Solvency and Financial Condition Report

2021

achmea

Achmea 2021

Single Group Wide

Solvency and Financial Condition Report

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1. SUMMARY

1.1. INTRODUCTION

Achmea's approach to the Solvency and Financial Condition Report

Achmea Group (hereafter 'Achmea') discloses its solvency position, governance and risk management practices by means of a Single Group-Wide Solvency and Financial Condition Report (SGW-SFCR). The information in the SGW-SFCR consists of the solvency position of Achmea B.V., the supervised insurance and reinsurance entities and all other legal entities belonging to Achmea.

The Quantitative Reporting Templates ('QRTs'), which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2021, are included in the appendix to this SFCR.

All amounts in this report and in the tables are presented in millions of euros, unless stated otherwise. Due to this, rounding differences may occur.

Achmea Partial Internal Model (PIM)

Entities within Achmea and Achmea as group are using either the Standard Formula or a Partial Internal Model[1]. The Dutch Health insurance entities, Union Poist'ovňa A.S. (Slovakia), Eureko Sigorta A.S. (Turkey) and Interamerican Hellenic Life Insurance Company S.A. (Greece) are using the Standard Formula. The other insurance entities and the group are using a Partial Internal Model (PIM). Achmea Bank N.V. uses the standardised approach as laid down in the Capital Requirements Directive and CRR Regulation.

The scope of the Partial Internal Model:
- Non-Life Underwriting Premium and Reserve Risk stemming from the Greek and Dutch Non-Life insurance activities. Achmea Reinsurance Company N.V. does not use an internal model for Non-Life underwriting Premium and Reserve Risk.
- NSLT Health Underwriting Premium and Reserve Risk[2] stemming from the Greek and Dutch Non-Life insurance activities.
- Non-Life Natural Catastrophe Risk stemming from the Greek and Dutch insurance activities (excluding external incoming reinsurance contracts, only business stemming from entities within Achmea B.V.).
- Health Underwriting Risk SLT stemming from the Dutch Non-Life insurance activities.
- Interest Rate Risk, Equity Risk, Property Risk and Spread Risk for the Dutch insurance entities[3] and Achmea B.V. (Group) (stemming from the entities using an internal model for Market Risk, Market Risk stemming from the legal entity Achmea B.V. and Market Risk stemming from the Dutch Health insurance entities is included in the consolidated data).

Other risks and risk types are calculated using the Standard Formula (SF).

1.2. BUSINESS AND PERFORMANCE

The solvency ratio of Achmea Group increased to 214% in 2021 from 208% in 2020. The solvency ratio is based on the approved PIM. Apart from the strong operational result, this was also due to positive market developments, such as higher equity prices, property prices and tighter spreads on mortgages. The higher interest rates led to a decrease in the solvency capital requirement for longevity risk. In addition to the market developments, models changes and portfolio developments also had a positive impact on the Solvency II ratio. These positive developments were partly offset by the reduction in the UFR (Ultimate Forward Rate) as of 1 January 2021, higher inflation forecasts, the share buyback programme and planned dividend and coupon payments.

At Non-Life, the result on property & casualty insurance decreased in 2021. The result was positively impacted by fewer reported claims caused by a decrease in the number of break-ins and traffic accidents, the latter in part due to lower traffic volumes during the Covid-19 pandemic. On the other hand, a higher cost of claims resulting from snowstorm Darcy in early 2021 and from flooding in Limburg has been incurred. Furthermore, additional provisions were being made in 2021 for personal injury claims from previous years, partly due to the continued low market interest rates. The result from income protection insurance increased, despite the

[1] The Standard Formula is the Solvency Capital Requirement calculated by means of the method embedded in the Solvency II legislation and which is available to all insurers across Europe. The partial Internal Model is a methodology which is unique for the insurer which complies with all the principles of Solvency II and which can only be used after explicit endorsement of the supervisor(s).
[2] Health Not Similar to Life Techniques risks are present in sickness and accident insurance (short-term).
[3] For Dutch health entities no Partial Internal Model for Market Risk is used at entity level.

higher number of claims and longer recovery periods caused by Covid 19. The higher result derives from improvements (including premium adjustments) in the disability insurance for the self-employed, sickness and WIA (Disability Act) insurance portfolios.

At Health, the result decreased in 2021. The negative result on basic health insurance was caused by the contribution of capital to limit the increase in premiums for 2022. This was partly compensated by lower-than-expected medical expenses for district nursing, the scaling down in elective care and a higher contribution from the statutory catastrophe scheme. The result on other activities, including the healthcare offices and services, was negative as well. This was offset by a positive result on supplementary health insurance.

Pension & Life manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. In addition, the service organisation manages a service-book portfolio containing group pension contracts and traditional savings and life insurance products. The service organisation has the ambition 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 7% to €44 billion in 2021. The impact of Covid-19 on the Pension & Life business is limited.

Covid-19 and Solvency II
In 2021, on balance, there was no major negative impact of Covid-19 on the result and solvency of Achmea, partly due to the income received from the catastrophe regulation. In the catastrophe scheme, Covid-19-related costs incurred by healthcare insurers in the Netherlands are largely compensated by additional contributions from the Health Insurance Equalisation Fund. This catastrophe scheme expired at the end of 2021. For 2022, the additional contributions under the catastrophe scheme cease to apply. As of 2022, Covid-19 costs will be included in the risk equalisation, like regular medical expenses.

Sustainability and Solvency II
Sustainability ambitions raised Making society more sustainable is also an important component of Achmea's mission. Achmea raised the ambitions in this respect in 2021. These ambitions are climate-neutral business operations by 2030, a climate-neutral investment portfolio by 2040 and climate-neutral insurance portfolio no later than 2050. In the new Collective Labour Agreement Achmea has included that all employees can use a one-off climate budget worth €2,500 net. An extra incentive to make their homes more sustainable. Achmea is also encouraging the customers to live in a more climate-aware manner by offering energy-saving solutions such as green roofs and solar panels. By doing so Achmea is providing valuable services to complement the insurance products. Despite the energy transition, Achmea will continue to experience more extreme weather phenomena in the future, such as the subsequent storms that hit the Netherlands in February 2022 and the floods in Limburg last summer.

The programme is governed by a Programme Board, consisting of workflow leads, operating company managers and two Executive Board members, including the Chief Risk Officer (chairman). The Programme Board reports to the Executive Board.

Achmea has joined the Net Zero Insurance Alliance, to enhance its efforts in cooperation with (international) partners.

The most important consequences and uncertainties following the developments as mentioned in this paragraph for Achmea's solvency position have been included in chapters C, D and E.

1.3. SYSTEM OF GOVERNANCE

Change in AMSB of Achmea

On 13 April 2021, Willem van Duin stepped down as Chairman of the Executive Board of Achmea. Bianca Tetteroo succeeded Willem van Duin as Chairman of the Executive Board of Achmea. Until 13 April 2021, Bianca Tetteroo was active as Vice-Chairman of the Executive Board of Achmea. Michel Lamie took over her role as Vice-Chairman of the Executive Board of Achmea.

The Supervisory Board has appointed Daphne de Kluis as a member of the Executive Board of Achmea effective 12 October 2021. Daphne de Kluis is responsible for the division Pension & Life, Achmea Pension Services, Achmea Investment Management, Syntrus Achmea Real Estate & Finance and Achmea Bank.

On 1 March 2022, Henk Timmer resigned from the Executive Board of Achmea. As of 12 April 2022 Michiel Delfos will be appointed as member of the Executive Board and appointed as Chief Risk Officer following the endorsement of the meeting of shareholders.

On 13 April 2021, Aad Veenman stepped down as Chairman of the Supervisory Board of Achmea. Jan van den Berg succeeded Aad Veenman as Chairman of the Supervisory Board of Achmea. Also on 13 April 2021, Mijntje Lückerath stepped down as a member of the Supervisory Board of Achmea. On 13 April 2021, Tjahny Bercx joined the Supervisory Board of Achmea.

Change in legal structure within the underlying insurance entities

In 2021, the legal structure of Achmea Woninghypotheken B.V. and Achmea Woninghypotheken II B.V. changed. Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. cross participate in each other's participations. In this new structure, Achmea Schadeverzekeringen N.V. has a 5% equity interest in Achmea Woninghypotheken B.V. and Achmea Pensioen- en Levensverzekeringen N.V. has a 25% equity interest in Achmea Woninghypotheken III B.V. As a result of this new structure, APL Beleggingen B.V. is merged with Achmea Pensioen- en Levensverzekeringen N.V. in which the last one is the acquiring entity. The merger was final on 31 December 2021. Furthermore, Non-Life Beleggingen B.V. merged with Achmea Schadeverzekeringen N.V. in which Achmea Schadeverzekeringen N.V. is the acquiring entity. The merge was final on 31 December 2021.

On 17 December 2021 Poštová poisťovňa merged with Union poisťovňa. Poštová poisťovňa was acquired on 2 July 2021 and was a subsidiary of Union poisťovňa since then.

In December 2021, Interamerican Property & Casualty Insurance Company Single member SA acquired the 52% outstanding shares of Money Markets Agents SA. Part of the acquisition is an ear-out-arrangement with the previous shareholders. Due to the acquisition, Money Market Agents SA is treated as a subsidiary rather than as a participation for group purposes.

Change in composition of shareholders

In 2021, Achmea finalised a purchase of ordinary own shares with a value of approximately €131 million. Achmea has bought out two minority shareholders: Fundo de Pensões do Grupo Banco Comercial Português and Stichting Beheer Aandelen Achmea.

In 2021, there were no (other) material changes regarding the objectives or policies relating to the System of Governance over the reporting period. The governance arrangements in place are regularly reviewed to ensure they remain effective.

1.4. RISK PROFILE

Achmea's overall risk profile, including the material risks as identified by the Executive Board, did not show any material changes as compared to 2020. Specific developments are the following;

- As mentioned earlier, the Covid-19 pandemic did not lead to a significant financial impact in 2021. Medium/long term consequences remain uncertain.
- In 2021, Achmea has taken further steps in mapping sustainability & climate change risks and integrating these risks into the risk management system.
- In the second half of 2021, the actual inflation and inflation expectations started to increase; Achmea is monitoring this development and is researching both the possibilities and the necessity to mitigate the negative effect to the risk profile.

The composition of the risk profile and the identified material risk remained relatively unchanged in 2021. There have been no other material changes to the Risk Profile over 2021 compared to 2020. Full details on Achmea's Risk Profile are described in Chapter C. Risk Profile.

1.5. VALUATION FOR SOLVENCY PURPOSES

Achmea values its Solvency II Balance Sheet items on a basis that reflects their economic value. In case the IFRS valuation principles are consistent with Solvency II requirements, Achmea follows IFRS as endorsed by the European Union for valuing assets and liabilities.

On 1 September 2021, DNB issued a Good practice document and Q&A related to the treatment of Mortgage saving products under Solvency II. Based on these documents Achmea reclassified and remeasured the elements related to the mortgage saving insurance contracts accordingly.

The composition of Own Funds under the Solvency II legislation is not the same as equity for IFRS purposes. For the calculation of the group solvency under Solvency II there are valuation differences and restrictions. The table below presents the composition of Eligible Own Funds (EOF) under Solvency II and equity under IFRS.

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

€ MILLION

	2021	2020
Equity Financial statements	10,633	10,559
Solvency II valuation and classification differences	846	951
Not qualifying equity and foreseeable dividends	-1,116	-814
Eligible Own Funds Solvency II	**10,363**	**10,696**

Full details on Achmea's Eligible Own Funds are described in Chapter D. Valuation for solvency purposes.

1.6. CAPITAL MANAGEMENT

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	10,363	10,696	-333
Total Group Solvency Capital Requirement	4,853	5,153	-299
Surplus	5,509	5,543	-34
Ratio (%)	**214%**	**208%**	**6%-pt**

On 9 November 2021, DNB issued a Q&A in which they indicated that individual disability insurance (AOV) products qualify as long-term contracts under Solvency II. At the end of 2021, Achmea still designated these products as short-term contracts. DNB will include the Q&A in its supervision from 1 July 2023. A provisional first estimate of the effect of the changed treatment of AOV products would lead to a limited decrease of the solvency ratio. The EOF Solvency II would increase by approximately €101 million to €10,464 million and the Solvency Capital Requirement by approximately €77 million to €4,930 million. This would reduce the solvency ratio of Achmea by 1%-pt if implemented directly.

1.6.1. ELIGIBLE OWN FUNDS

ELIGIBLE OWN FUNDS

€ MILLION

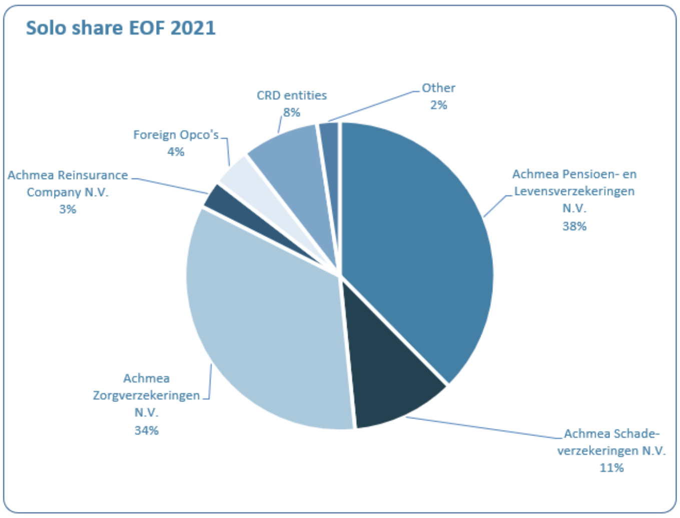
	2021	2020	Δ
Tier 1	8,230	8,444	-214
Tier 2	1,578	1,699	-121
Tier 3	554	552	2
Total Eligible Own Funds	**10,363**	**10,696**	**-333**

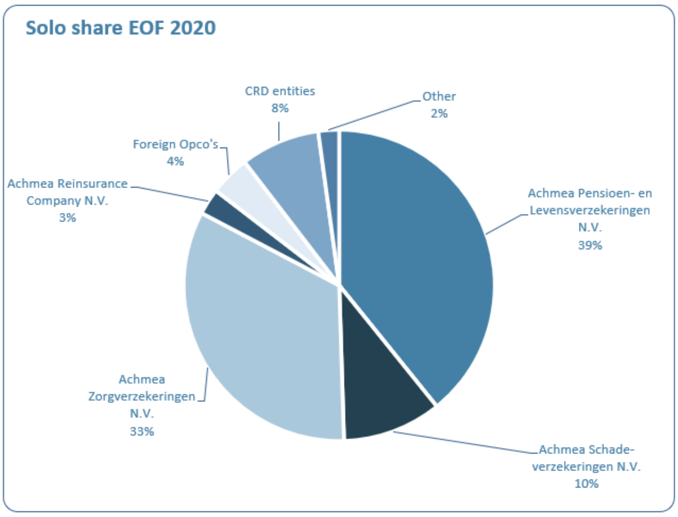
The Tier 1 capital had a net decrease in 2021. The adjustment of inflation, expense assumptions, the purchase of own shares and a methodological change in the inclusion of Achmea Bank in the Own Funds had a negative impact on the Tier 1 capital. The positive developments on the equity and property markets resulted in an increase of the Tier 1 capital.

The Tier 2 capital decreased because the increased risk-free interest rate resulted in a lower value of the capital components included in the Tier 2 capital.

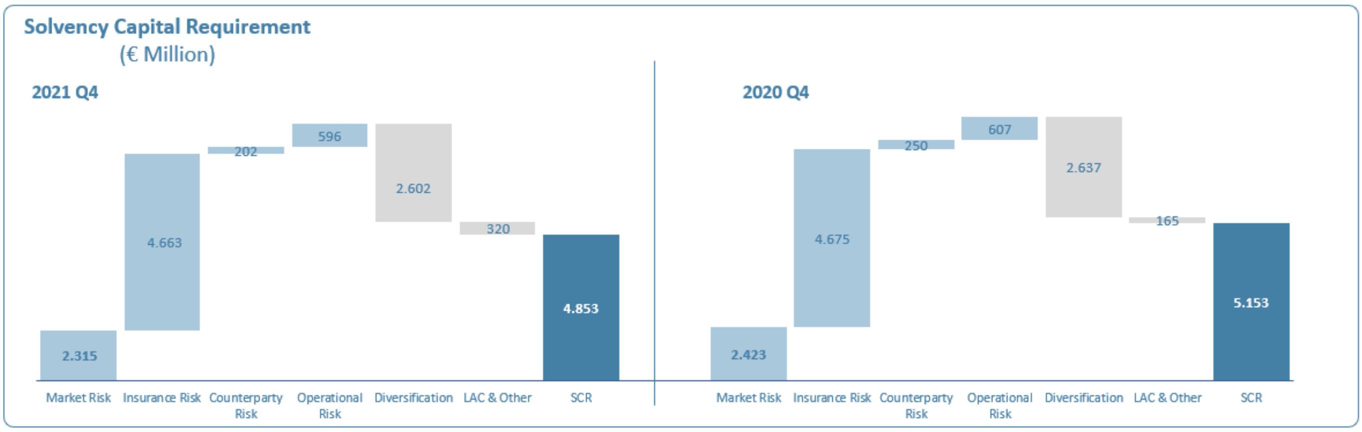
The Tiering is based on the requirement as laid down in the Solvency II legislation for the insurance entities and other entities part of the group and the requirements as laid down in the CRD/CRR-legislation for the CRD/IFD/IFR-entities.

The EOF can be allocated to the various legal entities of Achmea:





1.6.2. SOLVENCY CAPITAL REQUIREMENT



The Total Group Solvency Capital Requirement (SCR) of Achmea is determined based on a consolidated Economic Balance Sheet involving all the legal entities and participations of Achmea.

The SCR for Market Risk decreased by €108 million. The main reason for this is the implementation of the major model change Equity / Property Risk. This model change reflects the risk profile of the equity and property portfolio better. Interest rates increased in 2021 and resulted in a decrease in Interest Rate Risk. Spread Risk net increased in 2021. Volume effects as a result of higher interest rates resulted in an increase of Spread Risk, partly compensated by lower spreads on mortgages. Equity Risk and Property Risk increased due to increased economic values of the exposures (volume and prices).

The capital requirement for Insurance Risk decreased by net €12 million. The higher interest rate resulted in a decrease of the Best Estimate and subsequently a decrease of Life Underwriting Risk as the Best Estimate is the main input in the calculations of this risk. Health Underwriting Risk increased because of increasing premium volumes and an increase in the number of insured persons. Non-Life Underwriting Risk increased due to expected growth within the fire and mobility portfolios. Catastrophe Risk decreased due to increased reinsurance coverage for Canada, Australia, Greece and the Dutch Greenhouses.

The SCR for Counterparty Default Risk decreased by €48 million due to a new classification of the mortgage saving products from commitments depending on the credit standing of the counterparty to derivatives Type 4 and Spread Risk. The new classification is the result of the Q&A and Good practice document related to the treatment of Mortgage saving products under Solvency II, issued by DNB in September 2021.

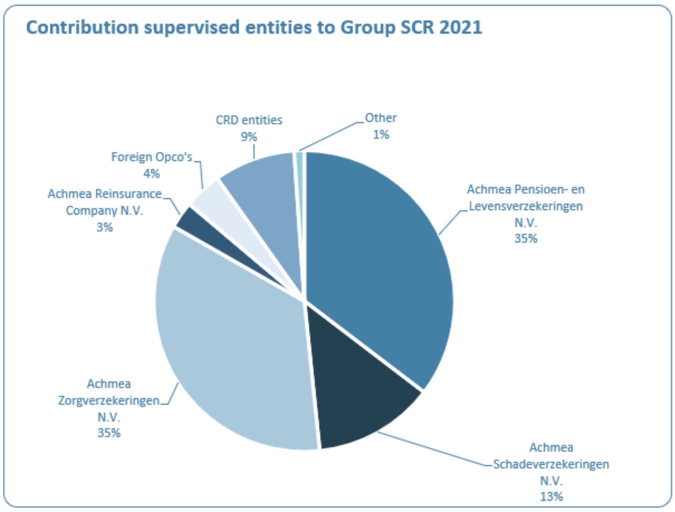
Operational Risk is calculated based on the most onerous scenario of earned premiums or Technical Provisions. Achmea is sensitive to the scenario based on earned premiums. The decrease of €12 million is a consequence of the decreased premium volumes in 2021 compared to 2020 in the Health insurance portfolio and lower premium volumes in the Dutch Life and Pension business due to the closed book portfolio.

