Achmea Zorgverzekeringen N.V. and its subsidiaries, Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V. Mr Van den Berg is also a member of both the Supervisory Boards of MyTomorrows and Health Tech Global (Singapore). He also serves as an advisor to the Ministry of Healthcare Singapore. Mr Berg has over 20 years' management experience in the international insurance market.

He has worked at Nationale-Nederlanden, AXA and Prudential Financial, where he held the post of Asia President until 2017. Prior to that he worked at Coopers & Lybrand corporate finance.

At the end of January 2021, it was announced that Mr Van den Berg had been appointed Chairman of the Supervisory Board with effect from the date of the 2021 General Meeting.

Petri H.M. Hofsté (1961)

Petri Hofsté is a member of the Supervisory Board of Achmea B.V., Achmea Schadeverzekeringen N.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Investment Management B.V.

Ms Hofsté is a qualified registeraccountant and started her career at KPMG, where she was a partner in the Financial Services Audit practice. Subsequently, she was among others group controller and deputy CFO of ABN AMRO Group, divisional director of Bank Supervision at De Nederlandsche Bank and CFRO of APG Groep N.V.

Ms Hofsté is a member of the Supervisory Board of Rabobank, Fugro N.V. and Pon Holdings N.V. and Chair of the Board of Stichting Nyenrode and member of the board of Vereniging Hendrick de Keyser. She is also a board member of Stichting Capital Amsterdam and a member of the Advisory Board of WIFS.

A.M. Lex Kloosterman (1956)

Lex Kloosterman is a member of the Supervisory Board of Achmea B.V. He is also a member of the Supervisory Board of Achmea Schadeverzekeringen N.V., Achmea Pensioen- en Levensverzekeringen N.V. and, since 30 October 2020, a member of the Supervisory Board of N.V. Hagelunie.

After completing his law studies at Leiden University, he held various (international) positions at ABN AMRO Bank N.V. for 20 years in the US, Brazil, Singapore and finally in Europe. From 2006 to 2008, he was responsible for Asset Management and Private Clients on the Executive Committee of Fortis SA/NV, and from 2009 to 2017 he worked as Director at Rabobank International.

Mr Kloosterman was director at Stichting Continuïteit Takeaway.com until 30 September 2020, and is director at

BIOGRAPHIES EXECUTIVE AND SUPERVISORY BOARD MEMBERS CONTINUED

Stichting AGRI3 and Investor Director at Cerberus Global Investments B.V. He is also a member of the Supervisory Board and treasurer of the Stichting De Oude Kerk Amsterdam, and treasurer of the Stichting Zorg en Bijstand.

Mijntje Lückerath (1968)

Mijntje Lückerath is a member of the Supervisory Board of Achmea B.V., Achmea Schadeverzekeringen N.V. and Achmea Pensioen- en Levensverzekeringen N.V.

Ms Lückerath 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 also a member of the Supervisory Board of the Erasmus Trust Fund Foundation and, as of 1 January 2021, of the Supervisory Board of Erasmus MC. Until July 2020, she was a member of the Pension Funds Code Monitoring Committee.

Ms Lückerath previously worked at Rabobank International, Erasmus University Rotterdam and Nyenrode Business University. She was also a member of the Supervisory Board of ASN Investment Institutions and Green Fund, and a member of the Board of Directors of the Dutch Payments Association. She is the author of a large number of scientific and popular scientific articles and a 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. 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 B.V. and Infomedics Holding B.V. Until July 2020, she was a non-executive director of Ortec International B.V. and a member of the Supervisory Board of CCV until October 2020. Since November 2020, she has been a member of the Supervisory Board of Van Wijnen Holding B.V. She is also Chair of the External Audit Committee of Wigo4IT and has been a member of the Audit Advisory Committee of the Employed Person's Insurance Administration Agency (UWV) since April 2020.

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.

Miriam R. van Dongen (1969)

Miriam van Dongen has been a member of the Supervisory Board of Achmea B.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. since 28 April 2020. On 21 December 2020, she was appointed to the Supervisory Board of Achmea Bank N.V.

Ms Van Dongen started her career at research firm IRIS (Rabobank/Robeco Group) and McKinsey & Company. She also held various positions at Delta Lloyd N.V., including as CFO of Delta Lloyd Belgium. From 2007 to 2009, she was CFO of Zilveren Kruis Achmea. She is Vice-Chairman of PGGM's Supervisory Board. She is also a member of the Supervisory Board of Optiver and of the Supervisory Board of Kadaster. Since June 2020, she has also been a member of the Supervisory Board of Mollie B.V.

FINANCIAL STATEMENTS

Table of contents

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2020	31 DECEMBER 2019
Assets			
Intangible assets	12	735	738
Associates and joint ventures	13	55	64
Property for own use and equipment	14	551	554
Investment property	4	973	1,104
Investments	5	81,639	78,750
Deferred tax assets	15	626	416
Amounts ceded to reinsurers	6	685	636
Receivables and accruals	16	6,207	6,255
Cash and cash equivalents	17	2,184	963
Total assets		**93,655**	**89,480**
Equity			
Equity attributable to holders of equity instruments of the company		10,552	10,177
Non-controlling interest		7	8
Total equity	**18**	**10,559**	**10,185**
Liabilities			
Liabilities related to insurance contracts	6	58,401	57,770
Other provisions	19	1,113	1,106
Financial liabilities	7	20,564	18,475
Derivatives	5	2,870	1,918
Deferred tax liabilities	15	31	26
Income tax payable		117	0
Total liabilities		**83,096**	**79,295**
Total equity and liabilities		**93,655**	**89,480**

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2020	2019
Gross written premiums	9	20,175	19,949
Reinsurance premiums		−349	−334
Change in provision for unearned premiums and current risks (net of reinsurance)		−190	−91
Net earned premiums	**9**	**19,636**	**19,524**
Income from associates and joint ventures		5	3
Investment income	10	3,507	4,742
Other income	20	410	384
Total income		**23,558**	**24,653**
Net expenses from insurance contracts	11	20,286	21,430
Fair value changes and benefits credited to investment contracts		1	34
Interest and similar expenses	21	237	252
Operating expenses	22	2,256	2,292
Other expenses	23	148	98
Total expenses		**22,928**	**24,106**
Result before tax		**630**	**547**
Income tax expenses		80	109
Income tax impact rate change		−92	−43
Total Income tax expenses	**24**	**−12**	**66**
Net result		**642**	**481**
Net result attributable to:			
Holders of equity instruments of the company		642	480
Non-controlling interest		0	1
Earnings per share (in euro)	26	1.46	1.01

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTE	2020	2019
Items that will not be reclassified to the Income statement[1]			
Remeasurements of net defined benefit liability[2]		30	−18
Unrealised gains and losses on property for own use[3]		6	8
		36	**−10**
Items that may be reclassified subsequently to the Income statement[1]			
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures[4]		−46	−13
Share in other comprehensive income of Associates and joint ventures[3]		1	−1
Unrealised gains and losses on financial instruments 'Available for sale'[3]		688	1,536
Changes in the provision for Profit sharing and bonuses for policyholders from unrealised investment income[3]		−614	−1,033
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal[3]		−418	−337
Reclassification to the Income statement as Profit sharing and bonuses for policyholders from investment income[3]		249	157
Impairment charges on financial instruments 'Available for sale' reclassified to the Income statement on disposal[3]		59	14
		−81	**323**
Net other comprehensive income	**25**	**−45**	**313**
Net result		642	481
Comprehensive income		**597**	**794**
Comprehensive income attributable to:			
Holders of equity instruments of the company		597	793
Non-controlling interest		0	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	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**
Adjustment opening balance[2]							–6			–6		–6
Balance at 1 January 2019	**11,357**	**–335**	**34**	**746**	**–416**	**–7**	**–3,352**	**314**	**1,350**	**9,691**	**8**	**9,699**
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, sale and purchase of equity instruments									–100	–100		–100
Other movements							–4			–4		–4
Balance at 31 December 2019	**11,357**	**–335**	**53**	**1,120**	**–429**	**–7**	**–3,312**	**480**	**1,250**	**10,177**	**8**	**10,185**
Net other comprehensive income				–29	–46		30			–45		–45
Net result								642		642		642
Comprehensive income				**–29**	**–46**		**30**	**642**		**597**		**597**
Appropriations to reserves			12	–22			490	–480				
Dividends and coupon payments							–222			–222	–1	–223
Balance at 31 December 2020	**11,357**	**–335**	**65**	**1,069**	**–475**	**–7**	**–3,014**	**642**	**1,250**	**10,552**	**7**	**10,559**

1 Subtotal Equity relates to Equity attributable to holders of equity instruments of the company.
2 The recognition of the fee interest has been retrospectively changed. As a result, the Total shareholders' equity as of January 1, 2019 and December 31, 2019 has been adjusted by € -6 million (see General accounting policies Section F in the consolidated financial statements).

Share capital/premium includes €10,923 million share premium (31 December 2019: €10,923 million). For more information refer to Note 18.

In 2020, a dividend of €169 million (2019: €138 million) was made payable. Of this amount, €167 million (2019: €135 million) was disbursed externally. Coupon payments on Other equity instruments amounted to €55 million (2019: €68 million). These amounts are included Dividend and coupon payments, with the tax effect (€17 million) on coupon payments being recognized in the consolidated income statement. When adopting the 2019 financial statements in April 2020, the General Meeting decided to add the entire result for the 2019 financial year to the other reserves. In September 2020, a distribution was made from other reserves to holders of ordinary shares in the amount of €150 million (2019: €118 million), and to holders of preference shares in the amount of €20 million (2019: €20 million). Achmea BV received €3 million (2019: €3 million) thereof on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding.

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	2020	2019
Cash flow from operating activities		
Result before tax	630	547
Adjustments of non-cash items and reclassifications:		
(Un)realised results on Investments, including foreign currency results and value changes and provisions for uncollectability	−1,878	−3,322
Amortisation and impairment on Intangible assets, Property for own use and equipment, including foreign currency results	102	88
Amortisation of Deferred acquisition costs recognised as Receivables and accruals, including foreign currency results	29	31
Income from Associates and joint ventures	−5	−4
(Accrued) Interest expenses	−9	20
Other changes and reclassifications	34	32
	−1,097	**−2,608**
Changes in operating assets and liabilities:		
Changes in Receivables and accruals (excluding Deferred acquisition costs) and Other liabilities recognised as Financial liabilities	1,097	499
Changes in Liabilities related to insurance contracts net of reinsurance	−246	1,377
Changes in Other provisions	37	−1
Changes in Financial liabilities (excluding holding activities)	499	1,676
	1,387	**3,551**
Cash flows operating items not reflected in Result before tax:		
Purchase of Investment property	−14	−15
Purchase of Investments	−41,472	−32,571
Divestments of Investment property	145	69
Divestments of Investments	42,805	31,349
Capitalised Deferred acquisition costs recognised as Receivables and accruals	−20	−25
Received Income taxes	40	35
Paid Income taxes	−138	−42
Other changes	−3	−11
	1,343	**−1,211**
Total Cash flow from operating activities	**1,633**	**−268**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	NOTES	2020	2019
Cash flow from investing activities			
Purchase of Subsidiaries, Associates and joint ventures and other investments (net of cash)		−19	−14
Purchase of Property for own use and equipment		−83	−71
Investments in Intangible assets		−31	−34
Disposal of Subsidiaries, Associates, joint ventures and capital interests (net of cash)		11	
Sales and disposal of Property for own use and equipment		13	14
Divestments of Intangible assets			5
Dividends received from Associates and joint ventures		12	1
		−97	**−99**
Cash flow from financing activities			
Redemption of equity instruments			−600
Issue of equity instruments			500
Issue of subordinated loans			250
Redemption of debt securities		−750	
Issue of debt securities		743	
Dividends and coupon payments		−222	−203
Interest paid		−55	−51
Paid lease liabilities		−31	−32
		−315	**−136**
Net cash flow		**1,221**	**−503**
Net cash and cash equivalents at 1 January		963	1,466
Net cash and cash equivalents at 31 December	**17**	**2,184**	**963**
Cash and cash equivalents include the following items:			
Cash and bank balances		2,184	959
Call deposits			4
Cash and cash equivalents at 31 December	**17**	**2,184**	**963**

Included in the cash flows from operating activities for 2020 is interest received amounting to €1.366 million (2019: €1.461 million), dividends received amounting to €71 million (2019: €83 million) and interest paid amounting to €91 million (2019: €175 million).

Notes to the company Financial Statements

GENERAL

A. 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

B. AUTHORISATION FINANCIAL STATEMENTS

The Achmea Consolidated Financial Statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Executive Board on 11 March 2021. 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.

C. BASIS OF PRESENTATION

The Achmea Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as at 31 December 2020 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 International Accounting Standard Board (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’.

D. CHANGES TO REPORTING

In 2020, the following new Standards, amendments to Standards and Interpretations issued by the IASB were adopted: These have no significant impact on Total equity as per 31 December 2020, Net result for 2020 and comparative figures of Achmea B.V.:

- Amendments to IFRS 3 Business Combinations: Definition of a Business;
- IFRS 16 Leases: Covid-19-Related Rent Concessions;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase I;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards.

E. CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards and Interpretations were issued in 2020 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2020. 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 on 1 January 2018, with insurers being allowed to delay application. Achmea is postponing the application of IFRS 9 until the implementation of IFRS 17 in 2023. The required disclosures are included in Note 29 Credit quality financials assets and disclosures concerning deferral of IFRS 9. Achmea has started an implementation process, taking into account the interaction with the future standard on insurance contracts (IFRS 17).

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).

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 2020 the IASB published amendments to IFRS 17. One of the amendments postpones the required implementation date until 1 January 2023. As a consequence of the amendments to IFRS 17, an amendment has also been made to IFRS 4 Insurance Contracts (deferral of IFRS 17), applicable as of 1 January 2021. Under this amendment, the temporary exemption from applying IFRS 9 has been extended until 1 January 2023 in line with the change to the effective date of IFRS 17. As at 31 December 2020 IFRS 17 had not yet been endorsed for use in the EU.

Following publication of the original standard in 2017, Achmea began an implementation process, which is taking into account the interaction with the future standard on financial instruments (IFRS 9). The amendments as published by the IASB in 2020 are included in this process.

Achmea expects that the initial application of this standard will have a significant impact on its consolidated financial statements because the valuation and determination of results of insurance contracts in combination with the valuation and determination of results of financial instruments will be substantially different.

The implementation process is extensive and affects the entire chain. Central papers were prepared, the model financial statements were adopted, models were developed and a project architecture was established. The various chains within Achmea (in particular Pension & Life, Non-Life and Health) are responsible for the decentralised implementation of the IFRS 17 standard and connection to the central platform. Achmea is also using the implementation of IFRS 9 and IFRS 17 to optimise the automation of its financial processes. In 2020, we continued the implementation and testing of our administrative systems against the new IFRS 9 and IFRS 17 accounting standards. The analyses of the effects of implementing IFRS 9 and 17 are ongoing. At present we have not yet made definitive choices regarding the options offered by IFRS 9 and IFRS 17 and it is too early to quantify the impact of IFRS 9 and IFRS 17 on the equity and result.

Interest Rate Benchmark Reform (IBOR) – Phase II (amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interest rate benchmarks – also called base, interest or reference rates – are used for the valuation of financial instruments (such as derivatives), financial contracts (such as mortgages) and in the pricing of these financial instruments. The current benchmarks, such as Euribor, are not compliant with the European Benchmark Regulation (EU BMR). The transition to the new benchmark interest rate is scheduled for 1 January 2022. The changes to the standards as mentioned above are not approved for use in the EU as of

31 December 2020. The amendments address factors that can affect financial reporting as a result of reforming an interest rate benchmark, including the effects of changes in contractual cash flows or hedge accounting. The amendments provide various exemptions from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial instruments (and lease liabilities) and hedge accounting.

For the time being, Achmea expects that the reform of the interest rate benchmark will not have a material impact on our Net income and Total equity: any adjustment to the fair value of a financial instrument as a result of the amended interest rate benchmark will be compensated in the collateral obtained or to be provided and, in addition, the impact on hedge accounting is not expected to be material.

Achmea intends to apply the changes from 1 January 2022. A transition working group is currently finalising the analysis aimed at the transition process to the modified interest rate benchmark. A start has been made with operationalising and preparing the systems and processes so that the adjusted benchmark rates can be used.

Other amendments with future application date

In addition to the above-mentioned (amendments to) standards, in 2020 standards have also been published with a future application date or (amendments) in previous years which Achmea has not applied in preparing the 2020 consolidated financial statements. Since these amendments to the standards have no impact on Total equity or the Net result, or have no impact or only a limited impact on the presentation and notes of Achmea, they are not described further.

It concerns the following amendments which were not yet approved for use in the EU as of 31 December 2020:
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective date 1 January 2023);
- Amendments to IFRS 3: References to Conceptual Framework (effective date 1 January 2022);
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (effective date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (effective date 1 January 2022);
- Annual improvements to IFRSs- 2018-2020 (effective date 1 January 2022).

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

In 2020, no material adjustments with regard to accounting policies, changes in presentation and corrections for previous periods have been made in comparison with the 2019 consolidated financial statements of Achmea BV.

Immaterial adjustment for earlier periods

With effect from 2020, Achmea has retrospectively changed its accounting treatment of the mortgage interest payments paid by customers, part of the section Investments - Banking credit portfolio. In the Investment Credit Portfolio Banking section, the treatment of mortgage interest compensation paid by customers has been adjusted. If customers decide to change the interest rate before the end of the fixed-interest period, this is no longer regarded as a contract amendment resulting in derecognition of the existing contract and recognition of a new contract, but as a non-significant change in the cash flows of the existing contract. As a result, the full early redemption fee is amortised over the remaining original fixed-interest period, whereas before 2020 the fee was recognised directly in the income statement in the year of change. The gross impact on the investments Credit portfolio banking is €8 million negative and €2 million on the Deferred tax assets and liabilities. The net impact on total equity as at 1 January 2020 is €6 million negative (1 January 2019: €6 million negative), the impact on net income for 2020 is €3 million negative (2019: nil) and the impact on earnings per share is nil. The comparative figures for 2019 have been modified.

G. CHANGES IN ACCOUNTING ESTIMATES

For the preparation of these Consolidated Financial Statements, estimates and assumptions are used (e.g. for a number of assets and liabilities recognised in the balance sheet and the recognised income and expenses in the reporting period). The actual outcomes may vary from these estimates. In preparing these Consolidated Financial Statements, the nature of the estimates and assumptions made in applying Achmea B.V.’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Achmea B.V. Consolidated Financial Statements 2019. The key sources of estimation uncertainty are included in the explanatory notes to the balance sheet items.

H. 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.

Notes to the company Financial Statements

I. 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. 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.

Financial liabilities are removed from the balance sheet when the obligation is extinguished, i.e. when the contractual commitment is fulfilled, dissolved or expires. Achmea uses the average cost price method for financial assets and liabilities that are no longer included in the balance sheet.

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.

J. ACCOUNTING FRAMEWORK

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 balance sheet item are also included in the note to the balance sheet item.

K. IMPACT OF COVID-19

In 2020, the Covid-19 pandemic had a major impact on Achmea. The outbreak resulted in various government measures in the countries in which Achmea is active. These measures have had a major impact on society, as well as on Achmea's operational management. The Covid-19 pandemic affects our customers and impacts Achmea’s insurance and market risks. In order to monitor and control the impact of Covid-19, Achmea established a corona crisis team in early March 2020, which includes the entire Executive Board. This crisis team is directing the various workflows. More information on the uncertainties and risks arising from Covid-19 and the ways in which Achmea is mitigating these risks can be found in Note 2. Capital and Risk Management.

The impact of Covid-19 in 2020 and the measures taken by government authorities to curb its spread have had a major economic impact. The size of that impact and when it will become visible is uncertain. In the second half of 2020, a number of economic indicators recovered, including stock market prices. With the availability of a vaccine, a slow economic recovery is expected in 2021 and will continue in the following years.

A great deal of attention has been given to the developments within the healthcare sector, where, on the one hand, there is a significant drop in demand for care and, on the other hand, certain healthcare institutions are faced with higher costs for the treatment of Covid-19 patients. Healthcare insurers, including Achmea, have made efforts to prevent the provision of care from being unnecessarily burdened with financial uncertainties or administrative burdens, so that care providers could focus on providing the necessary Covid-19 care while at the same time maintaining their normal care capacity as much as possible. Achmea, together with other health insurers, has made various agreements and arrangements to ensure the continuity of care in the form of continuity contribution to cover the ongoing expenses and additional expenses resulting from Covid-19.

The Covid-19 pandemic has been designated a catastrophe within the meaning of Section 33 of the Health Insurance Act (emergency scheme). This ensures an additional contribution from the health insurance equalisation fund, provided that the total medical expenses resulting from the Covid-19 pandemic exceed certain thresholds for a period of two years (2020 and 2021). In addition, health insurers have agreed to compensate the consequences of Covid-19 by means of a solidarity scheme. This scheme ensures a proportional division of the catastrophe burden and the catastrophe contribution between the health insurance companies.

The Dutch government has decided to tighten the measures under the lockdown, which has continued into 2021, from mid-December 2020. In preparing the 2020 financial statements, estimates and assumptions were made taking into account the most recent developments and insights concerning the Covid-19 pandemic, to the extent that these provide further information about the situation at the balance sheet date.

For a more detailed explanation of impacts and uncertainties, please refer to the following notes: Investments (Note 5), Liabilities arising from insurance contracts (Note 6), Fair value hierarchy (Note 8), Net earned premiums (Note 9) and Receivables and accruals (Note 16).

Achmea believes, based on the currently available information, including the insights from the various scenario analyses, the measures taken and current liquidity and solvency, that there is no material uncertainty regarding its continuity underlying these financial statements.

2. CAPITAL AND RISK MANAGEMENT

Effective capital and risk management is essential for Achmea's continuity, and for maintaining a long-term relationship with our clients and other stakeholders. Capital management ensures that Achmea and all its supervised entities have sufficient capital to secure the interests of all stakeholders in the short and long term and that capital is used sufficiently. Risk management involves identifying and assessing risks, determining and implementing risk control measures and the monitoring and reporting on risks. The starting point in this context is not so much a matter of avoiding risk but rather of making well-informed decisions about the risks to be accepted in realising the business objectives This involves both the objectives of Achmea as a group as well as the objectives of the 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 2020, 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 2020

This section provides an overview of the most important developments in 2020 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.

Covid-19 pandemic

Achmea has established a Covid-19 crisis team, which includes the entire Executive Board. This team manages workflows to monitor the impact from various focus areas on a short-cycle basis, including operations, society, business and finance. Since the Covid-19 pandemic affects Achmea as an insurer in many ways, the possible effects for Achmea were mapped out at an early stage and throughout the year with additional scenario analyses. An integral dashboard has been developed to monitor the developments and progress of measures taken. Due to targeted measures and the strong recovery of financial markets in the second half of 2020, the impact on solvency and liquidity has so far been limited. At year-end 2020, Achmea had a solid Solvency II capital position with a solvency ratio of 208%. See section B for further information on the capital position.

