achmea

HALF YEAR REPORT 2021

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INTERIM RESULTS 2021

Bianca Tetteroo, Chair of the Executive Board:
"As the new CEO I present the results for the first time. We are well on the way with the realisation of the strategy 'The Sum of Us'. The operational result increased to €363 million compared to €127 million in the first half year of 2020. A good start, but uncertainties remain in the second half of the year.

The increase in the result in the Netherlands was primarily driven by the results at Pension & Life, Health and Non-Life. The improved result at Pension & Life is mainly thanks to higher investment results due to the positive developments on the financial markets. Lower medical expenses and the additional Covid-19-related government contribution from the statutory catastrophe scheme largely account for the higher result on our health business. In line with the past few years, the positive result at health will be added to the reserves and used to control future premium increases and further improve the quality of healthcare in the future. The impact of setting the health insurance premiums for 2022 will be included in the second half of this year. The operational result at Non-Life increased in the first six months of 2021. The combined ratio climbed to 95.8% due to a higher cost of claims caused by snowstorm Darcy and additional provisions for personal injury claims from previous years. These developments are offset by higher investment results. The solvency ratio of the Group increased to 211%, making us a solid party for customers and partners.

The past few months were long dominated by a sense of a return to 'normal'. Towards the end of the first half year however, uncertainty about Covid-19 again reared its head for many people as a result of the growing number of new cases. Despite this recent development in the number of infections, the number of Covid-19-related hospital admissions is currently under control, meaning there is again greater capacity for regular and catch-up care. We are actively involved in accelerating this catch-up care, for example via waiting list mediation. In the Non-Life market in the Netherlands as well we see the effects of a movement back to normal traffic volumes, while abroad there are important differences between the countries in which we are active.

In addition to the impact of Covid-19, we also noted an increase in weather-related claims in the past six months, including the snowstorms earlier this year and the floods in Limburg and elsewhere in the Netherlands in mid-July. We were immediately on the spot to assist our customers and take action to resolve the damage with the aim for our customers to resume their everyday lives as soon as possible. We were even able to help those customers who were not covered for their damage by offering them support. Settling claims arising from flood damage will take quite some time. This means that the exact impact of the floods on our results will only be fully known in the second half of this year.

Via our strategy 'The Sum of Us' we are putting the combined strength of our Groupto use. We do this through more intensive collaboration between business lines and with our partners. This enables us to employ for example economies of scale and to consolidate knowledge within the Group. We further expand our leading position in mobile and online services via the application of chatbots, speak-to-text and open platform technology. This is applied in all brands through which we use our benefits of scale. Our customers are already profiting from this and we can see this reflected in our high customer ratings and growth in premium volume. Moreover, joining forces is leading to new innovations, insights and answers to a wide variety of social problems. A great example of this joining forces is the collective call from Zilveren Kruis and SAREF for 'A healthy home for all senior citizens', which aims for half a million new homes that can be used through the life cycle.

Despite the lower prices of fixed-income securities due to the increase in interest rates, the assets under management at Retirement Services remained stable, with underlying growth in terms of customers in both asset management and pension administration. Non-Life and International also saw premium growth thanks to strong brands, distribution and high customer ratings. Being ranked first as an insurer with the best reputation in the Management Team Top 500 is important to expanding our partnerships but also to us as an employer. Along with the fact that we are also seen as a progressive employer, this means we are successful at attracting and retaining talented employees.

We have prioritised three United Nations Sustainable Development Goals (SDGs), 'good health and well-being', 'sustainable cities and communities' and 'climate action'. These form a material component of our products and services with a view to helping our customers protect themselves against climate change. We are on course to make our own business operations carbon neutral by 2030. By using solar panels and geothermal heat, we are reducing the carbon footprint of our offices. The Achmea Innovation Fund assists sustainable companies in their growth paths. For instance, we recently acquired a stake in Onto, one of Europe's biggest platforms for sharing electric vehicles, and in Landlife, a tech-driven reforestation company that uses a scalable method to plant trees. Sustainability is also increasingly leading in our investment policy. We are reducing our participations in polluting industries and via engaged shareholdership make our voice heard at shareholder meetings. In asset management we have a distinctive profile because of our focus on sustainability.

From our cooperative DNA, Achmea continues to focus on the ambition to create sustainable value for clients and therefore also for society. Based on our long term focus we continue to invest undiminished in the sustainable development of our company. The past year we again took important steps with our strategy. I have a lot of confidence in this movement and in our employees who are still communicating with our customers while largely working from home and implement large projects."

Overview of group results

The Covid-19 pandemic continues to have a large impact on society as well as on Achmea's business operations and results in 2021. Achmea's operational result over the first half of 2021 increased to €363 million (H1 2020: €127 million). This result is substantially higher than last year's and backed up by higher results at Health and Pension & Life in particular. At Health, the result on Basic Health Insurance increased thanks to a combination of lower medical expenses and the additional contributions from the statutory catastrophe scheme due to the Covid-19 pandemic. The higher result at Pension & Life was mainly driven by the higher investment results. Non-Life noted an increase in the operational result as well as premium growth. At Retirement Services, the result decreased due to investments in improved customer services and efficiency, while at International the result was lower because of weather-related claims.

The operational result of Non-Life Netherlands increased to €103 million in the first six months of 2021 (H1 2020: €91 million). On balance the combined ratio increased to 95.8% (H1 2020: 93.7%) because of a lower insurance result caused by a higher cost of claims for storm Darcy and additional provisions for personal injury claims from previous years. The result was positively affected by fewer claims in the motor portfolio and a better result on income protection insurance due to improvements to the disability insurance for the self-employed and group sickness insurance portfolios. The investment results were higher driven by the positive trends on the financial markets and by optimisation of the investment portfolio.

Health Netherlands earned a result of €147 million in the first half of 2021 (H1 2020: €7 million). The higher result is due to lower than expected medical expenses and the contribution from the statutory catastrophe scheme in relation to Covid-19.

The operational result of Pension & Life Netherlands over the first six months of 2021 increased to €170 million (H1 2020: €71 million). This was primarily driven by higher investment income generated by the developments on the financial markets. In line with our service-book strategy, written premiums decreased and expenses are declining in line with the expiration of the portfolio.

The operational result of Retirement Services decreased to €10 million in the first half of 2021 (H1 2020: €20 million). This was mainly caused by a lower interest result at Achmea Bank and higher expenses and IT investments at Achmea Investment Management and Syntrus Achmea Real Estate & Finance.

The total operational result of the International activities was €5 million lower and amounted to €23 million (H1 2020: €28 million). Claims arising from natural disasters in Australia and the devaluation of the Turkish lira were partly offset by a lower cost of claims within Health in Greece as a result of the partial drop in regular care provided in hospitals because of the Covid-19 pandemic.