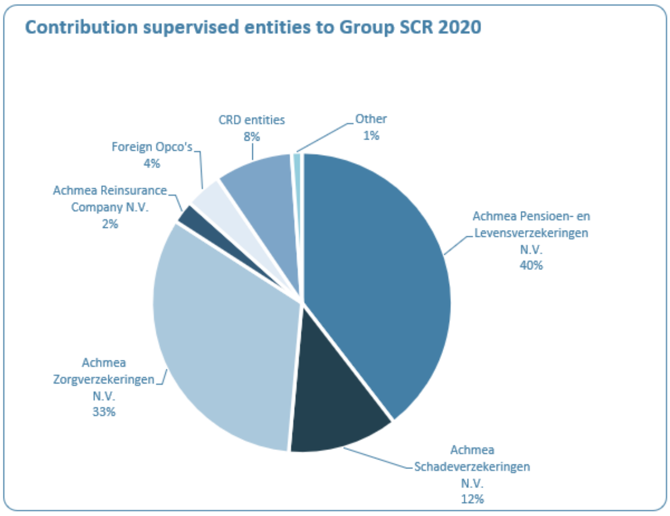
The Loss Absorbing Capacity (LAC) decreased by €52 million due to the LAC Deferred Taxes and LAC Expected Profits for Underwriting Risk and Market Risk.

The impact of the Other capital requirement decreased by €103 million mainly due to the latest Supervisory Review and Evaluation Process (SREP) communication of DNB leading to a lower risk assessment.

Solvency Capital Requirement per major legal entity

Similar to 2020, Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Zorgverzekeringen N.V. contributed the most with respect to the group Solvency Capital Requirements. The relative share of the former decreased due to the impact of the higher relevant risk-free interest rate.





Solvency Position excluding the use of the Volatility Adjustment

Achmea applies the Volatility Adjustment (VA[4]). The VA is not applied by the Dutch Health insurance legal entities, Achmea Reinsurance Company N.V. and Interamerican Assistance General Insurance Company S.A. (based on proportionality reasons). No VA is determined for Turkey by EIOPA based on the exposures in their local markets, the VA is not applied by Eureko Sigorta A.S.

For those entities where the VA is applied and where a Partial Internal Model Risk (PIM) for Market Risk is used, a Dynamic Volatility Adjustment (DVA[5]) is included within the calculation of the capital requirement for Spread Risk. For these entities, Achmea also includes in the Spread Risk module, a capital requirement for government bonds and mortgage loans.

IMPACT OF VOLATILITY ADJUSTMENT ON SOLVENCY RATIO

€ MILLION

	INCLUDING VOLATILITY ADJUSTMENT		EXCLUDING VOLATILITY ADJUSTMENT		IMPACT VA	
	2021	2020	2021	2020	2021	2020
Eligible Own Funds	10,363	10,696	10,269	10,502	94	193
Total Group Solvency Capital Requirement	4,853	5,153	6,149	6,540	-1,295	-1,387
Surplus	5,509	5,543	4,120	3,963	1,389	1,580
Ratio (%)	**214%**	**208%**	**167%**	**161%**	**47%-pt**	**47%-pt**

[4] The Volatility Adjustment is a mechanism to mitigate the exaggeration of bond spreads. The mitigation is done by an adjustment of the relative risk-free interest rate. The Volatility Adjustment reflects the Asset- and Liability management of an insurer. The VA is published by EIOPA and is based on Solvency II legislation.

[5] The Dynamic Volatility Adjustment has the same function as the VA, but is calculated based on a 1:200 year scenario, similar to the principles of all the Solvency Capital Requirements.

The VA is published by EIOPA and endorsed by the European Commission. Ultimo 2021, a VA of 3 bps (2020: 7 bps) has been applied. Compared to 2020, the impact of the VA on the Solvency II ratio of Achmea has remained stable (47%-pt).

Not using the VA has an increasing impact on the value of the Best Estimate of the Insurance obligations. The increase of the insurance liabilities results in an increases of the Deferred Tax Asset (DTA). The overall effect on the EOF is negative. Not using the VA, implies also that Achmea is not able to model the DVA. This results in an increase of the capital requirements for Market Risk and Underwriting Risk. Excluding the VA and DVA would result in changes of the characteristics of the assets and liabilities due to the adjusted discounting curve. As a result, the asset mix is not aligned with the insurance liabilities leading to a disproportionate increase of the capital requirement for Market Risk. Furthermore, the risk profile of the government bonds and mortgage loans are not in line with the capital requirements i.e. the capital requirements are extremely high compared to the actual risks embedded in these exposures. Therefore, Achmea is of the opinion that the resulting capital requirement without VA and DVA is not an appropriate reflection of the risk profile.

1.6.3. MINIMUM CAPITAL REQUIREMENT

MINIMUM CAPITAL REQUIREMENT PIM

€ MILLION

	2021	2020	Δ
SCR Consolidated	4,274	4,471	-197
MCR	2,342	2,447	-105
MCR/SCR (%)	**55%**	**55%**	**0%**

The group MCR is the sum of the solo MCR without taking into account any diversification benefits and the impact of Intra-Group transactions. The MCR at insurer level is subject to a corridor of 25%-45% of the SCR.

The net decrease in MCR is mainly caused by a decrease in the underlying MCR of Achmea Pensioen- en Levensverzekeringen N.V. (€-127 million) and an increase in the underlying MCR of Achmea Schadeverzekeringen N.V. (€23 million).

IMPACT OF VOLATILITY ADJUSTMENT ON THE MCR

€ MILLION

	INCLUDING VA		EXCLUDING VA		IMPACT VA	
	2021	2020	2021	2020	2021	2020
Total Group Solvency Capital Requirement	4,274	4,471	5,569	5,858	1,295	1,387
MCR	2,342	2,447	2,446	2,513	105	66
MCR/Total Group Solvency Capital Requirement (%)	**55%**	**55%**	**44%**	**43%**	**8%**	**5%**

Applying the VA has an impact on the MCR because the value of the Best Estimate is higher when the VA is not applied.

1.6.4. SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

€ MILLION

	2021			2020		
	SOLVENCY CAPITAL REQUIREMENT	ELIGIBLE OWN FUNDS	SOLVENCY II RATIO	SOLVENCY CAPITAL REQUIREMENT	ELIGIBLE OWN FUNDS	SOLVENCY II RATIO
Achmea Pensioen- en Levensverzekeringen N.V.*	2,188	3,946	180%	2,505	4,152	166%
Achmea Schadeverzekeringen N.V. *	805	1,136	141%	752	1,092	145%
N.V. Hagelunie *	50	201	398%	53	204	384%
Achmea Reinsurance Company N.V. *	179	315	176%	156	289	186%
Achmea Zorgverzekeringen NV consolidated	2,158	3,568	165%	2,072	3,515	170%
Achmea Zorgverzekeringen N.V.	792	3,567	450%	783	3,514	449%
Zilveren Kruis Zorgverzekeringen N.V.	1,483	2,039	138%	1,466	2,138	146%
FBTO Zorgverzekeringen N.V.	115	157	136%	86	138	159%
Interpolis Zorgverzekeringen N.V.	73	125	170%	71	125	176%
De Friesland Zorgverzekeraar N.V.	230	297	129%	206	324	157%
Union Poist'ovna A.S.	23	37	162%	17	36	217%
Eureko Sigorta A.S.**	55	70	126%	58	96	166%
Interamerican Hellenic Life Insurance Company S.A.	102	161	158%	104	138	133%
Interamerican Assistance General Insurance Company S.A.	10	17	177%	10	17	170%
Interamerican Property & Casualty Insurance Company S.A.*	60	144	239%	61	152	249%

* Legal entities using a Partial Internal Model

** Based on local capital requirement

At year-end 2021, Achmea and its entities were adequately funded in accordance with statutory requirements.

Achmea has one legal entity, Union Zdravotna Poisťovňa A.S., which is subject to local supervisory prudential requirements and is not subject to the Solvency II legislation. The total capital requirement based at local legislation at 2021 year-end amounted to €17 million (2020: €17 million), the Own Funds were €37 million (2020: €36 million). These amounts are included in the Solvency position of Achmea without the recognition of diversification effects.

Achmea Bank N.V., Achmea Investment Management B.V. and Syntrus Achmea Real Estate & Finance B.V. are subject to requirements of the Capital Requirements Directive (CRD/CRR) and Investments Funds Directive (IFR/IFD). For Achmea Investment Management Achmea applies a required capital of €24 million based on ICAAP assessment in 2021. This required capital is higher than the requirements based on the IFR/IFD Regulation, mainly due to the larger scope of the assets under management taken into account within ICAAP 2021 (including mutual funds).

CRD RATIO ACHMEA BANK N.V.

€ MILLION

	RWA	TCR	CET 1-RATIO	CAPITAL REQUIREMENTS	OWN FUNDS
2021	3,717	20.9%	20.9%	405	779
2020	3,954	20.4%	20.4%	498	808

IFD/IFR/CRD REQUIREMENTS

€ MILLION

ENTITY	CAPITAL REQUIREMENTS		OWN FUNDS	
	2021	2020	2021	2020
Achmea Investment Management B.V.	24.4	18.6	40.9	36.8
Syntrus Achmea Real Estate & Finance B.V.	18.3	21.2	34.6	29.7

1.7. MATERIALITY AND SUBSEQUENT EVENTS

Materiality

Achmea published its Solvency II position of 214% on 10 March 2022. This Solvency position is based on the aggregation of the data of all underlying legal entities and related parties.

Subsequent events

No new information has emerged since the publication of the Solvency position which may result in a material different Solvency position for Achmea as calculated for the reference date of 31 December 2021.

1.8. FORWARD LOOKING STATEMENT

Development next year

Achmea expects the Solvency position at the end of 2022 to be above the internal target limits. The expected Solvency II ratio per year-end 2022 under the assumption of constant financial markets based on year-end 2021 will not change significantly. The outcome will be dependent on developments of the Covid-19 pandemic and economic recovery afterwards and the development of the financial markets.

Inflation

The European economies are recovering with a high growth rate after the Covid-19 pandemic. The world wide support by Central Banks, the high customer demand and international turbulence around Ukraine resulting in high energy prices have however led to significant increases in inflation.

Increased inflation rates can be mitigated by higher premium rates for Non-Life and Health business. However for Life business high inflation will lead to a decrease of available capital, an increase of required capital and therefore a decrease in solvency levels.

Covid-19

The development of Covid-19 and the funding of its costs for health insurers in the Netherlands has a number of uncertainties of which the broad outlines are presented here.

The risk equalisation system will be highly impacted for the coming years. For 2021 and 2022, the Ministry of VWS (Health, Welfare and Sport) has introduced extra ex post compensations which include a scheme to mitigate the difference between the risk equalisation budget and the costs. On a national level, this prevents high deviations, but it is not expected to sufficiently mitigate a skewed impact of Covid-19 between health insurers.

Solidarity arrangements between health insurers are agreed upon to level the costs and proceedings due to Covid-19 in such a way that there is a level playing field between health insurers (both for 2020 and 2021). For all arrangements, a final settlement will take place in the coming years.

The uncertainty in the Covid-19 costs regarding the health care provided, is considered to be relatively small. The remaining uncertainty is in the expected contribution from the catastrophe regulation in the Netherlands. There is more uncertainty in the impact of the solidarity arrangements and the risk mitigation scheme. Health insurers do not have all the information, such as results from other health insurers, to fully calculate the impact.

Geopolitical tensions

Since the end of the calendar year 2021, increased geopolitical tensions have resulted in an invasion of Ukraine by Russia. The international community have reacted in force by imposing sanctions. The developments resulted in increased uncertainties for financial and economic markets and the functioning of companies across the world. No significant investments are held in the exposed region. The sanctions and effects of war will most likely also have effects on inflation, prices of energy and other products which in their turn can have an impact on the economic environment in which Achmea operates. These uncertainties will be monitored as they develop and where necessary will result in appropriate management actions to mitigate the negative effects. At this moment, Achmea does not expect a significant direct negative impact on its Solvency position. However, a sustained and increasing inflation rate could have more adverse effects for Achmea and the underlying legal entities.

Regular UFR change

Per 1 January 2022 the UFR was lowered from 3.60% to 3.45%, which will result in a reduction of the Achmea Group solvency position by 2%-pt. A possible further decrease of the UFR per 1 January 2023 will be dependent on the development of interest rates in 2022.

A. BUSINESS AND PERFORMANCE

A.1. BUSINESS

LEGAL FORM

Achmea B.V. is a private company with limited liability incorporated in the Netherlands and seated in Zeist. The head office is located at Handelsweg 2 in Zeist. The Achmea Group comprises Achmea B.V. and the entities it controls. Achmea is a financial services provider with insurance activities in the field of Non-Life, Health, Income and Life. Furthermore Achmea offers banking services, asset management and pension management services, and other services.

DNB is responsible for the Group prudential supervision of Achmea. Each supervised legal entity has a local prudential supervisor.

AUDIT

The external auditor of the Group Achmea is Ernst & Young Accountants LLP (EY). The information disclosed in this SGW-SFCR is unaudited. The following Quantitative Reporting Templates of Achmea Group are audited:

- S.02.01. Balance Sheet
- S.05.01. Premiums, Claims and Expenses by Line of Business
- S.23.01. Own Funds
- S.25.02. Solvency Capital Requirement SF and PIM

SHAREHOLDERS

SHAREHOLDERS OF ACHMEA B.V. AT 31 DECEMBER 2021

	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PRES)
Vereniging Achmea directly and via Stichting Administratie-Kantoor Achmea [1]	The Netherlands	251,481,012	66.94%	62.94%
Coöperatieve Rabobank U.A.	The Netherlands	116,993,237	31.14%	29.28%
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.55%	0.52%
Gothaer Finanz Holding AG	Germany	2,370,153	0.63%	0.59%
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.74%	0.69%
Total ordinary shares [2]		**375,685,703**	**100.00%**	
Achmea Tussenholding B.V. (preference shares)	The Netherlands	23,904,060		5.98%
Total ordinary shares and preference shares		**399,589,763**		**100.00%**

1. *Including 1 A-share.*
2. *Excluding 35,134,471 units of own shares held by Achmea B.V.*

The General Meeting of Shareholders agreed on a repurchase the own shares from Fundo do Pensões de Grupo Banco Comercial Português and Stichting Beheer Aandelen Achmea with a nominal value of €-131 million.

LEGAL STRUCTURE (SUMMARY)

Achmea B.V.

Achmea Pensioen- en Levensverzekeringen N.V.	Achmea Bank N.V.	Inshared Holding N.V.	Eureko Sigorta A.S.
Achmea Schadeverzekeringen N.V.	Achmea Interne Diensten N.V.	Achmea Investment Management N.V.	Interamerican Hellenic Life Company S.A.
N.V. Hagelunie	Achmea Services N.V.	Achmea Pensioenservices N.V.	Union Poist'ovna A.S.
Achmea Zorgverzekeringen N.V.	Zilveren Kruis Health Services N.V.	Syntrus Achmea Real Estate & Finance B.V.	Union Zdravotna Poist'ovna A.S.
Achmea Reinsurance Company N.V.		Achmea Innovation Fund B.V.	Onlia Holding INC

The above presented organisation structure is a summary and does not present all the entities which are part of the group Achmea.

OUR PURPOSE

’Sustainable Living. Together’ the Achmea way

Achmea was founded more than 210 years ago when a group of farmers banded together to make themselves more resilient in the event of disaster striking. We are still by and for our customers, even today. In response to the needs of modern life, we are evolving from an insurer into a financial service provider.

In keeping with our cooperative identity we strive to create a society in which everyone can participate. We believe that this will ultimately yield greater happiness for the individual and for all of us. Sadly, this so often turns out not to be the case. Too many groups find themselves excluded for all kinds of reasons. We believe change is possible and want to work to achieve this.

Although we literally live together in our densely-populated country, our sense of community seems to be dwindling. There is growing polarisation in the once tolerant Netherlands. This is leading to greater conflict and less social well-being. We want to bring people closer together again. Life is more enjoyable, healthier and safer that way. With this in mind we set out our revised vision in 2021: Sustainable Living. Together.

Social issues in four domains

Our ambition is to create sustainable value for our customers, our employees, our company and society. We do this based on our mission to solve major social issues together. In doing so we focus on four domains:

- Bringing healthcare closer
- Smart mobility
- Carefree living & working
- Income for today and tomorrow

These domains are aligned with our activities and competencies. Within these domains we periodically select a number of tangible social issues for closer scrutiny. Here, we target issues that affect large numbers of people and have a significant impact.

We adopt a visible position on the selected social issues from our four strong brands Interpolis, Zilveren Kruis, Centraal Beheer, and Achmea. Of course we cannot solve every single issue in one go and certainly not alone. We enter into dialogue with our customers and partners and challenge ourselves to come up with solutions. One example of this is our fireworks campaign and the call to submit ideas for new traditions.

Climate, diversity and inclusion

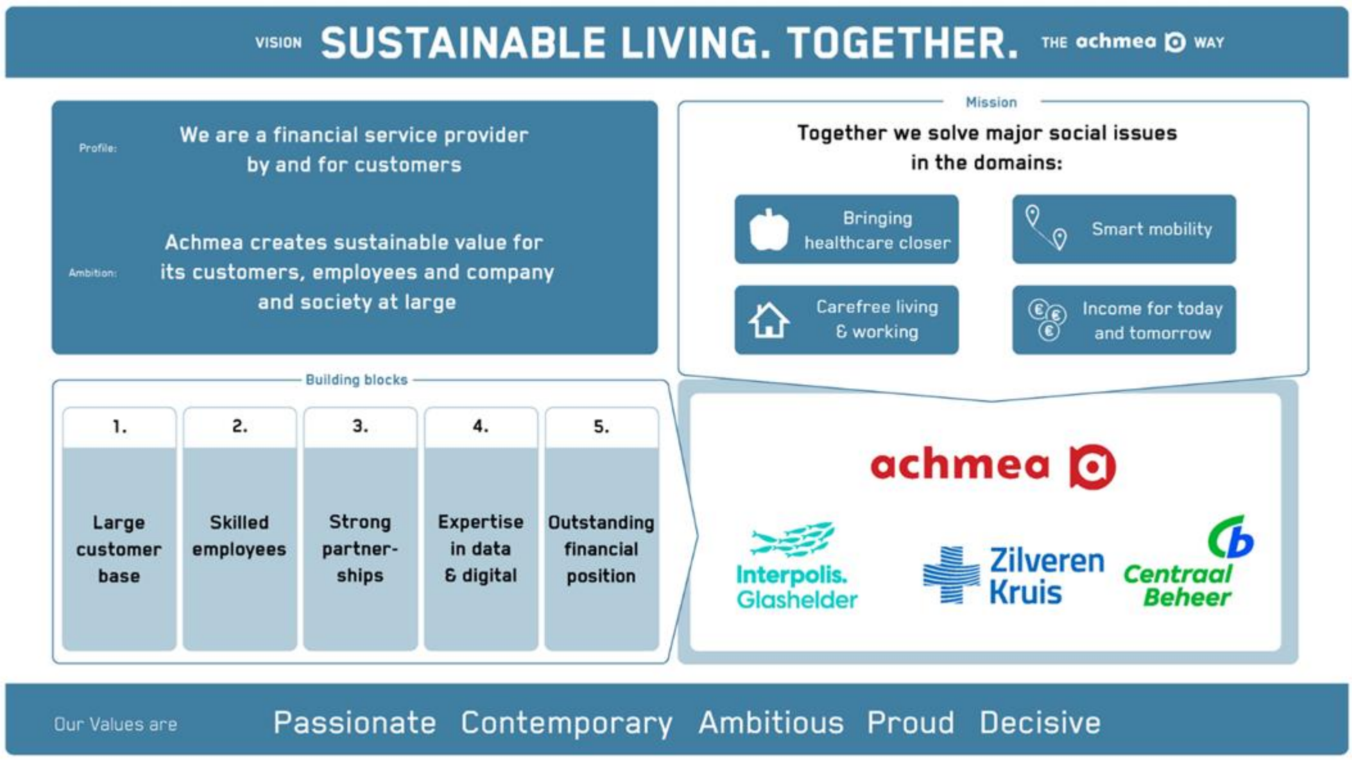
Among other things, sustainable living together according to Achmea means an acceleration on our part on climate, diversity and inclusion. Sustainability and inclusion play important roles in the choices we make.

