HALF YEAR REPORT 2020

Achmea B.V. is registered at the Dutch Chamber of Commerce no: 33235189

achmea

Table of contents

REPORT OF THE EXECUTIVE BOARD

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INDEPENDENT AUDITOR´S REVIEW REPORT

Executive Board report

INTERIM RESULTS 2020

Willem van Duin, Chairman of the Executive Board:
"Covid-19 has had an enormous impact on society and on the lives of many people in the Netherlands. Good health is a precious commodity and the spread of the virus poses a threat to it. In addition to worrying about their health, many people in the Netherlands are affected by concerns relating to their income, social distancing and isolation. As an insurer with a cooperative identity, we have set to work to restrict the impact of Covid-19 on society.

Our company is deeply rooted in society and this motivates us to become a trend-setter in this respect. 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. Together with other institutional investors around the world, for instance, we urged the pharmaceutical industry to collaborate on the hunt for a vaccine or drugs to treat Covid-19. In the Netherlands, health insurer Zilveren Kruis and its peers worked together on schemes to guarantee continuity of healthcare services for hospitals and other healthcare providers. We offered colleagues with a background in healthcare the opportunity of helping out in healthcare services while retaining their salaries. As a major travel insurer we recognised the impact on our customers as well and not only did we reimburse cancellations, we also played an active role in repatriating customers stranded abroad. In our capacity as an employer, we enabled all of our 14,000 employees to work problem-free from home and continue serving our customers properly, thereby ensuring continuity of our business operations. In doing so we profited greatly from our considerable investment in IT and digital customer services.

During our new strategic period that lasts until 2025 and is called 'The Sum of Us' we will invest further in the combined strength of our group. The wide-reaching digitisation of our services will continue. Our mobile and online services mean that we can offer our customers an even better service. This has been rewarded with, among other things, substantial inflow of customers over the reporting period, including at our international entities. Our brands Centraal Beheer, Interpolis, FBTO and InShared welcomed more customers than ever before at this time of year. Moreover, we have further implemented our strategy by taking significant additional steps towards bundling our mortgage activities and acquiring InAdmin RiskCo, allowing us to make major headway on our ambition to become the trend-setting digital pension provider in the Netherlands.

Although we have made sound strategic progress in the past six months, Covid-19 has had an adverse impact in financial terms. Our operational result decreased to €127 million due to the negative trends on the financial markets and the impact of Covid-19 on our health insurance business. Yet the sound underlying structural growth of our company meant that the underwriting results remained strong and stable. Our gross written premiums increased to €17,675 million and our financial buffers are solid.

The further course and impact of Covid-19 remain uncertain and other challenges may also pose a threat to everyone's wellbeing. Climate change is high on this list. Our mission is, and will continue to be, to contribute to a healthy, safe and future-proof society. Our strategy, 'The Sum of Us', focuses entirely on achieving these aims and on overcoming all of today's uncertainties as well as many other challenges. As part of this, we are well aware that we need to continue seeking internal and external partnerships with customers and partners in order to achieve these objectives. Ever since our foundation as a cooperative company, this has formed the basis for all our actions and gives us every confidence that we can continue to add value for our customers and society even in such challenging times."

FINANCIAL RESULTS

The first half of 2020 was marked by Covid-19 and measures to prevent further spread of the virus. Our business operations have been safeguarded during this period, the services provided to our customers have remained at an undiminished high level and our employees have been able to successfully carry out their jobs while largely working from home. However, Covid-19 has had an adverse impact in financial terms. The operational result over the first half of 2020 was €127 million (H1 2019: €284 million). The decrease in the result is primarily due to the lower investment results, arising from the turbulence on the financial markets triggered by the Covid-19 pandemic. Furthermore, the result on Health is lower due to higher estimated medical expenses as a result of the Covid-19 pandemic and the collective measures to ensure continued supply of health care by hospitals and other care providers in these uncertain times. The underwriting results for the Dutch property & casualty, income protection, and pension and life activities remained solid. Both retirement services and the international activities noted a sharp increase in results.

The combined ratio (COR) at our Dutch Non- Life business improved further in the first half of 2020 and stood at 93.7% (H1 2019: 95.8%). The impact of Covid-19 varied across business lines. For instance, there was a significant increase in cost of claims for both cancellation and event insurance, but the intelligent lockdown also led to a decrease in the number of claims arising from traffic accidents and break-ins. The higher insurance-related results combined with the lower investment income translated into a slight increase in the operational result of €91 million (H1 2019: €89 million). Owing to our strong brands and good online customer service, further growth in premiums and customer base was achieved even under challenging market conditions.

The operational result on our Dutch pension & life business was €71 million over the first half of 2020 (H1 2019: €204 million). The decrease of the result was almost completely caused by a decrease in the investment result due to unfavourable financial market developments. In line with our service book strategy, we have seen a decline in premiums while we continued to invest in making our operating expenses more flexible. With this the expenses will continue to decline in line with expirations in the portfolio.

The retirement services segment's activities contributed €20 million to the result in the first six months of the year (H1 2019: €5 million). This increase is mainly due to higher interest results at Achmea Bank and an increase in revenue at Achmea Investment Management.

The international activities had a strong increase in results over the first half of 2020 to €28 million (H1 2019: €7 million). The higher result was driven by a lower cost of claims at Motor and Health, in particular in Greece and Turkey. Premium growth of 12% was achieved in line with our international growth strategy.

The result on other activities decreased by €12 million to €90 million negative (H1 2019: €78 million negative). In addition to the results of Achmea Reinsurance, this segment also contains the financing expenses and shareholder expenses. The decrease in the result is due to lower results for Achmea Reinsurance, caused by the lower claims result on the proprietary portfolio and third-party portfolio in light of the impact of the Covid-19 pandemic. More efficient business operations, primarily from the holding company and shared service centers, had a positive effect on the result.

In the first half of 2020, the health business earned a result of €7 million (H1 2019: €57 million). This decrease is due to the basic health insurance result of €55 million negative (H1 2019: €20 million), arising from higher estimated medical expenses caused by Covid-19. The supplementary health insurance result was positive and amounted to €65 million (H1 2019: €34 million). The higher result for supplementary health insurance is driven by the drop in demand for non-emergency care services as a result of Covid-19, combined with the fact that not all healthcare providers have taken advantage of the option of receiving continuity contributions. Operating expenses have also decreased further, partly due to previous reorganisations.

Given the uncertainties regarding the further course, duration and intensity of the Covid-19 pandemic, there continue to be uncertainties on the markets on which we operate. In our current estimates we have taken into account the impact as we see it today. This applies to both the trends on the financial markets, and our investment results, and to insurance-related trends within Health. We are closely monitoring the developments of Covid-19 and its potential effects. On top of this we continue to devote attention to the impact of external developments such as long-term low interest rates, the use of new technology and increasing claims as a result of climate change and extreme weather on our business models.

Achmea entered a new strategic period called “The Sum of Us” in 2020. Partly in light of the above mentioned challenges, we will continue to invest in our strategy aimed at diversified domestic and international growth in digital and banking channels and developing new propositions and services, while at the same time staying focused on the need for active claims management and further balance sheet optimisation.

OPERATIONAL RESULTS SEGMENTS (€ MILLION)

	H1 2020	H1 2019
Non-Life Netherlands	91	89
Pension & Life Netherlands	71	204
Retirement Services Netherlands	20	5
International activities	28	7
Other activities	-90	-78
Operational result (excl. Health)	**120**	**227**
Health Netherlands	7	57
Operational result	**127**	**284**

Net result

The net result decreased to €108 million in the first half of 2020 (H1 2019: €234 million). The effective tax rate was 15% (H1 2019: 18%). This was lower than the nominal tax rate because of the tax income on subordinated debt instruments, the charges for which are accounted under total equity.

On 10 July 2020, the Dutch Supreme Court ruled on a case between Achmea and the Dutch tax authorities, relating to the tax settlement in the Netherlands for part of the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. The Supreme Court's ruling contained the same conclusion as the Court of Appeal's previous ruling that the larger part of this income does not come under the participation exemption facility and is therefore not exempt from corporate tax. Achmea had already made adequate provisions for this and the ruling will therefore have no further impact on Achmea's result.

Gross written premiums

Gross written premiums increased slightly in the first half of 2020 to €17,675 million (H1 2019: €17,571 million). In line with our strategy, Non-Life premiums in the Netherlands grew by €131 million, mainly thanks to our strong online and banking distribution. Premiums of our international activities increased by €61 million. The decrease in premiums from Pension & Life insurance activities is in accordance with our service book strategy and was more than offset by this growth.

