

Operational result increases to €363 million

Well on the way to realising our strategy 'The Sum of Us'

- Strong growth in result, supported by:
 - Increased operational result and premium growth Non-Life, driven by strong brands, increased number of customers and high customer ratings; combined ratio 95.8%
 - Higher result Pension & Life due to higher investment income and further reduction in operational expenses
 - Higher result Health due to lower expenses for elective care and additional Covid-19-related government contributions from the statutory catastrophe scheme
- New asset management and pension administration mandates; AuM €225 billion
- Further premium growth International; distribution power in Slovakia strengthened with completion of acquisition Poštová poisťovňa
- Robust solvency ratio of 211% and sound liquidity position
- First estimates of water damage in Limburg are up to €50 million and are part of the result for the second half of 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 Group to 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."

ACHMEA INTERIM RESULTS 2021 - 12 AUGUST 2021

A conference call for analysts is scheduled for 2pm CET.

Analysts can dial in using the following number: +31 20 53 15 871

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Group results

KEY FIGURES

	(€ MILLION)		
RESULTS	H1 2021	H1 2020	Δ
Non-Life Netherlands	103	91	13%
Pension & Life Netherlands	170	71	139%
Retirement Services	10	20	-50%
International activities	23	28	-18%
Other activities	-90	-90	0%
Operational result (excluding Health Netherlands)¹	216	120	80%
Health Netherlands	147	7	n.m.*
of which Basic Health Insurance	84	-55	n.m.*
of which Supplementary Health Insurance	63	65	-3%
Operational result (including Health Netherlands)	363	127	186%
Corporate income tax expenses	57	19	200%
Net result	306	108	183%
Gross operating expenses²	1,075	1,042	3%
Non-Life Netherlands	2,384	2,323	3%
Health Netherlands	13,838	14,099	-2%
Pension & Life Netherlands	457	556	-18%
International activities	621	589	5%
Gross written premiums	17,402	17,675	-2%
BALANCE SHEET	30-06-2021	31-12-2020	Δ
Total assets	97,422	93,655	4%
Total equity	10,664	10,599	1%
ASSETS UNDER MANAGEMENT (in € billion)	30-06-2021	31-12-2020	Δ
Achmea Investment Management	201	203	-1%
Syntrus Achmea Real Estate & Finance	37	37	0%
Total Assets under Management**	225	227	-1%
SOLVENCY II	30-06-2021	31-12-2020	Δ
Solvency ratio after dividend ³	211%	208%	3%-pt
RATINGS	30-06-2021	31-12-2020	
S&P (Financial Strength Rating)	A (Stable)	A (Stable)	
Fitch (Insurer Financial Strength)	A+ (Stable)	A+ (Stable)	
EMPLOYEES IN THE NETHERLANDS AND ABROAD⁴	30-06-2021	31-12-2020	Δ
FTEs Netherlands	13,816	13,811	0%
FTEs International	3,193	3,222	-1%
Total FTEs	17,009	17,033	0%

*n.m.: not meaningful

** Total assets under management after eliminations

Group results

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.

Uncertainties in the second half 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.

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.

Group results

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 IN THE NETHERLANDS AND ABROAD

	(€ MILLION)		
	H1 2021	H1 2020	Δ
Non-Life	2,725	2,677	2%
Health	14,165	14,385	-2%
Life	512	613	-16%
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 income⁵ 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.

Group results

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)

	30-06-2021	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 ratio³	211%	208%	3%-pt

Free Capital Generation⁶

In the first half year of 2021 the total Free Capital Generation amounted to €267 million. Capital generation is mainly driven by the net result, developments on the financial markets and the release of capital due to the run-off of the service-book at Pension & Life. The increase of the inflation curve and decrease of the UFR to 3.60% negatively impacted the total Free Capital Generation. The operational results of our health activities are not included in the Free Capital Generation.

Financing

The debt leverage ratio⁷ decreased to 23.8% (year-end 2020: 24.0%) because of an increase in total equity versus an unchanged debt position.

The higher result at the health and pension & life insurance businesses led to an improvement in the fixed-charge coverage ratio to 7.9x⁸ (2020: 5.9x).