Climate change is a key sustainability theme containing major social, economic and financial challenges. The effects of climate change are visible all around the world, from bushfires in Australia and California to lengthy periods of drought, extreme precipitation and flooding in Limburg. It is essential to restrict the increase in global temperatures to 1.5 - 2 °C compared to 1990 in order to avoid us facing uncontrollable risks.

Sustainable value creation also means that we assume responsibility in order to contribute to achieving the global climate goals. As an insurer and financial service provider, we contribute to resilience to the risks posed by climate change and want to support the energy transition. We are committed to achieving climate-neutral business operations in 2030, climate-neutral investments in businesses in 2040 and a climate-neutral insurance portfolio no later than 2050. And via our products and services such as solar panels and green roofs we help our customers to become more sustainable.

Everyone is entitled to equal opportunities. As an employer, we want to be an accurate reflection of Dutch society and aim to create an inclusive culture in which we embrace diversity.

The above interpretation of sustainable living together is in line with the expectations our stakeholders have of us. Climate change, responsible investment, sustainable products and services and solidarity & inclusion are all listed as material topics in our survey of stakeholders. These topics therefore play a role in the solutions we seek to social issues in the four domains.



Sustainable Development Goals

By solving social issues in the four domains and via our sustainability programme, we contribute to achieving the United Nation's Sustainable Development Goals (SDGs). These 17 SDGs form the 2030 Agenda for Sustainable Development. We believe it is important to participate in this agenda. In 2018, we selected three focus SDGs: SDG 3 (Good health and well-being), SDG 11

(Sustainable cities and communities) and SDG 13 (Climate action). These SDGs are closely related to the four domains we focus on based on our mission, are close to the core of our company and can encourage innovation and growth.

Our core values

In refining our purpose we have also given our core values a fresh interpretation: Passionate, Contemporary, Ambitious, Proud and Decisive. These values demonstrate how we work as Achmea, how we treat each other, what we want to be and what we challenge each other on. They form the foundations for all our actions.

We are moving from working together to restrict risk to living together to accomplish tangible results for customers and society. By being passionate and contemporary but also decisive. By displaying ambition and being proud of our company.

OUR STRATEGY

The Sum of Us

As part of our revised 'Sustainable Living. Together' vision we have spent the past year finetuning our 'The Sum of Us' strategy. Our strategy ensures that we are there for all our stakeholders: our customers, our employees, our partners and communities. We are joining forces, both internally between the different segments and with external partners. We are investing further in innovation, technology and data so that we can continue to provide an optimum service to our customers. Via our products, services and insights we help our customers to make their homes and businesses more sustainable and to prevent (climate-related) damage or loss wherever possible.

Our strategy aims to make even better use of the economies of scale and synergies generated by Achmea as a whole. As a group we have a shared mission and common ambitions that derive from a streamlined purpose. We are achieving synergy in fields such as IT, digitisation, commercial excellence, sourcing, asset management and ESG policy. We are expanding our core business. In doing so, from the Pension & Life business we aim to accomplish growth in the open portfolio and are releasing capital from the run-off of the service book. At Health, our aim is to serve a structural client base of 5 million policyholders. At Non-Life we anticipate major contributions in the direct channel from Centraal Beheer in the retail customer and SME markets, as well as from FBTO in the retail customer property & casualty market. At Interpolis we are expanding our position in the retail customer and SME markets with Rabobank.

In addition to bolstering our core business, we are investing in growth at Retirement Services and our international activities. The focus at Retirement Services is on autonomous and non-autonomous growth in the institutional market. Outside the Netherlands we are focusing on growth in those countries in which we already operate and profiting from knowledge sharing within the group. At InShared we are exploring new markets, including Germany. And finally, we are taking advantage of strategic options as and when they arise, both in the Netherlands and abroad.

Acceleration

The trends and developments in the world around us demand an acceleration. What sets us apart today will be commonplace tomorrow. New entrants are setting the tone with disruptive innovations and challenging us, as a market incumbent, in a variety of areas. This requires a constant focus on improvements, trends and innovation on our part so that we can continue to lead the way and distinguish ourselves from our competitors through our services to our customers.

To accelerate implementation of our strategy, in 2021 we devised a number of group-wide initiatives. Via these initiatives relating to efficiency, cost savings and growth, we aim to make our company more effective, create more synergy and capitalise more on the economies of scale offered by the group. We will implement these initiatives over the next few years.

In doing so we will structurally increase our operating income and create financial leeway for investing in value creation for all our stakeholders: 'Save to invest to grow'. Leeway to invest further in e.g. technology, customer service and services, in proposition development and innovation. For instance, over the next few years we will take additional steps to consolidate Achmea's position on the market and accomplish our social ambitions in the four domains. This is our way of realising our purpose.

THE FIVE BUILDING BLOCKS OF OUR STRATEGY

Large client base

Achmea occupies a robust position in the market. Our brands and broad product portfolio enable us to reach and retain an extremely large group of customers. We are excellently placed in mobile, online and banking services. We are proud that our customers generally rate our services highly and are loyal. It is precisely because of our size that we are able to achieve synergy and efficiency and create capacity to invest in the ongoing development of products and services. This is how we remain relevant to customers and enables us to attract more customers who deliberately opt for one or more of our brands, buy more products from us and are even more satisfied with our services.

We aim to accomplish this by continuing to work in a strongly customer-driven manner. Our company was not just founded by and for customers, our robust position in the direct sales channel gives us an inside perspective on customers that we can then convert into customer-relevant services. No other financial service provider in the Netherlands has such a unique combination of products and services as Achmea. We can better serve our customers and connect domains by working more closely together within Achmea and with our partners. Using the full breadth of our products, services and distribution strength enables us to develop new combinations of products and services at the interface where income and health, healthcare and living, and financial solutions meet.

Professional employees

The commitment and enthusiasm of all our employees is crucial to accomplishing our strategy. An unlimited focused training and education budget provides our employees with every opportunity for learning, improves employee skills in data and technology and enhances awareness of our cooperative identity. We also offer employees an environment in which they can contribute to solving social issues. By doing so we encourage creativity and innovation that derive from our stated vision. Furthermore, we are developing new working methods in order to facilitate working from home.

We want the professionalism of our employees to shine through and for customers to notice this. Via our revised Achmea values (Passionate, Contemporary, Ambitious, Proud, Decisive) we are committed to further expanding and capitalising on our professionalism. An ideal combination of what we do – professionalism – and how we do it.

Strong relationships with partners

We work together with partners in order to assist customers better and come up with joint solutions for social issues. Achmea believes you can achieve more together than you can alone. Especially with partners that aspire to roughly the same goals and share the same values but have additional competencies. We prefer to accomplish more together than just an acceptable result.

Together with partners we are creating an even broader range of products and services, as well as boosting our future distribution capacity. This will also allow us to play a more significant role on the platforms that customers use. Rabobank is and will remain an important partner for us. Via Interpolis we aim to become even more relevant to Rabobank customers. We are using our partnership even more widely in order to consolidate our joint position in the market.

Through the acquisition of InAdmin RiskCo we aim to set up the digital pension platform of the future in collaboration with PGB. We are working together with Royal Haskoning DHV to make healthcare real estate more sustainable. And via our partnerships with tech companies such as Microsoft we are working to improve our expertise in data & digital. We will continue to collaborate with strong partners to achieve our ambitions outside the Netherlands as well.

Expertise in data & digital

Use of data is crucial to serving our customers properly. We use data to rejuvenate our propositions and services, to offer a relevant personalised digital customer service and to improve our business operations. We plan to make smarter use of new technology and data in order to structure our processes more efficiently. The next few years will be spent upgrading our in-house expertise in data and digitisation. We will do this by applying the same working method throughout our organisation and by fully capitalising on the options presented by our technology platform.

The Microsoft Azure cloud forms the basis for this platform. Cloud technology offers us scalability, new functionalities and flexibility on expenses. On top of this, it enables us to rationalise legacy systems and infrastructure.

As a financial service provider we have a responsibility to treat the data entrusted to us carefully and transparently. We aim to use data in an ethically-sound manner, in the interests of our customers. A good example of innovation based on data and digitisation in the interests of our customers is offering remote medical care via video calls and telemonitoring. These enable us to improve our services and offer our customers greater convenience.

Excellent financial position

We need a sound financial basis in order to accomplish our social ambitions. Our customers, employees, shareholders, regulators and rating agencies expect us to occupy a robust financial position. We seek to further improve our financial results, generate more capital and - backed up by balance sheet optimisation - free up a larger amount of capital. We are accelerating our strategy by formulating group-wide initiatives aimed at doing things smarter, faster and more efficiently. This will create greater capacity for investing in growth and innovation as well as solving those social issues that are aligned with our cooperative identity. All this is summarised in our value creation model (see chapter Our value creation). This will allow Achmea to remain financially robust, flexible and resilient, yet still take into account who we are. All the while applying enough caution to withstand volatility on the financial markets and in our results.

A.2. UNDERWRITING PERFORMANCE

The Non-Life business in the Netherlands consists of the entities:

- Achmea Schadeverzekeringen N.V.
- N.V. Hagelunie

The Health business in the Netherlands consists of the entities:

- Achmea Zorgverzekeringen N.V.
- De Friesland Zorgverzekeraar N.V.
- FBTO Zorgverzekeringen N.V.
- Interpolis Zorgverzekeringen N.V.
- Zilveren Kruis Zorgverzekeringen N.V.

The Life and Pension business in the Netherlands consists of the entity Achmea Pensioen- en Levensverzekeringen N.V.

Our International business consists of the entities:

- Interamerican Assistance General Insurance Company S.A. (Non-Life) – Greece
- Interamerican Property & Casualty Insurance Company S.A (Non-Life) – Greece
- Interamerican Hellenic Life Insurance Company S.A. (Composite) – Greece
- Union Poist'ovňa A.S. (Composite) – Slovakia
- Eureko Sigorta A.S. (Non-Life) – Turkey

We refer to these entities when we mention these businesses.

Achmea Reinsurance Company N.V. is mentioned separately.

Overview of group results

Achmea earned a strong operational result of €585 million in 2021 (2020: €630 million). The result from our health business is lower than last year, primarily owing to the contribution of reserves to limit increases in premiums. The Non-Health result is significantly higher thanks to autonomous growth and a sharp upturn in investment income. Non-Life noted a sound operational result supported by premium growth. The increase in result at Pension & Life was largely driven by the higher investment results. At Retirement Services, the result decreased due to investments in improved customer services, growth and efficiency, while at International the result increased in part due to robust growth in the number of customers, premium growth and an improvement in the result in Slovakia and Greece.

The operational result at Non-Life Netherlands increased marginally to €264 million in 2021 (2020: €260 million). The insurance results are lower because of a higher cost of claims caused by snowstorm Darcy in early 2021 and the flooding in Limburg, as well as additional provisions for personal injury claims from previous years, partly owing to the continued low market interest rates. This was offset to some extent by an improved result at income protection insurance and a decline in the number of break-ins and traffic accidents, in part due to Covid-19. The drop in the expense ratio caused by further digitisation and efficiency improvements also made a positive contribution. The combined ratio increased to 93.9% (2020: 92.9%). The investment results were slightly higher. The investment results were slightly higher. In addition, accounting estimates have an impact on the result, see Note 1 Accounting policies in the consolidated financial statements.

Health Netherlands earned a result of €10 million in 2021 (2020: €235 million). The lower results are mainly caused by the allocation of our reserves to limit the increase in premiums for 2022. This was offset to some extent by the government contribution from the statutory catastrophe scheme in relation to Covid-19, lower health expenses in part due to a scaling down in elective care and a positive result on supplementary health insurance.

The operational result at Pension & Life Netherlands increased to €392 million in 2021 (2020: €253 million). This improvement was mainly driven by an increase in the investment results because of the positive development of financial markets and by lower expenses because of efficiency improvements.

The operational result for Retirement Services decreased to €18 million in 2021 (2020: €22 million). This decrease is due to higher expenses, in part related to investments in data-driven customer services, improvement of the organisation and preparations for market developments, such as the new pension agreement. Assets under Management increased by 9% to €247 billion thanks to the inflow of new customers.

The operational result for the International activities grew by €24 million to €47 million (2020: €23 million). This increase was primarily driven by an improvement in the result in Slovakia, partly due to one-off effects and partly due to lesser impact of Covid-19 compared to 2020. The International activities realised strong premium growth while expenses increased moderately.

The result on Other activities improved by €17 million to €146 million negative. The operational result of Achmea Reinsurance increased to €27 million (2020: €2 million) owing to higher investment results and fewer claims in the Achmea portfolio. Financing expenses were lower as well. The result on our Other activities is negative because a significant portion of the expenses from the holding company and shared service activities, as well as the financing expenses for the bonds issued by Achmea, are shown in this segment.

Net result

The net result amounted to €468 million in 2021 (2020: €642 million). The effective tax expenses were €117 million (19.9%), €129 million higher than in the same period last year (2020: effective tax rate -1.8%). The reversal of a planned reduction of income tax rates in 2020 and the higher taxable results as a consequence of the sound result at the Non-Health activities in 2021 are the main drivers for the higher effective tax rate over 2021 compared to 2020.

Income

Gross written premiums decreased slightly by 1% to €20,026 million in 2021 (2020: €20,175 million). A reduction in premiums at Health, and in the Life service book caused by the run-off of the portfolio, 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 €3,766 million (2020: €3,668 million) thanks to an increase in the number of retail and business customers at property & casualty. Premiums from our international property & casualty and income protection business grew by 8% to €560 million (2020: €518 million), mostly from growth in Australia and Greece.

Premiums within Health Netherlands decreased by 2% overall to €14,025 million (2020: €14,284 million) because of a drop in the number of policyholders in 2021 and a lower contribution per policyholder from the Health Insurance Equalisation Fund. Premiums from our international health business grew by 20% to €664 million (2020: €555 million), primarily due to growth in Slovakia.

Written premiums from pension and life insurance policies decreased by 13% to €938 million (2020: €1,078 million) due to the reduction in premiums at Pension & Life Netherlands. This decrease is in line with our service-book strategy.

At Retirement Services, income increased by 8% to €396 million in 2021 (2020: €368 million), mainly because of higher income from fees related to new customers.

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

	2021	2020	Δ
Non-Life	4,399	4,258	3%
Health	14,689	14,839	-1%
Life	938	1,078	-13%
Gross written premiums	**20,026**	**20,175**	**-1%**

Operating expenses

Gross operating expenses increased by 4% to €2,132 million in 2021 (2020: €2,058 million). Despite the overall improvement in efficiency, this increase was caused by higher personnel expenses deriving from indexations and higher pension contributions.

The total number of employees decreased to 16,824 FTEs (year-end 2020[6]: 17,267 FTEs). In the Netherlands, the number of FTEs decreased to 13,672 (year-end 2020[1]: 14,062 FTEs), mainly in the Health segment. The total number of employees outside the Netherlands decreased to 3,152 FTEs (year-end 2020: 3,205 FTEs).

DEVELOPMENTS IN NON-LIFE INSURANCE IN THE NETHERLANDS (IFRS ACCOUNTING)

RESULTS (€ MILLION)

	2021	2020	Δ
Gross written premiums	3,766	3,668	3%
Operating expenses	909	901	1%
Operational result	**264**	**260**	**2%**

NON-LIFE NETHERLANDS	2021	2020	Δ
Claims ratio	69.3%	67.8%	1.5%-pt
Expense ratio	24.6%	25.1%	-0.5%-pt
Combined ratio	**93.9%**	**92.9%**	**1.0%-pt**

GENERAL INFORMATION

Achmea is the market leader in property & casualty and 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 daily 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. In addition we are fully committed to creating added social value and to digitisation and, for example, giving 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 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. The InShared label was also launched in Germany at the end of 2021. Interpolis is the brand for customers of our important partner Rabobank and via Avéro Achmea we have an excellent partnership with intermediaries. Our focus is on a high level of customer satisfaction, social added value and digitisation of processes. This focus enables us to build on our market leadership, strong brands and wide distribution.

Gross written premiums

Gross written premiums increased by 3% to €3,766 million in 2021 (2020: €3,668 million). This growth was primarily driven by an increase in the number of retail and SME customers at property & casualty.

Gross written premiums from our property & casualty insurance business increased by 4% to €3,136 million (2020: €3,021 million) based on strong online distribution and highly-rated customer propositions in both the retail and commercial lines, as well as growth in N.V. Hagelunie's international portfolio.

Gross written premiums from the income protection insurance business decreased to €630 million in 2021 (2020: €647 million).

Operating expenses

Operating expenses increased marginally to €909 million in 2021 (2020: €901 million). The expense ratio decreased to 24.6% (2020: 25.1%) due to ongoing digitisation, efficiency improvements and increased revenue.

[6] The number of FTEs is based on a working week of 34 hours.

Operational result

The operational result at Non-Life increased to €264 million in 2021 (2020: €260 million). On balance the insurance result is lower. The combined ratio increased to 93.9% (2020: 92.9%) and remains solid. The investment results were slightly higher owing to the positive developments on the financial markets and the optimisation of the investment portfolio.

The result on property & casualty insurance decreased to €210 million in 2021 (2020: €238 million). This led to an increase in the combined ratio for the property & casualty insurance business to 94.4% (2020: 92.2%). The result was positively impacted by fewer reported claims caused by a decrease in the number of break-ins and traffic accidents, the latter in part due to lower traffic volumes during the Covid-19 pandemic. On the other hand, a higher cost of claims resulting from snowstorm Darcy in early 2021 and from flooding in Limburg has been incurred. Furthermore, additional provisions were being made in 2021 for personal injury claims from previous years, partly due to the continued low market interest rates.

The result from income protection insurance increased to €54 million in 2021 (2020: €22 million), despite the higher number of claims and longer recovery periods caused by Covid-19. The higher result derives from improvements (including premium adjustments) in the disability insurance for the self-employed, sickness and WIA (Disability Act) insurance portfolios. Our ongoing focus on timely convalescence is leading to a better result, with the combined ratio for income protection improving to 91.1% (2020: 96.9%).

BREAKDOWN OF NET PROFIT ASNV AND HU

€ MILLION

	2021		2020	
	ASNV	HAGELUNIE	ASNV	HAGELUNIE
Gross written Premiums	3,732	116	3,627	104
Reinsurers' Share	199	55	191	46
Net written Premiums	**3,533**	**61**	**3,437**	**58**
Change in Provision unearned Premiums	19	3	35	7
Net earned Premiums	**3,514**	**58**	**3,402**	**51**
Gross Claims Incurred	2,567	71	2,519	28
Reinsurers' Share	86	28	115	10
Net Claims Incurred	**2,481**	**43**	**2,403**	**18**
Investment Income Technical Account	0	0	0	0
Other Technical Income/ Expenses	7	1	2	0
Profit Sharing and Rebates	9	0	0	0
Operating Expenses	908	16	899	14
Result on Technical Account	**123**	**0**	**101**	**19**
Investment Income Non-Technical Account	118	5	114	3
Other Income and Expenses	-4	0	-4	0
Profit before Tax	237	5	211	21
Taxes	62	2	66	7
Net Profit	175	3	145	15

**For a breakdown of premiums, claims and expenses per major line of business see appendix 3.*

DEVELOPMENTS IN HEALTH INSURANCE IN THE NETHERLANDS (IFRS ACCOUNTING)

RESULTS

€ MILLION

	2021	2020	Δ
Gross written premiums	14,025	14,284	-2%
Operating expenses	469	477	-2%
Operational result	**10**	**235**	**-96%**
Result current year	-47	260	n.m. *
Result prior years[1]	57	-25	n.m. *

BASIC HEALTH	2021	2020	Δ
Claims ratio	99.6%	97.6%	2.0%-pt
Expense ratio	1.8%	1.8%	-
Combined ratio	**101.4%**	**99.4%**	**2.0%-pt**

SUPPLEMENTARY HEALTH	2021	2020	Δ
Claims ratio	79.2%	76.0%	3.2%-pt
Expense ratio	10.0%	10.6%	-0.6%-pt
Combined ratio	**89.2%**	**86.6%**	**2.6%-pt**

**n.m.: not meaningful*

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

GENERAL INFORMATION

Zilveren Kruis, De Friesland, Interpolis, FBTO and Pro Life offer basic and supplementary health insurance. Emergency response centre Eurocross Assistance Company provides healthcare services worldwide. 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 digitaal en thuis'). This will reduce the impact of treatments, improve the quality of life and help keep premiums affordable. Initiatives such as 'Gezond Ondernemen' (Healthy Enterprise) and the Actify lifestyle platform enable us to help our customers live and work healthier and motivate them to a healthy lifestyle.