The operational result of the Other activities was €90 million negative and is therefore equal to that of the first half of 2020. In underlying terms, the operational result of Achmea Reinsurance increased to €14 million, while it had reported a negative result of €8 million in the first half of 2020. Moreover, operating expenses in this segment were €11 million higher in the first half of 2021 than in the same period of 2020. The result on our Other activities is negative, as some of the expenses from the holding company and shared service activities, as well as the financing charges for the bonds issued by Achmea, are shown in this segment.

Executive Board report

OPERATIONAL RESULTS SEGMENTS

(€ MILLION)

	H1 2021	H1 2020
Non-Life Netherlands	103	91
Pension & Life Netherlands	170	71
Retirement Services Netherlands	10	20
International activities	23	28
Other activities	-90	-90
Operational result (excl. Health)	**216**	**120**
Health Netherlands	147	7
Operational result	**363**	**127**
Corporate income tax expenses	**57**	**19**
Net result	**306**	**108**

Net result

The net result amounted to €306 million in the first half of 2021 (H1 2020: €108 million). The effective tax expense stood at €57 million (15.7%) and is €38 million higher than in the same period last year (15.0%). The effective tax expense is €34 million lower than the nominal tax expense and can largely be explained by the statutory exemption of healthcare activities from corporate income tax.

Income

Gross written premiums decreased slightly by 2% in the first half of 2021 to €17,402 million (H1 2020: €17,675 million). A reduction in premiums at Health, and as a result of the Life service-book, was partly offset by premium growth in our strategically important growth markets of Non-Life and International, as well as by revenue growth at Retirement Services.

Written premiums at Non-Life Netherlands grew by 3% to €2,384 million (H1 2020: €2,323 million), mainly driven by an increase in the number of customers. Conversely, written premiums from our international Non-Life business decreased by 3% to €280 million (H1 2020: €287 million). An increase in premiums in Australia and Greece was cancelled out by a decrease in Turkey caused by negative exchange rate effects. In local currency there was premium growth in Turkey too.

Premiums within Health Netherlands decreased by about 2% to €13,838 million (H1 2020: €14,099 million) because of a drop in the number of policyholders and a lower contribution per policyholder from the Health Insurance Equalisation Fund. Premiums from our international Health business grew by 15% to €327 million (H1 2020: €286 million), primarily due to an increase in the number of health insurance policyholders in Slovakia.

Written premiums from pension and life insurance policies decreased by 16% to €512 million (H1 2020: €613 million) due to the reduction at Pension & Life Netherlands. This drop is in line with our service-book strategy.

At Retirement Services, income increased to €196 million in the first half of 2021 (H1 2020: €191 million), with lower interest income at Achmea Bank being compensated by an increase in income from fees.

GROSS WRITTEN PREMIUMS

(€ MILLION)

	H1 2021	H1 2020	Δ
Non-Life	2,725	2,677	2%
Health	14,165	14,385	-2%
Pension & Life	512	613	-16%
Total gross written premiums	**17,402**	**17,675**	**-2%**

Operating expenses

Gross operating expenses increased by 3% in the first half of 2021 to €1,075 million (H1 2020: €1,042 million). This is largely due to higher personnel expenses and pension charges in relation to the low interest rates. In addition, IT investments are higher in line with our focus on further rationalisation and digitisation.

The total number of employees has declined slightly to 17,009 FTEs (year-end 2020: 17,033 FTEs). In the Netherlands, the number of FTEs remained stable at 13,816 (year-end 2020: 13,811 FTEs). The total number of employees outside the Netherlands decreased to 3,193 FTEs (year-end 2020: 3,222 FTEs).

Investments

In the first half of 2021, investment income[5] from our own risk investment portfolio was €565 million (H1 2020: €427 million). This higher investment income versus last year can be attributed to the developments on the financial markets. Fiscal stimuli and the easing of Covid-19 restrictions generated positive market sentiment and an expectation that the economic recovery will continue in the second half of 2021. Equity markets consequently climbed sharply in the first half of 2021, while interest rates also rose, while spreads on corporate bonds tightened.

The above climate was partly responsible for a higher investment result of €72 million from the sale of equities and bonds. The impairments on equities are €49 million lower and the indirect income on commodities €29 million higher than last year. The indirect results on our real estate portfolio are €39 million higher than last year thanks to higher property valuations caused by the robust positive sentiment on the real estate market for residential properties in particular, whereas this sentiment was still negative in the first half of 2020 due to the uncertainty surrounding the Covid-19 pandemic.

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 Provision for discounting of insurance liabilities. This provision is part of our technical provisions to cover liabilities to our customers with pensions or life insurance policies. Our fixed-income and interest-rate derivatives portfolio has decreased in value as a result of the higher yields. In line with this, in the first half of 2021 the Provision for discounting of insurance liabilities declined by a total of €1.9 billion to €10.0 billion (year-end 2020: €11.9 billion).

Partly as a result of this, the value of the total investment portfolio decreased to €51.3 billion (year-end 2020: €54.6 billion). This was largely due to the higher interest rates in the first half of the year. The positive results on equities and real estate helped to mitigate this decrease somewhat.

Capital Management

Total equity

Achmea’s equity increased by €105 million in the first half of 2021 to €10,664 million (year-end 2020: €10,559 million). This increase is on balance mainly due to the addition of the net result and dividend and coupon payments of €210 million.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31-12-2020	**10,559**
Net result	306
Movement in revaluation reserve	34
Movement in exchange difference reserve	-4
Remeasurement of net defined benefit liability	-21
Dividends and coupon payments to holders of equity instruments and impact capital transactions	-210
Total equity 30-06-2021	**10,664**

Solvency II

The solvency position of Achmea Group, partly based on internal models for the calculation of required capital for insurance risks of the property & casualty and income insurance and for market risks, increased in the first half of the year to 211%. The eligible own funds increased thanks to the addition of the net result and higher stock prices, partly compensated by the increase of the inflation curve and the reduction of the level of the UFR and the UFR drag. Required capital is nearly stable, while underlying the required capital for health risk increased due to higher provided advances. This has a temporary negative impact of about 4%-point on the Group solvency.

SOLVENCY II RATIO FOR ACHMEA GROUP (€ MILLION)

	30-6-2021	31-12-2020	Δ
Eligible Own Funds under Solvency II	10,860	10,696	164
Solvency Capital Requirement	5,141	5,153	-12
Surplus	5,719	5,543	176
Solvency II Ratio	**211%**	**208%**	**3%-pt**

UNCERTAINTIES IN THE SECOND HALF YEAR OF 2021

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, market risk (particularly stock prices, interest rate and spread developments), credit risk and liquidity risk.

There is still uncertainty about the duration and scope of this crisis and about the progress of recovery. Yet the recent increase in the number of infections has so far remained manageable. Depending on how things evolve, Covid-19 could once again have large economic repercussions and therefore affect Achmea's financial position.

Nor is there certainty about what will happen on the financial markets and in relation to Covid-19 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.

In line with the past few years, the positive result at health will be added to the reserves and used to control premium increases and further improve the quality of healthcare in future. This will be re-examined when setting the premiums for 2022, which could have an impact on the result in the second half of 2021.