On 2 August 2021, Standard & Poor's (S&P) affirmed its 'A' rating and stable outlook for Achmea's Dutch core insurance entities. The stable outlook reflects S&P's expectation that Achmea will maintain its leading position in the Dutch non-life and healthcare markets, with a capital position of at least in the 'A' range and fixed-charge coverage ratio of 4x or higher. The credit rating (ICR⁹) for Achmea B.V. remained unchanged at 'BBB+'. The rating (FSR¹⁰) for Achmea Reinsurance Company N.V. and the rating (ICR) for Achmea Bank N.V. remained unchanged at 'A-'.

Fitch affirmed its rating for Achmea B.V. and its insurance entities on 5 August 2021. This decision was supported by a score of 'Very Strong' with regard to the business profile, capitalisation and leverage. Its ratings are 'A' (IDR¹¹) and 'A+' (IFS¹²) respectively with a stable outlook.

Non-Life Netherlands

- Premium growth through strong online distribution and highly-valued customer services
- Operational result increased to €103 million; combined ratio 95.8%
- Result impacted by Covid-19, storm Darcy and additional provisions for personal injury claims

RESULTS

	H1 2021	H1 2020	Δ
Gross written premiums	2,384	2,323	3%
Operating expenses	452	450	0%
Operational result	103	91	13%

NON-LIFE NETHERLANDS

	H1 2021	H1 2020	Δ
Claims ratio	71.0%	68.3%	2.7%-pt
Expense ratio	24.8%	25.4%	-0.6%-pt
Combined ratio	95.8%	93.7%	2.1%-pt

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and ranks in the top three in income protection insurance. We provide our retail and business customers with products such as mobility, home, liability and travel insurance. In addition, we offer sickness and disability insurance. We assist our customers on a day-to-day basis when they are confronted with damage to their property or cause damage themselves. But also by continuing to pay their salaries when they become ill or disabled. We use a wide range of innovative services and, for example, give our customers insight into the risks to which they are exposed. In doing so, we help our customers to prevent or restrict damage as much as possible. We distribute our products and services directly through our brands Centraal Beheer, FBTO and InShared, which gives us a strong position in the retail market. Interpolis is the brand for Rabobank customers and via Avéro Achmea we have an excellent partnership with brokers. Our focus is on a high level of customer satisfaction, innovative services and digitisation of processes. Customers can communicate with us more often, at any time and in the way that they want.

Gross written premiums

Gross written premiums increased by 3% to €2,384 million in the first six months of 2021 (H1 2020: €2,323 million). This growth was primarily driven by an increase in the number of customers.

Gross written premiums from our property & casualty insurance business increased by 5% to €1,832 million (H1 2020: €1,770 million) based on strong online distribution and highly-valued customer propositions in both the retail and commercial lines.

At €552 million, gross written premiums from the income protection insurance business were more or less the same as in 2020 (H1 2020: €553 million). Underlying we see growth in group

disability insurance and a reduction in disability insurance for the self-employed.

Operating expenses

In the first half of 2021, operating expenses increased slightly to €452 million (H1 2020: €450 million). The expense ratio decreased to 24.8% (H1 2020: 25.4%) due to the increase in written premiums.

Operational result

The operational result of Non-Life over the first six months of 2021 increased to €103 million (H1 2020: €91 million).

On balance, the underwriting result was lower. The combined ratio increased to 95.8% (H1 2020: 93.7%) and remains solid. The investment results were higher because of the positive trends on the financial markets and optimisation of the investment portfolio.

The result on property & casualty decreased to €78 million in the first half of 2021 (H1 2020: €90 million). As a result, the combined ratio for the property & casualty insurance business increased to 96.6% (H1 2020: 92.7%). The result was positively impacted by fewer reported claims caused by a decrease in the number of break-ins and traffic accidents, in part due to lower traffic volumes during the Covid-19 pandemic. On the other hand, we saw a higher cost of claims resulting from snowstorm Darcy. In addition, additional provisions were made in the first half of 2021 for personal injury claims from previous years, partly connected to the continued low market interest rates.