Organising solidarity between customers and uniting various stakeholders in healthcare are objectives aligned with Achmea's cooperative identity. This is one way we give substance to our role in society.

Achmea is the market leader in health insurance. About 5.1 million people in the Netherlands opted to be insured by one of our health insurance brands in 2022. A substantial increase of about 300,000 policyholders compared to 2021 which translates into an estimated market share of 29% in 2022 (2021: 28%). Our market leadership and continued focus on efficient business operations is reflected in the lowest cost per policyholder in the market.

Covid-19

The Covid-19 pandemic continues to have a large impact on healthcare, health insurers and society as a whole. Although the pandemic is now more under control, in part thanks to the vaccines, it continues to affect elective care. This could mean that catch-up care is required to compensate for care that was not provided. The catch-up care will be limited by the available healthcare capacity. Moreover, it will no longer be possible to catch up on some of the care that was not provided. There remains 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 Insurance Equalisation Fund. As a result, health insurers received compensation for the Covid-19 expenses incurred above the own risk threshold. This catastrophe scheme applies to Covid-19 expenses incurred in 2020 and 2021.

With the approval of the Dutch Authority for Consumers & Markets (ACM), health insurers have also agreed to jointly absorb the consequences of Covid-19 for the 2020 and 2021 underwriting years, and to distribute the expenses resulting from Covid-19 and the compensation from the catastrophe scheme based on their market share and incurred expenses as evenly as possible.

The catastrophe scheme will no longer apply from 1 January 2022. Covid-19-related expenses will then be part of regular medical expenses, with the macro risk being restricted by retrospective correction of total costs.

Gross written premiums

Gross written premiums from basic and supplementary health insurance were €14,025 million and therefore lower than last year (2020: €14,284 million). Gross written premiums from basic health insurance amounted to €12,816 million (2020: €13,064 million). Premiums decreased by about 2% because of a drop in the number of policyholders in 2021 and a lower contribution per policyholder from the Health Insurance Equalisation Fund. These effects were partly compensated by higher average premiums per policyholder and by the additional contributions from the catastrophe scheme in relation to the Covid-19 pandemic.

Gross written premiums from supplementary health insurance declined slightly to €1,209 million (2020: €1,220 million). This is due to a marginal decline in the number of policyholders in 2021.

Operating expenses

The total operating expenses of our health activities decreased to €469 million (2020: €477 million). This decrease is mainly due to a more efficient organisation and a temporary effect from the Covid-19 pandemic, as a result of which there is less work, which in turn leads to fewer FTEs being required and lower personnel expenses.

Operational result

The operational result from our health business amounted to €10 million in 2021 (2020: €235 million). The negative result on basic health insurance was caused by the contribution of capital to limit the increase in premiums for 2022. The result on other activities, including the healthcare offices and services, was negative as well. This was offset by a positive result on supplementary health insurance.

Basic health insurance
The operational result from basic health insurance amounted to €127 million negative over 2021 (2020: €75 million). The operational result in the current underwriting year was €197 million negative (2020: €107 million). The negative result can mainly be explained by the contribution of €392 million from our reserves to limit increases in basic health insurance premiums in 2022 (2020: €136 million). This was partly compensated by lower-than-expected medical expenses for district nursing, the scaling down in elective care and a higher contribution from the statutory catastrophe scheme. The result from prior years amounted to €70 million (2020: €32 million negative) and is primarily owing to the additional contribution from the catastrophe scheme over the 2020 underwriting year.

In line with the results, the combined ratio of basic health insurance increased to 101.4% (2020: 99.4%) versus 2020.

Supplementary health insurance
Supplementary health insurance policies accounted for €140 million of the operational result from the health business (2020: €166 million); €153 million of the result derives from the current underwriting year (2020: €159 million). In addition there was a negative result from previous underwriting years of €13 million (2020: €7 million). Despite the slight decrease, the result remains high given the lower use of elective care in 2021.

Compared to last year, the percentage of basic health insurance policyholders with supplementary coverage declined marginally to about 74% (2020: 75%).

The combined ratio of supplementary health insurance policies increased in 2021 and stood at 89.2% (2020: 86.6%), mainly as a result of higher health expenses compared to last year.

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. Although revenues of the healthcare offices largely disappeared due to the Covid-19 pandemic, an improvement in the operational result was achieved.

The operational result for Other was €3 million negative in 2021 (2020: €6 million negative). This improvement is mainly due to cost savings and the support Eurocross gave public health services in source and contact tracing for Covid-19.

BREAKDOWN OF NET PROFIT HEALTH INSURANCE

€ MILLION

	2021				
	ZILVEREN KRUIS ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ACHMEA ZORGVERZEKERINGEN	FBTO ZORGVERZEKERINGEN	DE FRIESLAND ZORGVERZEKERAAR
Gross written Premiums	10,282	524	1,209	618	1,434
Reinsurers' Share	1	0	0	0	0
Net written Premiums	10,281	524	1,209	618	1,434
Change in Provision Unearned Premiums	188	14	0	1	32
Net earned Premiums	10,092	509	1,209	618	1,401
Gross Claims Incurred	10,022	500	958	596	1,440
Reinsurers' Share	0	0	0	0	0
Net claims Incurred	10,022	500	958	596	1,440
Investment Income Technical Account	0	0	0	0	0
Other Technical Income/ Expenses	0	0	-7	-1	5
Profit Sharing and Rebates	0	0	0	0	0
Operating Expenses	177	13	121	14	28
Result on Technical Account	-108	-3	123	6	-62
Investment Income Non-Technical Account	26	1	-108	0	6
Other Income and Expenses	12	0	0	0	-1
Profit before Tax	-70	-2	15	7	-56
Taxes	0	0	0	0	0
Net Profit	**-70**	**-2**	**15**	**7**	**-56**

BREAKDOWN OF NET PROFIT HEALTH INSURANCE

€ MILLION

	2020				
	ZILVEREN KRUIS ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ACHMEA ZORGVERZEKERINGEN	FBTO ZORGVERZEKERINGEN	DE FRIESLAND ZORGVERZEKERAAR
Gross written Premiums	10,450	513	1,220	618	1,483
Reinsurers' Share	1	0	0	0	0
Net written Premiums	10,449	512	1,220	618	1,483
Change in Provision Unearned Premiums	103	4	0	1	11
Net earned Premiums	10,346	508	1,220	618	1,472
Gross Claims Incurred	10,103	491	928	596	1,440
Reinsurers' Share	1	0	0	0	0
Net claims Incurred	10,103	491	928	596	1,440
Investment Income Technical Account	0	0	0	0	0
Other Technical Income/ Expenses	-32	-1	-9	-1	1
Profit Sharing and Rebates	0	0	0	0	0
Operating Expenses	182	13	129	14	25
Result on Technical Account	29	3	154	6	8
Investment Income Non-Technical Account	25	1	91	0	5
Other Income and Expenses	1	0	-1	0	-3
Profit before Tax	54	4	244	7	10
Taxes	0	0	0	0	0
Net Profit	**54**	**4**	**244**	**7**	**10**

DEVELOPMENTS IN PENSION AND LIFE INSURANCE IN THE NETHERLANDS (IFRS ACCOUNTING)

RESULTS

€ MILLION

	2021	2020	Δ
Gross written premiums	859	1.005	-15%
Operational expenses	144	149	-3%
Operational result	**392**	**253**	**55%**

GENERAL INFORMATION

Pension & Life manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. In addition, the service organisation manages a service-book portfolio containing group pension contracts and traditional savings and life insurance products. The service organisation has the ambition 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 7% to €44 billion in 2021.

Gross written premiums

Total gross written premiums decreased by 15% to €859 million in 2021 (2020: €1,005 million). Of this amount, €235 million came from the open book and €623 million from the service-book.

The open-book portfolio realised an increase in written premiums from term life insurance policies to €66 million (2020: €58 million). Production of individual annuities and pensions amounted to €170 million in 2021 (2020: €205 million).

Written premiums on our service-book pension portfolio totalled €64 million in 2021 (2020: €136 million), while total written premiums on our service-book life insurance portfolio amounted to €559 million (2020: €606 million). In line with our strategy, no new insurance contracts are being sold in these portfolios. The decline in premium income is in accordance with expectations and the result of natural portfolio development.

Operating expenses

Operating expenses decreased by €5 million to €144 million in 2021 (2020: €149 million). Expenses are evolving in line with expectations, with previous IT investments leading to a reduction in expenses. To accomplish this we invested in migration to a smaller number of systems. In addition, further investment in digital customer service has led to an improvement in efficiency.

Operational result

The operational result increased to €392 million in 2021 (2020: €253 million), mostly driven by an investment result that was €140 million higher than the previous year. This was mainly driven by positive developments on the equity and commodity markets and positive revaluations on the property markets.

Covid-19 had a minor impact on the technical result in both 2021 and 2020.

BREAKDOWN OF NET PROFIT ACHMEA PENSIOEN- EN LEVENSVERZEKERINGEN N.V.

€ MILLION

	2021	2020
Gross Written Premiums	864	1,009
Reinsurers' Share	18	21
Net Written Premiums	**845**	**988**
Gross Claims Incurred and Changes in Insurance Liabilities	2,163	1,966
Reinsurers' Share	5	4
Net Claims Incurred and Changes in Insurance Liabilities	**2,158**	**1,962**
Investment Income Technical Account	285	2,896
Other Technical Income/ Expenses	1	0
Profit Sharing and Rebates	-1,040	1,676
Operating Expenses	144	147
Result on Technical Account	**-130**	**100**
Investment Income Non-Technical Account	477	130
Other Income and Expenses	1	4
Profit Before Tax	**347**	**234**
Taxes	27	-59
Net Profit	**320**	**292**

INTERNATIONAL ACTIVITIES

RESULTS

€ MILLION

	2021	2020	Δ
Gross written premiums	1,260	1,104	14%
Operating expenses	248	242	2%
Operational result	**47**	**23**	**104%**

GROSS WRITTEN PREMIUMS PER COUNTRY	2021	2020	Δ
Slovakia	609	487	25%
Greece	367	351	5%
Turkey	236	231	2%
Australia	48	35	39%

GENERAL INFORMATION

Achmea’s international activities focus on non-life and health 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 to other countries. This strategy is executed selectively in specific international markets. In doing so, we focus on growth in existing and new market segments.

As part of this strategy, in 2021 Achmea acquired all outstanding shares in leading price comparison website Insurance Market for the Greek insurance market. The acquisition of Slovakian insurer Poštová poisťovňa was completed in 2021 as well. This will increase Union’s scale as well as boosting its distribution capacity via the online channel, banking distribution and a national network of 1,500 post offices. This makes the acquisition a sound addition in the context of Achmea’s international growth strategy.

Gross written premiums

Gross written premiums increased by 14% to €1,260 million (2020: €1,104 million). Adjusted for exchange rate effects, the increase amounts to 22%.

In Slovakia, written premiums in the health business grew by 25%. The acquisition of Slovakian insurer Poštová poisťovňa’ s portfolio and the resulting boost to distribution capacity via the online and banking channels meant that the property & casualty and life business realised growth of 23%.

In Greece, Interamerican posted growth of 5% on an aggregated level. The direct online start-up of Interamerican in Cyprus grew by 13%. Interamerican realised growth in excess of 7% in its property & casualty business versus 2020, partly because of its leading role in creating a mobility ecosystem, and in doing so has strengthened its position as market leader. Its health business noted 3% growth in gross written premiums, largely thanks to modular healthcare product BeWell.

In Turkey, gross written premiums climbed 2% in euros despite the devaluation of the Turkish lira. The fire insurance portfolio in particular realised robust autonomous growth, partly thanks to actively using the long-term partnership with Garanti BBVA and its network.

In Australia, gross written premiums grew by about 33% in local currency to AUD76 million (2020: AUD57 million) owing to its unique 'All-in-One Farm Pack'. When converted to euros, this translates into a growth rate of 39%. This premium growth was made possible by the partnerships with Rabobank and Angus Australia.

In Canada, Onlia continued to grow via its digital business model.

Operating expenses

Operating expenses amounted to €248 million in 2021, an increase of 2% compared to 2020 (€242 million) and significantly lower than the premium growth of 14%.

Operational result

The total operational result of €47 million is €24 million higher than in 2020 (€23 million). This is mostly due to an improvement in the result in Slovakia, partly due to one-off effects and partly due to lesser impact of Covid-19 compared to 2020. Australia and Greece were hit by natural disasters, leading to a total impact of €19 million on the result in 2021 (€12 million in 2020). Furthermore, additional acquisitions made a positive contribution to the result of €5 million.

DEVELOPMENTS ACHMEA REINSURANCE COMPANY N.V. (IFRS ACCOUNTING)

RESULTS — € MILLION

	2021	2020	Δ
Gross written premiums	312	289	8%
Operational result	**27**	**2**	**n.m.***

* n.m.: not meaningful

GENERAL INFORMATION

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 Group. In addition, Achmea Reinsurance has a reinsurance portfolio covering global risks from third parties.

Gross written premiums

Gross written premiums amounted to €312 million in 2021, an increase compared to 2020 (€289 million). This increase is mainly driven by higher written premiums from Achmea portfolios following further integration of the reinsurance programmes of the International activities in the group reinsurance programme, portfolio growth and rising reinsurance premiums. Achmea Reinsurance's risk profile remained unchanged.

Operational result

The operational result was €27 million in 2021 (2020: €2 million). The result is higher than in 2020, primarily thanks to higher investment results and fewer claims in the Achmea portfolio. The lower 2020 result was due to corporate fire claims in the Achmea portfolio and the impact of Covid-19 on investment results and third party portfolios.

BREAKDOWN OF NET PROFIT ACHMEA REINSURANCE COMPANY N.V. € MILLION

	2021			2020		
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Gross written premiums	254	58	313	232	56	289
Reinsurers' share	153	15	168	140	15	155
Net written premiums	**101**	**43**	**144**	**92**	**42**	**134**
Change in provision unearned premiums	3	0	4	9	1	10
Net earned premiums	**98**	**43**	**141**	**83**	**41**	**124**
Gross claims incurred	135	20	155	111	0	111
Reinsurers' share	60	7	68	57	6	64
Net claims incurred	**74**	**13**	**87**	**54**	**-6**	**47**
Investment income technical account	2	-1	2	-4	-23	-27
Other technical income/ expenses	-1	0	-1	0	0	0
Operating expenses	24	28	52	23	28	51
Result on technical account	**1**	**1**	**2**	**3**	**-3**	**-1**
Investment income non-technical account			23			3
Other income and expenses			1			0
Profit before tax			27			2
Taxes			7			1
Net profit			**20**			**1**

A.3. INVESTMENT PERFORMANCE

In the table below, the direct investment income on the investment portfolio of Achmea is reported. The direct investment income is divided into three parts: received dividends on equity and similar investments, received rent on property and received interest on fixed income securities such as bonds and loans.

INVESTMENT INCOME € MILLION

	2021	2020
Dividends	134	92
Rent	47	57
Interest	1,122	1,233
Bonds	334	440
Mortgages and loans	227	221
Derivatives	295	283
Other	265	289

Compared to 2020, dividend income increased with €42 million. This is mainly caused by two large dividends pay-outs from participations (Achmea Bank N.V.: €56 million and Achmea Investment Management B.V.: €5 million. In 2020, received dividends from participations was €7.6 million (Achmea Investment Management B.V.: €4 million; Staal Beheer N.V.: €3.6 million). Under the EBS group of Solvency II, the above mentioned entities are included as participation because they are either CRD IV/IFD/IFR/IORP covered entities or non-ancillary entities. The first category is not included in the IFRS financial statements as participation but line-by-line. Therefore, the dividend received differs under Solvency II. In the table, Achmea has included the distributions from group companies towards the ultimate parent. Where distributions have been made, similar adjustments have been made in the table where Achmea presents the “gains and losses”. In total, the net impact is zero. The negative effect on the valuation of the participations are presented in the table ‘Gains and Losses’ under Equity investments in the table below.

Dividends received from regular equity investments, mostly quoted on a stock market, declined with €11 million, mainly due to effects caused by Covid-19. Companies are more reserved in paying dividends to shareholders since future profits are becoming more uncertain.

The total amount for direct property investments increased for an amount of €62 million which was primary caused by a positive revaluation amounting to €121 million and a net derecognition of €66 million.

Interest income decreased in 2021. In accordance with the investment plan, a shift has taken place from government bonds to the corporate bonds and mortgages. The received interest on bonds decreased due to derecognition. Received interest on mortgages and loans increased accordingly.

Interest income from derivatives mainly consists of interest received from Interest Rate Swaps. Due to increasing swap interest rates and increasing volume in 2021, interest income from derivatives is higher than in 2020. The decline in other interest income is mainly caused by lower interest income from savings relating to mortgage products.

GAINS AND LOSSES

€ MILLION

	2021	2020
Equity investments	1,233	411
Bonds	-885	724
Loans and Mortgages	-146	97
Other	-1,437	702

From the gains and losses in equity investments €1,023 million is attributed to Achmea Pensioen- en Levensverzekeringen N.V. From this result, an amount of €894 million can be attributed to investment funds that are held for unit linked or index linked contracts. Equity market indices were positively influenced by strong operating results and a continuous broad monetary policy. As bond yields remained low, investors continued to invest on equity markets. Equity prices continued to increase despite the worries and uncertainties surrounding the development of the Covid-19 pandemic.

Negative gains and losses on bonds are primarily caused by increased interest rates in 2021. Risk-free interest rates (10 year German government +39 bps) increased in 2021 due to raised inflation expectations due to central banks' broad monetary policy. Central Banks had the opinion that the increasing inflation rates (HICP December 2021 +5.3% in the European Union) would be temporary, but in the last few months of 2021 preparations were made to increase interest rates and to limit or end the financial support packages. This expected normalisation of monetary policy had an increasing effect on capital market interest rates. In 2020, the gains and losses were positive due to decreased interest rates. From the gains and losses on bonds, an amount of €-717 million can be attributed to bonds held by Achmea Pensioen- en Levensverzekeringen N.V., of which €18 million is generated by bonds held for unit linked or index linked contracts. An amount of €-126 million is held in the portfolio owned by Achmea Schadeverzekeringen N.V.

Gains and losses on loans and mortgages were €-146 million. This is caused within the mortgage portfolios where mortgage rates remained stable in 2021 versus an increasing market interest rate. The gains and losses on loans and mortgages in 2021 are mainly present in entities Achmea Pensioen- en Levensverzekeringen N.V. (€-104 million) and Achmea Woninghypotheken B.V. (€-44 million).

Finally, gains and losses on other investments are €-1,437 million. €-1.432 million is attributed to Achmea Pensioen- en Levensverzekeringen N.V. The result is mainly related to revaluations of Interest Rate Swaps for €-1,210 million and Call options for €-449 million. These were partly compensated by positive revaluations of Property of €114 million and other investments for €50 million.