The floods in Limburg and elsewhere in the Netherlands that led to some of our policyholders suffering damage and experiencing severe difficulties in July have our full attention. It is not yet possible to assess the exact scale of the cost of claims from the flooding in Limburg and this is not included in the results over the first half of 2021. First estimates of the claim amount are up to €50 million, the impact will be included in the results over the second half of 2021.

Zeist, 11 August 2021

Bianca Tetteroo

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 2021 (hereinafter: the interim financial statements).

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 2021 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, 11 August 2021

Executive Board

B.E.M. (Bianca) Tetteroo, Chairman
M.A.N. (Michel) Lamie, Vice-Chairman and CFO
R. (Robert) Otto
L.T. (Lidwien) Suur
H. (Henk) Timmer, CRO

ACHMEA B.V.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2021

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ MILLION)

	NOTES	30 JUNE 2021	31 DECEMBER 2020
Assets			
Intangible assets		729	735
Associates and joint ventures		60	55
Property for own use and equipment		529	551
Investment property	4	1,007	973
Investments	5		
Investments own risk		50,332	53,664
Investments for account and risk of policyholders		15,237	15,250
Banking credit portfolio		12,029	12,725
Deferred tax assets		604	626
Amounts ceded to reinsurers		717	685
Receivables and accruals		14,018	6,207
Cash and cash equivalents		2,158	2,184
Assets classified as 'Held for sale'		2	
Total assets		**97,422**	**93,655**
Equity			
Equity attributable to holders of equity instruments of the company		10,656	10,552
Non-controlling interest		8	7
Total equity		**10,664**	**10,559**
Liabilities			
Liabilities related to insurance contracts	6	64,192	58,401
Other provisions		1,049	1,113
Financial liabilities	7	19,552	20,564
Derivatives		1,843	2,870
Deferred tax liabilities		29	31
Income tax payable		93	117
Total liabilities		**86,758**	**83,096**
Total equity and liabilities		**97,422**	**93,655**

Condensed Consolidated Interim Financial Statements

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020
Gross written premiums	9	17,402	17,675
Reinsurance premiums		−185	−186
Change in provision for unearned premiums and current risks (net of reinsurance)		−7,394	−7,688
Net earned premiums		**9,823**	**9,801**
Income from associates and joint ventures		−5	7
Investment income	10	187	1,635
Other income		218	204
Total income		**10,223**	**11,647**
Net expenses from insurance contracts	11	8,555	10,188
Fair value changes and benefits credited to investment contracts		8	−12
Interest and similar expenses		100	125
Operating expenses		1,159	1,139
Other expenses		38	80
Total expenses		**9,860**	**11,520**
Result before tax		**363**	**127**
Income tax expenses		57	19
Net result		**306**	**108**
Net result attributable to:			
Holders of equity instruments of the company		305	108
Non-controlling interest		1	0
Average number of outstanding ordinary shares		390,002,711	390,002,711
Earnings per share (in euro)		0.63	0.17

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020
Items that will not be reclassified to the Income statement[1]		
Remeasurements of net defined benefit liability[2]	−21	36
Unrealised gains and losses on property for own use[3]	−7	2
	−28	**38**
Items that may be reclassified subsequently to the Income statement[1]		
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures[4]	−4	−23
Share in other comprehensive income of Associates and joint ventures[3]	1	
Unrealised gains and losses on financial instruments 'Available for sale'[3]	−299	7
Changes in the Provision for discounting of insurance liabilities from unrealised investment income[3]	458	−192
Gains and losses on financial instruments 'Available for sale' reclassified to the Income statement on disposal[3]	−284	−143
Reclassification to the Income statement as Provision for discounting of insurance liabilities from investment income[3]	162	59
Impairment charges on financial instruments 'Available for sale' reclassified to the Income statement on disposal[3]	3	48
	37	**−244**
Net other comprehensive income	**9**	**−206**
Net result	306	108
Comprehensive income	**315**	**−98**
Comprehensive income attributable to:		
Holders of equity instruments of the company	314	−98
Non-controlling interest	1	0

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

Condensed Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUA-TION RESERVE	EXCHANGE DIFFE-RENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	EQUITY ATTRIBUT-ABLE TO HOLDERS OF EQUITY INSTRU-MENTS	SUBTOTAL EQUITY [1]	NON-CON-TROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2021	**11,357**	**−335**	**65**	**1,069**	**−475**	**−7**	**−3,014**	**642**	**1,250**	**10,552**	**7**	**10,559**
Net other comprehensive income				34	−4		−21			9		9
Net result								305		305	1	306
Comprehensive income				**34**	**−4**		**−21**	**305**		**314**	**1**	**315**
Appropriations to reserves			−9	13			638	−642				
Dividends and coupon payments							−210			−210		−210
Balance at 30 June 2021	**11,357**	**−335**	**56**	**1,116**	**−479**	**−7**	**−2,607**	**305**	**1,250**	**10,656**	**8**	**10,664**

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

(€ MILLION)

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUA-TION RESERVE	EXCHANGE DIFFE-RENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	EQUITY ATTRIBUT-ABLE TO HOLDERS OF EQUITY INSTRU-MENTS	SUBTOTAL EQUITY [1]	NON-CON-TROLLING INTEREST	TOTAL EQUITY
Balance at 1 January 2020	**11,357**	**-335**	**53**	**1,120**	**-429**	**-7**	**−3,312**	**480**	**1,250**	**10,177**	**8**	**10,185**
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**	**−2,854**	**108**	**1,250**	**10,036**	**8**	**10,044**

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

Share capital/premium includes €10,923 million share premium (30 June 2020: €10,923 million). In the first half of 2021 €210 million was paid out, €43 million in coupon payments and €167 million in dividend. The €43 million (first half of 2020: €43 million) is coupon payments on Other Equity Instruments. This amount is recognised in Dividend and coupon payments.

In the first half of 2020 Achmea suspended the dividend distribution to shareholders. In September 2020 Achmea decided to pay out a dividend of €169 million in total.

With regard to the result for 2020, €150 million was distributed to holders of common shares in 2021. In 2021 an amount of €19 million was distributed in dividend on preference shares of which Achmea B.V. received €2 million for dividend in respect of the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020
Net cash and cash equivalents at 1 January	2,184	963
Cash flow from operating activities		
Result before tax	363	127
Adjustments of non-cash items and reclassifications	983	−786
Changes in assets and liabilities	−2,994	812
Cash flow operating items not reflected in result before tax	1,914	−203
Total cash flow from operating activities	**266**	**−50**
Cash flow from investing activities		
Acquisitions and investments	−56	−60
Divestments and disposals	8	17
Dividends received	5	1
Total cash flow from investment activities	**−43**	**−42**
Total cash flow from financing activities	**−249**	**654**
Net cash flow	**−26**	**562**
Net cash and cash equivalents at 30 June	**2,158**	**1,525**
Cash and cash equivalents include the following items:		
Cash and bank balances	2,158	1,525
Cash and cash equivalents at 30 June	**2,158**	**1,525**

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 (hereafter called Achmea) 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. 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 2021 and as adopted by the European Union. The Interim Financial Statements should be read in conjunction with the Achmea Consolidated Financial Statements 2020. The Achmea Consolidated Financial Statements 2020 of Achmea 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 2021 is determined based on the estimated effective income tax rate for 2021.