Total retail and commercial premiums at Non-Life Netherlands and International grew further (7%) due to portfolio growth and premium adjustments. Online distribution, one of the pillars of our strategy, has made a particularly successful contribution to this growth. Use of online distribution has partly been accelerated by the Covid-19 pandemic.

Premiums remained stable within Health. Premium increases in line with higher medical expenses are compensating for a decrease in the number of policyholders. The international health activities saw premium growth in Slovakia and Turkey.

Premiums from Pension & Life insurance activities in the Netherlands decreased by 11% in light of our earlier strategic decision to stop actively selling pension insurance products in the Netherlands. The decrease is therefore the result of natural portfolio lapse and in line with expectations. In addition, we have seen a slight increase in written premiums for those products that are still actively being sold, such as term life insurance and annuities.

GROSS WRITTEN PREMIUMS (€ MILLION)

	H1 2020	H1 2019
Non-Life	2,677	2,491
Health	14,385	14,373
Pension & Life	613	707
Total gross written premiums	**17,675**	**17,571**

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 €25 million to €191 million (H1 2019: €166 million) within the Retirement Services segment. This increase is being driven by higher revenues at Achmea Bank, Achmea Investment Management and Achmea Pension Services. Syntrus Achmea Real Estate & Finance experienced a slight decrease in revenue due to the challenging property market conditions created by Covid-19. 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.

Operating expenses

Gross operating expenses decreased by €17 million in the first half of the year to €1,042 million (H1 2019: €1,059 million). This decrease was largely driven by lower restructuring expenses than in the previous year. When adjusted for this, the operating expenses are more or less stable, whereby the higher pension charges caused by the lower interest rates at year-end 2019 were compensated for by a decrease in the number of FTEs, partly as a result of a reduction in the workforce arising from Covid-19 and the integration of Zilveren Kruis and De Friesland.

The total number of employees has decreased to 15,928 FTEs (year-end 2019: 16,391 FTEs). In the Netherlands, the number of FTEs decreased to 12,900 (year-end 2019: 13,414 FTEs). The decrease in the number of employees of approximately 500 FTEs is due to the continued optimisation of processes and systems and a reduction in the number of external FTEs. The largest decreases occurred at Health and Pension & Life and were possible thanks to more efficient business operations.

The total number of employees outside the Netherlands increased slightly to 3,028 FTEs (year-end 2019: 2,977 FTEs). This increase is due to the focus on controlled and selective growth of our market share in the various markets.

Investments

In the first half of 2020, investment income[5] from our own risk investment portfolio was €427 million (H1 2019: €600 million). The turbulence on the financial markets triggered by the Covid-19 pandemic is a main reason for the drop in investment income. This turbulence has chiefly manifested itself in volatile equity markets, lower yields on fixed-income investments and lower valuations on the commercial real estate market. As of this our investment results were affected by lower realised gains on equities and by lower dividend yields. Furthermore, the result over the first half of 2020 includes impairments on equities and fixed-income securities of €60 million and an impact of €30 million due to lower property valuations for offices and retail spaces compared to the first half of 2019. In spite of the fact that Achmea pursues a prudent investment policy containing a relatively small allocation to equities and real estate, the large size of the investment portfolio means that this still translates into an important impact on the result.

Although by far the largest portion of our investment portfolio comprises fixed-income investments, the increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life insurance business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover liabilities to our customers with pensions or life insurance policies. Even though credit spreads have widened, our fixed-income and interest rate derivatives portfolios have increased sharply in value as a result of the lower yields. Although as of the accounting rules this has no impact on the result, this led to the FFA growing by €1.5 billion to €11.3 billion in the first half of 2020 (year-end 2019: €9.8 billion).

Partly as a result of this, the value of our total investment portfolio increased sharply to €54.5 billion (year-end 2019: €50.8 billion). This was largely due to the lower interest rates in the first half of the year and additional purchases amounting to €1.8 billion. In spite of the decrease in the direct investment results, in underlying terms the portfolio has strongly increased in value.

CAPITAL MANAGEMENT

Total equity

Achmea's equity decreased by €141 million to €10,050 million in the first half of 2020 (year-end 2019: €10,191 million). This is mainly because of a decrease in the revaluation reserves of €219 million caused by developments on the financial markets. In addition, €43 million in coupon payments on hybrid capital instruments were charged to Achmea's total equity. The addition of the net result of €108 million partially compensates for this decrease in total equity.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31-12-2019	**10,191**
Net result	108
Movement in revaluation reserve	-219
Movement in exchange difference reserve	-23
Remeasurement of net defined benefit liability	36
Dividends and coupon payments to holders of equity instruments and impact capital transactions	-43
Total equity 30-6-2020	**10,050**

Solvency II

The solvency ratio decreased to 204% in the first half of 2020. The Eligible Own Funds decreased due to a fall in share prices caused by developments on the financial markets and a decrease in the UFR. This was partly compensated by a higher Volatility Adjustment. The Solvency Capital Requirement (SCR) increased as result of increased market risk due to higher spreads and volatility in stock markets. Furthermore, the Solvency Required Capital increased due to higher Life underwriting risk as a result of the decrease of the UFR as of 1 January 2020 (from 3.90% to 3.75%).

SOLVENCY II RATIO FOR ACHMEA GROUP (€ MILLION)

	30-6-2020	31-12-2019	Δ
Eligible Own Funds under Solvency II	9,386	9,535	-149
Solvency Capital Requirement	4,611	4,352	259
Surplus	**4,775**	**5,183**	**-408**
Solvency II Ratio	**204%**	**219%**	**-15%**

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

UNCERTAINTIES IN THE SECOND HALF YEAR OF 2020

The Covid-19 pandemic has had a major impact on society, communities and the economy. Governments and central banks have responded with a variety of measures. The Covid-19 outbreak is having an impact on our customers, the financial markets and the risks to which Achmea is exposed. These include insurance risks (non-life and income protection insurance, health insurance activities, longevity and mortality risk), market risk (particularly stock markets, interest rate and spread developments), credit risk and liquidity risk.

There is still a great deal of uncertainty about the duration and scope of this crisis and about the progress of recovery. There has recently been an increase in the number of infections, which has remained manageable so far. Depending on developments, Covid-19 could once again have major economic repercussions and therefore have an impact on Achmea's financial position.

The risks and uncertainties to which Achmea is exposed are described in greater detail in the capital and risk management section of the Achmea B.V. Consolidated Financial Statements 2019. The capital and risk management section also describes Achmea's risk management and control system. This includes a strategic risk and sensitivities analysis. The Interim Financial Statements 2020 provide an update on the risk management and control system.

It is uncertain how the financial markets and Covid-19 will develop in the near future. Frequent monitoring of financial risks such as interest rate and spread developments and management of the investment portfolio constitute an integral part of Achmea's risk management system.

Zeist, 12 August 2020

Willem van Duin

Chairman of the Executive Board of Achmea B.V.

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board prepared the condensed consolidated interim financial statements of Achmea B.V. for the period ending on 30 June 2020 (hereinafter: the interim financial statements) before submitting them to the Supervisory Board for approval.

The Executive Board declares that, to the best of its knowledge, the Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and net result of Achmea B.V. These Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards as at 30 June 2020 as adopted by the European Union, specifically IAS 34 ‘Interim Financial Reporting’. The Executive Board is of the opinion that the information contained in these Interim Financial Statements has no omissions likely to significantly modify the scope of any statements made. Furthermore, the Executive Board declares that, to the best of its knowledge, the Executive Board Report includes a fair view of the information required pursuant to section 5:25d of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Zeist, 12 August 2020

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

ACHMEA B.V.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(BEFORE APPROPRIATION OF RESULTS)

(€ MILLION)

	NOTES	30 JUNE 2020	31 DECEMBER 2019
Assets			
Intangible assets	4	735	738
Associates and joint ventures		65	64
Property for own use and equipment	5	545	554
Investment property	6	1,086	1,104
Investments	7	81,006	78,758
Deferred tax assets		496	416
Income tax receivable	8	33	
Amounts ceded to reinsurers		665	636
Receivables and accruals		13,892	6,255
Cash and cash equivalents		1,525	963
Total assets		**100,048**	**89,488**
Equity			
Equity attributable to holders of equity instruments of the company		10,042	10,183
Non-controlling interest		8	8
Total equity		**10,050**	**10,191**
Liabilities			
Liabilities related to insurance contracts	9	66,112	57,770
Other provisions		1,099	1,106
Financial liabilities	10	19,924	18,475
Derivatives		2,836	1,918
Deferred tax liabilities		27	28
Total liabilities		**89,998**	**79,297**
Total equity and liabilities		**100,048**	**89,488**