Besides the short-term impacts, specific consideration has also been given to the possible medium-term and long-term impacts of the Covid-19 pandemic in relation to Achmea's strategy and risk profile. Given the specific nature of this crisis, the regular ORSA report for 2019 was updated in 2020 by means of a non-regular ORSA report. This Own Risk & Solvency Assessment provides an assessment of the development of the risk profile, solvency and liquidity during the planning period, both under regular and under stressed circumstances. This non-regular ORSA showed the main uncertainties to be developments in the values of equities and real estate, as well as interest rates and spread developments and medical expenses. The annual regular ORSA report confirms that the uncertainties of the Covid-19 pandemic and its impact on the capital and risk position of Achmea and the supervised entities remain present, but also that Achmea has a good capital and liquidity position that can withstand the various stress scenarios. The Covid-19 pandemic has brought short-term uncertainties, but the (long-term) effects are also not yet sufficiently clear. Specific attention is therefore also paid to the development that the Covid-19 pandemic may lead to changes in society, customer needs, behavioural patterns and the economy.

In the area of operations, Business Continuity Management, which focuses on ensuring the continuity of our operations at times of unexpected far-reaching events such as the Covid-19 pandemic, has worked well. The necessary measures have been adopted to ensure the safety and welfare of our employees and customers and to enable us to continue to offer our customers the best possible service. The business-critical chains and critical processes have shown a stable performance. Achmea monitors and is alert to developments in the quality of internal controls, the development of reputational risks, project risks, outsourcing risks, fraud risks, cybercrime, the application of PARP to changes in premiums/contributions and possible negative effects of long-term working from home.

Key risks

Annually the key risks are reassessed by the boards of the business units and the Executive Board. The composition of the risk profile, including the key risks identified in achieving the strategy remained largely unchanged in 2020. Please refer to section C Risk profile for more detailed information about the risk profile.

A key strategic risk theme is the future earnings model due to the speed of social developments, possible changes in insurance needs and new providers. Key themes include the use of new technology, sustainability and climate change, low interest, compliance, the partnership with Rabobank and the Covid-19 pandemic, which may lead to changes in society, customer needs, behavioural patterns and the economy. Innovation is important here and plays an important role in the strategic programmes and activities aimed at improving the future revenue model. Central control takes place here on the Achmea innovation portfolio, whereby specific attention is paid to the management of the related risks.

Sustainability and climate change will remain a key risk theme in the coming years, with a potential impact on physical risks and transition risks in Achmea's insurance, investments and business operations, while at the same time also bringing new possibilities and opportunities. In 2020 preparatory work on stricter new laws and regulations on sustainability continued without interruption. Under central direction, sustainability and climate change initiatives are developed from multiple work flows and developments are closely monitored. For example, Achmea takes action in the field of prevention and takes the latest insights into account each year when determining premiums, reinsurance and acceptance of Property & Casualty insurance. Risk and scenario analyses have been strengthened and climate change has been explicitly included in the annual regular ORSA and ICAAP/ILAAP reports, looking at the possible impact in the medium term. Since climate is mainly a dormant risk, the uncertainty is particularly in the long term. Therefore, long-term scenarios are also considered in which the greatest danger lies mainly in the degree of volatility (new extremes) and the extent to which changes will occur unexpectedly (and possibly disruptively).

Key financial risk themes are the persistently lower interest rates and the volatility in the financial markets, both of which are closely monitored. The control of interest rate risk is periodically evaluated to determine whether the control must be adjusted. The impact of the Brexit agreement on Achmea was limited because measures were taken where necessary by converting agreements with UK asset managers to EU entities and by making greater use of EU entities in derivatives trading.

Key non-financial risk themes are managing Know Your Client (Customer Due Diligence, CDD), privacy, information security including cybercrime and the duty of care for existing and new products and services.

Following the new CDD guidance from the Dutch Central Bank and the Ministry of Finance, the CDD policy has been refined. Achmea has set up a CCD Task Force to manage its implementation. Specific attention was paid to Achmea's chain partners, outsourced activities, Ultimate Beneficial Owners, standardisation and improved automation of controls relating to the application that coordinates outgoing payment traffic. At Syntrus Achmea Real Estate & Finance, improvements were made to the rental portfolio of several institutional customers. Finally, a great deal of attention has also been given to awareness activities.

Technical developments in privacy and information security, including cybercrime prevention, are proceeding at a rapid pace. The integral security approach has been tightened up accordingly. In addition, a great deal of attention has been paid to awareness, since people are a vulnerable link at Achmea as well.

In the area of duty of care, social developments are closely monitored and Achmea has determined how, based on its cooperative identity, it wants to anticipate social developments in the interest of its customers, which are not (yet) legally required. Guiding principles have been drawn up for this and will be rolled out throughout the group in 2020.

Risk Management System

The Achmea risk management system sets out how Achmea controls the risks. See section D Risk management system for further information on the risk management system and the subsequent sections on the management of key risks and capital management.

Parts of the risk management system are evaluated annually based on internal and external developments. In 2020 the Risk & Compliance organisation was restructured. The Compliance, Risk Management and Actuarial departments safeguard the compliance, risk management and actuarial function at group level and for the Dutch supervised insurance entities. With the reorganisation, the Solvency II responsibilities of these key functions are more clearly allocated to the specified departments. A number of improvements have been made with the 3Lines-of-Defence improvement processes, aimed at making the operational and risk processes more streamlined and organising the risk management tools and techniques more efficiently, including the risk analyses and reports at

Group and business unit level. Achmea has started digitizing the first Key Controls of the Internal Control Framework that is used for internal control, improving both the effectiveness and efficiency of internal control.

Achmea uses an approved partial internal model for calculating the insurance risks for non-life and income protection insurances and a partial internal model for calculating market risk. See section C Risk profile for a full description of the partial internal model. 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. In 2020, major model adjustments were made to the partial internal model for market risk and to the internal model for natural catastrophe risk. In the partial internal market risk model, the equity Volatility Index (VIX) is fixed for the equity and property risk component, thus addressing the pro-cyclicality of the model. The internal model for natural catastrophe risk includes, among other things, the latest insights in the area of storm risk in the quantification of the risk.

B. Capital position

Capital management at Achmea is based on the legal framework, economic principles and assumptions of rating agencies. The legal framework is determined by IFRS as adopted by the European Union, Solvency II and the Capital Requirements Directive IV ("Capital Requirements Directive IV", CRD IV) and Capital Requirements Regulation ("Capital Requirements Regulation", CRR). CRD IV / CRR is a framework specifically aimed at the banking business and the management of investment funds. As laid down in Achmea's risk appetite and capital policy, Achmea aims for a target ratio of at least 165% at group level under Solvency II.

At year-end 2020 Achmea and its entities are sufficiently capitalised in accordance with statutory requirements.

Achmea Group

The capital requirements for insurers and Achmea as a group are subject to Solvency II, the solvency regime for insurers that is in force in the European Union. From the end of 2020, in line with the amended Q&A of the Dutch Central Bank (DNB), the entities with banking activities and activities in the area of asset management and pension administration that fall under a different supervision (hereafter: banking and investment institutions) are included in Achmea’s solvency calculation.

SOLVENCY RATIO (€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Eligible own funds Solvency II[1]	10,696	9,317
Capital Requirement	5,153	4,352
Surplus	**5,543**	**4,965**
Ratio (%)[1]	208%	214%

1 After the preparation of the Annual Report 2019, the Eligible own funds Solvency II and therewith the solvency ratio have been adjusted to 219% in connection with the suspension of the proposed dividend payment.

For the purposes of calculating the Solvency Capital Requirement (SCR) under Solvency II, Achmea uses a risk an approved partial internal model as risk model. 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.

After the 2019 annual report was drawn up, the solvency ratio at the end of 2019 was adjusted to 219%. This 5 percentage point increase in the ratio is related to the fact that no dividend was paid out in the spring of 2020 due to uncertainties surrounding Covid-19, which meant that there were no proposed dividends at year-end 2019. Excluding this adjustment, the solvency ratio under Solvency II decreased by 6 percentage points to 208% due to a combination of an increase in the allowed Solvency II own funds (Eligible own funds) of €1,379 million to €10,696 million (2019: €9,317 million) and an increase in the required capital of €801 million to €5,153 million (2019: €4,352 million). Banking and investment institutions will be included in the calculation of group solvency from the end of 2020. Previously this was not the case. Both the eligible own funds and the required capital increase as a result. The inclusion of banking and investment institutions reduces the solvency ratio under Solvency II by 8 percentage points. Excluding this adjustment, the solvency ratio under Solvency II would be 216%.

Notes to the company Financial Statements

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 2020	31 DECEMBER 2019
Tier 1[1]	8,445	7,349
Tier 2	1,699	1,580
Tier 3	552	388
Total eligible own funds Solvency II	**10,696**	**9,317**

1 After the preparation of the Annual Report 2019, the Tier 1 Eligible own funds Solvency II have been adjusted to €7.567 million and the Total Eligible own funds Solvency II to €9.535 million in connection with the suspension of the proposed dividend payment.

Tier 1 capital has increased mainly due to the inclusion of banking and investment institutions in the Group's solvency position. The financial results for 2020, adjustment of the mortality assumptions and the development of interest rates and spreads also lead to an increase in the eligible own funds. Due to the increase in the economic value of Tier 2 capital in 2020 and the level of deferred tax assets, there is limited capping of Tier 2 and Tier 3 capital.

The composition of equity under the Solvency II regulations is not the same as equity for IFRS purposes. 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 2020	31 DECEMBER 2019
IFRS Equity	10,559	10,191
Solvency II valuation and classification	951	775
Available own funds Solvency II	**11,510**	**10,966**
Not qualifying equity and foreseeable dividends[1]	−814	−729
Equity in banking- and investment institutions (CRD IV)	0	−920
Eligible own funds Solvency II	**10,696**	**9,317**

1 After the preparation of the Annual Report 2019, Non-qualifying equity and expected dividends have been adjusted to -€511 million and Total allowed Solvency II equity to €9,535 million in connection with the suspension of the proposed dividend payment.

The Solvency II revaluations and reclassifications of €951 million (2019: €775 million) include items that are not recognised under Solvency II (such as goodwill and deferred acquisition costs), items that are valued differently under Solvency II (Solvency II uses economic value for all items) as well as reclassification of subordinated debts and repurchased own shares.

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, amounting to €-814 million (2019: € -729 million).

Equity in banking- and investment institutions (CRD IV) concerns the equity of business units under banking supervision and is included in group solvency calculations as of year-end 2020.

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 and investment institutions

Based on the CRD IV/CRR, De Nederlandsche Bank has issued minimum capital requirements.

Achmea uses the standard approach to determine its credit risk. The Total Capital Ratio based on CRD IV/CRR increased from 19.5% in 2019 to 19.8% in 2020 due to the addition of the 2019 Banking activities result.

CAPITAL RATIO CRD IV/CRR (€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Core capital - Tier 1	873	857
Supplementary capital - Tier 2	1	1
Qualifying capital	**874**	**858**
Risk-weighted assets	4,409	4,403
Core Equity Tier 1 ratio	19.8%	19.5%
Total Capital ratio	19.8%	19.5%

As a result of timing differences there may be minor differences between the equity of banking and investment institutions as set out under Solvency II and the equity as presented above under CRD IV/CRR.

C. THE RISK PROFILE

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 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 or failing to implement forthcoming laws and regulations on time, which may result in legal or administrative sanctions that in turn may result in substantial financial loss or reputational damage. Compliance risk is a distinct risk that is differentiated from other kinds of risk as a function in law and practice; as a risk class, 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. (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 2020	31 DECEMBER 2019
Market risk	2,423	2,365
Counterparty Risk	250	273
Life Risk	1,977	1,791
Health Risk	1,746	1,773
Non Life Risk	953	892
Diversification	−2,639	−2,541
Basic Solvency Capital Requirement	**4,710**	**4,553**
Loss absorbing capacity of Expected Profit (LAC EP)	−188	−221
Loss absorbing capacity of Deferred tax (LAC DT)	−659	−618
Operational Risk	607	599
Solvency Capital Requirement (Consolidated)	**4,470**	**4,313**
SCR Other Financial Sectors & Other entities[1]	683	39
Solvency Capital Requirement	**5,153**	**4,352**

1 Banking and investment institutions will be included in the calculation of group solvency from the end of 2020. Previously this was not the case.

In accordance with the Solvency II regulations, the loss-absorbing capacity (LAC) has been taken into account when calculating the required capital. In case of losses, a portion of these can be partially compensated with the LAC EP and LAC DT.

Notes to the company Financial Statements

A large part of the required capital results directly from the product range and consists of insurance risk, consisting of life risk, Non-Life risk and health risk. The required capital has increased due to a combination of effects. The lower interest rate leads to a higher market value and duration, which increases the interest rate risk. Furthermore, the lower interest rate also increases life risk. The growth in Non-life insurance risk is due to expected portfolio growth leading to higher budgeted cost of claims and higher provisions for injuries in the Non-Life business.

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 promptly and to adapt to new trends. New developments include sustainability and climate change, the possibility that other providers will launch new distribution, product and/or service models, and the possibility of a decrease in the insurance requirement for Property & Casualty insurance due to the fact that, as a result of technological developments, certain risks do not occur or occur less frequently. Specifically, the Covid-19 pandemic may lead to changes in society, customer needs, behavioural patterns and the economy, which (alongside opportunities) may also negatively affect Achmea’s business and its commercial position. The aforementioned developments are being closely followed, whereby central control takes place on Achmea’s innovation portfolio.
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 cost benefits. More so than in the past, Achmea works 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.
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.
Laws and regulations	Achmea has to deal with many laws and regulations. There is a risk that Achmea's business operations, earnings model and more specifically the solvency requirements will be affected by politics and changing laws and (tax) regulations and / or by organizing solidarity in society differently. This risk affects all Achmea product lines. In addition, Achmea is exposed to reputational risk when it fails to comply with (forthcoming) laws and regulations. In the course of the year, the supervisory authority, De Nederlandsche Bank (DNB), issued additional guidelines on subjects that provide further clarification on the application of the Solvency II guidelines. However, at the end of the year, a number of topics are still under investigation and are expected to be finalised in 2021. An ongoing investigation concerns, for example, the request made to the sector by DNB regarding information and consultation on the treatment of savings mortgages under Solvency II. Main areas for attention are also the compliance themes related to Know Your Client and privacy, for which improvement processes are underway. However, since any changes in laws and regulations are closely monitored, this can be adequately anticipated.
Sustainability and climate change	Sustainability and climate change have to be distinguished in physical risks and transition risks in Achmea’s insurance, investments and business operations, with the risk of not fully exploiting the opportunities compared to the competition. For the risks related to climate change, the initiatives in the sub-areas have been brought together in one central approach, by which ensuring completeness and consistency in the measures to be taken. Extra attention is paid to the increase in (EU) regulation of sustainability which will be application from 2020 through 2025. The analysis and implementation thereof is complex and has varying impact on different business units. A project organization and expert group support the business units in this. Part of this is the timely adaptation of the product and service offering to the theme of sustainability and climate change for the future earnings model.

Notes to the company Financial Statements

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	Catastrophes due to (extreme) weather events, such as storms and hail, can have a major impact on the Non-Life portfolio. Climate change may cause changes in frequency, times of year and intensity. The risk of these types of natural hazards (known as 'catastrophe risk') occurring is largely mitigated by reinsurance. A great deal of attention is paid to keeping the internal models for determining the relevant risks, such as catastrophes, up to date. In 2020 Achmea modified its internal model for storm risk, incorporating the latest insights on storm risk in the quantification of the risk. Achmea is in close contact with the companies that develop the catastrophe models and with universities and the Royal Netherlands Meteorological Institute (KNMI). In this way Achmea is keeping close track of climate change and evaluating the impact. Setbacks may manifest in the Income Protection portfolios due to 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.
Volatility of care outcomes	Fluctuation of the profitability of Achmea and Achmea Zorgverzekeringen N.V. as a result of large fluctuations during the year and also between years in the health care cost estimates and risk adjustment. If, due to volatility in health care costs, premium setting in relation to the competition becomes too great, this can have an impact on portfolio turnover. This risk is managed by periodic monitoring, aiming, among other things, for a representative insured portfolio, so that there is less dependence on changes in the settlement system.
Financial markets	As a financial services provider, Achmea has a large exposure to the financial markets because of its investment portfolio, products with minimum guarantees and profit-sharing provisions. Due to (geo) political instability, global economic developments and decisions by financial authorities, volatility can arise in the financial markets with consequences for the valuation of our investments and liabilities. A specific risk is that the investment return is structurally underperformed as a result of lower spreads and lower surplus returns, so that the Volatility Adjustment used in the valuation of the insurance liabilities on the economic balance sheet cannot be recouped. Specific attention is paid to the consequences of the energy transition on our investment portfolio. 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 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.
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, 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, periodic reviews, distribution forms, and advertising and website communications.

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.

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:

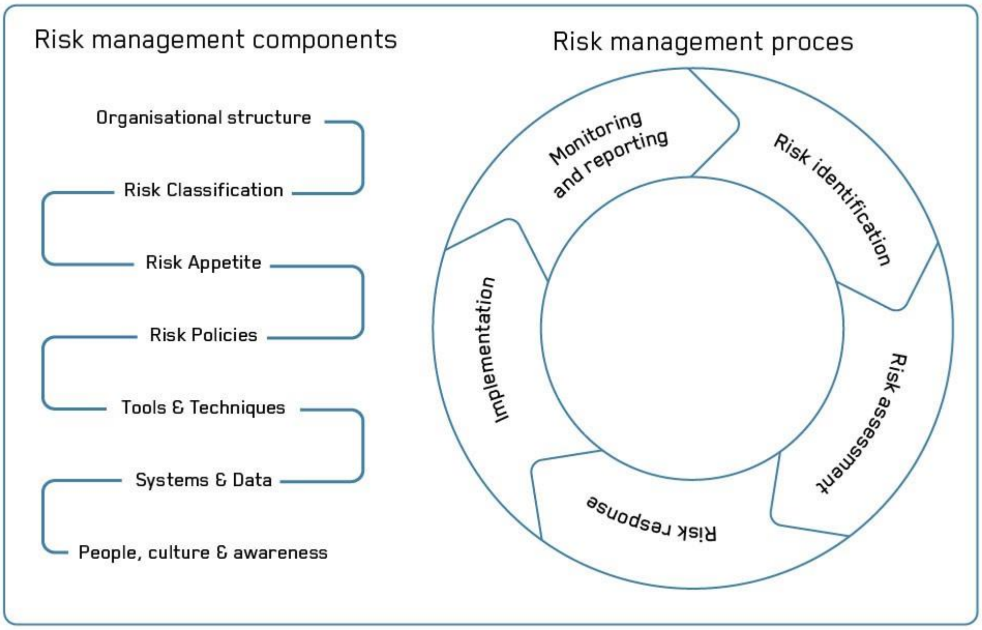
- Principles pertaining to risk appetite such as maintaining a solid capital and liquidity position that is sufficient for Achmea to meet its obligations, now and in the future.
- Principles pertaining to the risk management structure and the chosen integrated approach for the management of risks. Achmea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

FIRST LINE	SECOND LINE	THIRD LINE
IMPLEMENTATION AND MANAGEMENT	SUPPORT, MONITORING AND CONTROL	ASSESSMENT AND REVIEW
- Executive Board and risk committees at Group level - Business management and decentralised risk committees within the business units	- The Compliance, Risk Management and Actuarial departments safeguard the compliance, risk management and actuarial function under Solvency II at group level and for the Dutch supervised insurance entities. - International insurance entities have their own compliance, risk management and actuarial functions under Solvency II - Some entities have their own compliance and risk management departments due to different legal requirements, specific knowledge or efficiency.	- The Internal Audit staff department works at 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 compliance, risk management and actuarial key function holders at group level 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 subcommittees the Model Approval Committee (MAC), the Privacy Board and the Information Security Board. The MAC has a 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) Committees, the Underwriting Committee at Achmea Reinsurance Company N.V. and the Asset & Liability Committee and the Credit Committee at Achmea Bank N.V.

Solvency II key functions

The 'Three Lines of Defence' model has been set up for all supervised entities. The compliance function, the risk management function, the actuarial function and the internal audit function 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 compliance, risk management and actuarial functions are fulfilled within the staff department Compliance, Risk Management and Actuarial. 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 Chairmen of the Executive Board, the Audit & Risk Committee and the Supervisory Board.
- The internal audit function at group level is fulfilled by the Internal Audit department. This function reports to the Chairman of the Executive Board, has a formal information and escalation line to the Chairmen of the Audit & Risk Committee and the Supervisory Board, and has direct and unlimited access to business units.

Notes to the company Financial Statements

- The compliance, risk management, actuarial and internal audit functions have also been set up for the supervise insurance entities. In the case of the Dutch insurance entities, these functions are performed by the relevant staff departments. Additionally, Achmea Reinsurance Company N.V. has additional its own risk management and compliance department. These functions report to the entities' boards of directors and have a formal information and escalation line to the Chairmen of the Audit & Risk Committee and the Supervisory Board as well as direct, unlimited access to all 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. The risk picture of models is assessed and it is compulsory for the models with a high gross risk to be documented, implemented, tested and periodically validated by the independent model validation function of the staff department Risk Management 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 and may only be put into use following 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 Achmea Pensioen en Levensverzekeringen N.V. – 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 equity of Achmea Pensioen en Levensverzekeringen N.V. – 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 carried out annually at group level and for the business units, with a qualitative assessment by management of the most important risks. The insights from this Strategic Risk Analysis are used to manage the specifically identified most important risks, to recalibrate the stress and scenario set for the ORSA and Achmea's Preparatory Crisis Plan and can lead to the evaluation of the strategy. In addition, a detailed insight into the integral risk profile of Achmea, supervised organizations and business units is obtained by consolidating the output of all risk management processes, instruments and techniques within Achmea at strategic, tactical and operational level and assessing it in conjunction in the Integral Risk analysis.

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 and dynamically – with a view to societal developments – and any necessary changes are made 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 2020 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 (€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Mortality	185	183
Longevity	1,537	1,347
Disability	14	25
Lapse	287	338
Expense	681	600
Catastrophe	129	140
Diversification	−856	−842
Solvency Capital Requirement Life risk	**1,977**	**1,791**

The SCR for longevity risk increased in 2020 from €1,791 million to €1,977 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 the biggest risks in the life insurance activities. Concentration risks in the life portfolio is linked to an unexpected increase in life expectancy.

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 externally. 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. These evaluations have shown that this is not the case. In the recent period, as well, Achmea has found that the excess mortality due to Covid-19 among the insured population has remained limited.

Notes to the company Financial Statements

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. In Canada via the digital channel online car and home insurance is offered 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 (€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Lapse	139	132
Premium and reserve	644	590
Catastrophe	546	525
Diversification	−376	−355
Solvency Capital Requirement Non-life risk	**953**	**892**

The SCR for Non-life risk increased in 2020 from €892 million to €953 million. The capital requirement is calculated using an approved partial internal model. The increase is mainly due to the expected portfolio growth leading to higher budgeted cost of claims and higher provisions for personal injury.