B. CHANGES IN ACCOUNTING POLICIES

In the first half year of 2021 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 2021, Net result in the first half year of 2021 and comparative figures of Achmea:

- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9.
- Interest Rate Benchmark Reform (IBOR) - Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

C. CHANGES IN STANDARDS AND ADMENTMENTS WITH FUTURE APPLICATION DATE

In the first half of 2021, in addition to those already disclosed in the Achmea B.V. Consolidated Financial Statements 2020, the following amendments to standards were published which were not applied by Achmea when preparing the Consolidated Interim Financial Statements 2021. The changes are still subject to EU approval and when applied have no impact on Total equity or Net result, and have no impact or only a limited impact on the presentation and notes of Achmea:

- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies (effective date 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective date 1 January 2023);
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (effective date 1 April 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective date 1 January 2023).

In the first half year of 2021, the EU approved the following changes with a future application date. On application, these changes will have no impact on Total equity or Net result or only a limited impact on the presentation and notes of Achmea:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities, and Contingent Assets; and Annual Improvements 2018-2020 ((effective date 1 January 2022).

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

In the first half of 2021 there were no material amendments relating to accounting policies on valuation, changes in presentation or corrections to previous periods compared with the Achmea B.V. Consolidated Financial Statements 2020 other than those described in Section C and the amendment described below.

In 2021, the name of the provision Profit sharing and bonuses for policyholders for the life insurance business, as included in note 6 Liabilities related to insurance contracts, was changed to Provision for discounting of insurance liabilities. This change is a more accurate description of the nature of the item given the long-term low interest rates. Currently, this provision mainly contains amounts derived from the fair value movements of specific fixed-income investments and derivatives that are held in order to manage the interest rate risk inherent to the related insurance liabilities. Realised and unrealised gains and losses relating to the valuation of these investments are transferred to the Provision for discounting of insurance liabilities.

E. CHANGES IN ACCOUNTING ESTIMATES

The preparation of these Interim Financial Statements involves the use of estimates and assumptions that may differ from the actual outcome. The nature of the assumptions and estimates made in applying Achmea B.V.'s accounting policies and the key sources of estimation uncertainty for the preparation of the semi-annual financial statements for 2021 are the same as those used in the Achmea B.V. Consolidated Financial Statements 2020. The bandwidth within which assumptions and estimates can fluctuate has increased in the Covid-19 pandemic, although this increase is currently smaller than at the start of the pandemic in 2020. This is mainly applicable to non-listed investments and Liabilities related to insurance contracts. The key sources of estimation uncertainty are included in the explanatory 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 2020 Achmea Consolidated Financial Statements with exception of the aforementioned adjustments.

G. SEASONALITY

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

H. IMPACT OF COVID-19

Just as in 2020, the Covid-19 pandemic had a major impact on Achmea in the first half of 2021. Throughout 2020, Achmea has taken various measures to monitor and mitigate the effects of the Covid-19 pandemic. Information on changes in uncertainties and risks arising from Covid-19 and how Achmea mitigates these is included in Note 2 Capital and Risk Management of Achmea B.V.'s consolidated financial statements for 2020.

For Achmea's financial position, the developments in the health care sector in particular have had an impact. Once again in 2021, together with other health insurers, Achmea provided continuity contributions to healthcare providers to cover the ongoing expenses and additional expenses resulting from Covid-19. Furthermore, more data has become available for determining the additional contribution from the Health Insurance Equalisation Fund, under the catastrophe scheme (section 33 of the Health Insurance Act), and the contribution from the solidarity scheme.

In preparing the condensed consolidated interim financial statements 2021, Achmea has made estimates and assumptions based on the most recent insights relating to the Covid-19 pandemic. Given the uncertainties as to the progression of the Covid-19 pandemic, the outcomes may vary from these estimates and assumptions. For more information about these uncertainties, please refer to the 2020 consolidated financial statements.

2. CAPITAL AND RISK MANAGEMENT

These notes provide an update on the capital and risk management at Achmea as disclosed in the financial statements 2020.

CAPITAL POSITION

Achmea has a solid capital position. As at 30 June 2021 the solvency ratio under Solvency II was 211% (31 December 2020: 208%).

The calculation of the solvency ratio as at 30 June 2021 is based on our current insights regarding the economic situation and the information available to us, and represents 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 calculating the solvency capital requirement under Solvency II, Achmea uses a partial internal model approved by the College of Supervisors. Through the partial internal model, the risks are calculated partly via an internal model and partly using the Solvency II standard formula. The internal models are used to calculate the solvency capital requirement for the insurance risks for property & casualty 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 2020. On 7 July 2021, DNB granted permission for changing the internal model for market risk to calculate capital requirements for equities and real estate in the second half of the year. This will be implemented in the second half of 2021 and will provide a better representation of the risk profile for equities and real estate.

The table below shows the Solvency II outcomes as at 30 June 2021.

SOLVENCY RATIO

(€ MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Eligible Own Funds Solvency II	10,860	10,696
Solvency Capital Requirement	5,141	5,153
Surplus	**5,719**	**5,543**
Ratio (%)	211%	208%

The solvency ratio increased to 211% in the first half of the year. Equity increased due to higher share prices and lower spreads on mortgages resulting from developments on the financial markets and the positive result over the first half of 2021, partly compensated by the increase of the inflation curve and the reduction of the level of the UFR and the UFR drag. The higher share prices in turn led to a higher market risk. An increase in interest rates caused the capital requirement for Life risk to decline. The capital requirement for Health risk increases due to temporary higher advances to healthcare providers because contracts with them are being concluded at a later date.

The table below shows the composition of the eligible own funds under Solvency II. This capital serves as a buffer for absorbing risks and financial losses. It consists of the available equity (on economic principles) and subordinated loans qualifying as equity, taking into account the Tier restrictions within Solvency II.

ELIGIBLE OWN FUNDS SOLVENCY II

(€MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Tier 1	8,761	8,445
Tier 2	1,550	1,699
Tier 3	549	552
Total eligible own fund Solvency II	**10,860**	**10,696**

The composition of Equity under the Solvency II regulations is not the same as Equity for IFRS purposes. Valuation differences and the impact of possible restrictions must be taken into account. The table below shows the composition of eligible own funds under Solvency II and the relationship with the IFRS Equity.