The result on income protection insurance increased to €25 million in the first half of 2021 (H1 2020: €1 million). This higher result derives from improvements in the disability insurance for the self-employed and sickness insurance portfolios. Our ongoing focus on timely recovery is leading to a better result on disability insurance for the self-employed, while

Non-Life Netherlands

premium and portfolio adjustments are driving the improved return in the sickness insurance portfolio. These have resulted in

a sharp improvement in the combined ratio for income protection, which now stands at 91.9% (H1 2020: 98.9%).

Health Netherlands

- Higher result due to lower expenses for elective care and additional Covid-19-related government contributions from the statutory catastrophe scheme
- Further reduction in operational costs because of ongoing focus on efficient business operations
- Increase in non-Covid-19 healthcare but not yet back at pre-Covid-19 levels

RESULTS

	H1 2021	H1 2020	Δ
Gross written premiums	13,838	14,099	-2%
Operating expenses	241	245	-2%
Operational result	147	7	n.m.*
Result current year	172	4	n.m.*
Result prior years ¹³	-25	3	n.m.*

BASIC HEALTH

	H1 2021	H1 2020	Δ
Claims ratio	97.3%	98.7%	-1.4%-pt
Expense ratio	1.9%	1.9%	0%-pt
Combined ratio	99.2%	100.6%	-1.4%-pt

SUPPLEMENTARY HEALTH

	H1 2021	H1 2020	Δ
Claims ratio	80.8%	78.1%	2.7%-pt
Expense ratio	10.4%	10.9%	-0.5%-pt
Combined ratio	91.2%	89.0%	-2.2% pt

*n.m.: not meaningful

GENERAL INFORMATION

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

Under the Dutch healthcare system, basic health insurance is mandatory for all on the basis of the solidarity principle and insurers have a duty to accept all applicants. The government determines the substance of this basic health insurance. In addition, supplementary insurance is offered. Participation in this is voluntary, and there is no duty to accept applicants. To ensure that healthcare remains affordable in the future, Achmea focuses on preventing illness and promoting a healthy lifestyle. Zilveren Kruis and Achmea's other health insurance brands aim to bring good health closer to everyone. Our ambition is to be able to provide healthcare online and at customers' homes ('Zorg Veilig Thuis'). This will reduce the impact of treatments, improve the quality of life and helps keep premiums affordable. Initiatives such as 'Gezond Ondernemen' (Healthy Enterprise) and the Actify lifestyle platform enable us to help our customers to work and live more healthily. Organising solidarity between customers and uniting various interests in healthcare are objectives aligned with Achmea's cooperative identity. This is one way we give substance to our role in society.

Our portfolio contains 4.8 million policyholders, making Achmea market leader with a market share of 28%.

Covid-19

The Covid-19 pandemic continues to have an large impact on healthcare and society as a whole.

The third wave of Covid-19 infections led to a reduction in elective care in many areas in the first half of 2021. On top of the care not provided in 2020, this is expected to lead to catch-up care, some of which will be provided later in 2021. On the other hand, it will not be possible to catch up on all of the care that was not provided. Despite recent increases in the number of new cases, 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. Although the government vaccination campaign is now well on the way and a large portion of the population in the Netherlands has already received at least one vaccination, there remains significant uncertainty about how long the impact of the Covid-19 pandemic will last.

Based on the statutory catastrophe scheme, higher Covid-19-related costs incurred by healthcare insurers in the Netherlands are largely compensated by additional contributions from the

Health Netherlands

Health Insurance Equalisation Fund. It became clear by the end of 2020 that Covid-19-related expenses were well above the own risk threshold. As a result, health insurers receive compensation for the Covid-19 expenses incurred above this threshold up to a certain maximum. The catastrophe scheme applies to Covid-19 expenses incurred in two years (2020 and 2021) combined. Based on this legislation, the contribution is to be distributed over the 2020 and 2021 underwriting years in proportion to the claims submitted.

With the approval of the Netherlands Authority for Consumers & Markets (ACM), health insurers have also agreed to jointly absorb the consequences of Covid-19, and to share the expenses for the 2020 underwriting year resulting from Covid-19 and the compensation from the catastrophe scheme based on their market share. For the 2021 underwriting year, health insurers have again agreed a solidarity scheme that has been presented to the ACM for approval.