A.4. PERFORMANCE OF OTHER ACTIVITIES

RETIREMENT SERVICES

RESULTS (€ MILLION)

RETIREMENT SERVICES	2021	2020	Δ
Total income	396	368	8%
Of which: administration and management fees pension administration	251	235	7%
Operating expenses[1]	378	346	9%
Operational result[2]	**18**	**22**	**-18%**

ACHMEA BANK	2021	2020	Δ
Net interest margin	138	142	-3%
Fair value result[3]	4	-8	n.m.*
Operating expenses	101	106	-5%
Change to loan loss provisions	-2	-3	-33%

	31 December 2021	31 December 2020	Δ
Common Equity Tier 1 ratio	20.9%	20.4%	0.5%-pt

(€ BILLION)

ASSETS UNDER MANAGEMENT[4]	31 December 2021	31 December 2020	Δ
Achmea Investment Management	220	203	17
Syntrus Achmea Real Estate & Finance	40	37	3
Total Assets under Management**	**247**	**227**	**20**

* n.m.: not meaningful

** Total Assets under Management after eliminations

1 Operating expenses including other expenses.

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

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

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

GENERAL INFORMATION

Through Retirement Services Achmea provides (financial) solutions for institutional and retail customers for today and tomorrow. We are well positioned for the new pension agreement. We administer pension schemes for pension funds, including the Centraal Beheer General Pension Fund (APF), and support and advise employers on issues relating to retirement services. We provide products for asset accrual and support via strategic and portfolio advice. In addition, Retirement Services manages investments on behalf of Achmea Group, pension funds and the Achmea pension fund as well as institutional investors. Here we opt for sustainable investments that yield a financial and social return. In the retail market we position ourselves as a broad financial service provider that offers a wide range of savings, investment, mortgage and insurance products.

Our ambition is to achieve commercial growth. To this end, we are investing in scalability, flexibility and complexity reduction in the organisation. Furthermore, we are committed to diversification by means of balance sheet transactions with institutional parties and partnerships with external parties with a view to expanding our services and achieving economies of scale.

Achmea Pension Services, Achmea Investment Management, Syntrus Achmea Real Estate & Finance and Achmea Bank all work together to achieve the ambitions of Retirement Services, with Centraal Beheer as the primary brand.

Operational result

The operational result for Retirement Services decreased to €18 million in 2021 (2020: €22 million). This is due to increased investments in data-driven customer services and investments in IT-systems in preparation for market developments, such as the new pension agreement. More expenses have also been allocated to this segment on balance. Assets under management increased to €247 billion (2020: €227 billion). In part as a result of the growth in assets under management, revenue climbed by 8% to €396 million in 2021 (2020: €368 million).

ACHMEA BANK

It was another highly competitive year on the mortgage market, with the low interest rate environment again prompting many people to move or convert their mortgages, with demand for longer fixed-rate periods. Production volume increased to €771 million in 2021 (2020: €703 million), most of which was arranged via the new Achmea Mortgages Investment Platform. In addition we acquired a €500 million mortgage portfolio from a.s.r. at the end of 2021. This transaction forms part of a multi-year strategic partnership. The high number of early repayments caused the mortgage portfolio to decrease on balance to €11.1 billion (2020: €11.6 billion).

Achmea Bank's result grew by €6 million to €41 million (2020: €35 million). The improved result was driven by higher compensation for early redemptions, lower expenses, a higher fair value result and lower loan loss provisions. The lower loan loss provisions are due to the portfolio's low credit risk profile, boosted by the continued positive trends on the housing market.

As of 31 December 2021, the Common Equity Tier 1 ratio stood at 20.9% (31 December 2020: 20.4%).

ACHMEA INVESTMENT MANAGEMENT

Assets under management at Achmea Investment Management increased by €17 billion to €220 billion as of year-end 2021 (year-end 2020: €203 billion). This is primarily thanks to new clients, such as Stichting Pensioenfonds Openbare Apothekers (€2 billion), Ahold Delhaize Pensioen (€6 billion) and ASN Vermogensbeheer (€3 billion), inflow into the CB APF (€3 billion), the inflow of TNT express into Pensioenfonds Vervoer (€1 billion) and positive returns pushing up the value of the portfolios.

The operational result of Achmea Investment Management amounted to €4 million in 2021 (2020: €12 million). This decrease is mainly owing to higher cost allocation with an impact of €8 million. Expenses were also higher due to an increase in the number of employees and investments in the IT and data landscape. As a result of the expansion of the client portfolio and an increase in services, revenue was about €12 million higher than in 2020. The investments in the IT and data landscape aim to strengthen the company's foundations and make it future-proof, including in relation to sustainability legislation and the estimated impact of the new pension agreement.

At an ICAAP ratio of 168%, Achmea Investment Management's capital position is strong.

ACHMEA PENSION SERVICES

The past year has been spent working hard preparing our new pension platform for serving the first DC fund. In the course of 2022, further functionality will be added to make the platform operational and available.

Achmea Pension Services has concluded new contracts with Stichting Pensioenfonds Huisartsen (SPH) and Stichting Pensioenfonds Ahold Delhaize (ADP) to provide services from 1 January 2022. Moreover, Achmea Pension Services is currently in talks with several potential new clients interested in our services. Our clients rate our services highly.

Several more pension funds and employers (including HP) opted to join the Centraal Beheer APF in 2021, further boosting its position in the market.

The operational result at Achmea Pension Services was €28 million negative in 2021 (2020: €26 million negative). Compared to last year, revenue increased by €2 million. Set against this is an increase in expenses of €5 million, €4 million of which relates to the investment programme initiated in 2020.

SYNTRUS ACHMEA REAL ESTATE & FINANCE

In 2021, assets under management in real estate and mortgages grew to €40 billion (year-end 2020: €37 billion), despite the sale of the Zakelijke Hypotheekfonds (€838 million) in the second quarter. Existing mandates have been expanded and new mandates realised. Total revenue increased to €123 million (2020: €101 million), mainly as a result of integration of the mortgage activities within Achmea as of October 2020 and the expansion of services to investors via the Achmea Mortgages Investment Platform. The mortgages provided through this platform are sold under the Centraal Beheer brand. The real estate investments have continued to grow to €12 billion, mostly owing to higher property valuations. The operational result over 2021 was €1 million (2020: €1 million).

The residential and healthcare property portfolios were unaffected by the Covid-19 crisis. Demand for owner-occupied houses and therefore mortgages remained high. Despite the retail portfolio being hit hard by Covid-19, a partial recovery versus 2020 was visible here as well.

At an ICAAP ratio of 134%, the capital position remains strong and solid, allowing us to continue our investment and growth and to evolve into a leading asset manager specialising in real estate and mortgages.

B. SYSTEM OF GOVERNANCE

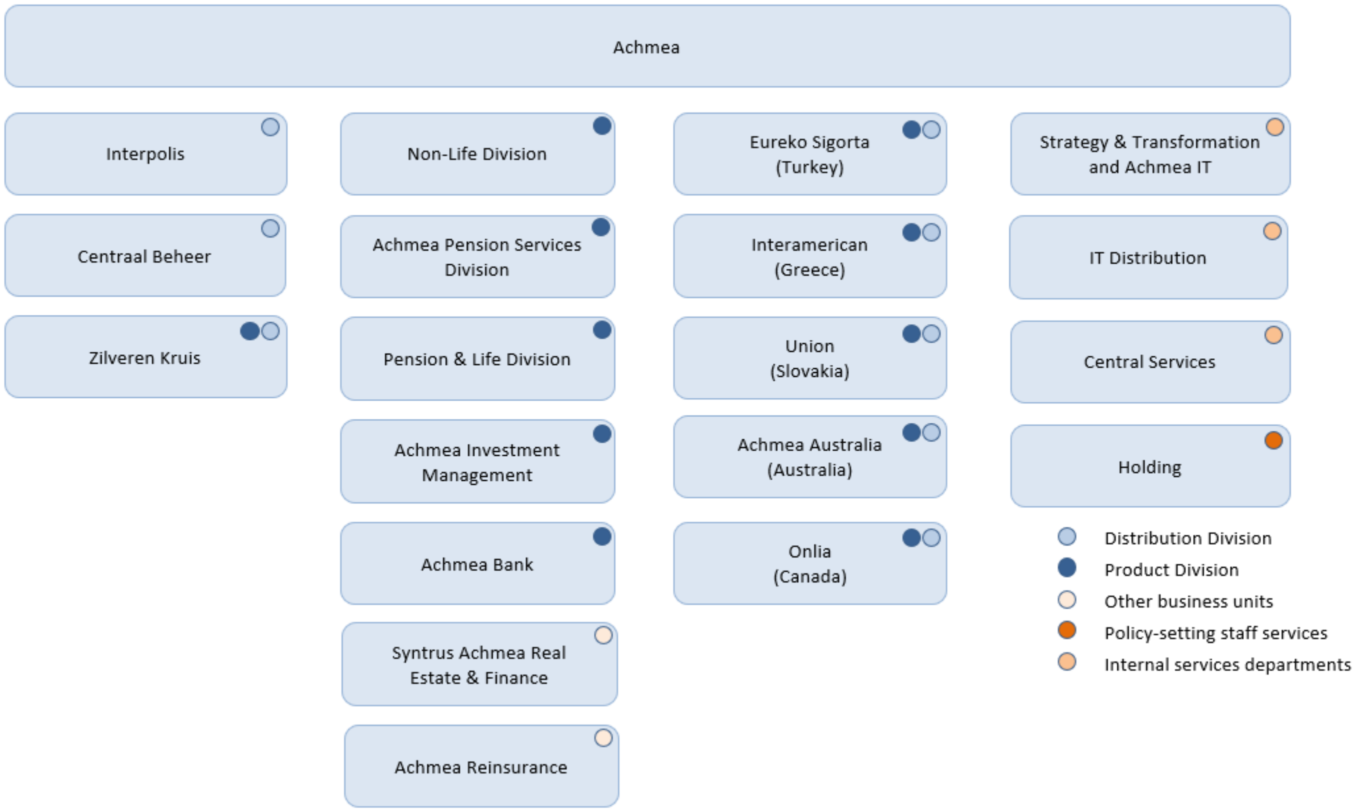
B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Organisational structure

Achmea has an organisational set-up with a divisional structure. This operational organisational model contains distribution divisions, product divisions, shared services centres, policy-making departments and other business units that all report to the Achmea Executive Board.

All activities of the distribution divisions, product divisions, shared services centres, policy-making departments and other business units are carried out at the risk and expense of a legal entity. Critical and important functions/activities are being carried out on the basis of a cooperation agreement or an outsourcing agreement.

The figure below represents Achmea's general organisational model. The figure shows which distribution divisions, product divisions, policy-making departments, shared services centres and other business units are recognised in the organisational model.



Management within Achmea

The Achmea Executive Board is responsible for the group management of Achmea on the basis of the operational model. Given the statutory responsibilities, the Management Boards of the group companies within Achmea are responsible for the legal entities. In the organisational model the members of the Management Boards of the group companies are usually members of the product division boards as well or members of the local supervisory boards.

On 13 April 2021, Willem van Duin resigned as Chair of the Executive Board of Achmea. Bianca Tetteroo succeeded Willem van Duin as Chair of the Executive Board of Achmea. Until 13 April 2021, Bianca Tetteroo was active as Vice-Chair of the Executive Board of Achmea. Michel Lamie took over here role as Vice-Chair of the Executive Board of Achmea.

The Supervisory Board has appointed Daphne de Kluis as a member of the Executive Board of Achmea effective 12 October 2021. Daphne de Kluis is responsible for the division Pension & Life, Achmea Pension Services, Achmea Investment Management, Syntrus Achmea Real Estate & Finance and Achmea Bank.

On 1 March 2022, Henk Timmer stepped down from the Executive Board of Achmea. As of 12 April 2022 Michiel Delfos is appointed as a member of the Executive Board and Chief Risk Officer after endorsement of the meeting of shareholders.

On 13 April 2021, Aad Veenman stepped down as Chair of the Supervisory Board of Achmea. Jan van den Berg succeeded Aad Veenman as Chair of the Supervisory Board of Achmea. Also on 13 April 2021, Mijntje Lückerath stepped down as a member of the Supervisory Board of Achmea. On 13 April 2021, Tjahny Bercx joined the Supervisory Board of Achmea.

If there is a conflict of interests or positions between group companies and business units, the Achmea Executive Board will facilitate a process that should lead to decision-making based on consensus between all the parties involved (including the Achmea Executive Board). If this proves impossible, the Achmea Executive Board has the decisive vote.

At strategic level there are supplementary management bodies, that support decision making by the executive board or the statutory boards of the group companies:

- Group Committee (GC): The objective of the Group Committee is to increase Achmea's group strengths, to supervise the programmes and issues with significant strategic or financial impact that exceed the level of division or group company and to achieve coordinated management;
- Group Risk Committee (GRC): The Group Risk Committee is an executive and advisory committee within the policy framework as set forth by the Achmea Executive Board, consisting of the policy makers of Achmea. The objective of the Group Risk Committee is to manage and advice on the policy frameworks and risk management system including internal control and the identification, review and monitoring of the main risks;
- Asset Liability Committee (ALCO): The Asset Liability Committee is an executive and advisory committee, consisting of the policy makers of Achmea. The ALCO focuses on market risk (including interest rate- and currency hedging), counterparty risk (including collateral management and concentration risk) and liquidity risk. The objective of the Asset Liability Committee is to monitor the aforesaid risks as well as to optimize the capital- and liquidity position and investments of Achmea, within the policy framework as set forth by the Group Risk Committee (GRC) and the Achmea Executive Board;
- Management team Distribution & Innovation (Directieteam Distributie & Innovatie) is a composed team of an Executive board member, the chairman of Centraal Beheer, the chairman of Interpolis, the Commerce director of Zilveren Kruis, the chairman of Achmea Corporate Relations & Partnerships, the financial director of the distribution division, the IT director of the distribution divisions and the manager Martket strategy & Innovation. The objective of this management team is to fully exploit the strengths of several Achmea brands with a joint distribution strategy, to be able to provide services which meet the evolving needs of our customers. Furthermore, this team stimulates the development of new propositions across divisions;
- Management team Finance (DT Financiën): The Management team Finance is the platform of financial policy makers within Achmea. The Management team Finance focuses on the execution of the financial strategy of the Achmea and its group companies as set forth by the Achmea Executive Board;
- Management team Generic Services (DT Generieke Diensten) The objective of the Management team Generic Services is to supervise the business operations and to realize the joint business functions for the various business chains with the group. This teams also focuses on the execution of the strategy regarding the IT-projectportfolio of the Achmea Group with the framework as set by the Achmea Executive Board.

For a more detailed outline of the management within Achmea and the responsibilities under the articles of association, please refer to the Main Outlines of the Organisation and Management of Achmea.

Achmea Remuneration

The members of the Executive Board are directors of Achmea B.V., holding key management positions at Group level.

The remuneration of the Executive Board is related to the content and responsibilities of their respective positions. The various positions are weighted on aspects such as impact and nature of the responsibilities of the position, complexity of the managerial context in which they operate and the necessary knowledge, experience and competencies.

For more detailed information, reference is made to the Annual report of 2021[7].

Transactions with shareholders

In April 2021, a distribution was made from other reserves to holders of ordinary shares in the amount of €150 million (2020: €150 million), and to holders of preference shares in the amount of €20 million (2020: €20 million). Achmea BV received €3 million (2020: €3 million) thereof on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding.

In 2021 Achmea finalised a purchase of ordinary own shares with a value of approximately € 131 million. Achmea has bought out two minority shareholders: Fundo de Pensões do Grupo Banco Comercial Português and Stichting Beheer Aandelen Achmea. This transaction simplifies the shareholder structure of Achmea.

B.2. FIT AND PROPER REQUIREMENTS

Statutes on supervision, such as the Dutch Financial Supervision Act (see ss. 3:8/3:9 and 4:9/4:10) and the Dutch Pension Act, require Supervised Companies to do the following before an appointment may actually be effectuated:

- Intended appointments of day-to-day policymakers, co-policymakers and members of supervisory bodies must be notified to the supervisory authorities the DNB and/or the Autoriteit Financiële Markten ('AFM') (depending on which authority supervises the company).
- The supervisory authorities DNB and/or AFM must ascertain the dependence of the day-to-day policymakers, co-policymakers and members of supervisory bodies.
- The supervisory authorities DNB and/or AFM must ascertain the suitability of day-to-day policymakers, co-policymakers and members of supervisory bodies.
- The supervisory authorities DNB and/or AFM must ascertain the dependence of key officers (those with ultimate responsibility for key functions) and the institution itself must ascertain their suitability.

Achmea complies with the abovementioned requirements by notifying the supervisory authorities and by effectuating appointments after receiving the approval of the supervisory authorities.

Supervised Companies outside the Netherland are required by local law to follow similar rules and regulations regarding fit and proper requirements and procedures before appointing day-to-day policymakers, co-policymakers and members of supervisory bodies. Where applicable, these Supervised Companies comply with these specific local law requirements'.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESMENT

The Achmea risk management system including the Own Risk and Solvency Assessment (ORSA) and the Internal Capital Adequacy Assessment Process (entities subject to CRD-legislation) sets out how the risks at Achmea level and for each main risk are managed. Capital management forms an integral part thereof.

For an adequate risk management system at Achmea, there needs to be understanding and clarity of the key principles for risk management in the organisation, with these principles being followed uniformly and completely. The Achmea risk strategy sets out the main principles:

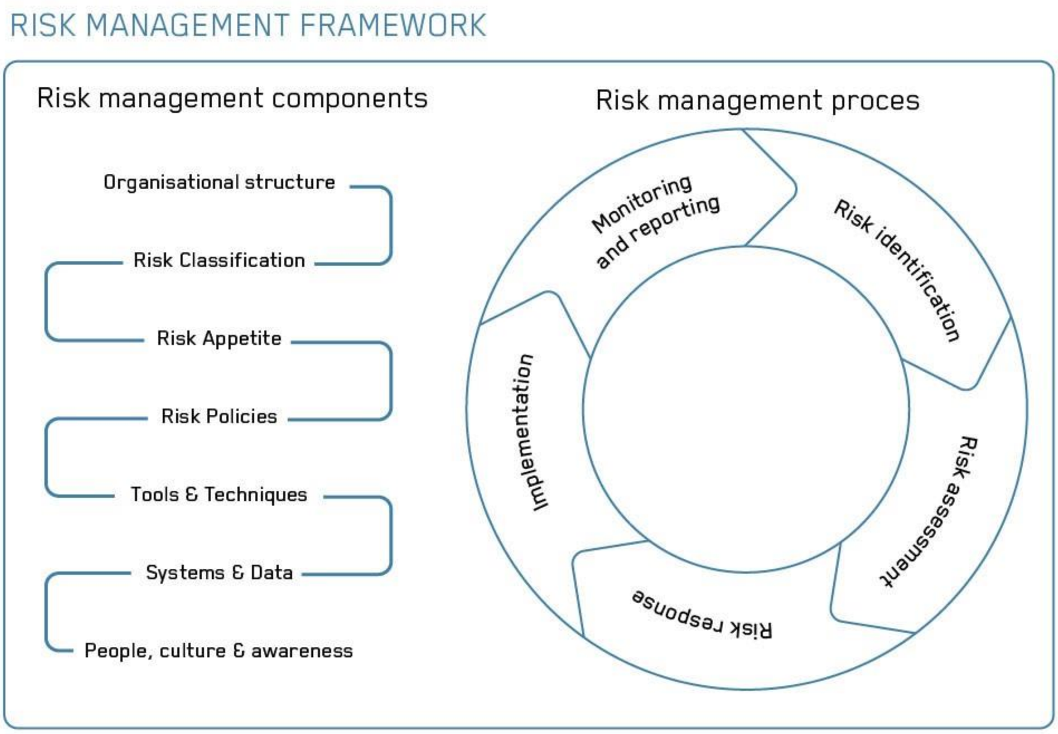
- Principles pertaining to risk appetite such as maintaining a solid capital and liquidity position that is sufficient for Achmea to meet its obligations, now and in the future.
- Principles pertaining to the risk management structure and the chosen integrated approach for the management of risks. Achmea assesses the various risk types and the risks inherent in the various operating companies and supervised entities in conjunction with another.
- Principles pertaining to the culture such as the encouragement by the Achmea Executive Board and management of an open culture in which risks can be openly discussed and where decision making is based on an appropriate balance between risk, capital and expected return.

The Integrated Risk Management Framework (IRMF) describes the risk management system of Achmea and sets out in more detail the principles of the risk strategy.