Notes to the Condensed Consolidated Interim Financial Statements

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

(€MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Equity Financial statements	**10,664**	**10,559**
Solvency II valuation and classification differences	741	951
Available own funds Solvency II	**11,405**	**11,510**
Not qualifying equity and foreseeable dividends	-545	-814
Eligible own funds Solvency II	**10,860**	**10,696**

The Solvency II revaluations and reclassifications amount to €741 million (31 December 2020: €951 million). Under Solvency II all items must be measured at economic value, which leads to a different valuation than under IFRS. The Solvency II valuation differences are comprised in addition of items that are not recognised under Solvency II, including goodwill and capitalised acquisition costs. Also in contrast to the position under IFRS, under Solvency II subordinated loans are included in available own funds.

Repurchased shares and not qualifying equity and foreseeable dividends includes changes in the availability of Achmea's equity in accordance with Solvency II requirements. These mainly concern repurchased own shares with a Solvency II valuation of -€500 million (2020: -€506 million), adjustments for expected dividends of -€5 million (2020: -€218 million) and restrictions amounting to -€40 million (2020 -€90 million).

The table below provides an overview of the Solvency Capital Requirement under Solvency II.

SOLVENCY CAPITAL REQUIREMENT

(€MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Market Risk	2,503	2,423
Counterparty Risk	254	250
Life Risk	1,859	1,977
Health Risk	1,883	1,746
Non Life Risk	969	953
Diversification	-2,677	-2,639
Basic Solvency Capital Requirement	**4,791**	**4,710**
Loss absorbing capacity of Expected Profit (LAC EP)	-230	-188
Loss absorbing capacity of Deferred tax (LAC DT)	-673	-659
Operational Risk	598	607
Solvency Capital Requirement (Consolidated)	**4,486**	**4,470**
SCR Other Financial Sectors & Other entities	655	683
Solvency Capital Requirement	**5,141**	**5,153**

3. SEGMENT REPORTING

Achmea's activities are divided into segments which are regularly reviewed by the Executive Board to allocate resources to and assess the performance of each segment. The division into segments and the manner in which information on segments has been determined has remained unchanged compared with the Achmea B.V. Consolidated Financial Statements 2020.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (€ 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]	637			14	49	29		729
Associates and joint ventures	5				39	16		60
Property for own use and equipment	80	3			57	389		529
Investment property		2	963		4	38		1,007
Investments								
Investments own risk	7,445	3,942	37,898	55	1,086	1,156	−1,250	50,332
Investments for account and risk of policyholders			15,175		165		−103	15,237
Banking credit portfolio				12,029				12,029
Deferred tax assets			702		32		−130	604
Income tax receivable	36		34	6			−76	
Amounts ceded to reinsurers	391		91		266	212	−243	717
Receivables and accruals	1,769	11,390	337	113	278	376	−245	14,018
Cash and cash equivalents	142	180	394	1,036	260	160	−14	2,158
Assets classified as 'Held for sale'			2					2
Total assets	**10,505**	**15,517**	**55,596**	**13,253**	**2,236**	**2,376**	**−2,061**	**97,422**
Equity								
Equity attributable to holders of equity instruments of the company[1]	1,859	3,680	4,297	931	467	−578		10,656
Non-controlling interest	7		1					8
Total equity	**1,866**	**3,680**	**4,298**	**931**	**467**	**−578**		**10,664**
Liabilities								
Liabilities related to insurance contracts	7,755	11,069	44,877		1,220	479	−1,208	64,192
Other provisions	26	5	2	5	63	−16	964	1,049
Financial liabilities	711	757	4,992	11,937	449	2,315	−1,609	19,552
Derivatives	11	6	1,427	379		20		1,843
Deferred tax liabilities	136			1		24	−132	29
Income tax payable					37	132	−76	93
Total liabilities	**8,639**	**11,837**	**51,298**	**12,322**	**1,769**	**2,954**	**−2,061**	**86,758**
Total equity and liabilities	**10,505**	**15,517**	**55,596**	**13,253**	**2,236**	**2,376**	**−2,061**	**97,422**

1 The total Equity of the segment Other activities is €-578 million due to the consistent application of the allocation of Intangible assets to the cashflow-generating units. As a result €627 million of Intangible assets from the segment Other activities has been allocated to the segment Non-life Netherlands (€617 million) and the segment International activities (€10 million). Excluding this allocation, the total Equity of the segment Other activities is €49 million, of the segment Non-life Netherlands is €1,249 million and of the segment International activities is €457 million.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets[1]	636			15	51	33		735
Associates and joint ventures	5				38	12		55
Property for own use and equipment	79	4			57	411		551
Investment property		2	931		4	36		973
Investments								
Investments own risk	7,154	3,850	41,257	82	1,045	1,140	−864	53,664
Investments for account and risk of policyholders			15,186		169		−105	15,250
Banking credit portfolio				12,725				12,725
Deferred tax assets			731		36		−141	626
Amounts ceded to reinsurers	349		95		280	176	−215	685
Receivables and accruals	1,358	4,178	277	126	261	207	−200	6,207
Cash and cash equivalents	96	348	360	1,046	271	77	−14	2,184
Total assets	**9,677**	**8,382**	**58,837**	**13,994**	**2,212**	**2,092**	**−1,539**	**93,655**
Equity								
Equity attributable to holders of equity instruments of the company[1]	1,974	3,503	4,288	925	461	−599		10,552
Non-controlling interest	6		1					7
Total equity	**1,980**	**3,503**	**4,289**	**925**	**461**	**−599**		**10,559**
Liabilities								
Liabilities related to insurance contracts	7,019	3,664	47,398		1,200	389	−1,269	58,401
Other provisions	25	4	2	5	59	−37	1,055	1,113
Financial liabilities	471	1,210	4,748	12,601	450	2,268	−1,184	20,564
Derivatives	8	1	2,384	457		20		2,870
Deferred tax liabilities	140			1		31	−141	31
Income tax payable	34		16	5	42	20		117
Total liabilities	**7,697**	**4,879**	**54,548**	**13,069**	**1,751**	**2,691**	**−1,539**	**83,096**
Total equity and liabilities	**9,677**	**8,382**	**58,837**	**13,994**	**2,212**	**2,092**	**−1,539**	**93,655**