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 2020 Achmea modified its internal model for storm risk, incorporating the latest insights on storm 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. In 2020 the own retention remained at the same level. 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 (lowered from 10% to 5% of the gross written premiums in 2021)
- In addition, the government determines the payments health insurers receive from the Healthcare Insurance Equalization Fund. The compensation paid through the Healthcare Insurance Equalization 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. Payments related to the statutory emergency scheme (section 33 of the Dutch Health Insurance Act (‘Zorgverzekeringswet’)) are also funded by the health insurance fund.
- 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 2020, a great deal of attention was given to the impact of the Covid-19 pandemic on the health insurance portfolio, with a particular focus on the development of medical expenses and the various regulations that came into force in 2020 to ensure continuity of care and a balanced competitive environment. Various agreements and schemes have been agreed upon between healthcare insurers and providers, such as the Continuity Contribution Schemes, Additional Costs Schemes, hardship clauses in the schemes, the statutory emergency scheme and the solidarity arrangement between healthcare insurers. To help healthcare providers cover the ongoing costs and additional costs resulting from Covid-19, various arrangements have been made for Continuity Contributions and Additional Expenses. The statutory emergency scheme provides for compensation of the additional medical expenses related to the Covid-19 pandemic through additional contributions from the Health Insurance Equalisation Fund, whereby the amount of the catastrophe loss depends on the applicable thresholds. The Health Insurers' Solidarity Scheme divides the Covid-19-related claims under the emergency scheme and the corresponding contribution from this scheme. With the course of the Covid-19 pandemic and various uncertainties in the income and expenses of these schemes, these schemes will continue to operate in 2021.

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 4 Investment property and Note 5 Investments.

MARKET RISK (€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Interest rate	1,401	1,265
Equity	1,254	1,255
Property	406	345
Spread	1,305	1,318
Currency	124	114
Concentration	0	0
Diversification	−2,067	−1,932
Solvency Capital Requirement Market risk	**2,423**	**2,365**

The Solvency Capital Requirement (SCR) for market risk decreased in 2020 from €2,365 million to €2,423 million. This SCR has been calculated using an approved partial internal model. The lower interest rate in 2020 leads to a higher market value and duration, which increases the interest rate risk. Due to the completion of the adjustment of the interest rate risk hedging strategy implemented in 2019, which is aimed at stabilising the solvency ratio over time, the duration of the derivatives and thus the risk has increased. In spring 2020, it turned out that the capital requirements in the internal market risk model were strongly influenced by the level of the Equity Volatility Index (VIX) and were no longer in line with the risk. As a result, the model has been adjusted for the equity and property risk component. The equity Volatility Index (VIX) is fixed, thus addressing the pro-cyclicality of the model.

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

SOLVENCY II SENSITIVITIES

(€ MILLION)

	31 DECEMBER 2020			31 DECEMBER 2019		
	IMPACT ELIGABLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)	IMPACT ELIGABLE OWN FUNDS	IMPACT SOLVENCY CAPITAL REQUIREMENT	IMPACT RATIO (%)
Equity -20%	-567	−83	−8%	-425	-69	−6%
Interest -50 basis points	350	151	1%	264	131	0%
Interest +50, basis points	-447	−135	−3%	-247	-115	0%
Property -20%	-308	1	−6%	-255	-18	−5%

The outcomes are related to changes in the composition of the balance sheet and cash flows. The sensitivities have been calculated using the approved partial internal model for market risk. The existing hedging strategy has been taken into account as explained below under the risk response.

Risk response

The Market Risk Policy describes the elements 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 maximun 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. The curve and Ultimate Forward Rate (UFR) prescribed and published by EIOPA are used when valuing the liabilities. Using the UFR means that in the case of 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. As a result, the Solvency II ratio is sensitive to interest movements.

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.
- 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 €6,161 million (2019: €4,542 million) with a notional amount of €42.5 billion (2019: €40.1 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)

	2020 ACHMEA BANK	2019 ACHMEA BANK
Duration Equity (in years)	2.22	2.49
Stress test -200 basis points	-1	-9
Stress test +200 basis points	-44	-58
Income at Risk +100 basis points	14	10

The calculated interest rate risk at the end of 2020 with a negative stress test of -200 basis points is lower than in 2019 because of the lower yield curve and the earlier achievement of the floor for the negative interest rate applied based on the EBA guidelines. The positive stress test also leads to a lower interest rate risk as compared to 2019 due to lower interest rate sensitivity of equity.

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 4 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 and 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 29 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.

There is a low spread risk between assets linked to capital policies, for which the interest income is based on the interest paid by the policyholder on his savings mortgage and the corresponding claims. The remaining counterparty default risk on savings receivables has been mitigated by additional collateral and is included in the required capital for counterparty risk under Solvency II.

Notes to the company Financial Statements

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 Emeklilik Ve Hayat AS.

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

EXCHANGE RATE RISK (€ MILLION)

	2020 TOTAL EXPOSURE	2020 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2020 NET EXPOSURE	2019 TOTAL EXPOSURE	2019 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2019 NET EXPOSURE
Net position						
US dollar	1,056	1,011	45	1,290	1,170	120
Pound sterling	189	209	−20	298	299	−1
Japanese yen	147	145	2	154	149	5
Swiss franc	611	599	12	698	685	13
Turkish lira	38	−8	46	58	1	57
Danish krone	74	50	24	173	152	21
Other	256	119	137	258	176	82
Total	**2,371**	**2,125**	**246**	**2,929**	**2,632**	**297**

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 29 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 2020 the SCR slightly increased/decreased from €273 million at year-end 2019 to €250 million at year-end 2020. The decrease is mainly caused by lower recourse claims at Achmea Schadeverzekeringen N.V. and lower claims at Achmea Zorgverzekeringen N.V. as a result of a decrease in regular care due to Covid-19.

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 keep negative net positions as low as possible 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)

AAA	700
AA+, AA, AA-	500
A+, A, A-	400
BBB+	250
BBB	200
BBB-	125
<=BB+ and no rating	Determined on a case-by-case basis

The Counterparty Default Risk Policy also enables deviating limits for specific exposures such as for certain governments and banks and offers the possibility to apply for exemption in specific situations.

Achmea uses ratings from S&P, Moody's, Fitch and DBRS, and in addition 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 29 Credit quality financial assets and Disclosures concerning IFRS 9. Creditworthiness 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 consists mainly of funds linked to capital policies, for which the interest yield is based on the interest paid by the policyholder on his savings mortgage (Note 5 Investments). Additional securities have been 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. Central Clearing is used when entering into new derivatives transactions and the majority of the derivatives portfolio now runs through a Central Counterparty (CCP).

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.

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 keep negative net positions as low as possible 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)
AAA	700
AA+, AA, AA-	500
A+, A, A-	400
BBB+	250
BBB	200
BBB-	125
<=BB+ and no rating	Determined on a case-by-case basis

The Counterparty Default Risk Policy also enables deviating limits for specific exposures such as for certain governments and banks and offers the possibility to apply for exemption in specific situations.

Achmea uses ratings from S&P, Moody's, Fitch and DBRS, and in addition 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 29 Credit quality financial assets and Disclosures concerning IFRS 9. Creditworthiness 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 consists mainly of funds linked to capital policies, for which the interest yield is based on the interest paid by the policyholder on his savings mortgage (Note 5 Investments). Additional securities have been 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. Central Clearing is used when entering into new derivatives transactions and the majority of the derivatives portfolio now runs through a Central Counterparty (CCP).

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

Counterparty default risk with regard to healthcare providers is limited by monitoring advances less work in progress. This net position is kept as low as possible. Throughout 2020, net positions have been higher than usual because planned care fell short of provisioning. As a result of the Covid-19 pandemic, the advance payments also include the continuity contribution for which no care has yet been provided. At the end of 2020, the amounts have largely been set off against the continuity contribution awarded and/or care provided afterwards.

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 6, 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 operations 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 2020 and 2019.

LIQUIDITY RISK EXPOSURE BANKING (€ MILLION)

2020	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Investments	1,800	1,217	5,388	4,402	12,807
Cash and cash equivalents	979				979
Other assets	50		1		51
Total assets	**2,829**	**1,217**	**5,389**	**4,402**	**13,837**
Liabilities					
Financial liabilities	5,321	1,146	3,814	1,447	11,728
Derivatives		7	144	306	457
Total liabilities	**5,321**	**1,153**	**3,958**	**1,753**	**12,185**
Net liquidity gap	**-2,492**	**64**	**1,431**	**2,649**	**1,652**

Notes to the company Financial Statements

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**

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. Each year a Liquidity Risk Assessment (LRA) is presenting the fullest and most up-to-date picture possible of the liquidity risks of the entities and of the group. An assessment is also given of the quality of risk response. The recommendations of the LRA serve as input for changes to policy, risk appetite or regular monitoring and reporting.

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 collateral requirements. 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 2020.

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/decreased from €599 million at year-end 2019 to €607 million at year-end 2020.

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, data centre 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 (CDD), 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 distribution process. A substantial 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 , 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 dilemmas 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. The effectiveness of fraud control measures is assessed on a quarterly basis using the Internal Control Framework.

In 2020, an additional risk analysis was carried out on the lockdown situation from a business perspective, which also included relevant compliance risks, such as fraud, operation of our products and propositions for our customers, as well as the working conditions of our employees. Where necessary, this led to successful adjustments in the interest of customer service (at product and proposition level) and (to a limited extent) to mitigate additional fraud risks and risks related to working conditions.

Annually risk analyses are performed to identify the compliance risks within Achmea. The key risk analyses performed by Compliance are the Gross Net Risk Analysis (GNRA), which forms the basis for the annual plan, and the annual Systematic Integrity Risk Analysis (SIRA). 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 legislation and forthcoming amendments 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 Supervisory Committee.

Privacy, CDD and duty of care were the main focus areas for the compliance function in 2020. Short-cycle monitoring is used to monitor compliance with laws and regulations. Where appropriate, proactive coordination is sought with supervisory authorities. 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.

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 2020	SOLVENCY II VALUE 31 DECEMBER 2019
4.625%	500	2019	Perpetual	24-03-2029	Restricted Tier 1	531	473
2.5%	250	2019	24-09-2039	24-06-2029	Tier 2	262	240
6.0%	500	2013	04-04-2043	04-04-2023	Tier 2[1]	545	551
4.25%	750	2015	Perpetual	04-02-2025	Tier 2	892	790
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.

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	A-		
ENTITY	TYPE	S&P	FITCH	MOODY'S
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[1], the fixed-charge coverage ratio[2] and the double leverage ratio[3]. The debt leverage ratio was 24.0% in 2020 (2019: 24.9%) as a result of increased equity. The fixed charge coverage ratio came to 5.9x (2019: 5.3x) as a result of increased operational result. At 102.4%, the double leverage ratio at the end of 2020 increased slightly compared to 2019 (98.8%) due to an increase in the assets of the operating companies compared to those of Achmea BV.

Capital policy

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

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

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

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

- Funding at holding level could come from dividends from subsidiaries, issuance of debt and credit lines with a number of national and international banks. At group level Achmea also maintains committed and uncommitted credit facilities with several mainly international banks. The committed credit facilities of €1 billion were undrawn at year-end 2020.
- 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. Distributions may only be made to shareholders and other persons entitled to distributable profits to the extent that equity exceeds the reserves to be maintained pursuant to the law.

---

[1] The debt leverage ratio is calculated as follows: Non-banking debts minus preferred shares as a percentage of the sum of equity attributable to holders of equity instruments in the company and non-banking debts minus Other equity instruments, preferred shares and goodwill.

[2] The fixed charge coverage ratio is calculated as follows: the ratio of 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 on preference shares, transaction results and depreciation costs. The calculation is adjusted for amortisation of intangible assets.

[3] The double leverage ratio is calculated as follows: the ratio between (a) the sum of the equity of subsidiaries, including related goodwill and other intangible fixed assets and (b) the total equity of the group (share capital, hybrid capital, subordinated debt and preference shares).

Notes to the company Financial Statements

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 (https://www.achmea.nl/investors/schuldpapier). 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.

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

Consists of a broad range of activities which, on an individual basis, do not comply with the threshold for a reportable segment. 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.

Due to a change in the internal organisational structure, as of 1 January 2020 Syntrus Achmea Real Estate & Finance has been part of the segment Retirement Services Netherlands, instead of the segment Other activities. The comparative figures have been adjusted to reflect this organisational change. As a result, amounts of €45 million, €26 million and €6 million have been reclassified from Total equity as at 31 December 2019, Total liabilities as at 31 December 2019 and Net result as at 31 December 2019 respectively, moving from the Other activities segment to Retirement Services Netherlands.

Notes to the company Financial Statements

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(€ 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]	636			15	51	33		735
Associates and joint ventures	5				38	12		55
Property for own use and equipment	79	4			57	411		551
Investment property		2	931		4	36		973
Investments	7,154	3,850	56,443	12,807	1,214	1,140	−969	81,639
Deferred tax assets			731		36		−141	626
Amounts ceded to reinsurers	349		95		280	176	−215	685
Receivables and accruals	1,358	4,178	277	126	261	207	−200	6,207
Cash and cash equivalents	96	348	360	1,046	271	77	−14	2,184
Total assets	**9,677**	**8,382**	**58,837**	**13,994**	**2,212**	**2,092**	**−1,539**	**93,655**
Equity								
Equity attributable to holders of equity instruments of the company[1]	1,974	3,503	4,288	925	461	−599		10,552
Non-controlling interest	6		1					7
Total equity	**1,980**	**3,503**	**4,289**	**925**	**461**	**−599**		**10,559**
Liabilities								
Liabilities related to insurance contracts	7,019	3,664	47,398		1,200	389	−1,269	58,401
Other provisions	25	4	2	5	59	−37	1,055	1,113
Financial liabilities	471	1,210	4,748	12,601	450	2,268	−1,184	20,564
Derivatives	8	1	2,384	457		20		2,870
Deferred tax liabilities	140			1		31	−141	31
Income tax payable	34		16	5	42	20		117
Total liabilities	**7,697**	**4,879**	**54,548**	**13,069**	**1,751**	**2,691**	**−1,539**	**83,096**
Total equity and liabilities	**9,677**	**8,382**	**58,837**	**13,994**	**2,212**	**2,092**	**−1,539**	**93,655**

1 The total Equity of the segment Other activities is €-599 million due to the consistent application of the allocation of Intangible assets to the cashflow-generating units. As a result €629 million of Intangible assets from the segment Other activities has been allocated to the segment Non-life Netherlands (€617 million) and the segment International activities (€12 million). Excluding this allocation, the total Equity of the segment Other activities is €30 million, of the segment Non-life Netherlands is €1,363 million and of the segment International activities is €449 million.

Notes to the company 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			10	78	15		738
Associates and joint ventures					51	13		64
Property for own use and equipment	75	5		2	63	409		554
Investment property		3	1,059		4	38		1,104
Investments	6,980	3,766	53,009	13,466	1,307	1,606	−1,384	78,750
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	196	269	231	−351	6,255
Cash and cash equivalents	132	196	256	145	177	68	−11	963
Total assets	**9,364**	**8,293**	**55,276**	**13,819**	**2,254**	**2,695**	**−2,221**	**89,480**
Equity								
Equity attributable to holders of equity instruments of the company[1]	1,930	3,269	4,028	898	468	−416		10,177
Non-controlling interest	7		1					8
Total equity	**1,937**	**3,269**	**4,029**	**898**	**468**	**−416**		**10,185**
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	12,422	464	2,296	−1,743	18,475
Derivatives	13	1	1,420	465		19		1,918
Deferred tax liabilities	155			8		14	−151	26
Income tax payable	44		89	20	33	−3	−183	
Total liabilities	**7,427**	**5,024**	**51,247**	**12,921**	**1,786**	**3,111**	**−2,221**	**79,295**
Total equity and liabilities	**9,364**	**8,293**	**55,276**	**13,819**	**2,254**	**2,695**	**−2,221**	**89,480**

1 The total Equity of the segment Other activities is €-416 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 (€618 million) and the segment International activities (€44 million). Excluding this allocation, the total Equity of the segment Other activities is €246 million, of the segment Non-life Netherlands is €1,319 million and of the segment International activities is €424 million.

Notes to the company Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT 2020

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross written premiums	3,668	14,284	1,005		1,104	289	−175	20,175
Reinsurance premiums	−204	−1	−21		−143	−155	175	−349
Change in provision for unearned premiums and current risks (net of reinsurance)	−38	−119			−23	−10		−190
Net earned premiums	**3,426**	**14,164**	**984**		**938**	**124**		**19,636**
Income from associates and joint ventures						5		5
Investment income	118	44	3,011	327	28	−19	−2	3,507
Other income	30	114	5	237	35	25	−36	410
Total income (excluding non-operational items)	**3,574**	**14,322**	**4,000**	**564**	**1,001**	**135**	**−38**	**23,558**
Net expenses from insurance contracts	2,393	13,557	3,594		697	47	−2	20,286
Fair value changes and benefits credited to investment contracts					1			1
Interest and similar expenses	4	2	4	190	1	72	−36	237
Operating expenses related to insurance activities	868	363	149		236	51		1,667
Operating expenses for non-insurance activities	33	114		346	5	91		589
Other expenses	16	51		6	38	37		148
Total expenses (excluding non-operational items)	**3,314**	**14,087**	**3,747**	**542**	**978**	**298**	**−38**	**22,928**
Operational result	**260**	**235**	**253**	**22**	**23**	**−163**		**630**
Transaction results (mergers and acquisitions)								
Result before tax	**260**	**235**	**253**	**22**	**23**	**−163**		**630**
Income tax expenses	66	−2	62	6	15	−67		80
Income tax impact rate change	9		−102	1				−92
Total income tax expenses	**75**	**−2**	**−40**	**7**	**15**	**−67**		**−12**
Net result	**185**	**237**	**293**	**15**	**8**	**−96**		**642**
Expense ratio[1]	25.1%	2.6%			24.9%			
Claims ratio[1&2]	67.8%	95.7%			73.6%			
Combined ratio[1&2]	92.9%	98.3%			98.5%			
Amortisation charges	3	2		4	20	60		89
Reversal of impairment losses	20	14	36			4		74

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 €69 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 company 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	219	34	21	−37	384
Total income (excluding non-operational items)	**3,459**	**14,220**	**5,251**	**579**	**1,008**	**180**	**−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		325	8	109		572
Other expenses	21	36	7		36	−2		98
Total expenses (excluding non-operational items)	**3,281**	**14,158**	**4,888**	**541**	**986**	**296**	**−44**	**24,106**
Operational result	**178**	**62**	**363**	**38**	**22**	**−116**		**547**
Transaction results (mergers and acquisitions)								
Result before tax	**178**	**62**	**363**	**38**	**22**	**−116**		**547**
Income tax expenses	38		92	11	15	−47		109
Income tax impact rate change	1		−43			−1		−43
Total income tax expenses	**39**		**49**	**11**	**15**	**−48**		**66**
Net Result	**139**	**62**	**314**	**27**	**7**	**−68**		**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 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.

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS

(€ MILLION)

	THE NETHERLANDS	TURKEY	GREECE	SLOVAKIA	OTHER [1]	TOTAL 2020	TOTAL 2019
Gross written premiums	19,071	231	351	487	35	20,175	19,949
Other income	375	11	23	1		410	384
Total assets	91,443	551	1,247	326	88	93,655	89,488
Non-current assets	76,126	170	1,066	249	18	77,629	74,767

1 Other includes Australia and Canada.

NOTES TO SIGNIFICANT BALANCE SHEET AND INCOME STATEMENT ITEMS

4. INVESTMENT PROPERTY

(€ MILLION)

	2020	2019
Balance at 1 January	1,104	1,103
Purchases	14	15
Disposals	−145	−69
Fair value changes recognised in profit or loss	−1	51
Transfer from property for own use	1	4
Balance at 31 December	**973**	**1,104**

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Residential	544	563
Retail	194	254
Offices	232	276
Other	3	11
Total	**973**	**1,104**

Achmea’s contractual liabilities for maintenance of investment property at year-end 2020 amounted to €1 million (31 December 2019: €2 million).

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 2020	31 DECEMBER 2019
Less than 1 year	27	34
1 - 5 years	62	83
Over 5 years	42	39
Total	**131**	**156**

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 8 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.

Covid-19 affects the estimated future cash flows used to determine fair value of, in particular, the retail and office portfolio. The uncertainties of Covid-19 may have an impact on, among other things, the extent to which rent reductions will be provided, the continued use of the premises by current tenants and the layout of premises out after the lifting of the lockdown measures.

For commercial real estate in particular, there was a drop in demand in the first half of 2020 due to Covid-19, which meant that fewer reference prices were available to appraisers when determining the appraisal value. Due to the revival of the real estate transaction market in the second half of 2020, sufficient reference transactions are available for the year-end 2020 valuation. Achmea therefore sees no reason to adjust the valuations of the external appraisers as per 31 December 2020.

In the valuation of Investment Property, the adjustment of the transfer tax as of 1 January 2021 was not taken into account in the valuation as of 31 December 2020. The impact on the valuation in 2021 cannot yet be determined.

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.

5. 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 2020	31 DECEMBER 2019	**31 DECEMBER 2020**	31 DECEMBER 2019	**31 DECEMBER 2020**	31 DECEMBER 2019[1]	**31 DECEMBER 2020**	31 DECEMBER 2019[1]
Investments own risk								
Equities & similar investments	98	26	2,699	2,956			2,797	2,982
Fixed income investments	2,960	3,059	36,364	34,560	59	518	39,383	38,137
Derivatives	9,087	6,504					9,087	6,504
Other financial investments	48	43	984	430	1,365	1,618	2,397	2,091
Investments backing linked liabilities								
Equities & similar investments	3,841	4,504					3,841	4,504
Fixed income investments	4,342	3,881					4,342	3,881
Derivatives	86	92					86	92
Other financial investments[2]	6,981	7,185					6,981	7,185
Banking credit portfolio								
Fixed income investments	171	201			12,554	13,173	12,725	13,374
Total at 31 December	**27,614**	**25,495**	**40,047**	**37,946**	**13,978**	**15,309**	**81,639**	**78,750**

1 The accounting for reimbursement interest has been changed retrospectively. As a result, the investments Credit Portfolio Banking have been adjusted as of 1 January 2019 and 31 December 2019 by -€8 million (see General accounting principles Section F).
2 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 €2,797 million (31 December 2019: €2,982 million) consist of investments in listed ordinary shares of €1,390 million (31 December 2019: €1,599 million), alternative investments of €684 million (31 December 2019: €723 million), investments in real estate funds of €368 million (31 December 2019: €324 million), investments in fixed-income funds of €286 million (31 December 2019: €270 million) and other investments of €69 million (31 December 2019: €66 million).

After the outbreak of the Covid-19 pandemic, share prices worldwide fell sharply in a short period of time and recovered during 2020. In 2020, the impairments amount to €74 million (2019: €18 million) and are recognised in the Income Statement under Realised and unrealised gains and losses.

Achmea Bank N.V. offers its customers the option of temporarily suspending interest payments and mortgage repayments. A small percentage of customers made use of this option. In light of these payment holidays, Covid-19 has not led to a material increase in the provision for credit risks for the banking activities.

For more information on fair value and changes in fair value see Note 8 Fair value hierarchy.

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.

Notes to the company Financial Statements

MOVEMENTS INVESTMENTS

(€ MILLION)

	INVESTMENTS OWN RISK		INVESTMENTS BACKING LINKED LIABILITIES		BANKING CREDIT PORTFOLIO		TOTAL	
	2020	2019	2020	2019	2020	2019[1]	2020	2019[1]
Balance at 1 January	**49,714**	**44,008**	**15,662**	**15,098**	**13,374**	**11,834**	**78,750**	**70,940**
Investments and loans granted[2]	28,659	24,798	11,555	5,161	1,258	2,612	41,472	32,571
Divestments and disposals	−28,287	−23,335	−12,653	−6,242	−1,865	−1,772	−42,805	−31,349
Fair value changes	3,084	4,546	423	1,291	−3		3,504	5,837
Change in value due to fair value hedge accounting					10	26	10	26
Foreign currency differences	−107	−23	−60	2	2		−165	−21
Amortisation					−39		−39	
Accrued interest and rental	40	55	194	215	4		238	270
Cash movements			133	137			133	137
Changes due to reclassification	4	−674	−4			674		
Oher changes[3]	557	339			−16		541	339
Balance at 31 December	**53,664**	**49,714**	**15,250**	**15,662**	**12,725**	**13,374**	**81,639**	**78,750**

1 The accounting for reimbursement interest has been changed retrospectively. As a result, the investments Credit Portfolio Banking have been adjusted as of 1 January 2019 and 31 December 2019 by -€8 million (see General accounting principles Section F).