[7] part 2 Year Report, note 33 Related Parties Transactions, paragraph Remuneration of the Executive Board

INTEGRATED RISK MANAGEMENT FRAMEWORK

The IRMF describes how the risks at Achmea are managed in the endeavour to realise the business objectives. The IRMF ensures that risk information is generated and reported correctly and that it is used as the basis for decision making and accountability at all relevant organisation levels. The IRMF also supports Achmea in managing its risks effectively by applying the risk management process at different levels and within specific contexts in the Achmea organisation.



The IRMF consists of seven risk management components that support the risk management process in the necessary steps to identify, assess, mitigate, monitor and report the risks of all risk categories on a permanent basis.

THREE LINES MODEL

Achmea's governance structure is based on the 'Three Lines' model, the main features of which are set out in the diagram below.

FIRST LINE	SECOND LINE	THIRD LINE
IMPLEMENTATION AND MANAGEMENT - Executive Board and risk committees at Group level - Business management and decentralised risk committees within the business units	SUPPORT, MONITORING AND CONTROL - The Compliance, Risk Management and Actuarial departments safeguard the compliance, risk management and actuarial function under Solvency II at group level and for the Dutch supervised insurance entities. - International insurance entities have their own compliance, risk management and actuarial functions under Solvency II - Some entities have their own compliance and risk management departments due to different legal requirements, specific knowledge or efficiency.	ASSESSMENT AND REVIEW • The Internal Audit staff department works at both group and business unit level.

Achmea's line organisation, the first line, is primarily responsible for risk management. The Executive Board ensures a sound basis for the design and execution of the risk management system. The presence of a Chief Risk Officer on the Executive Board helps ensure a permanent focus on risk management in our business operations. The Executive Board renders account to the Supervisory Board and the general meeting of shareholders of Achmea. The first line is supported by the second line, which also monitors the execution by the first line and reports periodically on Achmea's risk profile. The third line complements these activities by carrying out periodic testing of the effectiveness of internal control, governance and risk management and reporting on this.

RISK COMMITTEES

Achmea has Risk Committees both at Group level and within the business units:

- The Group Risk Committee (GRC) provides a framework and advises the Executive Board. It is a platform for Achmea policymakers and consists of members of the Executive Board, the management of some business units and the key function holders of Compliance, Risk Management and Actuarial for the management, monitoring and advising with regard to the Achmea risk management system, including the internal control and key risks.
- The GRC has instituted as subcommittees the Model Approval Committee (MAC), the Privacy Board and the Information Security Board. The MAC has a delegated responsibility for approving risk models.
- The Asset Liability Committee (ALCO) is an executive and advisory committee of the Executive Board. It is a platform for Achmea policymakers and consists of members of the Executive Board, the management of some business units and staff departments for the optimisation and monitoring of the composition of assets and liabilities of Achmea within the policy frameworks set by the GRC and the Executive Board.
- Aligned with the GRC at group level, there are Risk Committees within the operating companies that discuss and manage risks, possibly complemented by specific committees such as the Product Approval and Review Processes (PARP) Committees, the Underwriting Committee at Achmea Reinsurance Company N.V. and the Asset & Liability Committee and the Credit Committee at Achmea Bank N.V.

The Audit & Risk Committee of Achmea assists the Supervisory Board of Achmea in its supervisory role.

RISK MANAGEMENT WITHIN OUR CRD/IFR/IFD ENTITIES

The entities subject to CRD/IFR/IFD -legislation are managed in a similar manner as the insurance entities and are included in the IRMF. As Achmea is a Mixed Financial Holding Company and Financial Conglomerates, the various sectoral based legislation is applied at solo level and integrated at the group level.

Risk governance and risk management committee structure

The Executive Board is responsible for defining and executing the Bank's strategy. An important element of the Bank's strategy is risk management for liquidity risk, counterparty risk, credit risk, interest rate risk, foreign currency risk, operational risk and capital management.

The Executive Board is responsible for setting up effective processes that enable the Bank to hold sufficient capital and liquidity with respect to its objectives and the regulatory capital and liquidity adequacy requirements. Within this scope, the Executive Board delegated specific tasks to different committees (F&RC, Credit Committee, ALCO and Technical Committee).

The Credit Committee, ALCO and the Technical Committee are sub-committees of the Finance & Risk Committee, which is the ultimate decision-making body for new and amended policies regarding financial risks. At least one of the Executive Board members have a seat in all of these committees.

The ALCO focuses on the management of interest rate risk, foreign currency risk, professional counterparty risk (retail counterparty risk is the focus of the Credit Committee), liquidity risk, funding risk and capital management. The ALCO bases its decisions partly on standard reports in which actual as well as forecasted figures with several (stress) scenarios are presented. In addition, the ALCO supervises compliance with the relevant regulatory guidelines, especially with regard to capital, funding, liquidity and market risk. The ALCO is chaired by the CFRO of Achmea Bank. Other members of the ALCO are representatives of Balance Sheet Management & Financial Risk, Control, (Group) Corporate Finance and (Group) Treasury.

SOLVENCY II KEY FUNCTIONS

The 'Three Lines' model has been set up for all supervised entities. The compliance function, the risk management function, the actuarial function and the internal audit function have been set up in line with the Solvency II requirements at group level and for the insurance entities under supervision.

- At group level the compliance, risk management and actuarial functions are fulfilled within the departments Compliance, Risk Management and Actuarial. These functions report to the Chief Risk Officer of the Executive Board, and have direct access to the business, the Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairperson of the Executive Board, the Audit & Risk Committee and the Supervisory Board.
- The internal audit function at group level is fulfilled by the Internal Audit department. This function reports to the chairman of the Executive Board, has a formal information and escalation line to the chairpersons of the Audit & Risk Committee and the Supervisory Board, and has direct and unlimited access to business units.
- The compliance, risk management, actuarial and internal audit functions have also been established for the insurance entities under supervision. In the case of the Dutch insurance entities, these functions are performed by the relevant staff departments. Additionally, Achmea Reinsurance Company N.V. has its own risk management and compliance department. These functions report to the entities' boards of directors and have a formal information and escalation line to the chairs of the Audit & Risk Committee and the Supervisory Board as well as direct, unlimited access to all operating companies.

The key functions on compliance, internal audit and actuarial are described in more detail in respectively section B.4. Internal Control System, section B.5. Internal audit function and section B.6. Actuarial function.

RISK MANAGEMENT FUNCTION

For the risk management function for the insurance activities a distinction is made between the Group and the Dutch and foreign insurance entities:

- The risk management function on group level and for the Dutch insurance entities is carried out by the Risk Management department at group level with the exception of Achmea Reinsurance Company N.V. which has its own risk management and compliance department.
  - The director Risk Management is the Risk Management Function Holder at group level. The Risk Management Function Holder reports to the Chief Risk Officer in the Achmea Executive Board but also has direct access to the business, the entire Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairpersons of the Executive Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
  - Senior managers of the Risk Management department are the Risk Management Function Holders for the Dutch supervised entities with the exception of Achmea Zorgverzekeringen N.V. for which the director Risk Management is also the Risk Management Function Holder. They report to the chairperson of the Statutory Board but also have direct access to the business, the entire management, as well as a formal escalation line to the chairpersons of the Statutory Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
- For the foreign insurance entities within the EEA the risk management function is implemented locally. The Risk Management Function Holder for the insurance entity/operating company has direct access to the business, the Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board of the supervised undertaking. Eureko Sigorta A.S., as a non-EEA insurance entity, does not require a Risk Management Function Holder.

The risk management function is defined in the Charter Compliance, Risk Management & Actuarial of Achmea. The risk management function has the following main tasks:

1. Management and communication related to the Integral Risk Management Framework (IRMF). Elements of this are:
   - To facilitate and provide advice regarding the risk strategy and risk appetite statements at group level and for the individual supervised undertakings.
   - Management of and advice on the IRMF policy documents at Group level and supporting documents such as guidelines with respect to risk management.
   - Design, implementation, documentation, evaluation and communication on the performance and validation of the partial internal model for Solvency II
2. Support the Executive Board and line management in their execution of the risk management process, consisting the identifying and assessing risks, risk response and implementing the risk control measures and the monitoring and reporting on the risks in the business units.
3. Responsible for the identification and assessment of emerging risks.
4. The following responsibilities apply to monitoring and reporting:

- Monitoring the execution of the IRMF;
- Monitoring the general risk profile;
- To report to the Executive and Supervisory Boards (and the A&RC of the Supervisory Board), the supervised undertakings, the Group Risk Committee, the management and internal and external stakeholders including regulatory authorities about:
  - the consolidated risk profile;
  - the effectiveness of the IRMF;
  - developments in risk management and in the area of expertise.
- To support the Executive Board and Statutory Boards of the supervised undertakings in preparing the SGW Own Risk and Solvency Assessment (ORSA) Report with a review role on the underlying processes of the ORSA.

5. To provide solicited and unsolicited review/expert assessments on important decisions and developments with respect to risk management issues including strategic matters such as the strategy of the company, mergers and acquisitions and important projects and investments.
6. To increase risk awareness within the organisation.
7. Functional steering of the decentral second line function with respect to risk management. Monitoring the execution of the second line role. Advice and support if necessary.
8. Anticipate on developments in the risk management practice area, best practices and (inter)national rules and regulations with respect to risk management.

MODEL GOVERNANCE

The Model Management and Validation Policy sets out that the development, management and change of models (such as value and capital models) with respect to, amongst other things, risk measurement, financial and business management calculations is subject to strict model governance. This ensures that the models are managed properly. The risk profile of models is assessed and it is compulsory for the models with a high gross risk to be documented, implemented, tested and periodically validated by the independent model validation function of the staff department Risk Management and approved by the MAC. Part of the management is that model changes are implemented and approved in accordance with a controlled change procedure. This model governance is already operational for the partial internal model for Solvency II and is being implemented gradually for all other models within Achmea classified as high gross risk.

Besides the approval in the MAC the partial internal model Solvency II is also approved by the Executive Board, the boards of the entities that use the model, the Audit & Risk Committee and the Supervisory Board. After the internal governance is completed newly developed models will be submitted for approval to the College of Supervisors. Following approval by the MAC, major model changes will be submitted to the College of Supervisors for approval and are only used for determining Achmea’s capital position after approval.

RISK APPETITE

Risk appetite reflects Achmea’s attitude to taking risks and gives an indication of its willingness to accept a high or a low risk level. Risk appetite consists of a number of principles as part of the risk strategy with an elaboration in qualitative statements and corresponding Key Risk Indicators (KRIs) to monitor whether the risk profile is within the limits of the risk appetite.

An overview is given below of the risk appetite principles as part of Achmea’s risk strategy and their translation into KRIs.

Financial	Principles	KRI’s
Result and volatility	Achmea realises a sustainable result that ensures a continuous access to the capital market. Extreme fluctuations in the economic result are avoided.	• Fixed Charge Coverage Ratio
Capital	Achmea has a strong capital position.	• Solvency ratio Solvency II • Capital surplus S&P • Capital Surplus Fitch • Economic solvency Achmea Pensioen- en Levensverzekeringen N.V. • Debt ratio • Double leverage ratio
Liquidity	Achmea’s current and future liquidity position is sufficient to meet its obligations.	• Available liquidity in a going concern situation

		• Liquidity capacity after a stress situation
Financial Risk Policy	Achmea knows as an insurer its financial risks and pursues an adequate financial risk policy that aims to avoid undesired risk concentrations. Achmea utilises an important part of its risk capital for insurance risk.	• Market Risk budget variance • Impact interest rate shock Solvency II • Impact interest rate shock Economic solvency Achmea Pensioen- en Levensverzekeringen N.V • Counterparty limit breaches • Amount of SCR for insurance risks • Deviation from expected annual result due to catastrophic events

Non-Financial	**Principles**	**KRI'S**
Product quality and services	Achmea offers a secure and transparent solution to clients that continuously meet the clients' needs, at a fair price.	• 'Klantbelang Centraal' score
Operational risk / internal control	Achmea knows as an insurer and service provider its Operational Risks and has an adequate Operational Risk policy aimed at the prevention of material financial losses due to insufficient or failing internal processes or personnel and systems or external events.	• Internal Control Framework • Reputational score • Financial loss because of Operational Risks • Very urgent issues • Disruption of business-critical chains
Compliance	Achmea has an adequate compliance policy to comply with laws and regulations. Employees, clients, suppliers and other partners of Achmea operate with integrity.	• Violations of laws and regulations • Implementation of laws and regulations • Integrity violations
Corporate social responsibility	Achmea realises its corporate objectives in a socially responsible manner and aims at providing a demonstrable social added value through its insurance and investment activities. Achmea remains relevant on this topic by reacting adequately to social developments.	• MSCI ESG rating • Benchmark of the Dutch Association of Investors for Sustainable Development • Inquiries of the 'Eerlijke Verzekeringswijzer'

Risk appetite is explored here in terms of the perspectives of the financial and non-financial statements, with the principles of the financial statements giving substance to the financial perspective and the principles of the non-financial statements giving substance to the other perspectives of Achmea's strategy map. Risk appetite also covers all the main risks in Achmea's risk classification.

RISK MANAGEMENT PROCESS

In the risk management process, risks are identified, assessed, mitigated, monitored and reported. Risks are analysed in a number of risk assessments, both at individual risk level and various levels of aggregation.

This section provides more information on the risk assessments performed during the year and on the process of monitoring and reporting. The risk response is described in more detail below and the main risks are detailed.

During the year various risk assessments are performed:
- Risk Self Assessments focus on areas such as strategy, projects and operational risks. This includes, amongst others, a qualitative risk assessment with the boards of the operating companies and the Executive Board, in which the key risks are identified and assessed.
- Achmea uses risk models to make a quantitative estimate of the risk profile, including the Solvency II partial internal model. These risk models are among those used in the planning & control cycle, product development and pricing, determining the reinsurance programme, preparing the investment plan and balance-sheet management.
- Finally, scenarios and stress tests provide insight into what happens under extreme circumstances or when several factors occur simultaneously. These scenario and stress tests are used as part of the periodic monitoring of the risk profile. Annually, they are used to analyse the key risks in greater depth.

The Strategic Risk Analysis is performed annually at group level and for the operating companies, with a qualitative assessment by management of the key risks. The insights from this Strategic Risk Analysis are used to manage the specifically identified key risks, to reassess the stress and scenario set for the ORSA and to review the Achmea Preparatory Crisis Plan, and may be reason for re-evaluation of the strategy. Additionally, a detailed insight into Achmea's integrated risk profile, supervised entities and business units is obtained by consolidating the output of all risk management processes, instruments and techniques used at Achmea on strategic, tactical as well as operational levels and by assessing them in relation to one another in the Integrated Risk Analysis.

Achmea's risk profile is monitored periodically, and on the basis of that aggregate-level reports are drawn up for the Executive Board, the Audit & Risk Committee and the Supervisory Board. For the main risk types, line management periodically verifies that the risk is still within the risk limits set on the basis of the risk appetite. Line management also monitors the management of the key risks. Finally, an Internal Control Framework is used to systematically monitor key controls throughout the organisation. Cross-references are included in the framework to among other things information security and Solvency II.

OWN RISK & SOLVENCY ASSESSMENT (ORSA)

In addition to the periodic monitoring of our risk profile, a group-wide Own Risk and Solvency Assessment (ORSA) report is prepared annually. The report is provided annually to the college of supervisors and local regulators for the non-Dutch entities.

The Single Group-Wide (SGW) Own Risk and Solvency Assessment (ORSA) report sheds light on and evaluates the company's current and future risk profile and developments in solvency and liquidity during the planning period. The ORSA is consistent with our regular processes and the reporting is the final stage in the process, as it looks for coherence between strategy, risk and capital. All these elements are combined in this report.

The appropriateness of the PIM is also assessed in the ORSA.

There were no developments in 2021 that required further analysis by means of a non-regular ORSA.

PREPARATORY CRISIS PLAN

Achmea's Preparatory Crisis Plan provides insight on the effectivity of the measures which both Achmea as a Group and the individual supervised entities can apply in response to severe (financial) developments. Achmea's Preparatory Crisis Plan is prepared in line with the Act on the recovery and resolution of insurers (Wet herstel en afwikkeling van verzekeraars).

B.4. INTERNAL CONTROL SYSTEM

INTERNAL CONTROL FRAMEWORK

For identified risks and control measures an Internal Control Framework is used, which is based on the COSO model and common market standards and uses key risks and key controls. Annually, after the risk analyses are performed, the key risks and key controls of the framework are updated. Subsequently the framework is used to systematically monitor the effectiveness of control measures throughout the organisation. Cross-references are included in the framework to information security of DNB and Solvency II. In addition an organisation-wide systematic issue and incident management process has been set up.

COMPLIANCE FUNCTION

Compliance Risk is the risk of diminishing reputation or current of future threats to the capital or result of an organisation as a result of a failure to comply with laws and regulations, and insufficient adherence to values, norms and (supervisory) rules. Failing to comply may result in legal or regulatory sanctions, material financial loss, or reputational damage.

As described in section B.3. the compliance function is part of the second line of defence in our three lines of defence system.

For the compliance function for the insurance activities a distinction is made between the Group and the Dutch and foreign supervised undertakings:

- The compliance function on group level and for the Dutch supervised undertakings is carried out by the Compliance department at group level with the exception of Achmea Reinsurance Company N.V. which has its own risk management and compliance department.
    - The director Compliance is the Compliance Function Holder at group level. The Compliance Function Holder reports to the Chief Risk Officer in the Achmea Executive Board but also has direct access to the business, the entire Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board, as well as a formal escalation line to the chairpersons of the Executive Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
    - Senior managers of the Compliance department are the Compliance Function Holders for the Dutch supervised entities. They report to the chairperson of the Statutory Board but also have direct access to the business, the entire management, as well as a formal escalation line to the chairpersons of the Statutory Board, the Audit & Risk Committee, the Supervisory Board as well as regulators.
- For the foreign supervised undertakings within the EEA the compliance function is implemented locally. The Compliance Function Holder for the supervised undertaking/operating company has direct access to the business, the Achmea Executive Board, the Audit & Risk Committee and the Supervisory Board of the supervised undertaking. Eureko Sigorta A.S., as a non-EEA insurance entity, does not require a Compliance Function Holder.

The reporting of the compliance function is part of the quarterly risk & compliance reporting process. Additionally an annual Compliance report is prepared which provides an integrated overview of the compliance risks at group level.

The compliance policy describes how compliance risk is managed. Additional policies and regulations are available covering specific compliance topics such as CDD (Customer Due Diligence), privacy, competition, whistle blower regulations and insider regulations. Compliance is closely involved in monitoring compliance with the Money Laundering and Terrorist Financing (Prevention) Act (Wwft), the Sanctions Act 1977, privacy dilemmas and compliance with the General Data Protection Regulation (GDPR), including big data initiatives and ethical issues associated with artificial intelligence. The integrity risk as part of compliance risk is set out in the Achmea Code of Conduct and the Integrity & Fraud Policy. In that code of conduct the core values, core qualities and rules of conduct of Achmea are recorded. These general rules of conduct are applicable to all Achmea employees. The Integrity & Fraud Policy contains the principles on which substance is given to controlling integrity risks in operational management, such as: anti-corruption, gifts, side-line activities, contracting third parties and the execution of the Systematic Integrity Risk Analysis. The effectiveness of fraud control measures is assessed on a quarterly basis using the Internal Control Framework.

Annually risk analyses are performed to identify the compliance risks within Achmea. Important risk analyses performed by Compliance are the Integrated Risk Analysis (IRA), which forms the basis for the annual plan, and the annual Systematic Integrity Risk Analysis (SIRA). Also during the year risk analyses are conducted at various levels and on various topics. With regard to compliance with laws, regulations and internal rules of conduct, the most important legal provisions are translated into risks. For the internal control of the identified risks and control measures an Internal Control Framework and issue and incident management process are used in accordance with the operational risk management.

Achmea's Laws & Regulation Committee identifies new legislation and forthcoming amendments and determines the impact on the organisation. Implementation is the responsibility of operational management. In case of profound impact on Achmea, the committee will advise the Executive Board to start a comprehensive implementation project. Achmea ensures detection of developments in laws and regulations through a specific module in the Internal Control Framework and monitors proper and timely implementation.

Supervisory investigations have a major impact on the business. These investigations arise not only from local regulations but also from international legislation such as EU legislation on the duty of care, outsourcing, CDD and sustainability. Much effort is required to assist the regulators in their investigations and this is coordinated by an internal supervising team.