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

Notes to the Condensed Consolidated Interim Financial Statements

CONSOLIDATED INCOME STATEMENT PER SEGMENT FIRST HALF YEAR 2021

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Gross written premiums	2,384	13,838	457		621	182	−80	17,402
Reinsurance premiums	−101	−1	−18		−67	−79	81	−185
Change in provision for unearned premiums and current risks (net of reinsurance)	−536	−6,782	7		−38	−44	−1	−7,394
Net earned premiums	**1,747**	**7,055**	**446**		**516**	**59**		**9,823**
Income from associates and joint ventures					−1	−4		−5
Investment income	70	35	−115	157	25	16	−1	187
Other income	14	62	2	124	17	18	−19	218
Total income (excluding non-operational items)	**1,831**	**7,152**	**333**	**281**	**557**	**89**	**−20**	**10,223**
Net expenses from insurance contracts	1,272	6,766	90		394	35	−2	8,555
Fair value changes and benefits credited to investment contracts					8			8
Interest and similar expenses	2	1	3	82		29	−17	100
Operating expenses related to insurance activities	435	183	70		116	26		830
Operating expenses for non-insurance activities	17	58		186	3	65		329
Other expenses	2	−3		3	13	24	−1	38
Total expenses (excluding non-operational items)	**1,728**	**7,005**	**163**	**271**	**534**	**179**	**−20**	**9,860**
Operational result	**103**	**147**	**170**	**10**	**23**	**−90**		**363**
Transaction results (mergers and acquisitions)								
Result before tax	**103**	**147**	**170**	**10**	**23**	**−90**		**363**
Income tax expenses	28		42	3	7	−23		57
Net result	**75**	**147**	**128**	**7**	**16**	**−67**		**306**
Expense ratio[1]	24.8%	2.6%			22.3%			
Claims ratio[1&2]	71.0%	95.9%			75.8%			
Combined ratio[1&2]	95.8%	98.5%			98.1%			
Amortisation charges	1	1		2	10	28		42
(Reversal of) impairment losses	1	1	2					4

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 €22 million for the unwinding of discount of the provisions for income products. This unwinding of discount took place based on the rate as applied to set the premiums of these contracts (so-called contract rate).

Notes to the Condensed Consolidated Interim Financial Statements

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).

4. INVESTMENT PROPERTY

(€ MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Residential	591	544
Retail	186	194
Offices	226	232
Other	4	3
Total	**1,007**	**973**

Consistent with year-end 2020, sufficient reference transactions are available for the valuation as of 30 June 2021. Achmea does not identify any cause to adjust the valuations of the external appraisers.

In the first half year of 2021, the fair value movements related to Investment property amounted to €24million (first half year 2020: € -15 million). These are presented as part of Realised and unrealised gains and losses in Investment income in the Consolidated income statement.

5. 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 2021	31 DECEMBER 2020	30 JUNE 2021	31 DECEMBER 2020	30 JUNE 2021	31 DECEMBER 2020	30 JUNE 2021	31 DECEMBER 2020
Investments own risk								
Equities & similar investments	83	98	3,090	2,699			3,173	2,797
Fixed income investments	2,892	2,960	34,996	36,364	59	59	37,947	39,383
Derivatives	6,487	9,087					6,487	9,087
Other financial investments	53	48	1,447	984	1,225	1,365	2,725	2,397
Investments for account and risk of policyholders								
Equities & similar investments	3,631	3,841					3,631	3,841
Fixed income investments	4,892	4,342					4,892	4,342
Derivatives	124	86					124	86
Other financial investments[1]	6,590	6,981					6,590	6,981
Banking credit portfolio								
Fixed income investments	158	171			11,871	12,554	12,029	12,725
Total	**24,910**	**27,614**	**39,533**	**40,047**	**13,155**	**13,978**	**77,598**	**81,639**

[1] Other financial investments include cash and cash equivalents relating to investments for account and risk of policyholders (in funds/deposits) and investments for account and risk of policyholders.

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

The decrease of Fixed income investments and Derivatives under Investments own risk is mainly attributable to higher interest rates on all terms. For more information please refer to Note 10 Investment income.

At 30 June 2021 an amount of €420 million (31 December 2020: €368 million) related to property investment funds is included in Equities & similar investments as part of Investments own risk.

Impairment losses related to investments in the first half of 2021 amounted to €4 million (first half of 2020: €60 million), which are recognised in the Income Statement under Realised and unrealised changes in value.

Notes to the Condensed Consolidated Interim Financial Statements

FIXED INCOME INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Government and government related guaranteed bonds	12,519	13,956
Securitised bonds[1]	839	1,133
Corporate bonds	14,094	13,857
Convertible bonds	251	236
Mortgages	8,549	8,571
Loans, deposits with credit institutions	307	182
Investment loans	1,379	1,439
Other	9	9
Total	**37,947**	**39,383**

1 Securitised bonds include €163 million (31 December 2020: €289 million) asset backed securities (collateralised).

6. LIABILITIES RELATED TO INSURANCE CONTRACTS

(€ MILLION)

	30 JUNE 2021		31 DECEMBER 2020	
	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS	LIABILITIES RELATED TO INSURANCE CONTRACTS	AMOUNTS CEDED TO REINSURERS
Non-life insurance				
Unearned premiums	1,974	99	1,383	99
Provision for unexpired risks	36		41	
Outstanding claims (including IBNR)	6,618	516	6,428	486
Profit sharing and bonuses for policyholders	29		20	
Total Non-life insurance	**8,657**	**615**	**7,872**	**585**
Health insurance				
Unearned premiums	6,938	4	28	
Provision for unexpired risks	16		138	
Outstanding claims (including IBNR)	4,289	1	3,642	
Total Health insurance	**11,243**	**5**	**3,808**	
Life insurance				
Provision for life policy liabilities	19,605	97	20,058	100
Provision for discounting of insurance liabilities	10,038		11,891	
Insurance liabilities where policyholders bear investment risk	14,649		14,772	
Total Life insurance	**44,292**	**97**	**46,721**	**100**
Total	**64,192**	**717**	**58,401**	**685**

Partly as a result of lower health care costs, a major part of the provision for unexpired risks relating to health insurance amounting to € 138 million was released in the first half of the year. In addition, as a result of negative run-off results from previous years related to injury and the persistently low market interest rates on the liabilities for non-life insurance contracts, an additional an additional provision of €130 million was recorded.

7. FINANCIAL LIABILITIES

(€ MILLION)

	30 JUNE 2021	31 DECEMBER 2020
Investment contracts	230	224
Banking customer accounts	7,091	6,641
Loans and borrowings	5,497	6,563
Operational Leases	159	169
Other liabilities	6,575	6,967
Total financial liabilities	**19,552**	**20,564**

LOANS AND BORROWINGS CLASSIFIED BY FINANCING ACTIVITY

(€ MILLION)

	30 JUNI 2021	31 DECEMBER 2020
Secured bank loans	1,808	1,851
Unsecured loans	2,521	3,572
Subordinated loans	749	749
Others	419	391
	5,497	**6,563**

In the first half of 2021, Achmea repaid an amount of €1,051 million in Unsecured loans. This partial repayment took place at subsidiary Achmea Bank N.V. The main part relates to the repayment of Senior unsecured loan notes for €761 million and the decrease of Commercial Papers for €282 million.