Gross written premiums

Gross written premiums from basic and supplementary health insurance were €13,838 million and therefore lower than last year (H1 2020: €14,099 million). Gross written premiums from basic health insurance amounted to €12,627 million (H1 2020: €12,877 million). Premiums decreased by about 2% because of a drop in the number of policyholders and a lower contribution per policyholder from the Health Insurance Equalisation Fund. These effects were partly offset by higher average premiums per customer and by the additional contributions from the catastrophe scheme and solidarity scheme in relation to the Covid-19 pandemic.

Gross written premiums from supplementary health insurance declined slightly to €1,211 million (H1 2020: €1,222 million). This is due to a reduction in the number of supplementary health insurance policyholders compared to last year.

Operating expenses

The total operating expenses of our health activities decreased to €241 million (H1 2020: €245 million). This is due to a more efficient organisation and a temporary effect of the Covid-19 pandemic. As a result there is less work, which in turn leads to fewer FTEs being required and to lower personnel expenses.

Operational result

The operational result from our health business amounted to €147 million in the first half of 2021 (H1 2020: €7 million). The result on basic and supplementary health insurance was positive, the result from other activities, including the healthcare offices and services, was zero.

Basic health

The operational result from our basic health insurance amounted to €84 million over the first half of 2021 (H1 2020: €55 million negative). The operational result in the current underwriting year was €102 million (H1 2020: €54 million negative).

The higher result is due to lower than expected medical expenses, an improvement in payment behaviour and a higher expected equalisation contribution including the expected contribution from the catastrophe scheme.

The result from previous years was €18 million negative (H1 2020: €1 million negative).

In line with the overall trend in results, the combined ratio of basic health insurance improved to 99.2% (H1 2020: 100.6%) versus the first half of 2020.

Supplementary health insurance

Supplementary health insurance policies account for €63 million of the operational result from the health business (H1 2020: €65 million); €70 million of the result derives from the current underwriting year (H1 2020: €61 million). There was also a negative result from previous underwriting years of €7 million (H1 2020: €4 million). The decline in the result is due to higher medical expenses for previous underwriting years.

The percentage of basic health insurance policyholders with supplementary coverage remained about the same at 74% (H1 2020: 75%).

The combined ratio of supplementary health insurance policies stands at 91.2% in the first half of 2021 (H1 2020: 89.0%).

Other (healthcare offices and services)

The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies, particularly Eurocross, aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. Moreover, over the past six months Eurocross again actively supported public health services in source and contact tracing for Covid-19. Although the healthcare offices experienced an almost total drop in turnover due to the Covid-19 pandemic, an improvement in the operational result was achieved. The operational result for Other was zero in the first half of 2021 (H1 2020: €3 million negative). This was mainly to the result of cost savings.

Pension & Life Netherlands

- Higher result driven mainly by higher investment income due to development financial markets
- Further reduction in operating expenses due to cost-cutting initiatives and IT investments
- Trends in portfolio in line with our service-book strategy

RESULTS

	H1 2021	H1 2020	Δ
Gross written premiums	457	556	-18%
Operating expenses	70	77	-9%
Operational result	170	71	139%

GENERAL INFORMATION

Pension & Life manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. In addition, the organisation manages a service-book portfolio containing group pension contracts and traditional savings and life insurance products. The service organisation's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction. The total technical provisions are evolving in line with the natural development of the portfolio, but at the same time are affected by market trends and short-term volatility. The technical provisions decreased by 5% to €44 billion in the first half of 2021.

Gross written premiums

Total gross written premiums decreased by 18% to €457 million in the first six months of 2021 (H1 2020: €556 million). Of this amount, €332 million came from the service-book and €125 million from the open-book.

Total written premiums on our service-book pension portfolio amounted to €45 million in the first half of 2021 (H1 2020: €103 million). Written premiums on our service-book life insurance portfolio totalled €287 million (H1 2020: €310 million). In line with our strategy, no new insurance contracts are being sold in these portfolios. The decline in the premium income is the result of natural portfolio development.

The open-book portfolio saw a slight increase in written premiums from term life insurance policies to €32 million

(H1 2020: €30 million). The result from individual annuities and pensions amounted to €93 million in the first half of 2021 (H1 2020: €113 million).