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019
Gross written premiums	12	17,675	17,571
Reinsurance premiums		−186	−133
Change in provision for unearned premiums and current risks (net of reinsurance)		−7,688	−7,648
Net earned premiums		**9,801**	**9,790**
Income from associates and joint ventures		7	4
Investment income	13	1,635	3,416
Other income		204	195
Total income		**11,647**	**13,405**
Net expenses from insurance contracts	14	10,188	11,762
Fair value changes and benefits credited to investment contracts		−12	24
Interest and similar expenses		125	129
Operating expenses		1,139	1,158
Other expenses		80	48
Total expenses		**11,520**	**13,121**
Result before tax		**127**	**284**
Income tax expenses		19	50
Net result		**108**	**234**
Net result attributable to:			
Holders of equity instruments of the company		108	234
Non-controlling interest		0	0
Average number of outstanding ordinary shares		390,002,711	390,002,711
Earnings per share (in euro)		0,17	0,47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019
Items that will not be reclassified to the Income statement [1]		
Remeasurements of net defined benefit liability [2]	36	−7
Unrealised gains and losses on property for own use [3]	2	5
	38	**−2**
Items that may be reclassified subsequently to the Income statement [1]		
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures [4]	−23	−9
Unrealised gains and losses on financial instruments 'Available for sale' [3]	7	1,192
Changes in the provision for Profit sharing and bonuses for policyholders from unrealised investment income [3]	−192	−802
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal [3]	−143	−206
Reclassification to the Income statement as Profit sharing and bonuses for policyholders from investment income [3]	59	101
Impairment charges on financial instruments 'Available for sale' reclassified to the Income statement on disposal [3]	48	3
	−244	**279**
Net other comprehensive income	**−206**	**277**
Net result	108	234
Comprehensive income	**−98**	**511**
Comprehensive income attributable to:		
Holders of equity instruments of the company	−98	511
Non-controlling interest	0	0

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

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS	SUBTOTAL EQUITY [1]	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2020	**11,357**	**−335**	**53**	**1,120**	**−429**	**−7**	**−3,306**	**480**	**1,250**	**10,183**	**8**	**10,191**
Net other comprehensive income				−219	−23		36			−206		−206
Net result								108		108		108
Comprehensive income				**−219**	**−23**		**36**	**108**		**−98**		**-98**
Appropriations to reserves			6	9			465	−480				
Dividends and coupon payments							−43			−43		−43
Balance at 30 June 2020	**11,357**	**−335**	**59**	**910**	**−452**	**−7**	**−2,848**	**108**	**1,250**	**10,042**	**8**	**10,050**

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

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS	SUBTOTAL EQUITY [1]	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2019	**11,357**	**-335**	**34**	**746**	**-416**	**-7**	**−3,346**	**314**	**1,350**	**9,697**	**8**	**9,705**
Net other comprehensive income				293	-9		-7			277		277
Net result								234		234		234
Comprehensive income				**293**	**-9**		**-7**	**234**		**511**		**511**
Appropriations to reserves			11	14			289	-314				
Dividends and coupon payments							-167			-167		-167
Balance at 30 June 2019	**11,357**	**-335**	**45**	**1,053**	**-425**	**-7**	**−3,231**	**234**	**1,350**	**10,041**	**8**	**10,049**

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

Share capital/premium includes €10,923 million share premium (2019: €10,923 million).

In the first half of 2020 an amount of €43 million (first half of 2019: €32 million) was paid as a coupon payment on Other equity instruments. The general meeting of 28 April 2020 suspended the resolution to distribute dividend to shareholders until there is greater clarity about the impact of Covid-19. In doing so Achmea is complying with the call made by the European regulator EIOPA and De Nederlandsche Bank (DNB). Achmea will assess in the second half of 2020 on the basis of the developments surrounding the Covid-19 virus and the financial position at that time whether there may still be a distribution on shares (first half of 2019: €118 million in dividend to holders of ordinary shares and €20 million in dividend to holders of preference shares, €3 million of which was returned to Achmea B.V. as dividend on the basis of depositary receipts that it holds in Stichting Administratiekantoor Achmea Tussenholding). The total Revaluation reserve is €910 million, €322 million of which concerns equities. The Revaluation reserve equities includes a negative amount of €48 million relating to unrealised losses net of taxes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019
Net cash and cash equivalents at 1 January	963	1,466
Cash flow from operating activities		
Result before tax	127	284
Adjustments of non-cash items and reclassifications	−786	−2,493
Changes in assets and liabilities	812	2,714
Cash flow operating items not reflected in result before tax	−203	−102
Total cash flow from operating activities	**−50**	**403**
Cash flow from investing activities		
Acquisitions and investments	−60	−51
Divestments, disposals and dividends received	18	5
Total cash flow from investment activities	**−42**	**−46**
Total cash flow from financing activities	**654**	**−388**
Net cash flow	**562**	**−31**
Net cash and cash equivalents at 30 June	**1,525**	**1,435**
Cash and cash equivalents include the following items:		
Cash and bank balances	1,525	1,432
Call deposits		3
Cash and cash equivalents at 30 June	**1,525**	**1,435**

Total cash flow from financing activities includes the cash flow received as a result of an unsecured loan of €750 million granted in May 2020 (Senior Unsecured Notes). See also Note 10 Financial liabilities for further information.

Notes to the Condensed Consolidated Interim Financial Statements

GENERAL INFORMATION

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

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Interim Financial Statements of Achmea B.V. (hereinafter: Achmea) have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. The accounting policies, used to prepare these Interim Financial Statements, are in accordance with the International Financial Reporting Standards, including International Accounting Standards (IAS) and Interpretations as at 30 June 2020 and as adopted by the European Union. The Interim Financial Statements should be read in conjunction with the Achmea Consolidated Financial Statements 2019. The Achmea Consolidated Financial Statements 2019 are available at www.achmea.com. All amounts in the Interim Financial Statements are in millions of euros unless stated otherwise. Income tax for the first half year of 2020 is determined based on the estimated effective income tax rate for 2020.

B. CHANGES IN ACCOUNTING POLICIES

In the first half year of 2020 the following standards, changes to IFRS-EU standards or interpretations issued by the International Accounting Standards Board (IASB) became effective. These have no significant impact on Total equity as per 30 June 2020, Net result in the first half year of 2020 and comparative figures of Achmea:

- IFRS 3 Business Combinations: Definition of a Business (amendments).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.
- Amendments to IAS 1 and IAS 8: Definition of Material.

C. CHANGES IN STANDARDS AND ADMENTMENTS WITH FUTURE APPLICATION DATE

In the first half of 2020, in addition to those already disclosed in the Achmea B.V. Consolidated Financial Statements 2019, the following amendments to standards were published which were not applied by Achmea when preparing the Consolidated Interim Financial Statements 2020. This concerns the following amendments (which have not yet been endorsed by the EU):

- Amendments to IFRS 17 Insurance Contracts (effective date 1 January 2023) including, among other things, postponing the effective date of IFRS 17 until 1 January 2023. The assessment of the impact of the other amendments included in 'Amendments to IFRS 17 Insurance Contracts' is part of the IFRS 17 implementation process currently being undertaken by Achmea;
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (effective date 1 January 2021), under which 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.

In addition, the following amendments to standards have been implemented, whose application will have no impact on Total equity or the Net result, and have no impact or only a limited impact on the presentation and notes of Achmea (these amendments have not yet been endorsed by the EU):

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date 1 January 2023);
- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions (effective date 1 June 2020);
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective date 1 January 2022).

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

In the first half of 2020 there were no material amendments relating to accounting policies on valuation, changes in presentation (with the exception of the reclassification of Syntrus Achmea Real Estate & Finance B.V. – see Note 3 Segment reporting) or corrections to previous periods compared with the Achmea B.V. Consolidated Financial Statements 2019 other than those described in Section B.

E. CHANGES IN ACCOUNTING ESTIMATES

For the preparation of the Interim Financial Statements, estimates and assumptions are used (e.g. for some of the reported assets and liabilities and the reported amounts of revenues and expenses for the accounting period). The actual outcome may deviate from these estimates. In preparing these Interim Financial Statements, the nature of the assumptions and estimates used in applying Achmea's accounting policies and the key sources of estimation uncertainties are the same as applied to the 2019 Achmea Consolidated Financial Statements. The bandwidth within which assumptions and estimates can fluctuate has increased due to Covid-19. This is mainly applicable to non-listed investments and Liabilities related to insurance contracts. The key uncertainties in the estimates are described in the notes to the balance sheet items.