Privacy, CDD and duty of care were the main focus areas for the compliance function in 2021. Short-cycle monitoring is used to monitor compliance with laws and regulations. Where appropriate, proactive coordination is sought with supervisory authorities Any compliance issues identified by this monitoring are addressed by the responsible management, to be handled within the established frameworks for the defined compliance and integrity risk appetite. Regarding Privacy and CDD Achmea implemented dedicated Task-Forces consisting of Executive Board members and chairmen of the divisions. In order to enhance progress, these Task Forces address issues which exceed the scope of the individual divisions and issues with material IT dependencies.

Non-compliance

Short-cycle monitoring is used to monitor compliance with laws and regulations; cases of non-compliance can occur. Based on these monitoring activities, areas of concern have been identified regarding CDD, Privacy, Cybersecurity and Outsourcing. DNB has conducted an on-site investigation at Achmea Pensioen- en Levensverzekeringen N.V. regarding compliance with the Money laundering and terrorism financing Act (Wet ter voorkoming van witwassen en financieren van terrorisme). Preliminary findings regarding this investigation have been received from DNB and these findings are being followed up. No enforcement measures have been applied. All Risk Management and Compliance reports, the areas of concern mentioned in those reports and the management actions by the first line have been provided to supervisors.

B.5. INTERNAL AUDIT FUNCTION

As described in section B.3. the internal audit function is the third line in the three lines model. At Group level the staff department Internal Audit covers the internal audit function. The Internal Audit Director is the Internal Audit Function Holder at Group level and reports to the chairman of the Achmea Executive Board, has a formal information and escalation line to the chairpersons of the Audit & Risk Committee and Supervisory Board and direct, unlimited access to all business units. For the Dutch supervised undertakings the role of Internal Audit Function Holder is delegated to the responsible member of the management team. For the foreign supervised undertakings this role is executed locally.

Internal Audit is an independent department within Achmea. Its independence is guaranteed as Internal Audit does not form part of the (daily) internal control measures and safeguarding of assets/liabilities. Internal Audit is not responsible for the design and implementation of measures related to risk management, compliance and internal control. Senior management may request Internal Audit to give an opinion on the internal control measures which are implemented or should be complied with.

After discussion with the management concerned, Internal Audit reports on the outcome of its investigation directly to both the responsible management and/or the Achmea Executive Board and its Chairman, depending on the circumstances. At least once a year, Internal Audit reports by means of the Audit Memorandum on the internal control of high risks. Internal Audit provides an overview of the outcome of audits on a quarterly basis, including the most important findings noted in the recent period and the progress and adequacy of the implementation of the recommendations noted by Internal Audit, external accountant and/or regulators.

The internal audit function is defined in Achmea's Internal Audit Charter. In this charter Internal Audit's mission, function, independence, objectivity and expertise as well as the scope, authorities and responsibilities are defined. The charter also defines the applicable behaviour and professional conduct rules and the relationship with external parties, as well as the current international standards for the professional practice of internal auditing and the requirements set by the external regulators for the internal audit function. The charter is reviewed annually and updated if necessary. Based on the most recent review, some minor adjustments are made.

To fulfil this task Internal Audit systematically evaluates the processes related to governance, risk management and internal control and thereby has a pro-active signalling role with regard to the risks. In this way Internal Audit contributes to the improvement of the business operations and the achievement of the strategic and other objectives of Achmea.

The assessment by Internal Audit focuses, against the background of the risk profile of Achmea, on the following:
- The defined risk appetite and the determination thereof.
- The design and effectiveness of the governance, including the effectiveness of risk management. Within the framework of evaluating the functioning of the governance structure, the functioning of the Achmea Executive Board and senior management is evaluated. Here the example set by the directors (tone at the top) is explicitly looked at. Where it is possible and desirable, the functioning of the Supervisory Board can also form part of the evaluation of the governance structure.
- The internal control over critical business processes and projects, in particular management of the identified key risks associated with these processes and/or projects by making use of the defined key controls.
- The effectiveness and reliability of data processing processes aimed specifically at the Achmea Executive Board, important (financial) management information for senior management and key (external) reporting.
- Compliance with laws and regulations including the functioning of the compliance function.
- Internal control is supported by appropriate behaviour and culture for Achmea.
- Safeguarding the assets of Achmea.

The scope of Internal Audit covers all entities and processes of Achmea, including outsourced activities. Internal Audit has a functional line with the local internal audit functions.

B.6. ACTUARIAL FUNCTION

As described in section B.3. the actuarial function is part of the second line of defence in our three lines of defence system:
- The staff department Compliance, Risk Management & Actuarial at Group level covers the actuarial function for the group and for the insurance entities in the Netherlands. The Director for Actuarial is the Actuarial Function Holder (AFH) at Group level and the senior managers are the AFH's for the insurance entities in the Netherlands. The AFH's have a formal escalation line to the chair persons of the Achmea Executive Board, Audit & Risk Committee and Supervisory Board, based on the independent role of the actuarial function;
- For Achmea International entities within the EEA, the actuarial function is implemented locally.

The actuarial function prepares a report on the Solvency II results on a quarterly basis. On an annual basis an Actuarial Function Holder Report is prepared at Group level and for the insurance entities. This report provides an overview of the actuarial work performed and the main findings.

The actuarial function is defined in Achmea's Actuarial Function Policy. This policy defines the scope, duties, responsibilities and position of the actuarial function, with references to methods, techniques and processes.

In line with Solvency II the actuarial function has four tasks:
1. Coordination and supervision of the calculation of the Technical Provisions, including the following specific tasks:
    - Ensuring the appropriateness of the methodologies and underlying models used and of the assumptions made in the calculation of Technical Provisions;
    - Assessing the sufficiency and quality of the data used in the calculation of Technical Provisions;
    - Comparing Best Estimates with actual outcomes, making checks in the form of back-testing;
    - Sensitivity testing and change analysis;
    - Expressing an opinion on the reliability and adequacy of the calculation of the Technical Provision;
2. Expressing an opinion on the overall underwriting policy;
3. Expressing an opinion on the reinsurance policy and programme;
4. Contributing to the effective implementation of the risk management system, in particular with regard to calculation of the SCR, MCR and ORSA.

As part of this role, the actuarial function performs an assessment of the RSR.

The actuarial function also provides an actuarial opinion and second-line assessment on:
- The Economic Balance Sheet;
- The SCR and therefore the solvency position;
- All constituent parts of the SCR;
- The prospective solvency position, using stress tests and scenario tests in the area of Technical Provisions and ALM;
- Distribution of dividends in relation to discretionary benefits.

The group actuarial function performs all these tasks at the level of Achmea Group and has a specific responsibility to provide advice and an actuarial opinion on asset/liability aspects.

B.7. OUTSOURCING

Achmea has an outsourcing policy that applies to all Dutch legal entities, international entities and majority interests of Achmea. A distinction is made between Critical or Important Outsourced functions or processes (COI), standard outsourcing or no outsourcing. The policy applies to internal and external outsourcing.

For all outsourcings to service providers within the Achmea the following outsourcing policy is:
- Each Achmea process / activity which is intended to be outsourced has a contract owner and sourcing director. In consultation with Legal Affairs contracts are to be classified as: COI, Standard or Purchase.
- Depending on the classification, requirements are applicable to the outsourcing.
- An outsourcing goes through four phases: analysis, initiation, management and evaluation.

- In the analysis phase, a business case must be made, a risk assessment must be carried out and a service provider must be selected. In case of cloud/external hosting an extra risk assessment is mandatory.
- During the initiation phase, contract partners must agree on the contract, a Service Level Agreement and, if applicable of a security- and privacy agreement. In addition, in some cases a separate business continuity plan and an exit plan are mandatory.
- In the management and evaluation phase the above-mentioned contract agreements are to be monitored and evaluated on a regular basis.

As mentioned in section B.1, Achmea has outsourced several internal operations. The main reasons for outsourcing are efficiency, specialisation or quality considerations of long-term services. The requirements imposed on internal outsourcing are in line with those applicable to external outsourcing. In addition to that group relations should be considered in order to take advantage of synergy-elements within the Achmea-group. Procurement is a centralised staff department and supports the contracting of most of the COI and Standard outsourcing contracts in association with Legal Affairs. Achmea has a central administration of the contracts in place within the Procurement department.

B.8. ANY OTHER INFORMATION

The System of Governance is assessed periodically and if necessary adjustments are made. In particular, all policies of our risk management system are reviewed and adjusted if necessary at least once per year, with a view to every substantial change in the external environment or in the field that it pertains to.

SUSTAINABILITY

In its Climate & Energy Transition charter (April 2019), the Executive Board set out how Achmea aims to contribute to restricting climate change and how it plans to deal with the repercussions from it. In 2021, the governance regarding this charter was integrated into a new programme, covering the full scope of sustainability topics within Achmea.

The programme is structured around the same three workflows as the Climate & Energy Charter, which are:
1. Insurance and services; which aims to help clients to adapt to climate related changes and helps to mitigate clients carbon footprint.
2. Investment, savings and funding; in which Achmea as investor reduce their climate footprint and promotes the energy transition.
3. Internal business operations; with the goal that Achmea has complete sustainable and climate neutral internal business operation in 2030.

This programme is governed by a Programme Board, consisting of workflow leads, operating company managers and two Executive Board members, including the Chief Risk Officer (chairman). The Programme Board reports toe the Executive Board on a quarterly basis.

In 2021, Achmea further defined goals regarding its transition strategy towards climate neutrality. Achmea’s ambition is to achieve climate neutrality in own business operations by 2030, in its investment portfolio by 2040 and in its insurance portfolio by 2050 (at the latest, preferably by 2040 if data/metrics are sufficiently available). Also Achmea has joined the Net Zero Insurance Alliance, to enhance our efforts in cooperation with (international) partners.

MAJOR CHANGES IN THE COMPOSITION OF THE GROUP

In December 2020 it was announced that Achmea has increased its presence in Slovakia by the acquisition of Poštová poisťovňa. The acquiring company was Achmea’s subsidiary, Union poisťovňa. The acquisition of Poštová poisťovňa was approved by supervisory authorities in Slovakia on 2 July 2021. On 17 December 2021 Poštová poisťovňa merged into Union poisťovňa.

In December 2021 Interamerican Property & Casualty Insurance Company Single Member SA acquired 52% of the shares in Money Market Agents SA and as a result now holds full ownership. As a 48consequence, Money Market Agents is no longer classified as an associate, but as a subsidiary.

Change in legal structure

In 2021, the legal structure with Achmea Woninghypotheken B.V. and Achmea Woninghypotheken III B.V. changed. Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. cross participate in each other’s participations. In this new structure, Achmea Schadeverzekeringen N.V. has a 5% equity interest in Achmea Woninghypotheken B.V. and Achmea Pensioen- en Levensverzekeringen N.V. has a 25% equity interest in Achmea Woninghypotheken III B.V. As a result of this new structure, APL Beleggingen B.V. is merged with Achmea Pensioen- en Levensverzekeringen N.V. in which the last one is the acquiring entity. The merge was final on 31 December 2021. As a result, AP&L Beleggingen B.V. is included in the Economic Balance Sheet of Achmea Pensioen- en Levensverzekeringen N.V. from the first of January 2021 onwards. Furthermore, Non-Life Beleggingen B.V. merged with Achmea Schadeverzekeringen N.V. in which Achmea Schadeverzekeringen N.V. is the acquiring entity. The merge was final on 31 December 2021. As a result, Non-Life Beleggingen B.V. is included in the Economic Balance Sheet of Achmea Schadeverzekeringen N.V. from the first of January 2021 onwards.

There is no other material information regarding our System of Governance that should be explicitly mentioned in this section.

C. RISK PROFILE

Achmea uses a combination of a PIM and the SF to determine the SCRs. The following table provides a summary per insurance legal entity.

PIM – SF

	MARKET RISK(*)	LIFE RISK	NON-LIFE RISK	HEATLH RISK	COUNTERPARTY DEFAULT RISK	OPERATIONAL RISK
Achmea B.V.	PIM	SF	PIM	PIM	SF	SF
Achmea Pensioen- en Levensverzekeringen N.V.	PIM	SF	n.a.	n.a.	SF	SF
Achmea Zorgverzekeringen N.V and subsidiaries	SF	n.a.	n.a.	SF	SF	SF
Achmea Reinsurance Company N.V.	PIM	SF	PIM	SF	SF	SF
Achmea Schadeverzekeringen N.V.(**)	PIM	n.a.	PIM	PIM	SF	SF
N.V. Hagelunie	PIM	n.a.	PIM	n.a.	SF	SF
Interamerican Property & Casualty Insurance Company S.A.	SF	n.a.	PIM	SF	SF	SF
Interamerican Hellenic Life Insurance Company S.A.	SF	SF	n.a.	SF	SF	SF
Interamerican Assistance General Insurance Company S.A.	SF	n.a.	SF	SF	SF	SF
Union Poist'ovna A.S.	SF	SF	SF	SF	SF	SF
Eureko Sigorta A.S.	SF	n.a.	SF	n.a.	SF	SF

* *For Interamerican Property & Casualty Insurance Company S.A. Market Risk is still determined by the Standard Formula. Inflation Risk is assessed on a stand-alone basis whether the interest rate risk scenario has to be adjusted. If the assessment present a too significant deviation, a capital correction is added to the outcome of the market risk calculations.*

** *Within Achmea Schadeverzekeringen N.V. several insurance portfolios are classified in the Lines of Business Income Protection. This is also included in the Health NSLT section. For this Line of Business the Internal Model is used*

The risk taxonomy as presented in the graph in chapter E.2.2 is used.

C.1. UNDERWRITING RISK

For a description of Underwriting Risk, including Life Risk, Non-Life Risk and Health Risk, we refer to the Achmea Year Report 2021, section E Insurance Risk.

C.2. MARKET RISK

For a description of Market Risk, including Interest Rate Risk, Equity Risk, Property Risk, Spread Risk and Currency Risk, we refer to the Achmea Year Report 2021, section F Market Risk.

C.2.1. PRUDENT PERSON PRINCIPLE

Achmea complies with the prudent person principle as set out in the Solvency II regulation. Additionally to setting the Market Risk budget and the asset optimisation as described in the former section, the Market Risk Policy contains principles on:
- investment plan
- mandate asset managers
- selection and monitoring of asset managers
- new asset classes or instruments

In the prudent person principle, the Sustainability principles as mentioned by Achmea are applied.

Furthermore, the Counterparty Risk Policy contains specific principles for OTC derivative contracts and Special Purpose Vehicles.

C.2.2. INTEREST RATE RISK

The sensitivity of the solvency position under Solvency II to various changes in the underlying assumptions is included below.

SENSITIVITIES

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	10,363	4,853	214%	208%
Without Volatility Adjustment	10,269	6,149	167%	161%
Ultimate Forward Rate 3.45% (level applicable from 1 January 2022)	10,271	4,849	212%	n/a
Last liquid point 30 years	8,796	4,960	177%	161%

SENSITIVITIES INTEREST

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	10,363	4,853	214%	208%
Interest -100 bps	10,962	5,153	213%	208%
Interest +100 bps	9,761	4,688	208%	200%
Interest -50 bps	10,637	4,978	214%	208%
Interest +50 bps	10,030	4,753	211%	204%

In appendix 2 the relevant sensitivities per insurance legal entity are presented.

C.2.3. EQUITY RISK

SENSITIVITIES EQUITY

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	10,363	4,853	214%	208%
Equity prices -20%	9,693	4,754	204%	200%

C.2.4. PROPERTY RISK

SENSITIVITIES PROPERTY

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	10,363	4,853	214%	208%
Property Prices - 20%	10,026	4,846	207%	202%

C.2.5. SPREAD RISK

SENSITIVITIES SPREAD

€ MILLION

	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	10,363	4,853	214%	208%
All Spreads -50 bps	10,695	4,891	219%	214%
All Spreads +50 bps	10,275	4,818	213%	206%

SENSITIVITIES SPREAD

€ MILLION

	OWN FUNDS	
	2021	2020
Baseline	10,363	10,696
Mortgage loans -50 bps	10,648	11,029
Mortgage loans +50 bps	10,008	10,338
Spreads Government -50 bps	10,578	11,039
Spreads Government +50 bps	10,421	10,636

C.2.6. MARKET CONCENTRATION RISK

Market Concentration Risk is the risk of loss resulting from the lack of diversification in investments and liabilities for Market Risk or due to an increased sensitivity to bankruptcy of an individual counterparty or group of affiliated counterparties.

The balance sheet of Achmea does not comprise any material Market Concentration Risks above the thresholds as used by the Solvency II legislation.

C.2.7. LOAN PORTFOLIO

For detailed information on the loan portfolio reference is made to Chapter D.1.6. Under the Loan portfolio Achmea includes loans and mortgages provided to individuals and companies. The loan portfolio recognised on the Economic Balance Sheet is backing the cash flows of the Technical Provisions.

C.2.8. COLLATERAL ARRANGEMENT

Within Achmea all derivative transactions and the related collateral postings have to adhere to the requirements and restrictions of the Counterparty Risk Policy. This policy is frequently updated and in line with the current EMIR-regulation regulation (European Market Infrastructure Regulation).

In practice this means that Achmea is engaged mostly in bilateral OTC-agreements (ISDA contracts including CSA's) with financial institutions and business through a Central Counterparty (LCH-Clearnet) and some appointed banks as Clearing Members (Barclays, Deutsche Bank, BNP Paribas and J.P. Morgan). For further details on collateral management, see C.6.1. use of derivatives. The banking entity Achmea Bank also uses Eurex Clearing AG.

Concerning mortgage loans, Achmea receives residential property collateral.

The total amount of collateral:

COLLATERAL

€ MILLION

	2021	2020
Collateral held	23,194	24,524
Collateral pledged	924	957

C.2.9. SECURITIES LENDING

In 2021, there were no changes in the structure of the security lending program of Achmea. The value of the lended securities decreased to €3,743 million (2020: €4,053 million). This was caused by the lower market demand for government bonds. This is related to a lower demand of financial institutions for liquid government bonds that can be used as collateral with the ECB. Mostly government bonds and credits were lend to selected counterparties.

C.2.10. BORROWING TRANSACTIONS

In September 2021, Achmea Bank N.V. placed €500 million in Soft Bullet Covered Bonds with a maturity of 15 years, maturing on 29 September 2036. The bonds are listed on the Euronext Amsterdam. The coupon is 0.25%. Furthermore Achmea did not enter into new borrowing transactions in 2021.

C.2.11. OTHER MARKET RISKS

There are no other Market Risks identified within Achmea.

C.3. COUNTERPARTY DEFAULT RISK

For a description of Credit Risk we refer to the Achmea Year Report 2021, section G Counterparty Default Risk.

Derivatives are described in more detail in section C.6.2. Use of derivatives.

C.4. LIQUIDITY RISK

For a description of Liquidity Risk we refer to the Achmea Year Report 2021, section H Liquidity Risk.

Expected profits in future premiums

Expected profits in future premiums (EPIFP) is defined as that part of future premiums Achmea expects to obtain from the policyholders over the duration of the contracts which relates to the profit margin. If the policyholder lapses or discontinues the contractual relationship before maturity Achmea will not receive any of these profits. In principle the EPIFP exists only for those contracts which have a recurring premium over the duration of the contract.

EPIFP

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	447	611
Achmea Schadeverzekeringen N.V.	111	90
Achmea Zorgverzekeringen NV consolidated	92	80
Achmea Reinsurance Company N.V.	35	28
Interamerican Hellenic Life Insurance Company S.A.	26	30
Union Poist'ovna A.S.	15	8
Interamerican Property & Casualty Insurance Company S.A.	6	3
Eureko Sigorta A.S.	3	1
N.V. Hagelunie	2	4
Group EPIFP	737	855
EPIFP % Tier 1 EOF	**10%**	**10%**

EPIFP PER MAJOR LINE OF BUSINESS

€ MILLION

	2021	2020
Other Life without options and guarantees	476	642
Fire and other damage	107	94
Medical Expenses	95	80
Other	59	39
Total EPIFP	**737**	**855**

Within Achmea Pensioen- en Levensverzekeringen N.V. the decrease of the EPIFP was mainly due to the decrease of the portfolio and due to higher expense inflation rates making the portfolio less profitable. Furthermore the methodology change in the calculation of the Dutch mortgage savings product ("spaarhypotheken") contributed to the decrease of EPIFP. Due to increased interest rates the value of the future premiums decreased. For Achmea Schadeverzekeringen N.V. the increase in EPIFP is caused by an increase in profitability and an increase in premium volume.