Operating expenses

Operating expenses decreased by €7 million to €70 million in the first half of 2021. Expenses are moving in line with our ambitions, with cost-cutting initiatives, including successful rationalisation programmes and IT investments, contributing to this cost reduction.

Operational result

The operational result increased to €170 million in the first six months of 2021 (H1 2020: €71 million). This was primarily driven by the higher investment results of €89 million generated by the developments on the financial markets. In addition, the value of the property portfolio increased thanks to the ongoing growth in real estate prices.

The technical result increased by €4 million in the first half of 2021 compared to the same period last year. This is caused by lower average claims in the term life insurance portfolio. The technical result was negatively affected by lower risk premiums due to the run-off in the (active) portfolio. In the first half of 2021, this was fully compensated by the higher release of provisions and lower claims.

The Covid-19 outbreak in the first six months of 2021 had a minor positive effect on the mortality rate.

Retirement Services Netherlands

- New asset management mandates and pension administration activities
- Assets under management stable at €225 billion, growth in total income
- Acceleration in IT investments aimed at further efficiency and innovation

RESULTS

(€ MILLION)

RETIREMENT SERVICES	H1 2021	H1 2020	Δ
Total Income	196	191	3%
Of which: administration and management fees pension administration	123	114	8%
Operating expenses ¹⁴	186	171	9%
Operational result ¹⁵	10	20	-50%

ACHMEA BANK	H1 2021	H1 2020	Δ
Net interest margin	69	79	-13%
Fair value result ¹⁶	4	-2	n.m.*
Operating expenses	53	54	-2%
Changes to loan loss provisions	-3	0	n.m.*

	30-06-2021	31-12-2020	Δ
Common Equity Tier 1 ratio	21.4%	20.4%	1.0%-pt

(€ BILLION)

ASSETS UNDER MANAGEMENT ¹⁷	30-06-2021	31-12-2020	Δ
Achmea Investment Management	201	203	-2
Syntrus Achmea Real Estate & Finance	37	37	0
Total Assets under Management**	225	227	-2

*n.m.: not meaningful

** Total assets under management after eliminations

GENERAL INFORMATION

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

Operational result

The operational result of Retirement Services totalled €10 million in the first six months of 2021 (H1 2020: €20 million). This decrease was caused by a lower interest result at Achmea Bank and higher expenses and investments at Achmea Investment Management and SAREF.

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

Achmea Bank

Achmea Bank's result decreased by €5 million to €22 million (H1 2020: €27 million). A lower interest result was partly offset by an increase in the fair value result and lower loan loss provisions thanks to the positive development of house prices and the low credit risk profile of its portfolio. In addition, while mortgage conversions due to the continued low interest rates are providing one-off extra income, on balance they are causing outflow from the portfolio. The drop in the interest result can be explained by trends on the mortgage market that are leading to lower production volumes for new mortgages for the durations that

Retirement Services Netherlands

Achmea Bank targets. The centralisation of the mortgage activities at SAREF means that €5 million in income for the ‘mortgages under management’ are no longer included under Achmea Bank.

As of 30 June 2021, the Common Equity Tier 1 ratio stood at 21.4% (31 December 2020: 20.4%). The increase in this ratio is caused by the addition of the result over 2020 and a slight reduction in the size of the portfolio.

Achmea Investment Management

As of the end of June 2021, assets under management (AuM) of Achmea Investment Management totalled €201 billion and were therefore in line with the level as of 31 December 2020 (€203 billion). Higher interest rates in the first six months of the year caused the value of interest rate derivatives in particular to decline. Sound returns on other portions of the AuM and the transfer and implementation of Stichting Pensioenfondsen Openbare Apothekers more or less compensated for this decrease.

The operational result for Achmea Investment Management was €1 million over the first half of 2021 (2020: €5 million). As a result of the expansion of the client portfolio and an increase in services, revenue was €5 million higher than in the first half of 2020. At the same time, the growth in services and the sizeable investments in IT and the data landscape, aimed at strengthening our foundation for e.g. the New Pension Contract and sustainability legislation, led to an increase in expenses of €9 million in the first half of 2021.