F. CONSOLIDATION AND ACCOUNTING FRAMEWORK

The Interim Financial Statements comprise Achmea B.V. and its subsidiaries, associates and joint ventures. The accounting policies and calculation methods as used for the preparation of the Interim Financial Statements are the same as applied to the 2019 Achmea Consolidated Financial Statements with exception of the aforementioned adjustments.

G. SEASONALITY

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

H. IMPACT OF COVID-19

During the first half of 2020 the Covid-19 pandemic has had a major impact on Achmea. The outbreak at the start of 2020 led to strict government measures being adopted in all the countries in which Achmea operates. These measures have had a major impact on society and on Achmea's internal operations. The Covid-19 pandemic has implications for our customers and the insurance risks, market risks and liquidity risks. 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.

Covid-19 is also having an impact on Achmea's financial position, particularly the valuation of the Investments, the Liabilities related to insurance contracts and Net expenses from insurance contracts. In preparing the condensed consolidated interim financial statements 2020, Achmea has made estimates and assumptions based on recent developments and insights relating to the Covid-19 pandemic. Given the uncertainties as to the progression of the pandemic, the outcomes may vary from these estimates and assumptions. Achmea believes, based on the currently available information, including the various scenario analyses, the outcome of the non-regular ORSA, the measures already taken and current liquidity and solvency, that there is no material uncertainty regarding its continuity.

Covid-19 has increased the uncertainty concerning the measurement of the value of a number of balance sheet items, the fair value of which is based on market inputs that are unobservable or observable only to a limited extend and/or whose value is to a significant extent influenced 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.

Achmea has based these assumptions and estimates on current insights and developments relating to the Covid-19 pandemic as at 30 June 2020. Achmea assumes that, in the event of any local (or wider) outbreaks, government authorities will intervene and that the knowledge and experience gained will enable measures to be adopted quickly and effectively (at local level or more widely) to prevent a further spread. The effects of Covid-19 in the first half of the year and the measures taken by government authorities to curb its spread will have a major economic impact. The size of that impact is uncertain. Where applicable, account has been taken of these assumptions in relation to Covid-19. The key consequences and uncertainties for Achmea's financial position are described in the notes to the balance sheet items and the income statement.

2. CAPITAL AND RISK MANAGEMENT

These notes provide an update on capital and risk management at Achmea as explained in the financial statements 2019, split into the following parts: A. Developments and B. Capital position.

A. DEVELOPMENTS

The Covid-19 pandemic has had a major impact on society, communities and the economy and there is uncertainty about the duration and scope of this crisis and about the progress of recovery. Achmea established a corona crisis team at the start of March, which includes the entire Executive Board. This crisis team is directing the workflows in the various focus areas, including operations, financial impact and business impact. Besides the short-term and medium-term impacts, specific consideration is also being given to the possible long-term impacts of the Covid-19 crisis in relation to Achmea's strategy and risk profile.

The Covid-19 pandemic is affecting Achmea as an insurer in a variety of ways. As a follow-up to existing analyses, additional scenario analyses have been used to identify the possible impacts on Achmea and an integrated dashboard has been developed to monitor the capital, liquidity and risk position and take additional control measures. Given the specific nature of this crisis, the regular ORSA report has been updated by means of a non-regular ORSA report. The non-regular ORSA shows a wide bandwidth for the outcomes. In terms of business impact, this is mainly due to uncertainty about healthcare expenses. With respect to the financial markets, it concerns the uncertainty about developments in the values of equities and real estate, as well as interest rates and spread developments.

Financial and business impact

The Covid-19 outbreak is having a major impact on economic developments and the global financial markets, creating uncertainties regarding developments in the values of equities and real estate, as well as interest rates and spread developments. Changes in the values of equities and real estate have a direct impact on developments in the value of the investment portfolio. Spread developments also have an impact on developments in the value of the investment portfolio and, via the Volatility Adjustment (VA), on the measurement of Liabilities related to insurance contracts under Solvency II. Interest rates are volatile, with low interest rates being a point for attention. The interest rate risk and volatility were monitored in the first half of the year based on the existing interest rate policy, with the existing hedging strategy continuing to be applied in full.

The business impact of the Covid-19 pandemic entails significant uncertainties in relation to healthcare expenses. The uncertainties are connected with additional expenses, the details of schemes for the continuity of healthcare (Continuity contribution) and a possible additional contribution from central government under the emergency scheme for health insurers. Achmea's assessment is that the impact on its solvency as a consequence of these schemes will be limited. With respect to the non-life and income protection portfolio, the business impact is mainly concentrated on portfolios that include cancellation coverage (event and travel insurance) and income protection insurance (absence portfolios). As a result of fewer reported claims caused by a decrease in the number of traffic accidents and break-ins, we have seen a positive effect. In the life portfolio, given the composition of the portfolio, a higher number of deaths leads to a greater release from the provisions for annuities and pensions than payments upon death under term life insurance and funeral expenses policies. The underlying cause is the composition of our portfolio and the current age breakdown in the mortality cases so far.

Due to uncertainties arising from the Covid-19 pandemic and the call by EIOPA and DNB to be reticent with dividend distributions, Achmea announced on 8 April 2020 that it will make an assessment in the second half of 2020 about whether a distribution to shareholders is possible.

Business operations

One element of our risk response is 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. 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. Business critical supply chains and critical processes have so far shown a stable performance. It is important to continue to remain alert and monitor the quality of internal controls, the development of reputational risks, project risks, outsourcing risks, fraud risks, cybercrime, the possible long-term adverse impacts of working from home and the application of PARP to changes in premiums/contributions or product terms and conditions.

B. CAPITAL POSITION

Achmea has a solid capital position. As at 30 June the solvency ratio under Solvency II was 204% (31 December 2019: 219%).

The calculations for determining the solvency ratio as at 30 June 2020 are based on our current insights regarding the economic situation and the information available to us, and represent our best estimate. The calculated amount of the Solvency Capital Requirement (SCR) and Solvency II eligible own funds (EOF) is in accordance with the principles set by EIOPA and further interpretation by Achmea.

For the calculation of the solvency capital requirement under Solvency II, Achmea uses a partial internal model approved by the college of supervisors. Under the partial internal model, the risks are calculated using an internal model or the Solvency II standard formula. Internal models are used to calculate the solvency capital requirement for the insurance risks for non-life and income protection insurance and for the market risk. For an explanation of the scope of the internal model, please refer to Note 2 Capital and Risk Management in the Achmea B.V. Consolidated Financial Statements 2019.

The table below shows the Solvency II outcomes as at 30 June 2020.

SOLVENCY RATIO

(€ MILLION)

	30 JUNI 2020	31 DECEMBER 2019
Eligible Own Funds Solvency II	9,386	9,535
Solvency Capital Requirement	4,611	4,352
Surplus	**4,775**	**5,183**
Ratio (%)	204%	219%

Solvency declined in the first half of the year to 204%. Equity decreased due to a fall in the stock markets resulting from developments in the financial markets and the reduction in the UFR, which was partially offset by the higher VA. The solvency capital requirement increased because the higher spreads and stock market volatility led to an increase in market risk. In addition, the solvency capital requirement increased due to a higher insurance-related risk for Life, caused by the reduction in the UFR as of 1 January 2020 (from 3.90% to 3.75%).

On 11 July 2020 DNB amended the Q&A for calculating group solvency. DNB announced that as of the end of 2020, the insurance sector must include divisions under banking supervision when calculating the solvency of the insurance group. The available capital and the solvency capital requirement for the banking entities will be included in group solvency calculations as of the end of 2020. These entities have been disregarded in the calculations made as at 30 June 2020. Implementing these amended rules in Q2 2020 would lead to a group solvency ratio of 197% for Achmea.

The table below shows the composition of the eligible own funds under Solvency II. This consists of the available equity (on economic principles) and subordinated loans qualifying as equity, minus the Tier 3 restriction and other restrictions. This equity serves as a buffer to absorb risks and financial losses.

ELIGIBLE OWN FUNDS SOLVENCY II

(€ MILLION)

	30 JUNI 2020	31 DECEMBER 2019
Tier 1	7,179	7,567
Tier 2	1,675	1,580
Tier 3	532	388
Total eligible own fund Solvency II	**9,386**	**9,535**

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

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

(€ MILLION)

	30 JUNI 2020	31 DECEMBER 2019
Equity Financial statements	**10,050**	**10,191**
Solvency II valuation and classification differences	792	775
Available own funds Solvency II	**10,842**	**10,966**
Not qualifying equity and foreseeable dividends	-511	-511
Equity in banking- and investment institutions (CRD IV)	-945	-920
Eligible own funds Solvency II	**9,386**	**9,535**

The Solvency II valuation and classification differences of €792 million (2019: €775 million) result from the difference between the principles of IFRS and Solvency II. The Solvency II valuation and classification differences are comprised of items that are not recognised as equity under Solvency II, including goodwill and capitalised acquisition costs. Furthermore, under Solvency II all items must be measured at economic value, which leads to a different valuation than under IFRS. In addition, under Solvency II subordinated loans are included in the equity, in contrast to the position under IFRS.