2 The investments within the Credit Portfolio Banking mainly concern the acquisition of Dutch residential mortgages from BinckBank (2020) and the mortgage portfolio of a.s.r. bank (2019).

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.

Investments own risk

The investments own risk designated as 'At fair value through profit or loss' as at 31 December 2020 amounted to €3,106 million (31 December 2019: €3,128 million). Derivatives are used for hedging purposes. Achmea holds no financial instruments for trading purposes.

Based on their contractual maturity, an amount of €35,684 million (31 December 2019: €34,194 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 2020	31 DECEMBER 2019
Government and government related guaranteed bonds	13,956	14,345
Securitised bonds[1]	1,133	878
Corporate bonds	13,857	12,957
Convertible bonds	236	323
Mortgages	8,571	7,918
Loans, deposits with credit institutions	182	356
Investment loans	1,439	891
Deposits with re-insurers		459
Other	9	10
	39,383	**38,137**

1 Securitised bonds include €289 million (2019: €580 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 2020, which equals the carrying amount of the securities at that date. Furthermore, the table presents a comparison of Achmea's interest with the total amount of Notes issued by the structured entity. The amount shown as Total amount of issued notes is based on the deal size at issue of the notes.

INVESTMENTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

(€ MILLION)

		31 DECEMBER 2020		31 DECEMBER 2019
	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	164	10,793	333	16,119
Car leasing receivables securities	48	3,929	121	8,424
Other securities	77	3,415	126	5,010
Carrying amount of interest in structured entity as at 31 December	**289**	**18,137**	**580**	**29,553**

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	BALANCE 31 DECEMBER 2020	ASSETS	LIABILITIES	BALANCE 31 DECEMBER 2019
Interest rate derivatives	9,004	2,843	6,161	6,431	1,889	4,542
Currency derivatives	33	8	25	21	11	10
Equity derivatives	49	19	30	52	18	34
Other derivatives	1		1			
	9,087	**2,870**	**6,217**	**6,504**	**1,918**	**4,586**

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

(€ MILLION)

	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS	TOTAL 31 DECEMBER 2020	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS	TOTAL 31 DECEMBER 2019
Interest rate derivatives	211	396	306	1,795	2,708	228	357	265	1,059	1,909
Currency derivatives	7				7	11				11
Equity derivatives	19				19	18				18
	237	**396**	**306**	**1,795**	**2,734**	**257**	**357**	**265**	**1,059**	**1,938**

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

(€ MILLION)

			31 DECEMBER 2020			31 DECEMBER 2019
	NOMINAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOMINAL AMOUNTS	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Interest derivatives	42,535	9,004	2,827	40,066	6,431	1,863
Cross-currency interest rate swaps	379		16	667		26
Forward exchange contracts	1,632	33	8	2,023	21	11
	44,546	**9,037**	**2,851**	**42,756**	**6,452**	**1,900**

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.

Part of the Investments at the risk and expense of our policyholders concerns unlisted fixed income securities that are valued at fair value through the income statement. These are mainly balances linked to savings policies, the interest income from which is based on the interest paid by the policyholder on his savings mortgage. Part of the change in value of these investments is related to a change in the credit risk of the financial asset. Since these are investments for the account and risk of policyholders, this change in value is fully recognised in the Liabilities arising from insurance contracts and has no impact on the net result.

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 2020	31 DECEMBER 2019[2]
Mortgages	12,108	12,674
Loans, deposits and advances with credit institutions	629	714
Other loans and advances to private sector		1
Allowance account	−12	−15
	12,725	**13,374**

1 The Banking credit portfolio includes a provision for credit losses. Additions to and withdrawals from the provisions during 2020 amounted to €14 million (2019: €11 million) and €17 million (2019: €23 million).

2 The accounting for reimbursement interest has been changed retrospectively. As a result, the Loans secured by mortgages have been adjusted as of 1 January 2019 and 31 December 2019 by -€8 million (see General accounting principles Section F).

The Banking credit portfolio measured at fair value is subject to the development of the yield curve. This development has almost no effect on the fair value at the end of 2020 (2019: €7 million).

An amount of €629 million (31 December 2019: €541 million) is not available on demand, and consists of collateral for derivatives and funds related to securitisation transactions. An amount of €9,718 million (31 December 2019: €10,287 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 €12,719 million (31 December 2019: €13,514 million). As at 31 December 2019, the carrying amount of the loans is affected by impairment losses amounting to €94 million (31 December 2019: €91 million). There are no reversals of impairment losses in both 2020 and 2019. 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 2020, the interest income related to impaired financial instruments is €2 million (31 December 2019: €3 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 8 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.

Notes to the company Financial Statements

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.

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

(€ MILLION)

	31 DECEMBER 2020		31 DECEMBER 2019	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
Non-life insurance				
Unearned premiums	1,383	99	1,338	98
Provision for unexpired risks	41		36	
Outstanding claims (including IBNR)	6,428	486	6,222	412
Profit sharing and bonuses for policyholders	20		22	
Total Non-life insurance	**7,872**	**585**	**7,618**	**510**
Health insurance				
Unearned premiums	28		29	
Provision for unexpired risks	138		19	
Outstanding claims (including IBNR)	3,642		3,851	
Total Health insurance	**3,808**		**3,899**	
Life insurance				
Provision for life policy liabilities	20,058	100	21,103	126
Profit sharing and bonuses for policyholders	11,891		9,838	
Insurance liabilities where policyholders bear investment risk	14,772		15,312	
Total Life insurance	**46,721**	**100**	**46,253**	**126**
Total	**58,401**	**685**	**57,770**	**636**

The impact of Covid-19 on the Liabilities related to insurance contracts varies per segment. The main impacts that have arisen in the segments are explained below.

The Non-Life Netherlands segment has seen an increase in the cost of claims, particularly in event and income protection insurance, which has been offset by a decrease in the cost of claims of other products such as motor vehicle insurance and home contents insurance due to lower damage frequency and claims.

Achmea sees a large impact in the Health segment as a result of Covid-19. These include additional expenses as a result of Covid-19, the cancellation of healthcare, the details of schemes for the continuity of healthcare (Continuity Contribution), the legal emergency scheme for health insurance companies from the government and the solidarity scheme among health insurance companies.

The balance sheet value of Liabilities related to insurance contracts for certain life insurance contracts is influenced by changes in the value of investments. These have been affected in 2020 by the Covid-19 pandemic. The other effects of Covid-19 on the Pension & Life segment in the Netherlands are not material and are only marginally visible in the mortality results.

In the International segment we see similar effects as in relation to Property & Casualty insurance and health insurance.

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

Notes to the company Financial Statements

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

(€ MILLION)

2020	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	667	1,198	1,061	279	3,205
Property & Casualty	2,046	1,808	738	75	4,667
Health insurance	3,643	143	13	9	3,808
Life insurance	2,344	6,275	17,235	20,867	46,721
Balance at 31 December	**8,700**	**9,424**	**19,047**	**21,230**	**58,401**

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**

NON-LIFE PORTFOLIO ANALYSIS

(€ MILLION)

	31 DECEMBER 2020		31 DECEMBER 2019	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Accident	3,205	41%	3,177	42%
Motor liability	2,106	27%	1,970	26%
Motor hull	352	4%	372	5%
Transport /aviation liability	64	1%	73	1%
Property	1,030	13%	929	12%
General liability	926	12%	908	12%
Legal assistance	181	2%	182	2%
Other	8	0%	7	0%
	7,872	**100%**	**7,618**	**100%**

MOVEMENT TABLE NON-LIFE

(€ MILLION)

	2020		2019	
	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	1,338	98	1,266	117
Added during the year	4,257	324	4,104	306
Released to the Income Statement	−4,179	−307	−4,018	−319
Foreign currency differences	−33	−16	−14	−6
Balance at 31 December	**1,383**	**99**	**1,338**	**98**
PROVISION FOR UNEXPIRED RISKS NON-LIFE				
Balance at 1 January	36		37	
Added during the year	5			
Released to the Income Statement			−1	
Balance at 31 December	**41**		**36**	
OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE				
Balance at 1 January	6,222	412	6,149	393
Current period claims reported	2,696	156	2,734	140
Change in reported claims previous periods	−41	41	−151	7
Plus claims reported	**2,655**	**197**	**2,583**	**147**
Current period claims paid	1,159	25	1,245	24
Previous period claims paid	1,282	60	1,298	87
Less claims paid	**2,441**	**85**	**2,543**	**111**
Foreign currency differences	−67	−38	−27	−17
Unwinding of discount	60		72	
Effect of changes in assumptions	−1		−1	
Changes due to reclassification			−11	
Balance at 31 December	**6,428**	**486**	**6,222**	**412**
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	22		23	
Net movements during the period	−2		−1	
Balance at 31 December	**20**		**22**	
TOTAL NON-LIFE INSURANCE LIABILITIES	**7,872**	**585**	**7,618**	**510**

Notes to the company Financial Statements

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

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(BEFORE REINSURANCE)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,696	2,734	2,805	2,737	2,930	2,594	2,593	2,780	2,733	2,594	
One year later		2,643	2,744	2,645	2,909	2,622	2,532	2,615	2,482	2,468	
Two years later			2,704	2,611	2,814	2,658	2,587	2,634	2,437	2,443	
Three years later				2,558	2,815	2,597	2,542	2,641	2,435	2,439	
Four years later					2,785	2,564	2,419	2,598	2,369	2,445	
Five years later						2,513	2,366	2,507	2,330	2,413	
Six years later							2,356	2,494	2,324	2,369	
Seven years later								2,499	2,312	2,371	
Eight years later									2,319	2,354	
Nine years later										2,358	
Estimate of cumulative claims	**2,696**	**2,643**	**2,704**	**2,558**	**2,785**	**2,513**	**2,356**	**2,499**	**2,319**	**2,358**	**25,431**
Cumulative payments	−1,159	−1,772	−2,043	−1,991	−2,324	−2,109	−2,052	−2,273	−2,117	−2,159	−19,999
	1,537	**871**	**661**	**567**	**461**	**404**	**304**	**226**	**202**	**199**	**5,432**
Insurance liabilities claims prior years (<2011)											1,461
Effect of discounting											−465
Outstanding claims at 31 December 2020											**6,428**

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(NET OF REINSURANCE)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,540	2,594	2,668	2,616	2,653	2,477	2,525	2,677	2,692	2,524	
One year later		2,509	2,628	2,574	2,696	2,555	2,468	2,519	2,433	2,399	
Two years later			2,598	2,540	2,606	2,602	2,548	2,540	2,402	2,374	
Three years later				2,492	2,619	2,528	2,507	2,560	2,400	2,400	
Four years later					2,590	2,506	2,385	2,523	2,335	2,410	
Five years later						2,454	2,335	2,436	2,299	2,372	
Six years later							2,326	2,475	2,287	2,330	
Seven years later								2,480	2,287	2,343	
Eight years later									2,295	2,333	
Nine years later										2,341	
Estimate of cumulative claims	**2,540**	**2,509**	**2,598**	**2,492**	**2,590**	**2,454**	**2,326**	**2,480**	**2,295**	**2,341**	**24,625**
Cumulative payments	−1,132	−1,733	−1,977	−1,960	−2,150	−2,094	−2,042	−2,266	−2,111	−2,149	−19,614
	1,408	**776**	**621**	**532**	**440**	**360**	**284**	**214**	**184**	**192**	**5,011**
Insurance liabilities claims prior years (<2011)											1,396
Effect of discounting											−465
Outstanding claims at 31 December 2020											**5,942**

Notes to the company Financial Statements

HEALTH PORTFOLIO ANALYSIS

(€ MILLION)

	31 DECEMBER 2020		31 DECEMBER 2019	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Basic Health insurance	3,607	95%	3,675	94%
Supplementary Health insurance	58	1%	80	2%
Other	143	4%	144	4%
	3,808	**100%**	**3,899**	**100%**

MOVEMENT TABLE HEALTH INSURANCE LIABILITIES

(€ MILLION)

	2020		2019	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
PROVISION FOR UNEARNED PREMIUMS HEALTH				
Balance at 1 January	29		30	
Added during the year	14,839	4	14,582	3
Released to the Income Statement	−14,840	−4	−14,583	−3
Balance at 31 December	**28**		**29**	
PROVISION FOR UNEXPIRED RISKS HEALTH				
Balance at 1 January	19		23	
Added during the year	138		19	
Released to the Income Statement	−19		−23	
Balance at 31 December	**138**		**19**	
OUTSTANDING CLAIMS (INCLUDING IBNR) HEALTH				
Balance at 1 January	3,851		3,794	
Current period claims reported	14,153	3	13,799	1
Change in reported claims previous periods	−169		182	
Plus claims reported	**13,984**	**3**	**13,981**	**1**
Current period claims paid	10,752	3	10,173	1
Previous period claims paid	3,441		3,751	
Less claims paid	**14,193**	**3**	**13,924**	**1**
Balance at 31 December	**3,642**		**3,851**	
TOTAL HEALTH INSURANCE LIABILITIES	**3,808**		**3,899**	

Notes to the company 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)

	2020	2019[1]	2018	2017	2016	2015	2014	2013	2012	2011	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	14,153	14,041	13,954	13,873	13,458	13,105	12,551	12,777	12,840	11,907	
One year later		13,911	13,856	13,663	13,229	12,897	12,321	12,598	12,553	11,679	
Two years later			13,817	13,624	13,218	12,844	12,216	12,473	12,641	11,706	
Three years later				13,618	13,243	12,885	12,186	12,541	12,235	12,370	
Four years later					13,252	12,960	12,209	12,556	12,213	12,370	
Five years later						12,954	12,254	12,582	12,219	12,370	
Six years later							12,251	12,685	12,228	12,370	
Seven years later								12,685	12,340	12,370	
Eight years later									12,340	12,485	
Nine years later										12,485	
Estimate of cumulative claims	**14,153**	**13,911**	**13,817**	**13,618**	**13,252**	**12,954**	**12,251**	**12,685**	**12,340**	**12,485**	**131,466**
Cumulative payments	−10,752	−13,681	−13,808	−13,616	−13,252	−12,954	−12,251	−12,685	−12,340	−12,485	−127,824
Outstanding claims at 31 December 2020	**3,401**	**230**	**9**	**2**							**3,642**

1 A reassessment in 2020 revealed shifts in previous years between paid claims and estimated claims. This has no effect on the final balance of the total loss provision.

LIFE PORTFOLIO ANALYSES

(€ MILLION)

	31 DECEMBER 2020		31 DECEMBER 2019	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	%	LIABILITIES RELATED TO INSURANCE CONTRACTS	%
Insurances with guarantees regarding to investment income[1]	31,884	68%	30,418	66%
Other life insurance	14,837	32%	15,835	34%
	46,721	**100%**	**46,253**	**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 company Financial Statements

MOVEMENT TABLE LIFE INSURANCE LIABILITIES

(€ MILLION)

	2020		2019	
	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	21,103	126	21,788	161
Benefits paid	−2,254	−33	−1,912	−45
Net premiums received	661	21	762	25
Technical result	−114	−16	−137	−18
Unwinding of discount	649	2	693	3
Cost withdrawal	−64		−74	
Changes due to reclassification[1]	73		−21	
Amortisation deferred interest surplus rebates	4		4	
Balance at 31 December	**20,058**	**100**	**21,103**	**126**
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	9,838		7,035	
Changes due to (un)realised fair value changes of related investments in fixed income through the Equity	819		1,378	
Changes due to (un)realised fair value changes of related investments in fixed income and interest rate derivatives through the Income statement	1,182		1,406	
Granted profit sharing rights[2]	52		19	
Balance at 31 December	**11,891**		**9,838**	
INSURANCE LIABILITIES WHERE POLICYHOLDERS BEAR INVESTMENT RISKS				
Balance at 1 January	15,312		14,920	
Benefits paid	−1,349		−1,391	
Net premiums received	417		501	
Technical result	−61		−39	
Unwinding of discount	39		39	
Cost withdrawal	−26		−29	
Effect of fair value changes	513		1,290	
Changes due to reclassification[1]	−73		21	
Balance at 31 December	**14,772**		**15,312**	
TOTAL LIFE INSURANCE LIABILITIES	**46,721**	**100**	**46,253**	**126**

1 Changes due to reclassification in 2020 and 2019 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.

2 Dependent on the investment yield part of the Granted profit sharing rights accrues to Achmea. This is expected to amount to 40 bps of the average related insurance liabilities.

The Provision for life policy includes an amount of €2.7 billion (31 December 2019: €2.6 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 €17.8 billion (31 December 2019: €18.3 billion) respectively €14.7 billion (31 December 2019: €15.3 billion) relate to ‘service book’ in the Netherlands; benefits paid related to this ‘service book’ activities amounted to €1.5 billion (2019: €1.5 billion) respectively €1.3 billion (2019: €1.4 billion).

With regard to life insurance, Achmea implemented in 2012 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. This was taken into account when determining the insurance liabilities. Yet a number of our customers do not think this is enough. In January 2019, we received a summons from Vereniging Woekerpolis.nl (association that represents customers with unit-linked policies) and the Dutch Consumers' Association. In June 2020 Gelderland District Court handed down its judgment. The court's judgement was reason for Vereniging Woekerpolis.nl and the Consumer Association to appeal on 18 September 2020. This judgment and the appeal gave us no reason to reconsider our previous position.

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 2020: 3.75%, year-end 2019: 3.90%). 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 2020: 3.75%, year-end 2019: 3.90%). To assess the adequacy Achmea uses the most recent mortality tables, AG2020, 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.

Covid-19

With respect to the Liabilities related to insurance contracts in the Non-Life Netherlands segment, the impact of Covid-19 will partly be determined by the nature and duration of government measures, as estimated on 31 December 2020. For this reason, the cost of claims patterns may differ from historic data in terms of amounts and timing. The same applies to income protection insurance, for which the cost of claims will depend on the long-term effects of Covid-19 on the expected sickness and recovery of policyholders. Achmea has made assumptions and estimates with regard to the aforementioned points and in its measurement of the Liabilities related to insurance contracts. At present, it is not possible to make an exact determination of the future effects of Covid-19, which means that the eventual outcomes may differ from these assumptions and estimates.

The Provision for current risks for Health includes the pre-calculated negative result on the basic health insurance for 2021. This provision is determined based on the best estimate of future costs of claims, earned premiums, settlement contributions, investment income and operating expenses. This also takes into account an estimated 2021 contribution from the emergency scheme and solidarity scheme that came into effect as a result of Covid-19. A key uncertainty concerns the further course of Covid-19 and its impact on costs of claims in 2021. An estimate has been made for this based on the most recent information and insights, in which the retrospective correction of total costs applicable for 2021 somewhat mitigates the net effect of the increased estimation risk. However, the inherent uncertainties concerning the further course of Covid-19 are such that the final care result for 2021 may differ significantly from the estimates included in this provision.

Notes to the company Financial Statements

The claim patterns that form the basis for the estimation of the Payable damages (including IBNR) for Health at year-end were disrupted by additional expenses relating to Covid-19, the agreed continuity contributions with health insurers and drop-outs from Health. The effects of this were thoroughly analysed in detail for each medical expenses segment and included in the estimation process. For the claim year 2020, health insurers and hospitals have agreed on contract premiums, which reduces the estimation uncertainty resulting from Covid-19 compared to a regular claims year. Incidentally, the expensive medicines are not part of the contract price and are reimbursed on a post-calculation basis. For mental healthcare, the claim years 2019 and 2020 are relatively uncertain due to the impact that Covid-19 may have on demand for care and claims. For the first-line segments (e.g. general practitioners and district nursing), sufficient declaration mass is available to make a good prognosis. The uncertainty in this segment is therefore limited.

At present it is not possible to make an exact determination of the future effects of Covid-19 on the claim estimates, which means that the eventual outcomes may differ from the assumptions and estimates involved in this provision.

ACCOUNTING POLICIES LIABILITIES RELATED TO INSURANCE CONTRACTS

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

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

Achmea tests the adequacy of the recognised insurance liabilities and related assets at each reporting date (Value of Business Acquired (VOBA)), refer to the note with regard to Note 12 Intangible assets, and deferred acquisition costs, refer to Note 16 Receivables and accruals) and more often if deemed necessary. The test considers current estimates of all contractual cash flows of the insurance liabilities, including expected cost for claim handling, guarantees and embedded options. If the test shows that the insurance liabilities are inadequate, the recognied VOBA will be lowered against the Income Statement first, and then the accrued acquisition costs. 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.

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.

Notes to the company Financial Statements

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.

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.

7. FINANCIAL LIABILITIES

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Investment contracts	224	234
Banking customer accounts	6,641	6,742
Loans and borrowings	6,563	5,883
Operational Leases	169	181
Other liabilities	6,967	5,435
Total financial liabilities	**20,564**	**18,475**

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)

	2020	2019
Balance at 1 January	234	218
Consideration received	71	58
Consideration paid	−82	−76
Effect of fair value changes related to financial assets	1	34
Balance at 31 December	**224**	**234**

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Within 1 year	11	10
1-5 years	35	45
5-15 years	16	21
Over 15 years	162	158
	224	**234**

Banking customer accounts

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

(€ MILLION)

	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2020	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2019
Less than 3 months	4,141	9	4,150	4,088	8	4,096
3-12 months	410	18	428	442	19	461
1-5 years	1,200	108	1,308	1,279	118	1,397
Over 5 years	890	163	1,053	933	174	1,107
	6,641	**298**	**6,939**	**6,742**	**319**	**7,061**

The fair value of Banking customer accounts measured at amortised cost at year-end is €6,824 million (31 December 2019: €6,861 million).

Loans and borrowings

LOANS AND BORROWINGS CLASSIFIED BY FINANCING ACTIVITY

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Secured bank loans	1,851	1,870
Unsecured loans	3,572	3,103
Subordinated loans	749	755
Others	391	155
	6,563	**5,883**

Notes to the company Financial Statements

The fair value of loans and borrowings measured at amortised cost at year-end is €6,656 million (31 December 2019: €6,048 million). The amortised value of these loans and borrowings is €6,561 million (31 December 2019: €5,881 million).

The nominal amount of loans measured at fair value is €2 million (31 December 2019: €2 million). The fair value also amounts to €2 million (31 December 2019: €2 million).

MOVEMENT TABLE LOANS AND BORROWINGS 2020[1]

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS[2]	SUBORDINATED LOANS	OTHER	TOTAL 2020
Balance at 1 January	1,870	3,103	755	155	5,883
Money deposited	500	1,425		378	2,303
Money withdrawn	−537	−952	−6	−200	−1,695
Amortisation		−5			−5
Change in value due to fair value hedge accounting	18	1			19
Reclassification				58	58
Balance at 31 December	**1,851**	**3,572**	**749**	**391**	**6,563**

1 Loans and borrowings include all capital and financing arrangements related to banking activities.
2 Loans and borrowings include the issuance and repayment of loans related to the non-banking financing cash flows as shown in the Cash Flow Statement.