With an ICAAP ratio of 188%, the capital position is strong and solid. This solid financial foundation means that Achmea Investment Management can continue to invest to the full, now and in the future, in optimising client services.

Achmea Pension Services

The operational result of Achmea Pension Services was stable in the first half of 2021 and stands at €12 million negative (H1 2020: €13 million negative). Compared to the same period last year, revenue increased by €3 million. This is partly offset by higher expenses of €2 million, most of which relate to the business

transformation investment programme initiated in 2020 in order to further improve efficiency and services. From 2022, Achmea Pension Services expects further revenue growth thanks to the implementation as of 1 January 2022 of the Ahold Delhaize Pensioen (ADP) company pension fund, the Huisartsen (SPH) occupational pension fund and volume growth at the Centraal Beheer APF.

Syntrus Achmea Real Estate & Finance

In the first half of 2021, assets under management in real estate and mortgages remained stable at €37 billion (year-end 2020: €37 billion), despite the recent sale of the “Zakelijke Hypotheekfondsen” (€1 billion in AuM). Existing mandates have been expanded and new mandates created. Total revenue increased to €63 million (H1 2020: €44 million), partly as a result of the integration of the mortgage activities within Achmea and the expansion of services to investors via a separate account for mortgages. These mortgages are sold on the market under the Centraal Beheer brand via the CB Leefhypotheek. Mortgage production stood at €2,057 million in the first half of 2021 (H1 2020: €2,101 million).

The property investments are growing in size in accordance with expectations. The residential property investments again earned a higher return in 2020 than the MSCI benchmark.

The operational result over the first half year was €1 million negative (H1 2020: €1 million), mainly because of one-off (project) expenses for the new mortgage platform and a drop in revenue from property acquisition. With an ICAAP ratio of 131%, the capital position is strong and solid enough to allow SAREF to continue its investment and growth and to evolve into a leading asset manager specialising in real estate and mortgages.

Two of SAREF’s property funds were awarded the highest international GRESB (Global Real Estate Sustainability Benchmark) rating. The Achmea Dutch Residential Fund (ADRF) and Achmea Dutch Retail Property Fund (ADRPf) received their 5-star ratings for their performance on sustainability. Seven other funds and portfolios managed at Syntrus Achmea were awarded four stars.

International activities

- Further premium growth at International supported by growth in all countries
- Distribution power in Slovakia strengthened with completion of acquisition of Poštová poisťovňa
- Result affected by exchange rate movements in Turkey and natural disasters in Australia

RESULTS

	H1 2021	H1 2020	Δ
Gross written premiums	621	589	5%
Operating expenses	120	120	0%
Operational result	23	28	-18%

GROSS WRITTEN PREMIUMS PER COUNTRY

	H1 2021	H1 2020	Δ
Slovakia	289	248	17%
Greece	181	177	2%
Turkey	112	135	-18%
Australia	40	29	38%

GENERAL INFORMATION

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

The acquisition of Slovakian insurer Poštová poisťovňa was completed on 2 July. This will strengthen Union's distribution power and scale via the online channel, banking distribution and a national network of 1,500 post offices. It is therefore well aligned with Achmea's international growth strategy.

Gross written premiums

Gross written premiums increased by 5% to €621 million (H1 2020: €589 million). Adjusted for exchange rate effects, the increase amounts to 11%.

In Slovakia, written premiums at the Health business increased by 19%, while the other portfolios remained stable despite a reduction in the travel portfolio caused by the travel restrictions relating to Covid-19.

In Greece, Interamerican noted growth of 2%. Interamerican's direct online channel, Anytime, was an important driver behind this growth in both Greece and Cyprus. Within the Health business, Interamerican noted growth in gross written premiums, partly thanks to the BeWell, a modular healthcare product.

In Turkey, growth in the 'casco' portfolio and inflation were partly responsible for the 8% increase in gross written premiums in local currency to TRY 1,038 million (H1 2020: TRY 963 million). The devaluation of the Turkish lira by more than 30% caused gross written premiums to drop by 18% in euros to €112 million (H1 2020: €135 million).

In Australia, gross written premiums grew in local currency by 29% to AUD 62 million (H1 2020: AUD 48 million) due to its unique 'All-in-One Farm Pack'. This premium growth is supported by partnerships with Rabobank and Angus Australia.