Not qualifying equity and foreseeable dividends includes changes in the availability of Achmea's equity in accordance with Solvency II regulations. This mainly concerns repurchased own shares with a Solvency II valuation of €-473 million (2019: €-479 million).

Equity in banking- and investment institutions (CRD IV) concerns the equity of divisions under banking supervision, which is currently not included in group solvency.

The table below gives an overview of Achmea's risk profile based on the SCR outcomes under Solvency II, as calculated using the partial internal model.

SOLVENCY CAPITAL REQUIREMENT

(€ MILLION)

	30 JUNI 2020	31 DECEMBER 2019
Market Risk	2,511	2,365
Counterparty Risk	301	273
Life Risk	1,881	1,791
Health Risk	1,859	1,773
Non Life Risk	890	892
Intangible Assets	0	0
Diversification	-2,651	-2,541
Basic Solvency Capital Requirement	**4,791**	**4,553**
LAC EP	-194	-221
LAC DT	-626	-618
Operational Risk	601	599
Solvency Capital Requirement (Consolidated)	**4,572**	**4,313**
SCR Other Financial Sectors & Other entities	39	39
Solvency Capital Requirement	**4,611**	**4,352**

3. SEGMENT REPORTING

Segments are components of Achmea that are regularly reviewed by the Executive Board in order to allocate resources to the segment and to assess its performance. The division into segments has been changed in only one respect compared with the Achmea B.V. Consolidated Financial Statements 2019. 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 €4 million have been reclassified from Total equity as at 31 December 2019, Total liabilities as at 31 December 2019 and Net result as at 30 June 2019 respectively, moving from the Other activities segment to Retirement Services Netherlands.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 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]	635			12	78	10		735
Associates and joint ventures	5				52	8		65
Property for own use and equipment	79	4		1	58	403		545
Investment property		3	1,041		4	38		1,086
Investments	7,087	3,472	55,224	12,811	1,240	2,171	−999	81,006
Deferred tax assets			569		36		−109	496
Income tax receivable			93	3			−63	33
Amounts ceded to reinsurers	299		118		268	148	−168	665
Receivables and accruals	1,685	11,196	475	179	295	385	−323	13,892
Cash and cash equivalents	114	241	420	259	223	275	−7	1,525
Total assets	**9,904**	**14,916**	**57,940**	**13,265**	**2,254**	**3,438**	**−1,669**	**100,048**
Equity								
Equity attributable to holders of equity instruments of the company	1,913	3,218	4,003	920	477	−489		10,042
Non-controlling interest	7		1					8
Total equity	**1,920**	**3,218**	**4,004**	**920**	**477**	**−489**		**10,050**
Liabilities								
Liabilities related to insurance contracts	7,387	10,999	46,881		1,249	816	−1,220	66,112
Other provisions	21	4	5	5	44	−32	1,052	1,099
Financial liabilities	453	694	4,732	11,847	440	3,087	−1,329	19,924
Derivatives	13	1	2,318	487		17		2,836
Deferred tax liabilities	101			6		29	−109	27
Income tax payable	9				44	10	−63	
Total liabilities	**7,984**	**11,698**	**53,936**	**12,345**	**1,777**	**3,927**	**−1,669**	**89,998**
Total equity and liabilities	**9,904**	**14,916**	**57,940**	**13,265**	**2,254**	**3,438**	**−1,669**	**100,048**

1. *The total Equity of the segment Other activities is €-489 million due to the consistent application of the allocation of Intangible assets to the cashflow-generating units. As a result €661 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 (€43 million). Excluding this allocation, the total Equity of the segment Other activities is €172 million, of the segment Non-life Netherlands is €1,302 million and of the segment International activities is €434 million.*

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	13,474	1,307	1,606	−1,384	78,758
Deferred tax assets			531		36		−151	416
Income tax receivable						183	−183	
Amounts ceded to reinsurers	252		124		269	132	−141	636
Receivables and accruals	1,290	4,323	297	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**	**13,827**	**2,254**	**2,695**	**−2,221**	**89,488**
Equity								
Equity attributable to holders of equity instruments of the company	1,930	3,269	4,028	904	468	−416		10,183
Non-controlling interest	7		1					8
Total equity	**1,937**	**3,269**	**4,029**	**904**	**468**	**−416**		**10,191**
Liabilities								
Liabilities related to insurance contracts	6,753	3,755	46,405		1,249	757	−1,149	57,770
Other provisions	22		5	6	40	28	1,005	1,106
Financial liabilities	440	1,268	3,328	12,422	464	2,296	−1,743	18,475
Derivatives	13	1	1,420	465		19		1,918
Deferred tax liabilities	155			10		14	−151	28
Income tax payable	44		89	20	33	−3	−183	
Total liabilities	**7,427**	**5,024**	**51,247**	**12,923**	**1,786**	**3,111**	**−2,221**	**79,297**
Total equity and liabilities	**9,364**	**8,293**	**55,276**	**13,827**	**2,254**	**2,695**	**−2,221**	**89,488**

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 (€635 million) and the segment International activities (€27 million). Excluding this allocation, the total Equity of the segment Other activities is €246 million, of the segment Non-life Netherlands is €1,302 million and of the segment International activities is €441 million.*

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 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	2,323	14,099	556		589	182	−74	17,675
Reinsurance premiums	−93	−1	−19		−77	−71	75	−186
Change in provision for unearned premiums and current risks (net of reinsurance)	−540	−7,056	4		−40	−55	−1	−7,688
Net earned premiums	**1,690**	**7,042**	**541**		**472**	**56**		**9,801**
Income from associates and joint ventures					2	5		7
Investment income	35	8	1,440	175	2	−24	−1	1,635
Other income	14	58	1	115	18	15	−17	204
Total income (excluding non-operational items)	**1,739**	**7,108**	**1,982**	**290**	**494**	**52**	**−18**	**11,647**
Net expenses from insurance contracts	1,187	6,823	1,831		339	9	−1	10,188
Fair value changes and benefits credited to investment contracts					−12			−12
Interest and similar expenses	2	1	2	100		37	−17	125
Operating expenses related to insurance activities	435	189	77		118	22		841
Operating expenses for non-insurance activities	15	56		167	2	58		298
Other expenses	9	32	1	3	19	16		80
Total expenses (excluding non-operational items)	**1,648**	**7,101**	**1,911**	**270**	**466**	**142**	**−18**	**11,520**
Result before tax	**91**	**7**	**71**	**20**	**28**	**−90**		**127**
Income tax expenses	27		14	5	12	−39		19
Net result	**64**	**7**	**57**	**15**	**16**	**−51**		**108**
Expense ratio [1]	25.4%	2.7%			24.6%			
Claims ratio [1 & 2]	68.3%	96.9%			71.6%			
Combined ratio [1 & 2]	93.7%	99.6%			96.2%			
Amortisation charges	1	1		3	9	31		45
(Reversal of) Impairment losses	17	15	29		8			69

1. *The ratios of segment International activities include both Non-life and Health insurance business.*
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 €32 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).*

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 2019

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross written premiums	2,192	14,133	624		528	120	−26	17,571
Reinsurance premiums	−40	−1	−23		−70	−26	27	−133
Change in provision for unearned premiums and current risks (net of reinsurance)	−517	−7,057			−33	−40	−1	−7,648
Net earned premiums	**1,635**	**7,075**	**601**		**425**	**54**		**9,790**
Income from associates and joint ventures		−1	2		2	1		4
Investment income	70	15	3,106	172	48	10	−5	3,416
Other income	19	58	1	106	15	12	−16	195
Total income (excluding non-operational items)	**1,724**	**7,147**	**3,710**	**278**	**490**	**77**	**−21**	**13,405**
Net expenses from insurance contracts	1,184	6,807	3,423		333	16	−1	11,762
Fair value changes and benefits credited to investment contracts					24			24
Interest and similar expenses	2		3	112		32	−20	129
Operating expenses related to insurance activities	424	218	76		109	29		856
Operating expenses for non-insurance activities	14	50		161	6	71		302
Other expenses	11	15	4		11	7		48
Total expenses (excluding non-operational items)	**1,635**	**7,090**	**3,506**	**273**	**483**	**155**	**−21**	**13,121**
Result before tax	**89**	**57**	**204**	**5**	**7**	**−78**		**284**
Income tax expenses	18		49	2	9	−28		50
Net Result	**71**	**57**	**155**	**3**	**−2**	**−50**		**234**
Expense ratio [1]	25.8%	3.1%			25.4%			
Claims ratio [1 & 2]	70.0%	96.2%			77.0%			
Combined ratio [1 & 2]	95.8%	99.3%			102.4%			
Amortisation charges	2	1	1		10	31		45
(Reversal of) Impairment losses	4	2	4	−1		−4		5