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**

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2020	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2019
Less than 3 months	1,124	24	1,148	184	25	209
3-12 months	732	17	749	1,370	19	1,389
1-5 years	3,157	56	3,213	3,139	91	3,230
Over 5 years	1,550	7	1,557	1,190	18	1,208
	6,563	**104**	**6,667**	**5,883**	**153**	**6,036**

Secured loans

The banking activities of Achmea are partly funded by loans secured by pledged mortgage receivables. With respect to this Achmea Bank 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 €3.3 billion (31 December 2019: €3.9 billion).

In 2020 Achmea repaid an amount of €537 million in Secured loans. The main part of these were the periodic repayments of SPVs at Achmea Bank NV.

In June 2020, Achmea Bank NV placed €500 million in covered bonds with a maturity of 5 years (maturity date is 16 June 2025). The bonds are listed on Euronext Amsterdam. The coupon on this loan is 0.01%.

Notes to the company Financial Statements

Unsecured loans and borrowings

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Senior Unsecured Bond Achmea Bank N.V.	2,148	2,183
Commercial Paper	681	173
Debt instruments Achmea B.V.	743	747
	3,572	**3,103**

In October 2012, Achmea Bank N.V. established an Unsecured Medium Term Note (EMTN) programme of €10 billion. At year-end 2020 the total outstanding amount is €2.1 billion, of which €350 million Private Placements (31 December 2019: €379 million). During 2020 a repayment of €35 million took place (2019: zero).

In 2013, Achmea Bank NV 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 2020 the total outstanding amount is €681 million (31 December 2019: €173 million).

In May 2020 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 26 May 2027) and is listed on Euronext Dublin, Ireland. The coupon on this loan is 1.5%. This loan replaces the loan issued by Achmea B.V. in November 2013 for an amount of €750 million with a coupon of 2.5%, which was repaid in November 2020.

The syndicated credit facility of Achmea B.V. has a maximum size of €1 billion. In 2020 and 2021 the duration of this facility was extended to 2025 respectively 2026. In 2020 and 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 2020 was 5.7% (2019: 5.0%).

Lease liabilities

The duration of Lease liabilities is as follows:

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Shorter than 1 year	26	27
Between 1 and 5 years	80	73
More than 5 years	63	81
Balance at 31 December	**169**	**181**

The valuation of the lease liabilities took no account of the variable lease payments of €9 million (2019: €24 million).

Other liabilities

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Liabilities out of direct insurance:		
Policyholders	1,164	1,153
Agents	77	68
Prepaid premiums	678	698
Obligation from received collateral in the form of cash[1]	2,888	2,006
Investment liabilities	1,198	507
Reinsurance liabilities	62	81
Taxes and social security premiums	200	163
Creditors	193	267
Post-employment benefits	31	27
Accruals and deferred income	189	204
Other	287	261
	6,967	**5,435**

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 €469 million (31 December 2019: €572 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 €409 million as at 31 December 2020 (31 December 2019: €560 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 8 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 related to short-term leases for equipment and vehicles and all leases for low-value assets are recognised as expenses in the income statement on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include IT equipment and office furniture.

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.

No account is taken of variable lease payments when measuring lease liabilities.

Other liabilities
Other liabilities are accounted for at amortised cost.

8. 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 2020

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Recurring fair value measurements				
Investment property			973	973
Investments				
Equities and similar investments	5,200	725	713	6,638
Fixed income investments	31,853	3,237	8,747	43,837
Derivatives	2	9,171		9,173
Other financial investments	686	7,327		8,013
Cash and cash equivalents	2,184			2,184
Total assets measured at fair value on a recurring basis	**39,925**	**20,460**	**10,433**	**70,818**
Non-recurring fair value measurements				
Property for own use and equipment			551	551
Total assets measured at fair value on a non-recurring basis			**551**	**551**
Liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		224		224
Loans and borrowings		2		2
Derivatives	1	2,850	19	2,870
Total liabilities measured at fair value on a recurring basis	**1**	**3,076**	**19**	**3,096**

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
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**

Main changes in the fair value hierarchy in 2020

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. Covid-19 has made the measurement of the fair value of a number of balance sheet items less certain. However, this has not led to significant changes in the categorisation of financial assets and financial liabilities in 2020. There were no transfers between level 1 and 2 for recurring valuations at fair value during the year. See the next page for transfers from and to level 3 measurements.

MOVEMENT SCHEDULE FOR LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS 2020

(€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL 2020	DERIVATIVES	LIABILITIES TOTAL 2020
Balance at 1 January	**1,104**	**718**	**8,128**	**9,950**	**18**	**18**
Investments and loans granted	14	73	1,398	1,485		
Divestments and disposals	−145	−60	−829	−1,034		
Fair value changes included in Income Statement	−1	9	−4	4	1	1
Fair value changes included in Other comprehensive income		−22	49	27		
Changes due to reclassification	1	−5		−4		
Changes in fair value hierarchy (transfers to Level 3)			5	5		
Balance at 31 December	**973**	**713**	**8,747**	**10,433**	**19**	**19**

MOVEMENT SCHEDULE FOR LEVEL 3 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS 2019

(€ MILLION)

	INVESTMENT PROPERTY INCL. INVESTMENTS BACKING LINKED LIABILITIES	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**

Notes to the company Financial Statements

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 ASSETS AND LIABILITES MEASURED AT FAIR VALUE AT 31 DECEMBER 2020

DESCRIPTION	FAIR VALUE IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investment property	973	Market-rent-capitali-sation-method	Gross Initial Yield	3.4 - 18.3 (6.1) (%)	Increase will result in a decrease in value
Investments					
Equities and similar investments	713	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	8,576	Discoun-ted cash flows	Total spread	120 - 352 (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	171	Discoun-ted cash flows	Total spread	133-258 (bp)	An increase of 10 basis points will result in a €0.5 million lower income in the Income statement
Derivatives	19	Black Scholes model	Under-lying value of the shares	N/A	An increase of 10% will result in €3.0 million higher income in the Income statement.

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 ASSETS AND LIABILITES MEASURED AT FAIR VALUE AT 31 DECEMBER 2019

DESCRIPTION	FAIR VALUE 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 flow	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 flow	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.

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €248 million (31 December 2019: €281 million), property funds, amounting to €323 million (31 December 2019: €274 million), and infrastructurefunds, amounting to €109 million (31 December 2019: €118 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 Covid-19 has increased the uncertainty concerning the measurement of the fair value of a number of balance sheet items, particularly balance sheet items whose fair value is derived from a market listing and/or is influenced to a significant extent by Achmea's own assumptions and estimates (in the absence of market input). The uncertainty is connected with the increased bandwidth within which assumptions and estimates can fluctuate due to the financial/economic impact of Covid-19. Further information can be found in the notes to the relevant balance sheet items.

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 valuations as at 31 December 2020 do not take into account (in accordance with sector agreements) the change in the transfer tax that will apply as of 1 January 2021.

Covid-19 affects the estimated future cash flows used to determine fair value of, in particular, the retail and office portfolio. Particularly in the first half of 2020, there was a drop in demand in commercial real estate due to Covid-19, which meant that fewer references were available to appraisers when determining the appraisal value. Due to the revival of the real estate transaction market in the second half of 2020, sufficient reference transactions are available and there are very few reservations on the valuations made. Based on its own additional analyses, Achmea sees no reason to reconsider the valuations of the external appraisers.

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

Notes to the company Financial Statements

market data. The market data for interest rate derivatives and cross currency interest rate derivatives consist mainly of the swap curve of the related interest period and currency, where applicable adjusted for contract fees and margin (when part of the contractual cash flows of the derivative). Achmea normally mitigates counterparty default risk in derivative contracts by entering collateral agreements into the contracts where possible.

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

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

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

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

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

Notes to the company Financial Statements

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

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2020	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2020
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Fixed income investments	12,613		688	12,089	12,777
Other financial investments	1,365		1,505		1,505
Receivables	6,166		6,212		6,212
Liabilities					
Banking customer accounts	6,641		6,824		6,824
Loans and borrowings	6,561	1,491	5,096		6,587
Other liabilities	6,967		6,974		6,974

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2019	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2019
		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

Notes to the company Financial Statements

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

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

Investments – Fixed-income investments

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

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

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

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

Receivables

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

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

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

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

Financial liabilities

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

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

The fair value of these level 2 loans is determined using pricing models based on the net present value of estimated future cash flows. The pricing models are based on current market data, such as the euro swap curve. In addition to the euro swap curve there are unobservable market inputs. The unobservable market inputs may include spreads which are embedded in the discount curve.

Other liabilities

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.

9. NET EARNED PREMIUMS

(€ MILLION)

	2020	2019
Gross written premiums non-life	4,258	4,104
Reinsurance premiums	−324	−306
Change in provision for unearned premiums and current risks (net of reinsurance)	−66	−95
Net earned premiums Non-life	**3,868**	**3,703**
Gross written premiums health	14,839	14,582
Reinsurance premiums	−4	−3
Change in provision for unearned premiums and current risks (net of reinsurance)	−121	3
Net earned premiums Health	**14,714**	**14,582**
Gross written premiums life	1,078	1,263
Reinsurance premiums	−21	−25
Change in provision for unearned premiums and current risks (net of reinsurance)	−3	1
Net earned premiums Life	**1,054**	**1,239**
Total net earned premiums	**19,636**	**19,524**

BREAKDOWN GROSS WRITTEN PREMIUMS

(€ MILLION)

	2020	2019
Non-life insurance		
Accident	760	720
Motor liability	913	879
Motor hull	758	790
Transport/aviation liability	52	49
Property	1,271	1,168
General liability	304	302
Legal assistance	184	183
Other	16	13
Gross written premiums Non-life	**4,258**	**4,104**
Health		
Basic health insurance	5,486	5,469
Contribution from Health insurance fund	7,565	7,365
Supplementary health insurance	1,220	1,248
Other health insurance	568	500
Gross written premiums Health	**14,839**	**14,582**
Life		
Single own risk	336	351
Annual own risk	336	411
Single policies where policyholders bear investment risks	39	49
Annual policies where policyholders bear investment risks	367	452
Gross written premiums Life	**1,078**	**1,263**
Total gross written premiums	**20,175**	**19,949**

Notes to the company Financial Statements

KEY ASSUMPTIONS AND ESTIMATES TO DETERMINE THE NET EARNED PREMIUMS

Gross written premiums for health insurance

The gross written premiums for health insurance also include the contribution from the Health Insurance Equalisation Fund. Valuing claims on the Health Insurance Equalisation Fund is an inherently uncertain process that relies on assumptions for national medical expenses and the assignment of budget parameters to medical expenses.

Covid-19

Additional contribution Emergency scheme.

Section 33 of the Health Insurance Act concerns the emergency scheme. This scheme stipulates that a healthcare insurer can receive an extra contribution from the Healthcare Insurance Equalisation Fund if the medical expenses per insured person exceed a certain threshold value as a result of a pandemic, calculated over the calendar year of the outbreak and the following calendar year. The reimbursement cannot exceed the medical expenses incurred. The medical expenses to which the emergency scheme applies are:

- Regular direct costs for Covid-19 care for Covid-19 patients;
- Surcharges on regular rates due to increased costs as a result of the Covid-19 pandemic;
- Indirect additional costs.

The medical expenses per insured due to the Covid-19 pandemic (calculated for 2020 and 2021) exceed the threshold of Section 33 of the Health Insurance Act (emergency scheme). Based on this scheme, health insurers therefore receive an additional contribution from the Health Insurance Equalisation Fund. For Achmea, the contribution from the emergency scheme in 2020 is €238 million. This additional contribution is included as part of the Contribution from the Health Insurance Equalisation Fund.

The additional emergency scheme contribution for 2020 is calculated based on Achmea's best estimate of the Covid-19 costs covered by this scheme, supplemented by medical expenses estimates collected and shared between the health insurers at sector level. The healthcare cost estimates have been validated by Achmea, where possible, based on its own data and insights. As described in the Covid-19 disclosures on liabilities related to insurance contracts (Note 6), the medical expenses estimates resulting from Covid-19, and therefore the estimated contribution, are subject to increased uncertainty. In addition, the final settlement of this contribution will only take place in a few years' time on the basis of the actual Covid-19 costs. The final contribution may therefore differ significantly from the estimates made at this time.

Solidarity Scheme Contribution 2020

The solidarity scheme is related to the emergency scheme. The Covid-19 related costs are highly dependent of the area in which the insurer operates and the number of insured that require Covid-19 health care. The solidarity scheme concerns an arrangement among the Dutch health insurers whereby the Covid-19 costs, contributions from the emergency scheme and other financial effects are mutually settled. Based on the contractual conditions, this equalization will take place in a number of successive steps. For Achmea Zorgverzekeringen N.V. means an additional contribution of €13 million and is included as part of the Other health insurance. The amount included for 2020 is the best estimate of the contribution owed to Achmea for 2020 based on current insights and available information. Due to increased estimation uncertainty regarding the eventual Covid-19 medical expenses and the emergency scheme contributions at both sector and entity level, the actual contribution for 2020 may differ significantly from the estimate made at year-end 2020.

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 Gross written premiums for Health Insurance include the contribution from the Health Insurance Equalisation Fund. 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 and Contribution from the Health Insurance Equalisation Fund for the current year are generally recognised as earned in proportion to the period of insurance coverage provided. The Health Insurance Equalisation Fund contribution for previous years is recognised directly in the Income Statement.

10. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS -AT FAIR VALUE THROUGH PROFIT OR LOSS[1]		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	2020	2019	2020	2019	2020	2019	**2020**	2019
Direct income from investments								
Investments own risk	357	358	500	549	63	72	920	979
Investments backing linked liabilities	236	238					236	238
Banking credit portfolio	3				332	357	335	357
Investment expenses		−1	−13	−20		−3	−13	−24
Direct operating expenses investment property	−18	−18					−18	−18
	578	**577**	**487**	**529**	**395**	**426**	**1,460**	**1,532**
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	1,362	1,502	460	359		−15	1,822	1,846
Investments backing linked liabilities	432	1,294					432	1,294
Banking credit portfolio	−9	3					−9	3
Impairment losses on investments								
Investments own risk			−74	−18			−74	−18
Foreign currency differences[2]	−60	16	−40	30	−24	39	−124	85
	1,725	**2,815**	**346**	**371**	**−24**	**24**	**2,047**	**3,210**
Total income from investments	**2,303**	**3,392**	**833**	**900**	**371**	**450**	**3,507**	**4,742**

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 27 Hedge accounting.

Total income from the investment portfolio amounts to €3.5 billion in 2020 (2019: €4.7 billion). The decrease in income is mainly due to a decrease in realised and unrealised gains and losses on Investments for account and risk of policyholders (€0.9 billion). The decrease in realised and unrealised gains and losses on Investments for account and risk of policyholders is mainly due to the fact that share prices in 2020 increased less than in 2019.

An amount of €0.2 million (2019: €0.6 million) of Direct operating expenses investment property relates to property not generating any rental income in 2020.

(€ MILLION)

	INVESTMENTS OWN RISK		INVESTMENTS BACKING LINKED LIABILITIES		BANKING CREDIT PORTFOLIO		TOTAL	
	2020	2019	2020	2019	2020	2019	**2020**	2019
Direct income by type:								
Dividend	58	65	13	18			71	83
Rental income from investment property	57	62					57	62
Interest income	805	852	223	220	335	357	1,363	1,429
Total	**920**	**979**	**236**	**238**	**335**	**357**	**1,491**	**1,574**

Direct interest revenue from investments own risk classified as ‘At fair value through profit or loss’ includes revenue from derivatives amounting to €262 million (2019: €255 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 €95 million (2019: €175 million) for Investments own risk, €436 million (2019: €1,249 million) for Investments backing linked liabilities and €-7 million (2019: €3 million) for Banking credit portfolio.

A total of €-43 million (2019: €68 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 €74 million in 2020 (2019: €18 million).

ACCOUNTING POLICIES INVESTMENT INCOME

The accounting policies for investment income are closely related to the accounting principles for investments. See Note 5 Investments for further explanation.

11. NET EXPENSES FROM INSURANCE CONTRACTS

(€ MILLION)

	2020 GROSS	2020 REINSURANCE	2019 GROSS	2019 REINSURANCE
Non-Life				
Claims paid	2,442	79	2,543	111
Changes in insurance liabilities own risk	277	127	113	37
Claim handling expenses	287		280	
Recoveries	−157		−187	
	2,849	**206**	**2,749**	**148**
Health				
Claims paid	14,194	3	13,924	
Changes in insurance liabilities own risk	−209		58	
Claim handling expenses	75		79	
Recoveries	−28		−29	
	14,032	**3**	**14,032**	
Life				
Benefits paid own risk	2,254	33	1,912	45
Benefits paid for insurances where policyholders bear investment risks	1,349		1,391	
Changes in insurance liabilities own risk	−1,052	−26	−689	−36
Changes in insurance liabilities where policyholders bear investment risks[1]	−539		392	
	2,012	**7**	**3,006**	**9**
Profit sharing and bonuses for policyholders				
Amortisation interest surplus rebates	4		4	
Benefits policyholders	39		162	
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	332		209	
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	1,182		1,406	
Changes to provision for Profit sharing and bonuses for policyholders due to granted profit sharing rights and other changes	52		19	
	1,609		**1,800**	
Total net expenses from insurance contracts	**20,502**	**216**	**21,587**	**157**

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

For an explanation of the main developments arising from Covid-19, please refer to Note 6 Liabilities related to insurance contracts.

The value development of interest rate derivatives used to hedge the interest rate risk of the insurance liabilities is included in Profit sharing and bonuses for policyholders. This relates to the liabilities of the Dutch insurance business of which the cash flows are based on and discounted based on locked assumptions.

Notes to the company Financial Statements

KEY ESTIMATES TO DETERMINE NET EXPENSES FROM INSURANCE CONTRACTS

Continuity scheme
A new regulation concerns the continuity arrangement under which healthcare providers could apply for a continuity contribution from the healthcare insurer. This enabled healthcare insurers to compensate providers experiencing financial difficulties as a result of reduced revenue caused by the collapse in demand due to Covid-19. The continuity contribution has been recognised as medical expenses, under Net expenses from insurance contracts.

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 6 for further explanation.

OTHER NOTES

Other statement of financial position

12. INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	SOFTWARE[1]	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	TOTAL 2020
Cost						
Balance at 1 January	1,266	293	129	738	260	2,686
Change in composition of the Group	−6					−6
Internally developed		4				4
Sale, disposals and decommissioning		−4				−4
Purchases and acquisitions		27				27
Changes due to reclassification and other movements	−1					−1
Foreign currency differences		−1			−18	−19
Balance at 31 December	**1,259**	**319**	**129**	**738**	**242**	**2,687**
Amortisation and impairment losses						
Balance at 1 January	645	224	129	737	213	1,948
Change in composition of the Group	−6					−6
Sale, disposals and decommissioning		−4				−4
Amortisation charge for the year		18		1	7	26
Impairment loss recognised in income statement		1				1
Changes due to reclassification and other movements	−1					−1
Foreign currency differences		1			−13	−12
Balance at 31 December	**638**	**240**	**129**	**738**	**207**	**1,952**
Carrying amount						
At 1 January	621	69		1	47	738
At 31 December	**621**	**79**			**35**	**735**

[1] In the category Software at year-end 2020 an amount of €18 million is included for internally developed software.

An amount of €708 million (31 December 2019: €714 million) of the Intangible assets is expected to be recovered more than twelve months after the reporting date. The foreign currency differences in 2020 on distribution networks of €-5 million (31 December 2019: €-3 million) relate to Eureko Sigorta.

Notes to the company Financial Statements

(€ 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
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 at year-end 2019 an amount of €17 million is included for internally developed software.

GOODWILL BY CASH GENERATING UNIT

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Non-life Netherlands	617	617
Other	4	4
	621	**621**

Goodwill is mainly related to Achmea's Dutch operations.

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

NON-LIFE NETHERLANDS

	2020	2019
Average annual premium/sales growth rate	1.9%	3.0%
Average claims ratio[1]	68.4%	68.7%
Average expense ratio[2&3]	27.2%	27.6%
Terminal value growth	0.0%	0.5%
Discount rate	8.8%	8.1%

1 The average claims ratio of Non-life is adjusted for the technical interest (impact -1,7%, 2019: impact -1.8%).
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 -0,6%, 2019: impact -1.1%).

The surplus, being the positive difference between the recoverable amount and carrying amount, for Non-life Netherlands amounts to €496 million (2019: €578 million). The recoverable amount for the cash generating unit Non-life Netherlands is sensitive for negative deviations within major assumptions.

Notes to the company Financial Statements

EFFECTS OF CHANGE IN ASSUMPTIONS NON-LIFE

(€ MILLION)

2020	CHANGE OF RATIO WITH	Δ SURPLUS
Average annual premium growth rate	−0,5%	−36
Average claims ratio	0.5%	−209
Average expense ratio	0.5%	−209
Terminal value growth	−0,5%	−67
Discount rate	0.5%	−176

With respect to the other intangible assets, Achmea concluded on the basis of its analyses that there are no indications of impairment as at 31 December 2020.

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.

Goodwill

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 forecast takes into account the effects of Covid-19 using the best estimate of the cash flow projections of the first three years and the following years using the lower terminal growth rate (terminal value determination). In addition, Covid-19 effects are reflected using the higher discount rate due to the risk underlying the cash flows and terminal value. Achmea uses the discount rate to discount estimated cash flows.

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.

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.
Other intangible assets are capitalised and amortised over their expected useful lives, which on average are between 5 and 20 years.

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.

13. ASSOCIATES AND JOINT VENTURES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION/ STARTING DATE	% OWNERSHIP 2020	% OWNERSHIP 2019	NET ASSET VALUE 2020	NET ASSET VALUE 2019	**BOOK VALUE 31 DECEMBER 2020**	BOOK VALUE 31 DECEMBER 2019
Garanti Emeklilik ve Hayat A.S.	Turkey	Life insurance	2007	15.00%	15.00%	24	37	24	37
Onlia Holding Inc.	Canada	Non-life insurance	2018	50.00%	50.00%	11	11	11	11
InAdmin RiskCo Holding B.V.	Netherlands	Administrative service provider	2020	50,00%	0,00%	6	0	6	0
Other						14	16	14	16
								55	**64**

In 2020 InAdmin RiskCo Holding B.V. was incorporated, in a joint venture with PGB Pensioendiensten B.V. Each party has a 50% share in this joint venture and exercises joint control over this entity.

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.

14. PROPERTY FOR OWN USE AND EQUIPMENT

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Property for own use		
In development		
In use	273	279
Equipment		
Software	5	5
Hardware	24	18
Office furniture	11	12
Other	97	95
Right of use of property for own use and equipment		
Property Own Use	128	131
Equipment	13	14
	551	**554**

In 2020 Achmea had 99% of its property for own use valued by external valuers and adjusted the balance sheet value on this basis.

During 2020 the initial value of €145 million changed by €4 million, consisting of a combination of new lease contracts (€13 million) and depreciation of right-of-use assets (€17 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 8 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.

In the case of office buildings, in the first half of 2020, Covid-19 caused a collapse in demand, leading to a decrease in the number of transactions on the investment and user markets. The appraisers now have sufficient references in the investor and user market to assess the effects of Covid-19. Achmea has therefore assessed the reported appraisals and sees no reason to adjust the valuations of the external appraisers as per 31 December 2020.

ACCOUNTING POLICIES PROPERTY FOR OWN USE AND EQUIPMENT

Property for own use

Property for own use is measured at fair value at the date of revaluation less any (subsequent) accumulated depreciation and any (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 makes use of the option not to recognise right-of-use assets and lease liabilities in the balance sheet for short-term leases (12 months or less) or leases of low-value assets (USD 5,000 or less). The right-of-use asset related to the leases is depreciated and recognised in the Income Statement during the term of the lease applying the straight-line method.