In Canada, the strong growth at Onlia demonstrates that the online business model is gaining ground in the Canadian insurance market particularly at this time. The number of policies has more than doubled, while the brand enjoys a high Net Promoter Score of 53.

Operating expenses

Operating expenses totalled €120 million in the first half of 2021 and, despite the premium growth, were in line with the first six months of 2020 (€120 million).

Operational result

The total operational result of €23 million has decreased versus the first half of 2020 (€28 million), mainly because of more natural disasters in Australia (a €5 million higher impact in H1 2021) and the devaluation of the Turkish lira (€4 million). This is 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.

Other activities

- Higher result at Achmea Reinsurance due to less large claims

RESULTS

(€ MILLION)

	H1 2021	H1 2020	Δ
Total gross income	196	202	-3%
Operating expenses	91	80	14%
Interest and similar expenses	29	37	-22%
Operational result	-90	-90	0%
ACHMEA REINSURANCE			
Gross written premiums	182	182	0%
Operational result	14	-8	n.m.*

*n.m.: not meaningful

GENERAL INFORMATION

Other activities comprises the results of Achmea Reinsurance. Part of the result also relates to the non-allocated costs for activities at holding company level and at the Shared Service Centers.

Operational result

The operational result amounted to €90 million negative and is therefore equal to that of the first half 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 accounted for in this segment. In underlying terms, the operational result of Achmea Reinsurance increased to €14 million, while it had reported a result of €8 million negative in the first half of 2020. Moreover, operating expenses in the segment were €11 million higher in the first half of 2021 than in the same period of 2020.

ACHMEA REINSURANCE COMPANY

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance coverage to the Dutch and foreign insurance entities within Achmea. As such, it serves as the principal centre of excellence. In addition Achmea Reinsurance has a reinsurance portfolio covering global risks from third parties which contributes to profits and brings insurance risk diversification.

Gross written premiums totalled €182 million during the first six months of 2021, in line with the first half of 2020. Achmea Reinsurance's total risk profile remained broadly unchanged.

The operational result increased to €14 million in the first six months of 2021 (H1 2020: €8 million negative). Compared to the first half of 2020, this result was positively influenced by less large claims and higher investment results. The negative result over the first half of 2020 was caused by claims arising from fire damage in the Achmea portfolio and the impact of Covid-19 on the investment results and portfolios for third parties.

Footnotes

GROUP RESULTS

Key figures

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

² Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and plant and equipment and general expenses, including IT expenses and marketing expenses. These are operating expenses excluding paid and due fees, profit sharing and reinsurance commissions, and before the allocation of claims handling expenses and allocated investment costs.

³ The solvency ratios reported here are based on a Partial Internal Model and are after the deduction of (planned) payment of dividends and coupons on hybrid capital.

⁴ The number of FTEs is based on a working week of 34 hours.

Investments

⁵ Investment income (including realised and unrealised gains and losses) for own account and risk are adjusted for fair value results and other investment income directly related to the insurance liabilities.

Free Capital Generation

⁶ This relates to the amount of free capital that is generated. This is the increase in capital above the Solvency Capital Requirement.

Financing

⁷ Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the sum off (total equity + non-banking debt + perpetual subordinated bonds minus goodwill).

⁸ The FCCR is based on the results and financing charges of the last four quarters.

⁹ ICR: Issuer Credit Rating.

¹⁰ FSR: Financial Strength Rating.

¹¹ IDR: Issuer Default Rating.

¹² IFS: Insurer Financial Strength.

HEALTH NETHERLANDS

¹³ Results on prior years refer to earnings from health expenses and/or equalisation from previous book years and allocations to a mutation of loss provisions.

RETIREMENT SERVICES NETHERLANDS

¹⁴ Operating expenses including other expenses.

¹⁵ From 2021 this includes moving annual expenses from Other activities to Retirement Services.

¹⁶ The fair value result is an accounting result that is compensated for in other financial periods, in line with the value development of the underlying derivatives. Derivatives are used to restrict the interest rate risk. This explicitly comprises the result relating to the activities of Achmea Bank.

¹⁷ The Assets under Management (AuM) include a derivatives (overlay) portfolio.