1. *The ratios of segment International activities include both Non-life and Health insurance business.*
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 €38 million for the unwinding of discount of the provisions for income products. This unwinding of discount took place based on the rate as applied to set the premiums of these contracts (so-called contract rate).*

4. INTANGIBLE ASSETS

Covid-19 has prompted a thorough evaluation to determine whether there may be an impairment loss on goodwill. This involved a quantitative analysis of the uncertainties arising from Covid-19 in relation to future economic developments. The impact has been assessed under several scenarios, including a conservative scenario with limited recovery in the financial markets. Under all of the scenarios it was concluded that a sufficient surplus remained, which means a positive difference between recoverable amount and carrying amount. This means that there is no reason to recognise an impairment of goodwill.

With respect to the other intangible assets, Achmea concluded on the basis of its analyses that there are no indications of any impairment and for this reason no new impairment assessment has been made as at 30 June 2020.

5. PROPERTY FOR OWN USE AND EQUIPMENT

In the first half of 2020, Achmea had its property for own use valued by external valuers and adjusted the balance sheet value on that basis to €545 million. In the case of office buildings Covid-19 caused an almost immediate collapse in demand, leading to a sharp downturn in the number of transactions on the investment and user markets. As a result, valuers had no or very few of the reference values normally used to determine valuations. Although it is customary for there to be a bandwidth within which the assumptions and estimates that need to be used for valuation purpose can move, this bandwidth has widened. The uncertainty has prompted all the valuers to include a disclaimer stating that their valuations are a best estimate based on the available information; the external valuations entail a material estimation uncertainty on account of Covid-19. Based on the reported valuations, Achmea has carried out additional analyses that give no reason to adjust the external valuers' valuations as at 30 June 2020.

6. INVESTMENT PROPERTY

(€ MILLION)

	30 JUNE 2020	31 DECEMBER 2019
Residential	578	563
Retail	234	254
Offices	262	276
Other	12	11
Total	**1,086**	**1,104**

Covid-19 affects the estimated future cash flows used to determine fair value. The uncertainties surrounding Covid-19 in valuing Investment property are the same as those described under Note 5 Property for own use and equipment. These uncertainties have led to disclaimers being included for specific properties stating that the valuation is a 'best estimate'. Achmea used an internal simulation model to carry out additional analyses and calculate scenarios. This gave no reason to make any adjustments to the valuation of Investment property as at 30 June 2020.

In the first half year of 2020, the fair value movements related to Investment property amounted to €-15 million (first half year 2019: €15 million). These are presented as part of Realised and unrealised gains and losses in Investment income in the Consolidated income statement.

7. INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

	INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS		INVESTMENTS – AVAILABLE FOR SALE		INVESTMENTS – LOANS AND RECEIVABLES		TOTAL	
	30 JUNE 2020	31 DECEMBER 2019	30 JUNE 2020	31 DECEMBER 2019	30 JUNE 2020	31 DECEMBER 2019	**30 JUNE 2020**	31 DECEMBER 2019
Investments own risk								
Equities & similar investments	72	26	2,367	2,956			2,439	2,982
Fixed income investments	2,951	3,059	36,305	34,560	474	518	39,730	38,137
Derivatives	8,897	6,504					8,897	6,504
Other financial investments	44	43	796	430	1,507	1,618	2,347	2,091
Investments backing linked liabilities								
Equities & similar investments	3,584	4,504					3,584	4,504
Fixed income investments	4,120	3,881					4,120	3,881
Derivatives	67	92					67	92
Other financial investments [1]	7,089	7,185					7,089	7,185
Banking credit portfolio								
Fixed income investments	184	201			12,549	13,181	12,733	13,382
Total	**27,008**	**25,495**	**39,468**	**37,946**	**14,530**	**15,317**	**81,006**	**78,758**

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

The Covid-19 pandemic caused equity prices around the world to plummet. Governments and central banks responded by implementing a variety of measures. Market prices subsequently rallied strongly in the second quarter. However, the lower prices led to impairment losses of €60 million (H1 2019: €4 million) for a variety of equity and fixed-income investments, which are recognised in the Income Statement under Realised and unrealised gains and losses.

The altered economic conditions triggered by Covid-19 have resulted in a wider bandwidth within which assumptions and estimates for non-listed investments, such as mortgages and loans, may fluctuate. The wider bandwidth relates to the extent to which deferments of interest payments and mortgage repayments have an impact on estimated future cash flows and the extent to which Covid-19 poses a greater risk of mortgages and loans being irrecoverable. As at 30 June 2020 the impact on fair value is low.

In March 2020, Achmea Bank N.V. offered its customers the option of temporarily suspending interest payments and mortgage repayments. A small percentage of customers made use of this option (0.5%). In light of these payment holidays, Covid-19 has led to an increase of €2 million in the provision for depreciation for the banking activities. This provision is part of the Banking credit portfolio (qualifying as loans and receivables).

For more information on fair value and changes in fair value see Note 11 Fair value hierarchy.

The decrease in the balance sheet value of Equities and similar investments under Investments own risk can be attributed to divestments and a decline in the value of Equities and similar investments caused by negative market developments arising from Covid-19. The increase in the balance sheet value of Fixed income investments and Derivatives under Investments own risk is mainly attributable to purchases in line with the investment plan, lower interest rates on all terms and spread developments as a result of market developments. For more information please refer to Note 13 Investment income.

An amount of €325 million (31 December 2019: €324 million) related to property investment funds is included in Equities & similar investments as part of Investments own risk 30 June 2020.

FIXED INCOME INVESTMENTS CLASSIFIED BY NATURE (€ MILLION)

	30 JUNE 2020	31 DECEMBER 2019
Government and government related guaranteed bonds	14,571	14,345
Securitised bonds [1]	1,042	878
Corporate bonds [2]	13,985	12,957
Convertible bonds	266	323
Mortgages	8,279	7,918
Loans, deposits with credit institutions	170	356
Investment loans	993	891
Deposits with re-insurers	415	459
Other	9	10
	39,730	**38,137**

1. *Securitised bonds include €403 million (31 december2019: €580 million) asset backed securities (collateralised).*
2. *Corporate bonds increased in line with the investment plan.*

8. INCOME TAX RECEIVABLE

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 acceptability of the tax treatment chosen by Achmea was dependent on a court judgement. In response to the Court of Appeal ruling in July 2018, Achmea adjusted the valuation of the balance sheet item accordingly by means of a provision. Achmea appealed the case to the Supreme Court. The Supreme Court heard the case on 13 February 2019 and handed down its judgment on 10 July 2020. The Supreme Court reached the same conclusion as the Court of Appeal. As Achmea had already adjusted the valuation of the balance sheet item in response to the earlier court ruling, this will have no impact on the result in the second half of 2020.

9. LIABILITIES RELATED TO INSURANCE CONTRACTS

(€ MILLION)

	30 JUNE 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	1,938	106	1,338	98
Provision for unexpired risks	42		36	
Outstanding claims (including IBNR)	6,294	437	6,222	412
Profit sharing and bonuses for policyholders	22		22	
Total Non-life insurance	**8,296**	**543**	**7,618**	**510**
Health insurance				
Unearned premiums	7,088		29	
Provision for unexpired risks	23		19	
Outstanding claims (including IBNR)	4,048	1	3,851	
Total Health insurance	**11,159**	**1**	**3,899**	
Life insurance				
Provision for life policy liabilities	20,895	121	21,115	126
Deferred interest surplus rebates	−11		−12	
Profit sharing and bonuses for policyholders	11,310		9,838	
Insurance liabilities where policyholders bear investment risk	14,463		15,312	
Total Life insurance	**46,657**	**121**	**46,253**	**126**
Total	**66,112**	**665**	**57,770**	**636**

With respect to life insurance, in 2012 Achmea implemented a compensation scheme for holders of unit-linked policies that had been agreed with consumer organisations. In addition, Achmea meets the supplementary measures formulated at the time by the Dutch Minister of Finance. Yet a number of our customers do not think this is enough. 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. This judgment gave us no reason to reconsider our previous position.