Achmea recognises a right of use in the balance sheet on the effective date, which is the date on which the lessor makes the underlying asset available for use. The right-of-use asset is valued at cost minus cumulative depreciation. Upon initial recognition, cost is equal to the 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 on a straight-line basis over the duration of the lease, unless the economic life is shorter, in which case this is taken as the depreciation period. 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.

15. 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 2020	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	**BALANCE AT 31 DECEMBER 2020**
Intangible assets	−10	1	1	−8
Property for own use and equipment	−22		−3	−25
Investments	−1,942	−429	5	−2,366
Liabilities related to insurance contracts	2,400	574	−2	2,972
Other provisions	−4	−4	−9	−17
Amortisation	4	−2		2
Financial liabilities	27			27
Loss carry-forwards	8	2		10
Tax-rate changes	−71	91	−20	
	390	**233**	**−28**	**595**
Comprising:				
Deferred tax assets				626
Deferred tax liabilities				−31

Notes to the company Financial Statements

(€ 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[1]	−77	104		27
Loss carry-forwards[2]	63	−55		8
Tax-rate changes[2]	−122	53	−2	−71
	545	**−78**	**−77**	**390**
Comprising:				
Deferred tax assets				416
Deferred tax liabilities				26

1 The accounting for reimbursement interest has been changed retrospectively. As a result, the Deferred Tax Assets and Liabilities have been adjusted as of 1 January 2019 and 31 December 2019 by €2 million (see General accounting principles Section F).

2 A transfer of €10 million has been made within the movements of Loss carry-forwards and Tax-rate changes for 2019.

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. 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 2021 tax plan cancelled the contemplated reductions, leaving the corporate income tax rate at 25% as of 1 January 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 2020 the rate adjustment leads to an income in the 2020 result of €92 million, €91 million of which from the deferred tax liabilities and a withdrawal from the equity of €20 million.

The tax rates used in calculating deferred tax assets and liabilities differ per jurisdiction, and in both 2020 and 2019 these tax rates ranged from 10% to 36%.

An amount of €626 million (2019: €460 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 €60 million (2019: €58 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.

16. RECEIVABLES AND ACCRUALS

(€ MILLION)

	2020	2019
Deferred acquisition costs	41	49
Receivables from direct insurance	1,202	1,254
Receivables from indirect insurance	177	153
Receivables on reinsurance	15	6
VWS-arrangements	187	108
Investment receivables	73	75
Contribution from Dutch Health insurance fund	2,337	2,340
Prepayments to Dutch hospitals	867	1,013
Payments related to Dutch short-term mental care (GGZ)	365	347
Other prepayments and accrued income	392	372
Undue payments healthcare providers	206	178
Receivables under recourse	105	119
Other	240	241
Balance at 31 December	**6,207**	**6,255**

An amount of €2,697 million (31 December 2019: €2,649 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 €2,722 million as at 31 December 2020 (31 December 2019: €2,661 million). Impairment losses recognised in 2020 related to Receivables and accruals amounted to €48 million (31 December 2019: €44 million) and are included in Other expenses.

In addition to the regular equalisation contribution, the position of the Health Insurance Equalisation Fund contribution at year-end 2020 includes the 2020 contribution from the Emergency scheme of €238 million. The item Other includes €13 million for the 2020 contribution to be received from the Solidarity scheme. This concerns a claim on other Dutch health insurers.

Further information on the Emergency scheme, the Solidarity scheme and the Continuity scheme is provided in Note 9 and 11.

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).

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.

17. CASH AND CASH EQUIVALENTS

(€ MILLION)

	2020	2019
Cash and bank balances	2,184	959
Call deposits		4
Balance at 31 December	**2,184**	**963**

Cash and cash equivalents subject to restrictions amounted to €40 million (31 December 2019: €44 million). The restrictions mainly relate to the minimum reserve to be maintained at De Nederlandsche Bank N.V. of €38 million (31 December 2019: €43 million).

ACCOUNTING POLICIES CASH AND CASH EQUIVALENTS

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

18. 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 2019	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2019	**410,820,173**	**411**	**23,904,060**	**24**	**1**	
Shares issued 1 January 2020	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2020[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 other shareholders see Other information, Shareholders of Achmea B.V. at 31 December 2020.

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. This share premium reserve comprises share premium paid in by both holders of ordinary shares and holders of preference shares.

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. The preference shares have a cumulative character. If Achmea is temporarily unable to pay out dividend, the right to payment of the arrears remains with these shares. Dividends paid are 3.7% per year of the share capital and the share premium paid for those shares. The aforementioned percentage, set in February 2014, is reviewed every ten years. The next assessment will take place before 1 January 2024. The Executive Board, with the approval of the Supervisory Board, may increase the set percentage annually by a maximum of 1.8%. When an external dividend is to be distributed, an assessment is made of whether the distribution is liable by testing against the risk appetite. A key factor in this assessment is holding company liquidity. This depends on the amounts distributed to Achmea BV by the legal entities – mainly Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. The level of interest for discounting the insurance liabilities has a major impact on the amounts that can be distributed by Achmea Pensioen- en Levensverzekeringen N.V. to Achmea B.V. and thus on the holding liquidity.

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 2020 is presented in Other Information.

Own shares

The item 'Own shares' consists of (ordinary) shares purchased by Achmea B.V. and of Achmea B.V.'s stake as holder of depositary receipts issued by Stichting Administratiekantoor Achmea Tussenholding. Stichting Administratiekantoor Achmea Tussenholding is shareholder of Achmea Tussenholding B.V., a company which holds the preference shares in Achmea B.V.

No voting rights are attached to repurchased own shares and no dividend is payable on them. With respect to the depositary receipts that are indirectly related to the preference shares in Achmea B.V., the voting rights attached to the preference shares are exercised by Achmea Tussenholding B.V. Dividends distributed on the preference shares accrue entirely to Achmea Tussenholding B.V., in the understanding that the portion accruing to Achmea B.V. as depositary receipt holder is withheld from the dividend payment.

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 €65 million (31 December 2019: €53 million) of Total equity contributed by subsidiaries at year-end 2020 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, 2020 €240 million (31 December 2019: €312 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 2020, an amount of €57 million (2019: €12 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 €58 million in 2020 (2019: €52 million). The majority of the remainder of the revaluation reserve is related to available for sale investments.

The total Revaluation reserve amounts to €1,069 million (2019: €1,120 million) and contains a negative amount of €58 million (31 December 2019: €63 million) relating to unrealised losses net of deferred taxes on assets carried at fair value. The positive Revaluation reserve thus amounts to €1,127 million (31 December 2019: €1,186 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.

Notes to the company Financial Statements

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 (2019: €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 €-106 million relating to defined benefit plans (31 December 2019: €-136 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 2020, Note 22 Proposal for appropriation of result.

Other equity instruments

Achmea has two Other equity instruments to support the funding of the organisation. These Other equity instruments are hybrid loans of €500 million in Perpetual Capital Securities with a coupon of 4.625% and a hybrid loan of €750 million with a coupon of 4.25%. These equity instruments are classified 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.

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.

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.

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.

19. OTHER PROVISIONS

(€ MILLION)

	2020	2019
Post-employment benefits	955	952
Other provisions	158	154
Balance at 31 December	**1,113**	**1,106**

POST-EMPLOYMENT BENEFITS

(€ MILLION)

31 DECEMBER 2020	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	946	9	955
Fair value of total investments backing defined benefit obligation	−1,054		−1,054
Fair value of non-qualifying investments backing defined benefit obligation	1,054		1,054
Unfunded status	**946**	**9**	**955**
Effect of asset ceiling			
Net defined benefit liability	**946**	**9**	**955**

(€ 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**

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 11,000 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 2020 contributions paid to the CDC scheme amounted to €256 million (2019: €204 million). The contribution is determined as the actuarially required contribution for the acquired pension rights in that year, taking into account current interest rates.

Achmea's defined benefit obligation is mainly related to the accrued rights of a number of (former) employees under former defined benefit plans. These defined benefit plans were maintained in The Netherlands, and for a limited amount in Greece. Benefits related to medical costs are not included in these plans.

The accrued rights of a number of (former) employees under former defined benefit schemes in the Netherlands have been insured with Achmea Pensioen- en Levensverzekeringen N.V. and so Achmea continues to hold the financial and actuarial risks. The investments related to the insurance contracts are accounted for as Investments (and do not qualify as Investments backing defined benefit obligation).

Notes to the company Financial Statements

MOVEMENT TABLE POST-EMPLOYMENT BENEFITS

(€ MILLION)

	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF INVESTMENTS BACKING DEFINED BENEFIT OBLIGATION	NET DEFINED BENEFIT LIABILITY 2020
Balance at 1 January	952		952
Net interest expense on net defined benefit liability	9		9
Remeasurement of net defined benefit liability			
Actuarial gains and losses arising from changes in demographic assumptions	−18		−18
Actuarial gains and losses arising from changes in financial assumptions	46		46
Experience gains and losses	−1		−1
Benefits paid by the plan			
Benefit payments	−33		−33
Balance at 31 December	**955**		**955**

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**

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

		2020		2019
	THE NETHERLANDS	OTHER COUNTRIES	THE NETHERLANDS	OTHER COUNTRIES
Discount rate	0,60	0.30	1.00	0.19
Future salary increases[1]		1.35		1.18
Future pension increases[1]				
Future pension increases for in-payment benefits	0.50		0.54	
Rates of employee turnover[1]		3.04		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 (2019: 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 €358 million (31 December 2019: €356 million).

Notes to the company Financial Statements

OTHER PROVISIONS

(€ MILLION)

2020	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPLOYMENT BENEFITS)	OTHER	TOTAL
Balance at 1 January	47	13		38	56	154
Additions	33	9		9	23	74
Usage	−43			−2	−3	−48
Released	−12	−5		−2	−2	−21
Foreign currency differences				−1		−1
Balance at 31 December	**25**	**17**		**42**	**74**	**158**
Current	23	7		8	41	79
Non-current	2	10		34	33	79
Balance at 31 December	**25**	**17**		**42**	**74**	**158**

(€ 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
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
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**

Restructuring

In the context of reorganisation programmes announced earlier, a provision was formed amounting to €25 million at (31 December 2019: €47 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.

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 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. In Slovakia, a statutory measure for Health Insurance Companies applies, as a result of which Union Zdravotná Poist'ovna A.S. has made a provision for €40 million (31 December 2019: €22 million).

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 AG2020, 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.

Notes to the company Financial Statements

Other income statement

20. OTHER INCOME

(€ MILLION)

	2020	2019
Fee income from trust and other fiduciary activities	221	210
Income from service contracts	144	133
Revenue from subleasing a right of use	3	2
Other income	42	39
	410	**384**

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.

21. INTEREST EXPENSES AND SIMILAR EXPENSES

(€ MILLION)

	2020	2019
Interest expenses:		
Instruments entrusted	45	47
Debt securities issued	54	53
Derivatives liabilities held for risk management	61	73
Interest expenses lease liabilities	3	3
Other interest expenses	70	77
Impairment of financial instruments	3	−3
Other banking expenses	1	2
	237	**252**

22. OPERATING EXPENSES

(€ MILLION)

	2020	2019
Salaries	853	828
Social security charges	81	90
Pensions	241	187
Other	310	405
Staff costs	**1,485**	**1,510**
Depreciation Property for own use and equipment	35	36
Depreciation Right of use	28	25
General expenses[1]	510	521
Gross operating expenses	**2,058**	**2,092**
Commissions paid and accrued	585	591
Reinsurance profit sharing and commission	−23	−29
	2,620	**2,654**
Less: allocated Claims handling expenses	362	359
Less: allocated Investment expenses	2	3
	2,256	**2,292**

1 The General expenses include the costs of low-value leases amounting to €0.2 million (2019: €0.3 million), the costs of leases with a term of between 1 month and 1 year amounting to €0 million (2019: €0 million) and variable costs under leases not included in the valuation of the lease liability amounting to €1.0 million (2019: €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 19 Other provisions.

Depreciation on the right-of-use asset amounting to €23 million (2019: €25 million) concern buildings for own use (€17 million) (2019: €19 million) and equipment €6 million (2019: €6 million).

Achmea does not make use of the Emergency Measures for Bridging Employment (NOW scheme).

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 2020
Internal fte's	11,113	772	658	1,266	112	13,921
External fte's	2,187	56	11	126	26	2,406

	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

Notes to the company Financial Statements

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 2020	ACHMEA NETHERLANDS	FOREIGN COUNTRIES	TOTAL 2019
Audit financial statements	6	1	7	6	1	7
Other audit services	1		1	2		2
	7	**1**	**8**	**8**	**1**	**9**

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 Solvency II reports 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 (2019: €0 million), other non-audit services €4 million (2019: €9 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.

23. OTHER EXPENSES

(€ MILLION)

	2020	2019
Amortisation charges on intangible assets	26	27
Impairment losses on intangible assets	1	
Impairment losses on receivables	52	44
Other expenses	69	27
	148	**98**

Other expenses consist mainly of Other provision transfers of €17 million (2019: €2 million) and donations of €11 million (2019: €5 million).

24. INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2020	2019
Result before tax	630	547
Dutch corporate tax rate	25.0%	25.0%
Income tax using the Dutch corporate tax rate	158	137
Effect of tax rates in foreign jurisdictions	−1	−1
Tax effect on:		
Non-deductible expenses	−1	3
Tax exempt revenues	−62	−16
Participation exemption	−6	−3
Non-deductible losses	11	10
Tax benefit related to liquidation of group companies		
Other	−19	−25
Under/(over) provided in prior years		4
Regular (temporary) differences	**−77**	**−27**
Change in tax rate	**−92**	**−43**
Effective tax amount	**−12**	**66**

The tax effect on rate changes of €-92 million is further explained in Note 15: Deferred Tax Assets and Liabilities.

The effective tax rate in 2020 amounts to -1,8% (2019: 12.2%).

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX

(€ MILLION)

	2020	2019
Current income tax		
Current year	221	−16
Under/(over) provided in prior years		4
	221	**−12**
Deferred income tax		
Origination and reversal of timing differences	−233	78
	−233	**78**
Total income tax expense in Income Statement	**−12**	**66**

Deferred income tax of €-233 million (2019: €78 million) which will be disclosed in more detail in Note 15 Deferred tax assets and liabilities.

Notes to the company Financial Statements

OVERVIEW INCOME TAX EXPENSES ACHMEA BY GROSS PREMIUMS PER BUSINESS LINE

(€ MILLION)

	GROSS WRITTEN PREMIUMS 2020	GROSS WRITTEN PREMIUMS 2019	RESULT BEFORE TAX 2020	RESULT BEFORE TAX 2019	INCOME TAX EXPENSES 2020	INCOME TAX EXPENSES 2019
Dutch taxable activities per segment						
Non-life Netherlands	3,668	3,564	260	178	75	39
Pension & Life Netherlands	1,005	1,164	253	363	–40	49
Retirement Services Netherlands			22	38	7	9
International activities	1,104	1,041	23	22	15	15
Other activities	289	271	–163	–116	–67	–46
	6,066	**6,040**	**395**	**485**	**–10**	**66**
Dutch non-taxable activities per segment						
Health Netherlands[1]	14,284	14,082	235	62	–2	
Intersegment eliminations	–175	–173				
Total Dutch activities	**20,175**	**19,949**	**630**	**547**	**–12**	**66**
International activities						
Turkey	231	231	27	25	5	3
Slovakia	487	442	–2	9	1	1
Greece	351	341	27	19	9	5
Other	35	27	–29	–31		6
Total International activities	**1,104**	**1,041**	**23**	**22**	**15**	**15**

1 The primary health care activities 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.

Valuation of corporate tax income payable

The valuation of the corporate income tax depends, among other things, on the application of tax legislation and rulings in legal proceedings. It may be unclear how a specific provision of tax law applies to a particular transaction or circumstance. The actual corporate income tax can therefore lead to different cash flows from the tax position.

On 10 July 2020, the Supreme Court handed down its judgment in a case between Achmea and the Dutch tax authorities. The case relates to a difference of opinion between Achmea and the Dutch tax authorities on the tax settlement in the Netherlands for part of the compensation received upon divestment of our interest in Polish insurer PZU in 2009 and 2010. The Supreme Court reached the same conclusion as the Court in a previous instance. Achmea had already adjusted the valuation of the balance sheet item to the agreed upon amount of €233 million in response to the earlier court ruling. This has no result impact for 2020.

ACCOUNTING POLICIES INCOME TAX EXPENSES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in Total equity, in which case these items are recognised in Total equity net of taxes. Expected tax receivables or payables are based on the taxable profit or loss for the year using tax rates enacted or substantially enacted at reporting date, and any adjustment to income tax receivable or payable in respect of previous years. In the measurement of the current income tax position, uncertainties regarding collectability have been taken into account.

Notes to the company Financial Statements

25. NET OTHER COMPREHENSIVE INCOME

(€ MILLION)

	2020			2019		
	OTHER COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHENSIVE INCOME	OTHER COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHENSIVE INCOME
Remeasurements of net defined benefit liability	40	−10	30	−24	6	−18
Unrealised gains and losses on property for own use	8	−2	6	11	−3	8
Currency translation differences (including realisations) on subsidiaries, goodwill, associates and joint ventures	−47	1	−46	−13		−13
Unrealised gains and losses on financial instruments 'Available for sale'	932	−244	688	2,009	−473	1,536
Share in other comprehensive income of Associates and joint ventures	1		1	−1		−1
Changes in provision for Profit sharing and bonuses for policyholders due to unrealized investment income	−819	205	−614	−1,378	345	−1,033
Gains and losses on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	−540	122	−418	−441	104	−337
Reclassification to the Income Statement as Profit sharing and bonuses for policyholders from realized investment income	332	−83	249	209	−52	157
Impairment charges on financial instruments 'Available for sale' reclassified to the Income Statement on disposal	74	−15	59	18	−4	14
Total other comprehensive income	**−19**	**−26**	**−45**	**390**	**−77**	**313**

26. EARNINGS PER SHARE

(€ MILLION)

	2020	2019
Net result	642	480
Coupon payments on other equity instruments	−55	−68
Dividends on preference shares[1]	−17	−17
Net result attributable to holders of ordinary shares	**570**	**395**

1 A distribution was made to the holders of preference shares in the amount of €20 million (2019: €20 million). Achmea BV received €3 million (2019: €3 million) thereof on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding.

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

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2020	2019
Issued ordinary shares at 1 January	390,002,711	390,002,711
Weighted average number of ordinary shares	**390,002,711**	**390,002,711**

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

	2020	2019
Earnings per share continuing operations (in euros per share)	1.46	1.01
Basic earnings per share (in euros per share)	**1.46**	**1.01**

Other notes

27. 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 2020 amounted to €373 million (31 December 2019: €369 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 €426 million at year-end 2020 (31 December 2019: €421 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 €-53 million at year-end 2020 (31 December 2019: €-52 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 2020	GAINS	LOSSES	TOTAL 2019
Fair value changes of the hedged item attributable to the hedged risk	142	−134	8	203	−201	2
Fair value changes of the related derivatives (including discontinuation)	142	−148	−6	211	−208	3
Fair value changes of the hedging instrument - ineffective portion	284	−282	2	414	−409	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 2020 amounted to €-19 million (31 December 2019: €-7 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 €-55 million (2019: €24 million) and the fair value changes of the related derivatives amounted to €53 million (2019: €-57 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.

28. 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 determine 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 2020	31 DECEMBER 2019
Guarantees	87	86
Total	**87**	**86**

The Netherlands-based insurance companies of Achmea provided the 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.' with guarantees to a maximum of €39 million (2019: €41 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.

Establishment of Windmill II at Achmea Reinsurance

To be able to issue a new catastrophe bond, as of 1 July 2020, Achmea Reinsurance has established a Designated Activity Company (DAC) under the name Windmill II Re DAC. Windmill II Re DAC gives Achmea Reinsurance multi-year risk transfer capacity of up to €100 million to protect against storm risk in the Netherlands. The risk period for Windmill II Re DAC runs from 1 July 2020 to 30 June 2024. The contract is accounted for as a reinsurance contract in accordance with IFRS 4 - Insurance Contracts. The collaboration has been established with four independent parties, with Achmea Reinsurance being the party liable for premiums. In case of storm damage, the four parties are the risk bearers for this. Windmill II Re DAC is based in Ireland.

UNRECOGNIZED CONTRACTUAL COMMITMENTS (€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Commitments related to investments	1,155	1,180
Leases not yet commenced to which the lessee is committed		19
Total	**1,155**	**1,199**

At year-end 2020 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 €86 million (2019: €92 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 €717 million (2019: €645 million). This commitment is offset by a received guarantee of €143 million (2019: €155 million).

Contingencies related to shares subject to a put option agreement

Under the terms of the Assignment of Put Option Agreements concluded on 30 May 2005, upon exercise of their put option, a number of minority shareholders of Achmea BV have the right to sell all or part of their shares to a third party, or a group company to be designated by them ('third party'). When a put option is exercised, a group company designated by Achmea BV ('Achmea entity') has the obligation to enter into a derivative transaction with that third party. Pursuant to this transaction, the Achmea entity pays the third party, as buyer, an upfront amount that is equal to the purchase price owed by this buyer to the selling shareholder under the put option concerned.

On 25 June 2013, the Achmea entity entered into the first derivatives transaction following the exercise of the put option by one of the minority shareholders of Achmea BV. Since then, the third party has held depositary receipts for shares in Achmea BV.

During the term of the derivative transaction and if and insofar as the third party receives dividend from Achmea BV on the depositary receipts for shares in Achmea BV held by the third party, the third party is obliged to pay the amount of dividend received to the Achmea entity. This dividend remains in Achmea BV due to the waiver of the right to dividend by the third party on 30 May 2005. In compensation for this loss of income at the Achmea entity, insofar as a dividend is distributed by Achmea BV, a payment will be made by Achmea BV to that Achmea entity in the amount of the payment that would otherwise be received from that third party. The Achmea entity in turn owes a fixed annual fee to the third party. Upon unwinding of the derivative transaction, the Achmea entity will receive from the third party the upfront amount paid, adjusted for part of the change in value of the Achmea BV depositary receipts for shares held by the third party during the life of the derivative transaction.

Number of outstanding options for which the Achmea entity may still be required to enter into a derivative transaction with the third party:

NUMBER OF OUTSTANDING OPTIONS

	31 DECEMBER 2020	31 DECEMBER 2019
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**

Achmea acquires Slovakian insurer Poštová poist'ovňa

On 11 December 2020, it was announced that Achmea is increasing its presence in Slovakia through the acquisition of insurer Poštová poisťovňa. The transaction is being carried out by Achmea's subsidiary Union poisťovňa. Union poisťovňa and the shareholders of Poštová poisťovňa – Postova banka (Slovak Post Bank) and Slovenska posta (Slovak Post Office) – have reached agreement on the proposed transaction.

The acquisition of Poštová poisťovňa has been submitted to the supervisory authorities in Slovakia for approval. It is expected that the transaction will be completed in Q2-2021 and will not have a material impact on Achmea.

Contingent assets

Conflict between the Slovak Government and Achmea B.V.

In conflict with an agreement to encourage investments between the Slovak Republic and the Netherlands, the Slovak government enforced a ban on the distribution of profit on Slovak health insurers, including Union Zdravotná Poist'ovna A.S., a Slovak subsidiary of Achmea, in the period from 2007 until 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 €31 million (2019: €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.