8. FAIR VALUE HIERARCHY

This note provides an overview of financial instruments that, after initial recognition, are measured at fair value, classified into three levels based on the significance of the observable inputs used in making the fair value measurements (fair value hierarchy). This hierarchy consists of the levels as used in the Consolidated Financial Statements of Achmea B.V. 2020.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 30 JUNE 2021 (€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Recurring fair value measurements				
Investments				
Equities and similar investments	5,707	343	754	6,804
Fixed income investments	30,349	3,878	8,711	42,938
Derivatives	1	6,610		6,611
Other financial investments	702	7,388		8,090
Cash and cash equivalents	2,158			2,158
Total financial assets measured at fair value on a recurring basis	**38,917**	**18,219**	**9,465**	**66,601**
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		230		230
Loans and borrowings		2		2
Derivatives	42	1,782	19	1,843
Total financial liabilities measured at fair value on a recurring basis	**42**	**2,014**	**19**	**2,075**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS AS AT 31 DECEMBER 2020 (€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Recurring fair value measurements				
Investments				
Equities and similar investments	5,200	725	713	6,638
Fixed income investments	31,853	3,237	8,747	43,837
Derivatives	2	9,171		9,173
Other financial investments	686	7,327		8,013
Cash and cash equivalents	2,184			2,184
Total financial assets measured at fair value on a recurring basis	**39,925**	**20,460**	**9,460**	**69,845**
Financial liabilities				
Recurring fair value measurements				
Financial liabilities				
Investment contracts		224		224
Loans and borrowings		2		2
Derivatives	1	2,850	19	2,870
Total financial liabilities measured at fair value on a recurring basis	**1**	**3,076**	**19**	**3,096**

No significant changes in the fair value hierarchy during the first half of 2021

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 market activity. In case of inactive markets, judgement is required on the used valuation techniques in order to determine the fair value. In addition an assessment of the level interpretations of the used (market) data is required. 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. No significant changes were made to the classification of financial assets and financial liabilities in the first half of 2021.

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. 2020.

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

FINANCIAL ASSETS / FINANCIAL LIABILITIES 2021 (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL	DERIVATIVES	LIABILITIES TOTAL
Balance at 1 January	**713**	**8,747**	**9,460**	**19**	**19**
Investments and loans granted	112	406	518		
Divestments and disposals	−133	−447	−580		
Fair value changes included in Income statement	2	−2			
Fair value changes included in Other comprehensive income	49	7	56		
Changes in fair value hierarchy (transfers to level 3)	11		11		
Balance at 30 June	**754**	**8,711**	**9,465**	**19**	**19**

FINANCIAL ASSETS / FINANCIAL LIABILITIES 2020 (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL	DERIVATIVES	LIABILITIES TOTAL
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 in fair value hierarchy (transfers from level 3)	−5		−5		
Changes in fair value hierarchy (transfers to level 3)		6	6		
Balance at 30 June	**697**	**8,476**	**9,173**	**16**	**16**

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 Equities and similar investments and Fixed income investments included in the Income statement are presented as part of Investment income.

Notes to the Condensed Consolidated Interim Financial Statements

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AT 30 JUNE 2021

DESCRIPTION	FAIR VALUE IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	754	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	8,553	Discoun-ted cash flows	Total spread	97 - 349 (bp)	An increase has no direct impact in the Income statement or total equity, but is transferred to the Provision for discounting of insurance liabilities through a direct adjustment in equity
Banking credit portfolio	158	Discoun-ted cash flows	Total spread	80-278 (bp)	An increase of 10 basis points will result in a €0.5 million lower income in the Income statement
Derivatives	19	Black Scholes model	Under-lying value of the shares	N/A	An increase of 10% will result in €3.1 million higher income in the Income statement.

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AT 31 DECEMBER 2020

DESCRIPTION	FAIR VALUE IN MILLIONS	VALUATION TECHNIQUE USED	UN-OBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	713	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Own account	8,576	Discoun-ted cash flow	Total spread	120 - 352 (bp)	An increase has no direct impact in the Income statement or total equity, but is transferred to the Provision for discounting of insurance liabilities through a direct adjustment in equity
Banking credit portfolio	171	Discoun-ted cash flow	Total spread	133 - 258 (bp)	An increase of 10 basis points will result in a €0.5 million lower income in the Income statement
Derivatives	19	Black Scholes model	Under-lying value of the shares	N/A	An increase of 10% will result in €3.0 million higher income in the Income statement.

Equities and similar investments mainly consist of private equity investment portfolio, amounting to €246 million (31 December 2020: €248 million), property funds, amounting to €360 million (31 December 2020: €323 million), and Infrastructure funds, amounting to €113 million (31 December 2020: €109 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 2021				FAIR VALUE AS AT 30 JUNE 2021
		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	11,930		614	11,522	12,136
Other financial investments	1,225		1,335		1,335
Receivables	13,979		14,051		14,051
Liabilities					
Banking customer accounts	7,091		7,273		7,273
Loans and borrowings	5,495	1,492	4,031		5,523
Other liabilities	6,575		6,578		6,578

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2020				FAIR VALUE AS AT 31 DECEMBER 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	12,613		688	12,089	12,777
Other financial investments	1,365		1,505		1,505
Receivables	6,166		6,212		6,212
Liabilities					
Banking customer accounts	6,641		6,824		6,824
Loans and borrowings	6,561	1,491	5,096		6,587
Other liabilities	6,967		6,974		6,974

9. GROSS WRITTEN PREMIUMS

BREAKDOWN GROSS WRITTEN PREMIUMS

(€ MILLION)

	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020
Non-life insurance		
Accident	609	622
Motor liability	536	505
Motor hull	424	427
Transport/aviation liability	37	33
Property	794	772
General liability	209	204
Legal assistance	108	105
Other	8	9
Gross written premiums Non-life	**2,725**	**2,677**
Health		
Basic health insurance	5,579	5,469
Contribution from Health insurance fund	7,048	7,408
Supplementary health insurance	1,211	1,222
Other health insurance	327	286
Gross written premiums Health	**14,165**	**14,385**
Life		
Single premium policies own risk	155	196
Annual premium policies own risk	177	198
Single premium policies where policyholders bear investment risks	25	30
Annual premium policies where policyholders bear investment risks	155	189
Gross written premiums Life	**512**	**613**
Total gross written premiums	**17,402**	**17,675**

The Gross written premiums for Health Insurance also include the contribution from the Health Insurance Equalisation Fund, including the contributions from the catastrophe and solidarity schemes. The size of the contribution from the catastrophe scheme remains uncertain, partly owing to uncertainty about the direct costs resulting from Covid-19. The level of uncertainty is declining, however, as more validated data becomes available. This also applies to the solidarity scheme. Based on the available information and taking into account these uncertainties, Achmea estimated the expected contributions under these schemes and incorporated them into the previous note.