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

Health Netherlands segment

The impact of Covid-19 on the healthcare sector in the Netherlands has been major and healthcare insurers and providers have agreed on a range of arrangements and schemes. These include payment and advance payment of the continuity contribution, additional expenses and the solidarity scheme. The scheme have an impact on Liabilities related to insurance contracts and Net expenses from insurance contracts (Note 14). A brief description of the various schemes is given below:

- *Advance payment of continuity contribution*: in order to bridge the period until the details of the continuity contribution scheme have been elaborated, healthcare providers at risk of liquidity problems can apply for an advance payment, subject to certain conditions. The payment is an advance on the continuity contribution and is not given in exchanged for the provision of healthcare. The amount will be offset against any continuity contribution that is subsequently awarded and can be offset against the provision of healthcare.

- *Continuity contribution:* under this scheme, healthcare providers can apply to the health insurer for a continuity contribution. This enables healthcare insurers to compensate providers experiencing financial difficulties as a result of reduced revenue caused by the drop in demand due to Covid-19. The continuity contribution, in so far as it is attributable to the first half of the year, has been recognised as health expenses, under Net expenses from insurance contracts. It has been agreed that the continuity contribution will not lead to a better position than would have been the cause without Covid-19. Whether this is actually the case will be determined on the basis of the number of applications for continuity contributions and the amount of catch-up care to be delivered. The continuity contribution will be recalculated at year-end 2020 and/or 2021.

- *Additional expenses*: under this scheme, health insurers will compensate a portion of the additional expenses incurred by healthcare providers due to Covid-19. Examples include additional expenses for the purchase of face masks, for the creation of extra capacity for Covid-19, for (deliberately) leaving beds empty and for the available healthcare capacity for Covid-19.

- *Solidarity scheme:* the aim of this scheme is to distribute the result among healthcare insurers in a manner characterised by solidarity. Talks between insurers have been put on hold and for the time being it does not appear that this scheme will be established.

Besides the new schemes, the Dutch Health Insurance Act also makes provision for an emergency scheme (section 33 of the Act). In the event of an emergency such as a pandemic, this scheme provides, subject to certain conditions, for an extra contribution for health insurers that incur substantial additional health expenses due to the pandemic. The extent to which health insurers qualify for this scheme depends strongly on total expenses arising from Covid-19 in the entire period of 2020. At present the figures take no account of a possible contribution under the emergency scheme.

The relevant factors in determining the ultimate impact of the aforementioned schemes on the result will be the ultimate cost of the schemes, how Covid-19 develops and/or whether the emergency scheme applies. Due to the character of the schemes and the fact that some schemes still need to be worked out in detail and/or enriched with definitive data, Achmea has made assumptions and estimates to make its best possible determination of the impact on the condensed consolidated interim financial statements 2020. Given the uncertainties, the outcomes may vary from these estimates and assumptions.

Non-Life Netherlands segment

The Non-Life Netherlands segment has seen an increase in the cost of claims of certain products (travel, cancellation and event insurance), which has been offset by a decrease in the cost of claims of other products (motor vehicle insurance and home contents insurance). 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 at 30 June 2020. For instance, the government's travel advice has a direct impact on the cost of claims for travel and cancellation insurance. In addition, the cost of claims patterns arising from Covid-19 may differ from historic data in terms of amount 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 of the aforementioned points and in its measurement of the Liabilities related to insurance contracts. However, 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.

Pension & Life Netherlands segment

The balance sheet measurement of Liabilities related to insurance contracts for certain life insurance contracts is influenced by changes in the value of investments, which have been adversely affected by among other things the Covid-19 pandemic. The negative value mainly has an impact on Insurance liabilities where policyholders bear investment risk. The other effects of Covid-19 on the Liabilities related to insurance contracts in the Pension & Life Netherlands segment are limited due to the composition of the life portfolio. The release from provisions for longevity resulting from slightly higher mortality figures is offset to a certain extent by the extra payouts on death under term life insurance and funeral expenses policies.

International segment

In the International segment we see similar effects as in relation to non-life insurance. The biggest health provider in the International segment is Union Slovakia. In the Slovakian healthcare market, schemes reasonably comparable to those in the Dutch system apply, including all of the inherent associated uncertainties.

10. FINANCIAL LIABILITIES

(€ MILLION)

	30 JUNE 2020	31 DECEMBER 2019
Investment contracts	218	234
Banking customer accounts	6,556	6,742
Loans and borrowings	6,652	5,883
Operational Leases	164	181
Other liabilities	6,334	5,435
Total financial liabilities	**19,924**	**18,475**

Loans and borrowings

The banking activities of Achmea are partly funded by loans secured by pledged mortgage receivables. With respect to this Achmea Bank N.V. issues debentures through separate entities (SPVs) and through its Conditional Pass Through Covered Bond Programme. In case of the SPVs Achmea Bank transfers the mortgages to the SPV, and the SPV issues notes covered by the residential mortgages. Under the maximum €5 billion Conditional Pass Through Covered Bond Programme Achmea Bank issues notes covered by residential mortgages. All debentures are issued in euro. Achmea Bank also has a trust arrangement under which mortgage receivables are pledged to Stichting Trustee Achmea Bank as security for several banking liabilities. The carrying amount of these residential mortgage loans is €3.3 billion (31 December 2019: €3.9 billion). In the first half of 2020 Achmea recognised repayments on part of these secured loans for an amount of €484 million, the main part concerning periodic repayments of SPVs at Achmea's subsidiary Achmea Bank N.V.

In June 2020 Achmea Bank N.V. issued €500 million in covered bonds with a maturity of five years (maturity date is 16 June 2025). The bonds are listed on Euronext Amsterdam. The coupon on the loan is 0.01%.

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 the loan is 1.5%.

11. FAIR VALUE HIERARCHY

This note provides an overview of financial instruments that are measured subsequently to initial recognition at fair value, classified into three levels (fair value hierarchy) based on the significance of the observable inputs used in making the fair value measurements. The levels are the same as applied to in the Consolidated Financial Statements of Achmea B.V. for 2019.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 30 JUNE 2020

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Recurring fair value measurements				
Investments				
Equities and similar investments	4,848	478	697	6,023
Fixed income investments	30,991	4,093	8,476	43,560
Derivatives	6	8,958		8,964
Other financial investments	634	7,295		7,929
Cash and cash equivalents	1,525			1,525
Total financial assets measured at fair value on a recurring basis	**38,004**	**20,824**	**9,173**	**68,001**
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		218		218
Loans and borrowings		2		2
Derivatives	67	2,753	16	2,836
Total financial liabilities measured at fair value on a recurring basis	**67**	**2,973**	**16**	**3,056**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 31 DECEMBER 2019

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Recurring fair value measurements				
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 financial assets measured at fair value on a recurring basis	**37,501**	**18,057**	**8,846**	**64,404**
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		234		234
Loans and borrowings		2		2
Derivatives	11	1,889	18	1,917
Total financial liabilities measured at fair value on a recurring basis	**11**	**2,125**	**18**	**2,154**

No significant changes in the fair value hierarchy during the first half of 2020

At each reporting date Achmea assesses the classification of the financial instruments measured at fair value. The assessment of the classification in the fair value hierarchy requires judgement, for example the importance of (un)observable inputs used in determining the fair value or with respect to activity of the market. In case of inactive markets, judgement is required on the valuation techniques to be used in order to determine the fair value as well as the interpretation of the level of using (market) data. As a result, the outcome of the classification process may differ between reporting periods. Achmea's policy is to determine the level of the fair value hierarchy each reporting period and to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. 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 the first half of 2020.

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

Depending on the specific financial instruments, Achmea has set valuation policies and procedures for determining the fair value. The valuation policies and procedures for determining the fair value are the same as applied to in the Consolidated Financial Statements of Achmea B.V. for 2019. 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.

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

FINANCIAL ASSETS / FINANCIAL LIABILITIES 2020 (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL 2020	DERIVATIVES	LIABILITIES TOTAL 2020
Balance at 1 January	**718**	**8,128**	**8,846**	**18**	**18**
Investments and loans granted	43	745	788		
Divestments and disposals	−36	−364	−400		
Fair value changes included in Income statement	−6	−2	−8	−2	−2
Fair value changes included in Other comprehensive income	−17	−37	−54		
Changes due to reclassification	−5		−5		
Changes in fair value hierarchy (transfers to level 3)		6	6		
Balance at 30 June	**697**	**8,476**	**9,173**	**16**	**16**

FINANCIAL ASSETS / FINANCIAL LIABILITIES 2019 (€ MILLION)

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

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

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

DESCRIPTION	FAIR VALUE AS AT 30 JUNE 2020 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	697	Net Asset Value	N/A	N/A	N/A
Fixed income investments [1]					
Own account	8,292	Discoun-ted cash flows	Total spread	103 - 338 (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	184	Discoun-ted cash flows	Total spread	145-247 (bp)	An increase of 10 basis points will result in a €0.6 million lower income in the Income statement
Derivatives	16	Black Scholes model	Under-lying value of the shares	N/A	An increase of 10% will result in €3.1million higher income in the Income statement.