29. CREDIT QUALITY FINANCIAL ASSETS

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 2020	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Fixed income investments[1]	9,184	4,333	6,555	6,682	7,803	723	21,170	56,450
Derivatives		1	5,673	2,863	104	8	524	9,173
Other financial investments[2]			1,365	6,976	3		1,033	9,377
Amounts ceded to reinsurers			389	160	6	35	95	685
Receivables		2,537	47	29	11	9	3,533	6,166
Cash and cash equivalents		938	258	908	1	48	31	2,184

1 Loans and mortgages without a rating relate to NHG mortgages (mortgages with National Mortgage Guarantee) for an amount of €6,624 million.
2 The shift within Other Financial Investments from Rating AA to Rating A is caused by the changed rating of Rabobank. Other financial investments refer to savings accounts linked to life insurance contracts for which the interest income is based on the interest paid by the policyholder on his mortgage loan. For a list of other financial investments, please refer to Note 5.

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 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 €5,841 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 5.

Notes to the company Financial Statements

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 2020	0 - 3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT
Investments					
Fixed income investments					98
Amounts ceded to reinsurers	1	1	1	3	
Receivables and accruals	55	11	57	123	121
31 DECEMBER 2019					
Investments					
Fixed income investments					100
Amounts ceded to reinsurers	1	1		2	
Receivables and accruals	51	11	60	122	220

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 2020	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[1]	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	9,038		9,038				
Derivatives liabilities		2,851	2,851				
				6,187	2,865	2,515	807
Cash and cash equivalents	6,807	4,745	2,062	2,062			2,062
31 DECEMBER 2019							
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

1 The net amounts for the derivatives are not equal to the balance sheet positions for both the assets and the liabilities. As of 31 December 2020, the difference for the assets is €49 million (2019: €52 million) due to equity derivatives without a netting agreement. For the liabilities, the difference as at 31 December 2020 is €19 million (2019: €18 million). This derivative is related to an exercised put option.

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.

No triggers indicating a significant change in the activities of Achmea were hit in 2020.

Within Achmea Group, the insurance entities have also applied a temporary exemption from IFRS 9 in respect of the 2018 financial statement. As it is not an insurance company, Achmea Bank has applied IFRS 9 in the 2020 financial statements. These financial statements can be obtained from the Achmea Bank website. Most of the other entities within the group do not apply the IFRS 9 in drawing up the financial statements.

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 €871 million (2019: €964 million), including €537 million (2019: €634 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 39 are 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 €15,250 million (2019: €15,662 million), including €10,698 million (2019: €10,574 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.

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS WITHIN SCOPE OF IFRS 9

(€ 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 2020	FAIR VALUE AS AT 31 DECEMBER 2020	CHANGE IN FAIR VALUE FOR THE YEAR 2020	BOOK VALUE AS AT 31 DECEMBER 2020	FAIR VALUE AS AT 31 DECEMBER 2020	CHANGE IN FAIR VALUE FOR THE YEAR 2020	**BOOK VALUE AS AT 31 DECEMBER 2020** [1]	**FAIR VALUE AS AT 31 DECEMBER 2020**	**CHANGE IN FAIR VALUE FOR THE YEAR 2020**
Investments									
Equities and similar investments				6,638	6,638	541	6,638	6,638	541
Fixed income investments	50,630	50,795	665	5,811	5,811	59	56,441	56,606	724
Derivatives				9,173	9,173	2,206	9,173	9,173	2,206
Other financial investments	1,365	1,504	−34	7,964	7,964	−125	9,329	9,468	−159
Receivables and accruals	1,313	1,321	3				1,313	1,321	3
Cash and cash equivalents	2,184	2,184					2,184	2,184	

Notes to the company Financial Statements

CASHFLOW-CHARACTERISTICS FINANCIAL ASSETS WITHIN SCOPE OF IFRS 9

(€ 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 DECEMBER 2019	FAIR VALUE AS AT 31 DECEMBER 2019	CHANGE IN FAIR VALUE FOR THE YEAR 2019	BOOK VALUE AS AT 31 DECEMBER 2019[1]	FAIR VALUE AS AT 31 DECEMBER 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 tables above only include 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 5 Investments and Note 16 Receivables and accruals. This concerns for example premium receivables and receivables from insurers under recourse.

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 €20,679 (2019: €20,600 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 2020									FINANCIAL ASSETS THAT DO NOT HAVE LOW CREDIT RISK	
	AAA GOVERN-MENT BONDS	AAA	AA	A	BBB	BELOW BBB	NO RATING	TOTAL BOOK VALUE SPPI ASSETS	TOTAL FAIR VALUE	TOTAL BOOK VALUE
Investments										
Fixed income investments	7,674	4,191	5,053	5,984	6,490	167	21,071	50,630	21,403	21,238
Other financial investments			1,365					1,365		
Receivables and accruals			15	9	4	1	1,284	1,313	1,289	1,285
Cash and cash equivalents		938	258	908	1	48	31	2,184	79	79

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	TOTAL BOOK VALUE SPPI ASSETS	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	1,312	1,310
Cash and cash equivalents		72	266	570	7	40	8	963	48	48

30. 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 2020	31 DECEMBER 2019
Carrying amount of transferred financial assets in the balance sheet	4,010	4,189
Fair value of non-cash collateral received not in the balance sheet	4,269	4,482
Net exposure	**–259**	**–293**

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 2020	31 DECEMBER 2019	31 DECEMBER 2020	31 DECEMBER 2019
Loans part of banking credit portfolio secured by mortgages	12,108	12,682	12,261	13,002
Secured loans part of Loans and borrowings	1,851	1,870	1,811	1,835
Net position	**10,257**	**10,812**	**10,450**	**11,167**

COLLATERALS

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Collateral provided for trust arrangements	115	138
Collateral provided for covered bonds	2,117	1,343
Collateral provided for securitisation	1,094	2,424
	3,326	**3,905**

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 N.V., investors can recover the debt from the mortgage receivables given as collateral.

Collaterals provided for covered bonds

Achmea Bank N.V. 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 N.V. 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 N.V., an investor has recourse on the bank and the underlying mortgage portfolio.

Collaterals provided for securitisation

Achmea Bank N.V. uses securitisation as a funding source. In all these securitisation transactions, Achmea Bank N.V. 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 €785 million as at 31 December 2020 (31 December 2019: €1,160 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 2020	31 DECEMBER 2019
Net position of assets and liabilities derivatives	6,217	4,590
Covered by securities in collateral	2,865	2,243
Liquid funds received in collateral	2,486	1,642
Net position	866	705

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 2020 also includes collateral deposited for cleared derivatives positions, the initial margin, of €931 million (31 December 2019: €755 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.

31. INTERESTS IN SUBSIDIARIES

Set out below are Achmea's principal subsidiaries as at 31 December 2020. 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	100%
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 N.V. 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 5 Investments - Banking credit portfolio and Note 30 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 18 Equity.

32. 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 31, 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 2020 and 2019.

Variable remuneration for performance year 2019

At the time of the adoption of the Financial Statements 2019 no decision had been taken to award variable remuneration for the performance year 2019. In September 2020 the decision was taken to pay variable remuneration for the performance year 2019. This variable remuneration for the performance year 2019 has been recognised as an expense in 2020.

Suspension of dividend payment for 2019

In April 2020, Achmea decided to suspend the payment of dividend to shareholders until there is more clarity on the impact of the coronavirus. In doing so Achmea is complying with the call made by the European regulator EIOPA and De Nederlandsche Bank (DNB). In September 2020, based on the developments around the coronavirus and the financial position, Achmea still decided to make a distribution to its shareholders of €169 million in total.

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)

	2020	2019
Short-term employee benefits	5.53	4.90
Post-employment benefits	2.55	1.90
Other long-term employee benefits	0.37	0.36
Employers'share social security contributions	0.07	0.06
Other benefits	0.13	0.13
Total	**8.65**	**7.35**

A total amount of €8.65 million was recognised in the reporting period 2020 for Executive Board remuneration (2019: €7.35 million). This total amount pertains to the performance year or financial year 2020, except the variable remuneration for 2020. 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 2020 and 2019. For the performance year 2019 it was decided after the adoption of the Financial Statements 2019 to award a variable remuneration to the members of the Executive Board. In 2020 an expense of €0.75 million was recognised for variable remuneration for the performance year 2019. In 2019 an expense of €0.72 million was recognised for variable remuneration for the performance year 2018.

Below is an overview of the remuneration of the members of the Executive Board for performance year 2020. 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 2019.

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

Active board members as at 31 December 2020[1]	ANNUAL SALARY (SHORT-TERM EMPLOYEE BENEFITS)[1]	VARIABLE REMUNERATION AWARDED (OTHER SHORT-TERM EMPLOYEE BENEFITS)[1]	VARIABLE REMUNERATIO N AWARDED (OTHER LONG-TERM EMPLOYEE BENEFITS)[1]	POST-EMPLOYMENT BENEFITS (CAP €110.111)[2]	CONTRIBUTION NET POST-EMPLOYMENT BENEFITS (OVER €110.111)[2]	WAGE BENEFIT (OVER €110.111)[2]	TOTAL
W.A.J. (Willem) van Duin, Chairman[3]	1.11	t.b.d.	t.b.d.	0.05	0.27	0.29	**1.72**
B.E.M. (Bianca) Tetteroo, Vice-chairman	0.91	t.b.d.	t.b.d.	0.05	0.18	0.23	**1.37**
M.A.N. (Michel) Lamie, CFO	0.76	t.b.d.	t.b.d.	0.05	0.15	0.16	**1.12**
R. (Robert) Otto	0.82	t.b.d.	t.b.d.	0.05	0.16	0.17	**1.20**
L.T. (Lidwien) Suur	0.76	t.b.d.	t.b.d.	0.04	0.12	0.15	**1.07**
H. (Henk) Timmer, CRO	0.80	t.b.d.	t.b.d.	0.05	0.18	0.20	**1.23**
Total 2020	**5.16**	t.b.d.	t.b.d.	**0.29**	**1.06**	**1.20**	**7.71**
Total 2019	4.54	0.37	0.37	0.23	0.94	0.73	7.18
Average number of active and former Executive Board members 2020: 6							
Average number of active and former Executive Board members 2019: 5.33							

1 Excluding employers' share in social security contributions.

2 The post-employment benefits have as elements: the expense for the accrual of the maximum pensionable salary €110.111 (this is the fiscal cap 2020; 2019 €107.593). 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 €110.111’ in individual cases includes a compensation for deprivation of benefits under the old Executive Board scheme.

3 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 (2019: €0.13 million) for this earlier compensation is. however. included in the total remuneration of the Executive Board for the financial year 2020. 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 2020 the salary of all members of the Executive Board was raised as collectively agreed by 1%. In connection with her appointment as Vice-Chair of the Executive Board as of 1 January 2020, Ms Tetteroo's salary has been increased to that of Vice-Chair. Insofar as applicable the benefit of private use of a lease car is also included in the fixed annual salary.

Variable remuneration awarded

At the time of drafting the Financial Statements 2020 it was not yet decided to award a variable remuneration for the performance year 2020. Should this be awarded. then this shall be included in the Remuneration Report 2020 expected to be published in May 2021. This variable remuneration would be recognised in the Financial Statements 2021. For the performance year 2019 the decision on the 2019 variable remuneration was finalized after the adoption of the Financial Statements 2019 and it was decided to award a variable remuneration in the amount of €0.75 million to the Executive Board. This was reported on in the Remuneration Report 2019. which was published in October 2020.

Notes to the company Financial Statements

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 2020:

- Maximum pensionable salary €110.111
- Accrual 1.875% per year
- State pension offset €14.167
- 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 2020 the fiscal cap is €110.111.

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 €110.111. In 2020 this percentage is 22.6% 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 2020 and 2019 no termination benefits were awarded related to termination of a labour contract.

Claw back

In 2020. 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 2019.

Loans

Members of the Executive Board have loans outstanding with the banking operations of Achmea. The loans amount to €0.2 million (2019: €0.2 million). The weighted interest rate of these loans is 5.7% (2019: 5.7%). The loans are mortgage loans. In 2020 no repayments were made (2019: €0.2 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 2020.

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

Supervisory Board members as at 31 December 2020:	
A.W. (Aad) Veenman. Chairman	0.21
W.H. (Wim) de Weijer. Vice-chairman	0.14
J. (Jan) van den Berg	0.11
M.R. (Miriam) van Dongen (as of 28 April 2020)	0.05
P.H.M. (Petri) Hofsté	0.16
A.M. (Lex) Kloosterman	0.08
M. (Mijntje) Lückerath	0.11
A.C.W. (Lineke) Sneller	0.13
R.Th. (Roel) Wijmenga	0.13
Former member Supervisory Board	
R. (Roelof) Joosten (until 2 March 2020)	nil
Total 2020	**1.12**
Total 2019	**1.00**

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

Mr Joosten passed away on 2 March 2020. Ms Van Dongen became a member of the Supervisory Board on 28 April 2020.

Members of the Supervisory Board have no loans outstanding with Achmea at year-end 2020 and 2019.

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 €254 million to local Rabobank offices during 2020 (2019: €253 million) for insurance policies sold through them. Affiliated members ('aangesloten leden') of the Rabobank are granted a 5% discount 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 2020 amounting to €1.6 million (2019: €2.7 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 €67 million (2019: €68 million).

Balances and Commitments as of 31 December 2020 with Rabobank Group

Balances with Rabobank Group comprise commodity notes related shares. savings accounts that are backing liabilities for policyholders (see Note 5). bank accounts (see Note 17) and a credit facility that is reported as Loans and borrowings (see Note 7).

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 2020 Achmea has a receivable in the amount of €0.1 million (2019: €0.4 million) on Vereniging Achmea. Vereniging Achmea provided deposits to Achmea B.V. This concerns 2 term deposits with an expiry date of 29 January 2021 and 30 April 2021 and an interest rate of -0.4%. At year-end 2020 the total amount of deposits was €10 million (31 December 2019: €11 million). Other transactions with Vereniging Achmea are related to its relation with Achmea as shareholder and are explained in Note 18 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 2020. contributions made by Achmea relating to this defined contribution plan amounted to €256 million (2019: €204 million). For more information regarding the pension schemes executed by Stichting Pensioenfonds Achmea. reference is made to Note 19 Other provisions – Post-employment benefits. Achmea performs administrative and asset management services for Stichting Pensioenfonds Achmea. In 2020 it received €9.3 million (2019: €8.9 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 2020 the total amount of deposits is €1.5 million (31 December 2019: €1.5 million). In addition. in 2020 Achmea B.V. made donations totalling €7.4 million to Stichting Achmea Algemeen Pensioenfonds (2019: €2.7 million) to increase the buffer capital. Achmea performs administrative and asset management services for Stichting Pensioenfonds Achmea. In 2020 it received €6.9 million (2019: €3.6 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 the financial year 2019. the contributions on the 2019 result amounting to €2.4 million in 2020 (2019: €1.6 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.

33. SUBSEQUENT EVENTS

There are no events after the balance sheet date to be reported in the financial statements.

AUTHORISATION OF the CONSOLIDATED FINANCIAL STATEMENTS

Zeist, 11 March 2021

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.T. (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

M.R. (Miriam) van Dongen

P.H.M. (Petri) Hofsté

A.M. (Lex) Kloosterman

M. (Mijntje) Lückerath

A.C.W. (Lineke) Sneller

R.Th. (Roel) Wijmenga

Table of contents

COMPANY FINANCIAL STATEMENTS

Company Financial Statements of Achmea B.V.

BALANCE SHEET

(BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2020	31 DECEMBER 2019
Assets			
Intangible assets	2	609	609
Financial fixed assets	3	11,728	11,000
Deferred tax assets	4	8	6
Total fixed assets		**12,345**	**11,615**
Receivables	5	97	244
Cash and cash equivalents	6	20	41
Total current assets		**117**	**285**
Total assets		**12,462**	**11,900**
Shareholders' equity			
Issued share capital		434	434
Share premium		10,923	10,923
		11,357	**11,357**
Own shares		−335	−335
Legal reserve		65	53
Revaluation reserve		1,069	1,120
Exchange difference reserve		−475	−429
Hedging reserve		−7	−7
Retained earnings		−3,014	−3,312
Result for the year		642	480
		9,302	**8,927**
Other equity instruments		1,250	1,250
Equity attributable to holders of equity instruments of the company	**7**	**10,552**	**10,177**
Liabilities			
Other provisions	8	118	118
Long-term liabilities	9	1,520	776
Short-term liabilities	10	272	829
Derivatives	11		
Total liabilities		**1,910**	**1,723**
Total equity and liabilities		**12,462**	**11,900**

Company Financial Statements of Achmea B.V.

PROFIT AND LOSS

(€ MILLION)

	NOTES	2020	2019
Other operating income	14	4	
Revenue from receivables included in fixed assets and similar income	15	1	20
Income from associates and joint ventures		8	10
Total income		**13**	**30**
Interest expenses and similar expenses	16	66	58
Other expenses	17	79	58
Total expenses		**145**	**116**
Result before tax		−132	−86
Income tax [1]	18	−58	−42
Results of subsidiaries and associates	3	716	524
Net result		**642**	**480**

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 of Achmea B.V. 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.

Presentation of pension provision and related assets

During the preparation of the 2020 separate financial statements, it was established that the fair value of the insurance contract related to the pension provision and the value of this pension provision are better presented as two separate balance sheet items. The fair value of the insurance contract is presented in accordance with the reimbursement rights system for internally insured pension contracts in IAS 19. This value is exactly the same as the value of the pension provision and both balance sheet items were netted in previous years.

In order to understand the separate financial statements, the changes in presentation have been incorporated retrospectively in the separate financial statements. The accounting policies are unchanged and this change in presentation has no impact on either net income or equity.

The change in the balance sheet value as of 1 January 2019 of the insurance contract and of the pension provision is €104 million. The changes in both balance sheet items relate to interest expenses and income and actuarial gains and losses. These changes are included in the Income Statement. The movements in Shareholders' Equity are zero on balance and are not shown.

Impact Covid-19

The impact of Covid-19 pandemic on the Company Financial Statements of Achmea B.V., whether or not through its interest in subsidiaries, reference is made to Note 1 – Consolidated Financial Statements. General accounting policies (section I) and the notes to the other financial statements items in the Consolidated Financial Statements.

2. INTANGIBLE ASSETS

For more detailed information on Goodwill reference is made to Note 12 Intangible assets in the Consolidated Financial Statements.

(€ MILLION)

	GOODWILL	TOTAL 2020	TOTAL 2019
Cost			
Balance at 1 January	1,236	1,236	1,236
Sale, disposal and decommissioning			
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	609
At 31 December	**609**	**609**	**609**

3. FINANCIAL FIXED ASSETS

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES AND JOINT VENTURES	BONDS	DERIVATIVES	LOANS	REIMBURSE-MENT RIGHTS	TOTAL 2020	TOTAL 2019[1]
Balance at 1 January	**10,192**	**37**	**581**	**1**	**75**	**114**	**11,000**	**10,318**
Adjustment beginning balance								108
Balance at 1 January	**10,192**	**37**	**581**	**1**	**75**	**114**	**11,000**	**10,426**
Acquisitions								1
Investments and loans granted	211	8	2,226		454		2,899	2,425
Sales, disposals and money withdrawn	−1		−2,213	−1	−497	−4	−2,716	−2,121
Annual results	716	8					724	534
Fair value changes	−36	−1	−7				−44	333
Dividend received	−117	−11					−128	−570
Foreign currency differences	−32	−10		1			−41	−10
Accrued interest			2			1	3	
Unrecognised actuarial gains and losses on employee benefits	30					4	34	−18
Other changes	−2					−1	−3	
Balance at 31 December	**10,961**	**31**	**589**	**1**	**32**	**114**	**11,728**	**11,000**

1 The accounting for reimbursement interest has been changed retrospectively. As a result, the value of subsidiaries as at 1 January 2019 and 31 December 2019 has been adjusted by -€6 million (see General Accounting Policies Section F in the consolidated financial statements). In addition, the presentation of the Insurance Contract has been modified retrospectively. As a result, the value as of 1 January 2019 has been adjusted by €114 million (see Note 1. Accounting principles).

Equities and Derivatives are measured at fair value. The fair value of those investments based on quotes in an active market (listed) amounts to €585 million (31 December 2019: €580 million). The purchase price as per 31 December 2020 of Bonds and Derivatives amounts to €588 million (31 December 2019: €581 million). An amount of €2 million is recognised under Loans and Deposits, valued at amortised cost. The fair value of these investments amounts to €2 million (31 December 2019: €3 million). The value of the insurance contract with Achmea Pensioen- en Levensverzekeringen NV refers to the fair value of the investments (reimbursement rights) in respect of the defined pension commitments from old schemes insured with Achmea Pensioen- en Levensverzekeringen NV. (See Note 8 Other Provisions).

In the Income Statement, under Foreign currency differences of securities and loans, an amount of €0 million is recognised (2019: €2 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 2020	RECOGNISED IN PROFIT AND LOSS ACCOUNT	RECOGNISED IN EQUITY	**BALANCE AT 31 DECEMBER 2020**	BALANCE AT 1 JANUARY 2019	RECOGNISED IN PROFIT AND LOSS ACCOUNT	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2019
Other liabilities	6	2		8	11	−6	1	6
Tax value of loss carry-forwards utilised					51	−51		
	6	**2**		**8**	**62**	**−57**	**1**	**6**

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.

As per 31 December 2020 an amount of €2 million (31 December 2019: €2 million) of deferred tax assets are expected to mature within one year after reporting date.

5. RECEIVABLES AND ACCRUALS

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Subsidiaries	86	95
Income tax receivables		148
Other receivables	11	1
	97	**244**

Receivables are measured at amortised cost. The fair value of these assets amounts to €97 million (31 December 2019: €244 million). In line with 2019, 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 (2019: €1 million).

These restrictions are mainly subject to the minimum reserve of cash and cash equivalents to be held with the Dutch Central Bank.

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 [2]	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	TOTAL EQUITY [1]
Balance 1 January 2019	**11,357**	**−335**	**34**	**746**	**−416**	**−7**	**−3,346**	**314**	**1,350**	**9,697**
Adjustment beginning balance							−6			−6
Balance 1 January 2019	**11,357**	**−335**	**34**	**746**	**−416**	**−7**	**−3,352**	**314**	**1,350**	**9,691**
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		0							−100	−100
Other movements							−4			−4
Balance 31 December 2019	**11,357**	**−335**	**53**	**1,120**	**−429**	**−7**	**−3,312**	**480**	**1,250**	**10,177**
Net other comprehensive income				−29	−46		30			−45
Net result								642		642
Comprehensive income				**−29**	**−46**		**30**	**642**		**597**
Appropriations to reserves			12	−22			490	−480		
Dividends and coupon payments							−222			−222
Balance 31 December 2020	**11,357**	**−335**	**65**	**1,069**	**−475**	**−7**	**−3,014**	**642**	**1,250**	**10,552**

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

2 The accounting for reimbursement interest has been changed retrospectively. As a result, the value of Other reserves as at 1 January 2019 and 31 December 2019 has been adjusted by €-6 million (see General Accounting Policies Section F in the consolidated financial statements).

Reference is made to the Consolidated statement of changes in total equity and Note 18 Equity attributable to holders of equity instruments of the company in the Consolidated Financial Statements for more information.