10. INVESTMENT INCOME

(€ MILLION)

	INVESTMENTS -AT FAIR VALUE THROUGH PROFIT OR LOSS[1]		INVESTMENTS - AVAILABLE FOR SALE		INVESTMENTS - LOANS AND RECEIVABLES		TOTAL	
	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020	FIRST HALF YEAR 2021	FIRST HALF YEAR 2020	**FIRST HALF YEAR 2021**	FIRST HALF YEAR 2020
Direct income from investments								
Investments own risk	170	178	228	266	27	32	425	476
Investments for account and risk of policyholders	122	116					122	116
Banking credit portfolio					154	177	154	177
Investment expenses		−1	−7	−7		−1	−7	−9
Direct operating expenses investment property	−9	−11					−9	−11
	283	**282**	**221**	**259**	**181**	**208**	**685**	**749**
Realised and unrealised gains and losses on financial assets and derivatives								
Investments own risk	−1,500	1,247	603	107			−897	1,354
Investments for account and risk of policyholders	377	−368					377	−368
Banking credit portfolio	59	−19			−56	16	3	−3
Impairment losses on investments								
Investments own risk			−4	−60			−4	−60
Foreign currency differences[2]	21	−6	2	−1		−30	23	−37
	−1,043	**854**	**601**	**46**	**−56**	**−14**	**−498**	**886**
Total income from investments	**−760**	**1,136**	**822**	**305**	**125**	**194**	**187**	**1,635**

1 Investments at fair value through profit or loss include investment income from property investments. The realised and unrealised gains and losses on financial assets and derivatives for Investments for own account of €1.5 billion primarily comprise unrealised results on interest rate derivatives.

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 for account and risk of policyholders.

Total income from the investment portfolio amounts to €0.2 billion in the first half of 2021 (2020: €1.6 billion). The decrease in income of €2.3 billion is mainly caused by a decrease in realised and unrealised gains and losses for Investments own risk. The higher interest rates resulted in a loss on interest rate derivatives in 2021 versus a gain in 2020 caused by the lower interest rates. In addition, Investments for own account contains a higher amount of income in 2021 owing to more realised results on bonds and equities sold.

The higher income of €0.7 billion from realised and unrealised gains and losses for Investments for account and risk of policyholders derives mainly from the fact that share prices increased in 2021 compared to declined share prices in 2020.

11. NET EXPENSES FROM INSURANCE CONTRACTS

(€ MILLION)

	FIRST HALF YEAR 2021 GROSS	FIRST HALF YEAR 2021 REINSURANCE	FIRST HALF YEAR 2020 GROSS	FIRST HALF YEAR 2020 REINSURANCE
Non-Life				
Claims paid	1,233	40	1,247	41
Changes in insurance liabilities own risk	224	54	105	44
Claim handling expenses	116		111	
Recoveries	−81		−74	
Changes in insurance liabilities due to granted profit sharing rights	9			
	1,501	**94**	**1,389**	**85**
Health				
Claims paid	6,374	4	6,839	1
Changes in insurance liabilities own risk	647		197	
Claim handling expenses	37		37	
Recoveries	−16		−16	
	7,042	**4**	**7,057**	**1**
Life				
Benefits paid own risk	942	15	953	16
Benefits paid for insurances where policyholders bear investment risks	715		695	
Changes in insurance liabilities own risk	−473	−11	−245	−13
Changes in insurance liabilities where policyholders bear investment risks[1]	−125		−849	
Amortisation interest surplus rebates	1		1	
Surplus interest and profit sharing to policyholders	82		−20	
Changes to Provision for discounting of insurance liabilities due to realised gains and losses on related investments in fixed income securities through Equity	217		79	
Changes to Provision for discounting of insurance liabilities due to (un)realised gains and losses on related investments in fixed income securities and derivatives through Income statement	−1,271		1,203	
Changes to Provision for discounting of insurance liabilities due to granted profit sharing rights and other changes	26		14	
	114	**4**	**1,831**	**3**
Total expenses from insurance contracts	**8,657**	**102**	**10,277**	**89**

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

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

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

12. CONTINGENCIES

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 €824 million (2020: €717 million) in mortgage loans. This liability corresponds with a received guarantee of €237 million (2020: €143 million). The increase is connected with increased demand for mortgage products in the first half of 2021.

With the exception of the information stated above, the Contingencies at 30 June 2021 have not changed significantly compared to 31 December 2020.

13. RELATED PARTY TRANSACTIONS

In the first half of 2021, the nature of related party transactions was similar to related party transactions in 2020. For an overview of transactions with related parties in 2020, please refer to Note 33 Related party transactions in the Achmea B.V. Consolidated Financial Statements for 2020.

14. SUBSEQUENT EVENTS

Completion of acquisition of Poštová poist'ovňa

In December 2020, Achmea announced that it would increase its presence in Slovakia through the acquisition of insurer Poštová poisťovňa. The transaction was carried out by Achmea's subsidiary Union poisťovňa, which as a result has now gained access to the distribution channels of Poštová banka and Slovenska posta. The acquisition of Poštová poisťovňa was approved by the supervisory authorities in Slovakia and completed on 2 July 2021.

Flooding in Limburg

The flooding of July 2021 in Limburg and elsewhere in the Netherlands, due to which a number of our policyholders suffered damage and experienced severe difficulties, has our full attention. It is not possible to estimate the exact scale of the cost of claims and this cost of claims is not included in the results of the first half year of 2021. The initial estimate leads to an amount of around € 50 million and this will be included in the results of the second half year of 2021.

Notes to the Condensed Consolidated Interim Financial Statements

AUTHORISATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Zeist, 11 August 2021

The Executive Board
B.E.M. (Bianca) Tetteroo, Chairman

M.A.N. (Michel) Lamie, Vice-Chairman and CFO

R. (Robert) Otto

L.T. (Lidwien) Suur

H. (Henk) Timmer, CRO

The Supervisory Board
J. (Jan) van den Berg, Chairman

W.H. (Wim) de Weijer, Vice-Chairman

M.R. (Miriam) van Dongen

P.H.M. (Petri) Hofsté

A.M. (Lex) Kloosterman

A.C.W. (Lineke) Sneller

R.Th. (Roel) Wijmenga

Independent Auditor´s Review Report

REVIEW REPORT

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

Our conclusion

We have reviewed the condensed interim financial information included in the half year report of Achmea B.V. based in Zeist for the period from 1 January 2021 to 30 June 2021.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of Achmea B.V. for the period from 1 January 2021 to 30 June 2021, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed interim financial information comprises:

- The consolidated statement of financial position as at 30 June 2021;
- The following statements for the period from 1 January 2021 to 30 June 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity and the condensed consolidated statement of cash flows;
- The notes comprising of a summary of the significant accounting policies and selected explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit" (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed interim financial information section of our report.

We are independent of Achmea B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of management and the Supervisory Board for the condensed interim financial information

Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim financial information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing Achmea's financial reporting process.

Our responsibilities for the review of the condensed interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.

Independent Auditor´s Review Report

Our review included among others:

- Obtaining an understanding of Achmea B.V. and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within Achmea B.V.
- Applying analytical procedures with respect to information included in the condensed interim financial information
- Obtaining assurance evidence that the condensed interim financial information agrees with, or reconciles to, Achmea's underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed interim financial information
- Considering whether the condensed interim financial information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 11 August 2021

Ernst & Young Accountants LLP

signed by W.J. Smit