1. *This concerns mortgages*

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

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2019 IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	718	Net Asset Value	N/A	N/A	N/A
Fixed income investments [1]					
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.

1. *This concerns mortgages*

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €249 million (31 December 2019: €281 million), property funds, amounting to €295 million (31 December 2019: €274 million), and Infrastructure funds, amounting to €111 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.

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

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

(€ MILLION)

	CARRYING AMOUNT AS AT 30 JUNE 2020				FAIR VALUE AS AT 30 JUNE 2020
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Fixed income investments	13,023		691	12,486	13,177
Other financial investments	1,507		1,656		1,656
Receivables	13,840		13,892		13,892
Liabilities					
Banking customer accounts	6,556		6,761		6,761
Loans and borrowings	6,650	2,240	4,483		6,723
Other liabilities	6,334		6,327		6,327

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2019				FAIR VALUE AS AT 31 DECEMBER 2019
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
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
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

12. GROSS WRITTEN PREMIUMS

BREAKDOWN GROSS WRITTEN PREMIUMS

(€ MILLION)

	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019
Non-life insurance		
Accident	622	570
Motor liability	505	484
Motor hull	427	433
Transport/aviation liability	33	30
Property	772	675
General liability	204	192
Legal assistance	105	100
Other	9	7
Gross written premiums Non-life	**2,677**	**2,491**
Health		
Basic health insurance	5,469	5,450
Contribution from Health insurance fund	7,408	7,435
Supplementary health insurance	1,222	1,248
Other health insurance	286	240
Gross written premiums Health	**14,385**	**14,373**
Life		
Single own risk	196	186
Annual own risk	198	257
Single policies where policyholders bear investment risks	30	33
Annual policies where policyholders bear investment risks	189	231
Gross written premiums Life	**613**	**707**
Total gross written premiums	**17,675**	**17,571**

13. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS -AT FAIR VALUE THROUGH PROFIT OR LOSS [1]		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019	FIRST HALF YEAR 2020	FIRST HALF YEAR 2019	**FIRST HALF YEAR 2020**	FIRST HALF YEAR 2019
Direct income from investments								
Investments own risk	178	178	266	274	32	37	476	489
Investments backing linked liabilities	116	126					116	126
Banking credit portfolio					177	175	177	175
Investment expenses	−1	4	−7	−12	−1	−2	−9	−10
Direct operating expenses investment property	−11	−8		−2			−11	−10
	282	**300**	**259**	**260**	**208**	**210**	**749**	**770**
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	1,247	1,429	107	187		−15	1,354	1,601
Investments backing linked liabilities	−368	1,015					−368	1,015
Banking credit portfolio	−19	−39			16	36	−3	−3
Impairment losses on investments								
Investments own risk			−60	−4			−60	−4
Foreign currency differences [2]	−6	−1	−1	22	−30	16	−37	37
	854	**2,404**	**46**	**205**	**−14**	**37**	**886**	**2,646**
Total income from investments	**1,136**	**2,704**	**305**	**465**	**194**	**247**	**1,635**	**3,416**

1. *Investments at fair value through profit or loss include investment income from property investments.*
2. *The Foreign currency differences are hedged for an important part by currency derivatives. The currency derivative positions are recognised in Realised and unrealised gains and losses – Investments own risk and Investments backing linked liabilities.*

14. NET EXPENSES FROM INSURANCE CONTRACTS

(€ MILLION)

	FIRST HALF YEAR 2020 GROSS	FIRST HALF YEAR 2020 REINSURANCE	FIRST HALF YEAR 2019 GROSS	FIRST HALF YEAR 2019 REINSURANCE
Non-Life				
Claims paid	1,247	41	1,298	66
Changes in insurance liabilities own risk	105	44	37	−3
Claim handling expenses	111		111	
Recoveries	−74		−94	
Other changes due to granted profit sharing rights			2	
	1,389	**85**	**1,354**	**63**
Health				
Claims paid	6,839	1	6,708	
Changes in insurance liabilities own risk	197		288	
Claim handling expenses	37		40	
Recoveries	−16		−17	
	7,057	**1**	**7,019**	
Life				
Benefits paid own risk	953	16	1,002	22
Benefits paid for insurances where policyholders bear investment risks	695		669	
Changes in insurance liabilities own risk	−245	−13	−352	−16
Changes in insurance liabilities where policyholders bear investment risks	−849		568	
	554	**3**	**1,887**	**6**
Profit sharing and bonuses for policyholders				
Amortisation interest surplus rebates	1		2	
Benefits policyholders	−20		125	
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	79		135	
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	1,203		1,303	
Changes to provision for Profit sharing and bonuses for policyholders due to granted profit sharing rights and other changes	14		6	
	1,277		**1,571**	
Total net expenses from insurance contracts	**10,277**	**89**	**11,831**	**69**

For an explanation of the main developments arising from Covid-19, please refer to Note 9 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 locked assumptions and discounted on that basis. As a result of interest rate developments in the first half of 2020 and the first half of 2019, the value of the interest rate derivatives increased substantially. In the Income Statement this increase in value led to a gain in Investment income and a loss in Profit sharing and bonuses for policyholders.

15. CONTINGENCIES

With the exception of the information stated below, the Contingencies at 30 June 2020 have not changed significantly compared to 31 December 2019.

Achmea provides mortgage loans for its own account and for the risk and account 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 €1,196 million (2019: €645 million) in mortgage loans. This liability corresponds with a received guarantee of €169 million (2019: €155 million). The increase is connected with increased demand for mortgage products in the first half of 2020.

16. RELATED PARTY TRANSACTIONS

In the first half of 2020, the nature of related party transactions was similar to related party transactions in 2019. For an overview of transactions with related parties in 2019, please refer to Note 33 Related party transactions in the Achmea B.V. Consolidated Financial Statements for 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 the spring of 2020 Achmea B.V. suspended the decision-making of variable remuneration payment. Therefore it has been decided as at 30 June 2020, in line with the position at year-end 2019, not to include a liability for variable remuneration for the Executive Board, because a decision to award it has not yet been made. In the second half of 2020 Achmea B.V. will reassess whether variable remuneration is to be paid. As a result the Remuneration Report 2019 has been postponed. The publication of this report is to be expected in the autumn of 2020.

By the General Meeting of Achmea B.V., following the appeal by European regulator EIOPA and De Nederlandsche Bank, it was decided to suspend the decision-making of dividend payment for 2019 until there is more clarity about the impact of Covid-19. This deviates from the proposal for appropriation of results contained in the Financial Statements 2019. The entire result for 2019 has now been added to the other reserves. In the second half of 2020 Achmea will assess whether it is still possible to make a payment on shares.

17. SUBSEQUENT EVENTS

On 17 July 2020 a consortium consisting of Achmea, Pensioenfonds PGB and IT service provider CGI announced that it would be establishing a new pension administration platform. This platform is based on the RiskCo Administration Platform (RAP) of the Utrecht-based company InAdmin RiskCo. InAdmin RiskCo is an administrative services provider with 130 employees, which brings together pension administrators, company pension funds and other pension funds, asset managers, PPIs and insurers on its open administration platform. Achmea and PGB are acquiring the company in the form of a share transfer. The intellectual property rights to the RAP will be sold to CGI following completion of the share transfer. This represents further progress in the fulfilment of our strategy and an important new step in our ambition to become the Netherlands' leading digital pension administrator. The transaction will have a relatively limited financial impact on the balance sheet and result of Achmea as a whole. The acquisition is dependent on approval from the regulators.

AUTHORISATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Zeist, 12 August 2020

The Executive Board
W.A.J. (Willem) van Duin, Chairman
B.E.M. (Bianca) Tetteroo, Vice-Chairman
M.A.N. (Michel) Lamie, CFO
R. (Robert) Otto
L.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

Independent Auditor´s Review Report

REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2020, as included on page 10 to 39 of the half year report of Achmea B.V., Zeist, which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity, the condensed consolidated statement of cash flows for the period then ended and the notes to the condensed consolidated interim financial statements. The Executive Board is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 12 August 2020

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by E.L. Rondhout RA