8. OTHER PROVISIONS

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Post-employment benefits	114	114
Other provisions	4	4
Balance at 31 December	**118**	**118**

Pension provisions

The movement of the pension provisions is as follows:

(€ MILLION)

	2020	2019
Balance at 1 January	**114**	**104**
Net interest expense on defined benefit liability	1	2
Actuarial gains and losses arising from changes in:		
- Demographic assumptions	−1	
- Financial assumptions	4	11
- Experience		1
Benefit payments	−4	−4
Balance at 31 December	**114**	**114**

The provision for pension liabilities relates to defined benefit pension liabilities insured by Achmea Pensioen- en Levensverzekeringen N.V.

Annual contributions to the pension schemes are paid to finance the liabilities to be paid during the lifetime of the scheme and are calculated in accordance with local statutory requirements. In addition, where applicable, additional contributions are paid to ensure that the pension schemes comply with applicable local regulations on investments and funding levels.

Other provisions

The movement of the other provisions is as follows:

(€ MILLION)

	2020	2019
Balance at 1 January	**4**	**7**
Usage	2	
Released	−2	−3
Balance at 31 December	**4**	**4**

Other provisions mainly relate to legal cases. In line with 2019 Other provisions are of a long-term nature.

9. LONG-TERM LIABILITIES

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2020
Balance at 1 January		747	29	776
Money deposited	743			743
Other changes	1			1
Balance at 31 December	**744**	**747**	**29**	**1,520**

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**

The maturities of the long-term liabilities are between one and five years for an amount of €499 million (2019: €498 million) and longer than five years for an amount of €1,021 million (2019: €278 million).

The fair value of long-term liabilities measured at amortised cost at year-end is €1,581 million (31 December 2019: €766 million).

In May 2020 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 26 May 2027) and is listed on Euronext Dublin, Ireland. The coupon on this loan is 1.5%.

The syndicated credit facility of Achmea B.V. has a maximum size of €1 billion. In 2020 and 2021 the duration of this facility was extended to 2025 respectively 2026. In 2020 and 2019, 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 (2019: €29 million) relating to a financial guarantee provided to a group company as set out in Note 28 Contingencies.

In the Profit and loss account, under Value changes in receivables included in fixed assets, an amount of €0 million (2019: €-2 million) is accounted for as foreign currency differences relating to long-term liabilities.

10. SHORT-TERM LIABILITIES

(€ MILLION)

	31 DECEMBER 2020	31 DECEMBER 2019
Loans	14	764
Subsidiaries	157	14
Taxes	32	
Other	69	51
	272	**829**

The fair value of Short term liabilities measured at amortised cost at year-end is €272 million (31 December 2019: €826 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 7 Financial liabilities.

In November 2013 Achmea B.V. issued €750 million worth of Senior Unsecured Notes (transaction costs are included in the book value). The Notes have a maturity of 7 years (maturity date is 19 November 2020). The Notes are listed on the Irish Stock Exchange in Dublin, Ireland. The coupon on the Notes is 2.5%. In November 2020, this loan was fully repaid by Achmea BV.

11. DERIVATIVES

(€ MILLION)

	2020	2019
Balance at 1 January		8
Fair value changes		–8
Balance at 31 December		

12. RELATED PARTY TRANSACTIONS

For an overview of transactions with affiliates, please refer to Note 32 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.

Notes to the Company Financial Statements 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 Group 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 2020 €29 million (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)

	2020	2019
Guarantees	548	541
Balance at 31 December	**548**	**541**

Achmea acquires Slovakian insurer Poštová poisťovňa

On 11 December 2020, it was announced that Achmea is increasing its presence in Slovakia through the acquisition of insurer Poštová poisťovňa. The transaction is being carried out by Achmea's subsidiary Union poisťovňa. Union poisťovňa and the shareholders of Poštová poisťovňa – Postova banka (Slovak Post Bank) and Slovenska posta (Slovak Post Office) – have reached agreement on the proposed transaction.

The acquisition of Poštová poisťovňa has been submitted to the supervisory authorities in Slovakia for approval. It is expected that the transaction will be completed in Q2-2021 and will not have a material impact on Achmea.

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.

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

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.

Because of the compounding statutory interest, Achmea's claim now amounts to approximately €31 million (2019: €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)

	2020	2019
Other income	4	
	4	

Other income includes the release of other provisions and the interest rate discount on the provisional corporate income tax assessment to the tax authorities.

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

(€ MILLION)

	2020	2019
Other interest income	1	18
	1	**18**

Other interest income includes an amount of €1 million (2019: €18 million) relating to group companies.

16. INTEREST EXPENSES AND SIMILAR EXPENSES

(€ MILLION)

	2020	2019
Interest expenses loans and borrowings	66	56
	66	**56**

17. OTHER EXPENSES

(€ MILLION)

	2020	2019
General expenses	79	119
Charges general expenses to subsidiaries		−61
	79	**58**

Due to a changed method of charging general costs in 2020, they are no longer included separately.

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

18. INCOME TAX

RECONCILIATION OF EFFECTIVE TAX AMOUNT (€ MILLION)

	2020	2019
Result before tax	−132	−86
Dutch corporate tax rate	25%	25%
Income tax using the Dutch corporate tax rate[1]	−33	−22
Tax effect on:		
Non-deductible expenses	−4	2
Participation exemption	−3	−3
Other	−18	−19
Effective tax amount	**−58**	**−42**

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

The effective tax rate of 2020 amounts to 43.9 % (2019: 48.8%).

SPECIFICATION OF THE CURRENT AND THE DEFERRED INCOME TAX (€ MILLION)

	2020	2019
Current income tax		
Current year	−56	−99
Over/(under) provided in prior years		
	−56	**−99**
Deferred income tax		
Origination and reversal of timing differences	−2	57
Total income tax expense in Income Statement	**−58**	**−42**

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 2020 or 2019. For more information on the remuneration of the Executive Board refer to Note 32 Related party transactions in the Consolidated Financial Statements.

21. SUBSEQUENT EVENTS

There are no events after the balance sheet date to be reported in the financial statements.

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)

	2020
Net result attributable to holders of equity instruments of the company	642
Net result segment Health Netherlands	–237
Net result excluding segment Health Netherlands	**405**
Coupon payments on other equity instruments	–55
Dividend on preference shares[1]	–17
Net result attributable to holders of ordinary shares	**333**
To be distributed as follows:	
Dividend on preference shares[1]	20
Dividend on ordinary shares	150
Addition to retained earnings	472
	642
Number of ordinary shares (excluding repurchased own shares)	390,002,711
Dividend per ordinary share (in euro's per share)	0.38

1 An amount of €3 million will be distributed on own preference shares (See Note 18 Equity).

The resolution of the General Meeting on the dividend proposal is subject to the condition precedent that the Executive Board, based on the prescribed distribution test, has concluded that the dividend distribution is not contrary to prudential financial management. The distribution test will be performed immediately after the resolution has been passed at the General Meeting and will be repeated at the time of payment of the dividend.

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

AUTHORISATION OF THE COMPANY FINANCIAL STATEMENTS

Zeist, 11 March 2021

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.T. (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

M.R. (Miriam) van Dongen

P.H.M. (Petri) Hofsté

A.M. (Lex) Kloosterman

M. (Mijntje) Lückerath

A.C.W. (Lineke) Sneller

R.Th. (Roel) Wijmenga

OTHER INFORMATION

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 2020

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 18 Equity 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.

Other information

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board of Achmea B.V. is responsible for the preparation of the Annual Report 2020, including the Consolidated Financial Statements 2020 and the Company Financial Statements 2020 of Achmea B.V. The Consolidated Financial Statements 2020 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union effective at 31 December 2020. The Company Financial Statements 2020 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 3 March 2021 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 2020 give a true and fair view of the assets, liabilities, financial position and the result 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 2020 gives a true and fair view of the situation as at 31 December 2020, the development and performance during 2020 and describes the principal risks of the businesses of the Group. The Achmea B.V. Consolidated Financial Statements 2020 and Company Financial Statements 2020 will be submitted to the Annual General Meeting for approval on 13 April 2021.

Zeist, 11 March 2021

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.T. (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 2020

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 2020 and of its result and cash flows for 2020 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 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Achmea B.V., Zeist as included in the Annual Report. The financial statements include the consolidated financial statements of the group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: 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 2020;
- the profit and loss account for 2020; 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. Our materiality considerations are 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* and *assets and liabilities measured against fair value based on valuation techniques that include important inputs that cannot be observed in the market* 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.

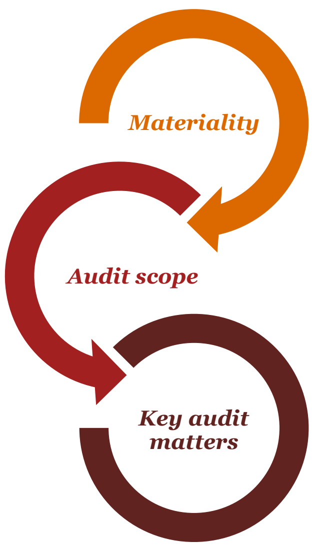
Within these key audit matters, we also considered, where relevant, the impact of Covid-19 on the accounting estimates and the audit procedures we performed on them.

Although Covid-19 was an important area of attention during our audit, there is no basis to raise a separate key audit matter on this topic, when taking into consideration the results of our ongoing risk assessments at group and component level, the audit procedures performed and the findings therof. 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.
- 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.
- Due to Covid-19, our regular visits to the foreign components in Greece and Turkey were replaced in 2020 by periodic meetings via teleconferencing.
- Coverage audit procedures: Our audit procedures cover 96% of the consolidated total income, 99% of the consolidated total assets and 96% 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.

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 (2019: €100 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. Based on our analysis 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 consider this benchmark the most relevant. 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 million (2019: €5 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 nine components were included in the scope of our audit due to the significant or higher risks of material misstatements that were identified. The classification financially significant is based on quantitative criteria (>5% of the group's balance sheet total and/or >5% 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.

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

Consolidated total income	96%
Balance sheet total	99%
Result before tax	96%

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, three 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. These instructions covered our risk analysis, the materiality to be applied per component and the agreed scope of the audit. We also included specific attention areas regarding the potential impact of the Covid-19 pandemic to ensure that any material accounting and audit risks were timely and consistently addressed with the appropriate focus in the planning and execution of our audit procedures.

Due to Covid-19, it was necessary, as a group auditor but also for the component auditors, to perform more work remotely. When planning our activities, we have paid attention to the risks thereof and where necessary additional procedures were planned and executed. The impact of this was relatively limited as most operational and financial processes within the organization are largely location-independent and are executed, controlled and recorded electronically. As a result of travel restrictions imposed by Covid-19, we replaced our annual visits to the foreign business units in Greece and Turkey with periodic meetings via teleconferencing.

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 the year and at the period end closing, we discussed the financial results, the (important) estimates applied and the audit findings with the financial management and the component auditors. We specifically considered the impact of the Covid-19 pandemic on the internal control environment (including the risk of fraud), development of results, accounting estimates and the capital position.

Although, as described above, Covid-19 was an important area for attention, we see no basis to raise Covid-19 as a separate key audit matter considering the audit procedures performed and the findings thereof. This can be attributed to the stability and continuity of the operational, IT and financial processes (despite the challenges of the lockdown situation and working from home), recovery of effective financial markets during the year, the financial performance of the group, as well as the capital position as at December 31, 2020. The inherent estimation uncertainties related to Covid-19 specifically affected the health insurance business and are integrated in our regular key audit matter with regard to *uncertainties in the valuation of assets and liabilities arising from insurance contracts*.

Furthermore, we specifically discussed during our meetings and meetings with management the risk of fraud and we enquired about any suspicions or knowledge of the existence of (internal) fraud.

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 focussing for this category on questioning management and those charged with governance whether the company complies with such laws and regulations. This topic is also a regular discussion item during our regular meetings with the risk management and compliance function and Internal Audit. We also take note of their reports. 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.

Given the nature and activities of the company, an insurance company, the topics of the key audit matters in our 2019 auditor's report remain valid and important for 2020, except for the key audit matter regarding uncertainties in the valuation of the tax position. On July 10, 2020, the Supreme Court ruled in the case between Achmea and the tax authorities with regards to the application of the Dutch participation exemption rules to the results on disposal of the interest in the Polish insurer PZU. This significantly reduced the risk of material misstatements in the valuation of the tax position. We refer to note 24 corporate income tax of the financial statements.

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 (€10,696 million) and required capital (€5,153 million). This results in a solvency ratio of 208% as at 31 December 2020. The risk of misstatements is higher due to estimates and complex valuation models, as further outlined below. The fact that the solvency ratio constitutes an important key indicator and the Solvency II information is used within the company's capital and dividend policies means that we considered the audit of this information to be important.	Available capital We tested the economic balance sheet, which was drawn up for the determination of the available capital, against the valuation, classification and consolidation criteria of the Solvency II regulations. We tested the estimates that were used to determine the cash flows (with respect to mortality, claims, lapse, work disability, costs and interest) based on historical developments within the insurance portfolio and market developments. We challenged the assumptions made by management (such as future costs, projected fiscal results, expected premium income) for feasibility and impact by testing them against information available at the company (such as forecasts, number of new policies) and relevant market developments. We observed that the estimates as applied by the management are substantiated and we consider the estimates to be reasonable.
Available capital The determination of the available capital position is based on the economic balance sheet drawn up by the Group. Several important estimates and valuation models are applied which use input not observable in the market.	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.

Key audit matters	*Our audit procedures and observations*
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 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). In 2020, De Nederlandse Bank (DNB) published further guideness on the treatment of other sectoral supervised entities in the Solvency II calculations of insurance-led financial conglomerates. In addition, further regulations have been issued via a Q&A publication on the calculation and substantiation of the LAC-DT position.	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. 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 estimates applied by management were adequately substantiated by audit evidence. Other We have taken note of the correspondence with DNB and the findings reported therein with respect to the calculation of the capital position. We have also determined that the regulations regarding insurance-led financial conglomerates and LAC-DT have been correctly applied in the Solvency II position as at 31 December 2020. 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 8 of the financial statements. The Group has assets (€10,984 million) and liabilities (€19 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.	Internal control We validated the effectiveness of the internal control measures with respect to the accurate and complete administration of source data and valuation models which form 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. In particular we tested whether, due to Covid-19 developments, the valuation models used and the results thereof at year-end 2020 were suitable and reliable in the given circumstances. The associated risks have been

Key audit matters	Our audit procedures and observations
The banking credit portfolio is valued predominantly in the consolidated statement of financial position at amortised cost, less impairments. The fair value for this portfolio is disclosed in the notes to the consolidated financial statements. The valuation of these assets and liabilities is important for our audit as the valuation depends for a large part on valuation methods and estimates of assumptions that in many cases cannot be derived directly from market information. The risk of misstatements is higher due to the significant degree of estimates in the valuation process in combination with the size of these positions. We therefore designated the valuation of these assets and liabilities as a key matter for our audit. The valuation methods used by management are described in more detail in note 8 to the consolidated financial statements and can be summarised as follows: The fair value of the investment property (€973 million) and property for own use (€551 million) is assessed on a quarterly basis. These valuations are performed by external appraisers. As described in note 8 with respect to investment properties, Covid-19 initially caused a drop in demand for commercial real estate, resulting in less price references available to external appraisers. This led to *disclaimers* in the valuation reports with respect to increased estimation uncertainties due to Covid-19. As the real estate transaction market recovered during the second half of 2020, sufficient current price references became available, limiting the number of generic Covid-19 disclaimers in recent valuation reports. The fair value of non-quoted investment funds (€713 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 (€8,747 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, which are mainly accounted for at amortized cost in the statement of financial position. The disclosed fair value (€12,777 million) of these loans is determined in accordance	significantly reduced as the financial markets recovered during the second half of 2020. Where possible, we tested on a sampling basis the assumptions and parameters applied using 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. In these samples we also covered the limited number of properties for which the external appraiser reported increased estimation uncertainties due to Covid-19 in their valuation report. We concluded that the valuation was within the range of acceptable outcomes determined by us. We tested the valuation of non-listed investment funds by performing reconciliations with confirmations we had requested from external fund managers and performed back-testing to determine the degree to which the valuations deviate from the definitive valuations included in the audited financial statements of the respective investment funds. Regarding the mortgage loans valued at fair value, we performed an independent valuation, supported by our valuation specialists, which we compared with the valuation as prepared by the respective group entities. We determined that the differences in fair value fall within the range we consider acceptable. As for the balance sheet 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. We determined that the fair value falls within the range we consider acceptable.

Key audit matters	***Our audit procedures and observations***
with the valuation method of the mortgage loans that are recognized on the balance sheet at fair value. An amount of €12,089 million is classified as a category 3 valuation.	Notes We 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, 6, 9 and 16 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. The assumptions are to a large extend based on management judgment. The group has extensive procedures and internal control measures to determine the valuation of the assets and liabilities from insurance contracts and to test their adequacy. The impact of Covid-19 on the measurement of the liabilities related to insurance contracts and the related estimation uncertainties varies by insurance segment and are further explained in note 6 of the financial statements. Due to significant judgements made by management in combination with the size of the relevant liabilities and assets, the risk of misstatement is higher. We therefore consider his to be a key audit matter. Life insurance The assumptions used for the liabilities for life insurance contracts of €46,721 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 €7,872 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	Internal control We validated the effectiveness of internal control measures with respect to the accurate and complete source data and the use thereof during the valuation of the liabilities arising from insurance contracts. We tested the internal control measures regarding data quality and reconciliations between the accounting records and the insurance systems and concluded that we can rely on these for our audit where relevant. Assumptions Our audit procedures consisted *inter alia* of testing the procedures with regards to the determination of assumptions. We also tested these assumptions against the information available in the market. We tested the quality of previous estimates by means of an analysis of the group's technical results. The outcome of the actuarial analysis was discussed with the internal actuaries and the actuarial function holder. During the testing of the assumptions, we carried out activities concerning the longevity and mortality risks and the future costs of life insurance activities, the assumptions concerning incidence and recovery for disability and worker compensation insurance, claims development and the frequency of injury claims and the assumptions used to determine the budget contribution for the health insurance activities. We 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 2020 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.

Key audit matters	*Our audit procedures and observations*
respect to claims related to long-term work disability (WGA).	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 also take notice of the written representations and analyses of Achmea's legal advisers. 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 The main uncertainty in respect of the liabilities from health insurance contracts of €3,808 million results from the expected claims from healthcare providers for legitimate treatments that started before the balance sheet date. As described in Note 6, the claim patterns that normally form the basis for the estimation of the outstanding claims to be paid at year-end 2020, were disrupted by Covid-19 in particular due to incremental healthcare costs, the agreed continuity arrangements with healthcare providers and drop in healthcare demand. The effects of these elements have been analysed per healthcare segment and reassessed based on the current insights and available information for determining the healthcare expense projections for 2020. The valuation of receivables regarding the Dutch Health Insurance Fund of €2,337 million is an inherently uncertain process, involving assumptions about the development of healthcare costs at 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. As a result of Covid-19, Achmea's Dutch basic healthcare operations are entitled to invoke a legal catastrophe arrangement (Article 33 of the Zvw) in case a certain threshold for Covid-19-related healthcare costs is met. The resulting supplementary budget contribution is estimated at €238 million for 2020. In addition, a solidarity arrangement has been agreed between the health insurers to equalize the costs and benefits of Covid-19 to the extend possible. The resulting net benefit for 2020 is estimated at €13 million. These arrangements and the associated estimation uncertainties are further explained by management in notes 9 and 16 of the financial statements. The determination of the provision for loss-making contracts is also a significant estimate. This provision amounting to €136 million at year-end 2020 is based, among others, on the projected budget contributions, expected claims and premium income from basic insurance contracts for 2021. This provision also includes estimated contributions from the catastrophe and solidarity arrangements for 2021. As outlined in note 6 of the financial statements, the inherent uncertainties regarding the further course of Covid-19 are such that the ultimate results from health insurance for 2021 may significantly differ from the assumptions and estimations applied.	Health insurance We tested the procedures for estimating the ultimate healthcare costs. These procedures comprise an actuarial projection based on trends in claims received. We tested the claim information applied by reconciliation with the underlying insurance systems. The procedures also included an estimate of the claims paid based on contracts concluded between the Group and health providers. We have extensively assessed the internally prepared analyses of the Covid-19 effects on the healthcare expense projections and have challenged these critically in certain areas to assess the accuracy and completeness of the related adjustments in the estimation process that forms the basis for the technical provisions at year-end 2020. For this, we actively used the expertise available within PwC in the field of the health insurance sector and actuarial analysis. The applied data was audited by us using the contracts concluded. The estimated receivable from 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. With regards to the estimated contributions from the catastrophe arrangement and the solidarity arrangement, we assessed the legal respectively contractual provisions and underlying policy papers. We have determined that these have been accurately translated in the calculations that support the recognized amounts. We have also determined that the data included in the calculations were

Key audit matters	*Our audit procedures and observations*
Reinsurers' share in insurance liabilities The assumptions and uncertainties also apply to claims from reinsurance contracts (€100 million for life-insurance and €585 million for non-life insurance).	sufficiently reliable, for example by validation with available internal and external information. As regards to the provision for onerous contracts, we tested the process for estimating future benefits and health care 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 and premiums have been used for the purpose of the estimate. For the audit work performed on the estimates of the catastrophe contribution and the solidarity contribution for 2021 as taken into consideration for this provision, we refer to the audit procedures and findings described above. Notes We 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. In this context, we have also determined that the inherent estimation uncertainties with regard to Covid-19 have been adequately disclosed.

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.

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 205-207 for more in-depth information and the outcome of our activities.

The Executive Board is responsible for drawing up the other information, including the report and other information in accordance with Title 9, Book 2, of the Dutch Civil Code.

Statement concerning other requirements on the basis of legislation and regulations

Our appointment

We were appointed as auditors of Achmea B.V. on 29 April 2011 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on 6 April 2011. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten 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 22 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 for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our 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, 11 March 2021
PricewaterhouseCoopers Accountants N.V.

This is an English translation of the original Dutch text, furnished for convenience only. In case of any conflict between this translation and the original text, the latter will prevail.

Appendix to our auditor's report on the financial statements 2020 of Achmea B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our 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.

Assurance report of the independent auditor

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

Assurance report on the sustainability information 2020

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 2020 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 2020 until 31 December 2020

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as included in Supplement A ‘Reporting principles’ of the Annual Review.

What we have reviewed

We have reviewed the sustainability information included in the Annual Review for the period 1 January 2020 until 31 December 2020, as included in the following sections in the Annual Review (hereafter: “the sustainability information”):

- Introducing Achmea;
- Context & Strategy;
- Objectives & Results;
- Supplement B. GRI index;
- Supplement D. Other employee information;
- Supplement E. Other sustainability information.

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 2020.

The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N ‘Assuranceopdrachten inzake maatschappelijke verslagen’ ('Assurance engagements on corporate social responsibility reports'). This review is aimed at obtaining a limited level of assurance. Our responsibilities under this standard are further described in the section ‘Our responsibilities for the review of the sustainability information’.

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 applied supplemental reporting criteria as disclosed in Supplement A 'Reporting principles' 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 PSI table, Connectivity table and 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 sustahinability 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 Supplement A '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 in Supplement A 'Reporting principles' of the Annual Review.

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.

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 corporate (and business/division/cluster/local) 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 Review, 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, 11 March 2021
PricewaterhouseCoopers Accountants N.V.

This is an English translation of the original Dutch text, furnished for convenience only. In case of any conflict between this translation and the original text, the latter will prevail.