C.5. OPERATIONAL RISK

For a description of Operational Risk we refer to the Achmea Year Report 2021, section I Operational Risk.

C.6. OTHER MATERIAL RISKS

Below the other material risks are described, although not in a specific order of priority. Annually these risks are identified and the measures taken are assessed with the boards of the operating companies and the Executive Board. These risks are characterised by their specific nature and can have a major impact if they were to materialise without any risk management measures having been taken.

Achmea monitors these risks closely, as part of the periodic monitoring of the risk profile and the annual ORSA (Own Risk and Solvency Assessment) report.

Key themes	Details	Measures
Future revenue model	It is important for Achmea to update its processes, products and services promptly and to adapt to new trends. New developments include sustainability and climate change, the possibility that other providers will launch new distribution, product and/or service models, and the possibility of a decrease in the insurance requirement for Property & Casualty insurance due to the fact that, as a result of technological developments, certain risks do not occur or occur less frequently. Specifically, the Covid-19 pandemic may lead to changes in society, customer needs, behavioural patterns and the economy, which (alongside opportunities) may also negatively affect Achmea's business and its commercial position.	The aforementioned developments are being closely followed. There are various group-wide initiatives in the areas of technology, customer service and service delivery, proposition development and innovations. The goal is to increase synergy and efficiency and to structurally increase Achmea's operating result.
Sustainability and climate change	Risks relating to sustainability and climate change can be distinguished into physical risks and transition risks in the insurance policies, in investments and in Achmea's business operations. These risks can have a negative impact on, among other things, the cost of claims and investment income. There is also a risk that the opportunities for new products and services for our customers are not being fully exploited compared to the competition.	The initiatives geared towards achieving our sustainability and climate change objectives have been brought together in one central programme, 'Achmea Sustainable Together', ensuring completeness and consistency in the measures to be taken. A central project organisation and expert group support the operating companies. Risk control measures include adjusting the product and service range, adjusting premiums & conditions and reinsurance.
Distribution partners	Achmea uses various distribution partners for the sale of its products, with Intermediaries and Rabobank being the key strategic distribution partners. Achmea sees this collaboration as an important and integral part of its business model.	Mutual expectations are permanently aligned to successfully work together as parts of the common value chain. The development of products and services that match the desired sales of the distribution partners is actively pursued using modern channels with digital and personal interaction.
Laws and regulations and political developments	Achmea has to deal with many laws and regulations. There is a risk that Achmea's business operations, earnings model and more specifically the solvency requirements will be affected by politics and changing laws and (tax) regulations and / or by organizing solidarity in society differently. This risk affects all Achmea product lines. In addition, Achmea is exposed to reputational risk when it fails to comply with (forthcoming) laws and regulations.	However, since any changes in laws and regulations are closely monitored, this can be adequately anticipated. In 2021, particular attention was paid to current legislation and regulations on sustainability and climate (including external reporting), as well as the implementation of IFRS 9 and IFRS 17.
Longevity risk	Given the long-term nature of pension and life insurance contracts, Achmea is exposed to Longevity Risk. For example, breakthroughs in medical science and changing lifestyle habits could have a significant impact on the future pay-out patterns of the life and pension activities.	Longevity Risk is managed through active product management in order to ensure diversification of the life insurance and pension portfolios.
Financial markets	As a financial services provider, Achmea has a large exposure to the financial markets because of its investment portfolio, products with minimum guarantees and profit-sharing provisions. Due to (geo) political instability, global economic	This risk is controlled by the risk management measures as described in the section Market Risk.

	developments and decisions by financial authorities, volatility can arise in the financial markets with consequences for the valuation of our investments and liabilities. A specific risk is that the investment return is structurally underperformed as a result of lower spreads and lower surplus returns, so that the Volatility Adjustment used in the valuation of the insurance liabilities on the Economic Balance Sheet cannot be recouped. Specific attention is paid to the consequences of the energy transition on our investment portfolio.	
Non-Life and Income Protection	Catastrophes due to (extreme) weather events, such as storms and hail, can have a major impact on the Non-Life portfolio. Climate change may cause changes in frequency, times of year and intensity. The risk of these types of natural hazards (known as 'catastrophe risk') occurring is largely mitigated by reinsurance. There is also a risk that benefits may vary from previous estimates; this is particularly the case with the injury portfolio. Setbacks may manifest in the Income Protection portfolios due to differences in the estimated disability and rehabilitation probabilities, resulting in higher claims than provided for by the current reserves.	In the non-life portfolio, great deal of attention is paid to keeping the internal models for determining the relevant risks, such as catastrophes, up to date. In 2021 Achmea modified its internal model for flood risk, incorporating the latest insights into flood risk in the quantification of the risk. Achmea has close contact with the companies that develop the catastrophe models and with universities and the Royal Netherlands Meteorological Institute (KNMI). In this way Achmea is keeping close track of climate change and evaluating the impact. Risk management in the claims portfolio also takes place by means of such things as promoting preventive measures, acceptance guidelines and reinsurance. In the income portfolio, risks are monitored through claims monitoring with specific focus on claims management and developments in laws and regulations and case law.
Volatility in health results	Fluctuations in the profitability of the Achmea Group and Achmea Zorgverzekeringen N.V. as a result of major fluctuations during the year and also between years in the healthcare expenses estimate and equalisation system. If the volatility in medical expenses causes premiums to diverge too much from those of competitors, this may have an impact on portfolio turnover.	This risk is managed by, among other things, the process of estimating the costs of care, the organisation of the business processes (including the settlement of claims) and periodic monitoring of developments in the portfolio
Cybercrime	Cybercrime is an increasingly important social issue, including for Achmea. 'Cybercrime' refers to the risk of material damage arising from, for example, loss of data or unauthorised data processing, prolonged disruption of business operations, and hardware disruptions as a result of inadequate security measures. There is also includes the risk of Achmea developing a negative reputation as a result of incidents on social media and/or loss or theft of privacy-sensitive data.	A specific maturity model is used for cyber security to identify the level of security, which also involves the use of scenario analyses. An integrated security approach has been implemented for control purposes, with a strong focus on awareness and outsourcing. Achmea's reputation is monitored on an ongoing basis, and in addition Achmea has taken out its own cyber-risk insurance. Through information security and privacy protection measures, the key security and privacy risks are managed through a control framework.
Duty of care	This refers to the risk that Achmea is required to pay or compensate a larger amount of money due to potential liability claims and/or pressure from media, customers or regulators.	Achmea monitors customer feedback and social and legal trends with regard to the duty of care. Key areas of focus in terms of the duty of care are product development, customer advice, and advertising and website communications.

C.6.1. USE OF DERIVATIVES

Achmea makes use of interest rate derivatives (swaps and swaptions) for the mitigation of Interest Rate Risk. For the mitigation of Currency Risk, Achmea uses foreign exchange contracts.

Derivative transactions are only initiated with counterparties that meet Achmea's rating requirements and collateral requirements. ISDA master agreements (International Swaps and Derivative Association) are in place between Achmea entities and its derivative counterparties. The Counterparty Default Risk Policy defines collateral requirements that must be specified in the individually negotiated Credit Support Annexes (CSA).

Only 'prime collateral' is accepted, comprised of government bonds issued by highly rated countries and cash collateral in euros, US dollars, British pounds and Swiss francs. Independent valuation of derivatives, daily settlement of collateral and improved valuation adjustments related to remaining maturity of the collateral received, further reduces the Counterparty Default Risk. In addition, Central Clearing is used for a portion of the derivatives portfolio. Central Clearing is used when entering into new derivatives transactions and the majority of the derivatives portfolio now runs through a Central Counterparty (CCP). Achmea does the central clearing with several parties.

C.6.2. USE OF REINSURANCE AND FINANCIAL MITIGATION TECHNIQUES

Achmea Reinsurance Company N.V.

Achmea Reinsurance Company N.V. (hereinafter Achmea Reinsurance) is the reinsurance company of the group. As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. Achmea Reinsurance provides the main reinsurance cover to the Dutch and foreign insurance entities within Achmea. Part of the reinsurance contracts are retroceded to the external reinsurance market. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and to increase earnings for Achmea.

Achmea has a Reinsurance Policy which is part of the Group Policy framework. The Reinsurance policy contains an overview of all responsibilities regarding the reinsurance process. Within the reinsurance process for the external Non-Life Group Reinsurance program there are specific roles: the Dutch entities decide on the level of retention within their risk appetite and the Underwriting Committee of Achmea Reinsurance decides on the retention for Achmea Reinsurance. After approval by the Reinsurance Delegates Committee and the Executive Board respectively the Group Non-life reinsurance program is placed in the market. Given a close cooperation between Achmea Reinsurance and the reinsurance departments of the non-Dutch entities, Achmea Reinsurance participates in parts of their reinsurance programs as a risk carrier.

The Group Non-Life reinsurance program mainly consists of catastrophe excess-of-loss contracts and per risk excess-of-loss contracts. Individual risks that exceed the treaty limit of the 'per risk' programmes are covered on a facultative basis.

Dutch insurance entities

In general, Achmea has a Reinsurance Policy which is part of the Group Policy framework. The Reinsurance policy contains an overview of all responsibilities regarding the reinsurance process. Reinsurance also has a link to the Counterparty Risk Policy as the credit worthiness of reinsurance counterparties is monitored according to this policy.

Reinsurance is used to limit Mortality and Catastrophe Risk within the SCR for Life Underwriting Risk. Achmea Reinsurance has a quota-share agreement with Achmea Pensioen- en Levensverzekeringen N.V. Part of this quota-share is placed in the reinsurance market.

Reinsurance is used to limit the impact of weather-related events, natural disasters, major fires, large claims in general and motor third-party liability within the SCR for Non-Life Underwriting Risk. Part of the retention is maintained at Achmea Reinsurance.

For SLT Health Risk reinsurance is used to protect capital and earnings. Achmea Reinsurance has WIA quota-share and stop-loss excess of loss agreements with Achmea Schadeverzekeringen N.V., which are placed in the reinsurance market.

Foreign insurance entities

Reinsurance is used at all Achmea's foreign insurance entities to mitigate Underwriting Risk, in particular for Non-Life Catastrophe Risk. The level of Non-Life Catastrophe Risk is determined annually by the Reinsurance committee of the foreign supervised undertaking in accordance with the minimum requirements specified in the local Reinsurance Policy and risk appetite Statements of the foreign supervised undertaking. Each foreign supervised undertaking has its own risk appetite Statement that sets the level of desired Underwriting Risk relative to other risk types. The credit worthiness of reinsurance counterparties is monitored according to the local Counterparty Risk Policy. Achmea Reinsurance Company N.V. takes a small participation in some of the Non-Life catastrophe reinsurance programmes of the foreign insurance entities.

C.6.3. USE OF FUTURE MANAGEMENT ACTIONS

On 9 November 2021 DNB published a Q&A describing that individual disability products (AOV) under Solvency II should be treated as contracts with a long duration. In the guidance accompanying the Q&A DNB says that the interpretation of those guidelines will be in the scope of supervision from 2023 Q2. Based on current insights, implementation of adjustments can lead to implementation of Future Management Actions in the course of 2023.

Within the determination of the Loss-Absorbing Capacity of Deferred Taxes (LACDT), the various legal entities describe Future Management Actions. Based on the underlying scenarios which constitutes the LACDT-shock, senior management of the legal entities and Achmea are committed to include the following major Future Management Actions to recover the Solvency position (where deemed appropriate and necessary):

- Executing the Committed Credit Line arrangements
- Providing excess liquidity to the entities in need of capital
- Issuing a debt instrument on the level of the holding and subsequently providing capital to the entities in need of capital
- contingent on the severity of the market stresses
- Premium measures
- Cost measures
- De-risking of Market Risk
- De-risking of Underwriting Risk

Senior management has assessed the appropriateness, realism and availability of the measures in the circumstance of the specific hypothetical LACDT-shock and concluded the Future Management Actions to be fit for use in the case of the emergence of the combination of the underlying scenarios as described in the calculations of the LACDT.

C.6.4. SIGNIFICANT RISK CONCENTRATIONS WITHIN THE GROUP

The most important exposure (value of the exposure) by counterparty and by type of exposure outside the scope of the re/insurance group. Significant exposure is exposure that supersedes a threshold of 10% of the SCR of Achmea €485 million (2020: €515 million).

SIGNIFICANT RISK CONCENTRATIONS

€ MILLION

COUNTERPARTY	TYPE	EXPOSURE
Coöperatieve Rabobank U.A.		7,561
	Assets – Bonds	33
	Assets – others	7,528
The Kingdom of the Netherlands		9,199
	Assets – Bonds	4,743
	Assets – others	4,455
Bundesrepublik Deutschland		884
	Assets – Bonds	884
Republique Francaise		1,001
	Assets – Bonds	999
	Assets – Equity	2
Total		**18,644**

The majority of our risk concentration is related to exposures in government bonds (the Netherlands and Germany) and Achmea's relationship with the Rabobank (mortgage saving products, distribution channel, and shareholder). For the mortgage saving insurance products, Achmea and the Rabobank agreed on so called Cession/retrocession and sub-participation contracts. The transactions ensured that policyholders of the mortgage saving insurance contracts are even better protected in adverse circumstances which would affect the Rabobank as a counterparty of Achmea Pensioen- en Levensverzekeringen N.V.

Based on our analysis the liabilities (insurance liabilities, by Achmea issued loans/debts, others) and off balance sheet items (contingent assets and/ or liabilities) have no significant exposure and are therefore not disclosed in this paragraph.

C.6.5. RISKS WITHIN THE CRD/IFD/IFR ENTITIES

Achmea Bank identifies the following types of material risks:

- Solvency risk: Solvency risk defines the risk that the Bank cannot meet maturing obligations because it has a negative net worth, causing the market to lose its confidence in the bank;
- Liquidity risk: Liquidity risk is defined as the risk that the bank fails to fulfil its short and long-term liabilities. This includes the risk that the bank is not able to attract funding with appropriate maturities or at appropriate interest rates and the risk that the bank fails to liquidate assets at a reasonable price or within a reasonable period of time;
- Credit risk: Credit risk is defined as the risk that a counterparty cannot (fully) meet its obligations to Achmea Bank and comprises retail credit risk and the credit risk related to exposures to professional counterparties;
- Interest rate risk on banking book: Interest rate risk is the present or future risk of a decline in equity or income due to changes in market interest rates;
- Operational risk: Operational risks are possible losses as a result of inadequate or defective internal processes and systems, inadequate or incorrect human actions or external events and fraud;
- Strategic risk: Strategic risk is defined as risk that affects an entity's vital interests or execution of chosen strategy, whether imposed by external threats or arising from flawed or poorly implemented strategy.

The material risks of Achmea Investment Management[8] are Operational risk, Concentration risk, Market risk (indirect) and Claim risk. The material risks of Syntrus Achmea Real Estate & Finance[9] are Solvency risk, Liquidity risk, Credit risk, Market risk, Concentration risk, Operational risk and Strategic risk.

C.7. ANY OTHER INFORMATION

Not applicable.

[8] For more detailed information, reference is made to the Annual report 2020 of Achmea Investment Management B.V., Executive Board Report, Risk Management, page 18.

[9] For more detailed information, reference is made to the Annual report 2020 of Syntrus Achmea Real Estate & Finance B.V., Executive Board Report, Governance and Risk Management, page 29.

D. VALUATION FOR SOLVENCY PURPOSES

CONSOLIDATED ECONOMIC BALANCE SHEET

The following Economic Balance Sheet information represents the entire Achmea Group including the legal entities consolidated by means of the sectoral requirements (CRD/IFD/IFR/IORP).

For detailed Economic Balance Sheet information for each Dutch legal entity, please refer to the public Quantitative Reporting Templates (for hyperlinks, see appendix 1).

ECONOMIC BALANCE SHEET

€ MILLION

ASSETS	2021	2020
Intangible assets	0	0
Deferred Tax Assets	561	607
Property, plant & equipment held for own use	388	466
Investments (excl. index-linked and unit-linked funds)	43,911	51,828
Assets held for index-linked and unit-linked funds	9,520	9,032
Loans and mortgages	14,213	10,030
Reinsurance recoverables	625	614
Deposits to cedants	13	5
Insurance and intermediaries receivables	2,133	2,466
Reinsurance receivables	5	5
Receivables	1,765	1,869
Own shares (held directly)	827	506
Cash and cash equivalents	569	1,014
Any other assets, not elsewhere shown	207	262
Total assets	**74,736**	**78,705**

ECONOMIC BALANCE SHEET

€ MILLION

LIABILITIES	2021	2020
Technical Provisions – Non-Life (excluding Health)	3,861	3,560
Technical Provisions – Health (similar to Non-Life)	4,640	4,479
Technical Provisions – Health (similar to Life)	2,806	2,895
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	35,174	38,208
Technical Provisions – Index-Linked and Unit-Linked	8,777	8,507
Contingent liabilities	31	0
Provisions other than Technical Provisions	95	97
Pension benefit obligations	860	955
Deposits from reinsurers	8	1
Deferred Tax Liabilities	30	44
Derivatives	1,087	2,413
Debts owed to credit institutions	11	45
Financial liabilities other than debts owed to credit institutions	888	931
Insurance & intermediaries payables	1,418	1,218
Reinsurance payables	35	27
Payables (trade, not insurance)	440	423
Subordinated liabilities in Basic Own Funds	2,088	2,231
Any other liabilities, not elsewhere shown	2,995	3,391
Total liabilities	**65,244**	**69,425**
Excess of assets over liabilities	**9,492**	**9,280**

D.1. ASSETS

D.1.1. KEY ASSUMPTIONS USED BY ACHMEA

Discount rate for non-insurance assets and non-insurance liabilities

Achmea uses the zero curve in order to calculate the economic value of non-insurance assets and non-insurance liabilities. The curve used for Solvency II purposes equals the curve used for IFRS purposes.

Achmea will extrapolate after the last liquid point[10] by means of a constant 1-year forward and will base the zero rates on this forward rate.

D.1.2. INTANGIBLE ASSETS

Goodwill, deferred acquisition costs and intangible assets obtained by means of a business combination are valued at nil.

D.1.3. PROPERTY, PLANT AND EQUIPMENT HELD FOR OWN USE

Property for own use and Equipment are measured at their economic value. Achmea uses the values as reported in the IFRS Financial Statements as a proxy for the economic value. For more detailed information, Achmea refers to its Annual report of 2021[11].

Equipment and lease is measured at acquisition cost minus amortisation. Achmea assumes the amortisation amount to reflect the economic wear-down of the equipment in normal economic use.

PROPERTY, PLANT & EQUIPMENT FOR OWN USE — € MILLION

	2021	2020
Equipment and lease	59	65
Property for own use	329	401
Closing balance	**388**	**466**

EQUIPMENT AND LEASE — %.

	2021	2020
The Netherlands	83	85
Greece	11	10
Turkey	2	2
Slovakia	4	3
Total	**100**	**100**

In the Netherlands, Equipment has been recognised mainly in Ancillary Service Entities.

PROPERTY FOR OWN USE — %.

	2021	2020
The Netherlands	90	89
Greece	7	7
Turkey	2	3
Slovakia	1	1
Total	**100**	**100**

In the Netherlands, Property for own use has been recognised in Ancillary Service Entities, while in Turkey and Greece the Property for Own use is recognised in the insurance entity.

[10] The Last Liquid Point is 50 years for the discount rate applicable to cashflows nominated in euro.

[11] part 2 Year Report, note 15 Property for own use and equipment

D.1.4. INVESTMENTS

Achmea measures all investments at their economic value. The value is derived using the economic value hierarchy. Investments are either held directly or indirectly. Derivatives are shown for their net exposure including liabilities.

In the table below, the Investments (excluding Index-Linked and Unit-Linked funds) are recognised for an amount of €42,824 million (2020: €49,415 million). Derivatives are shown for their net balance (in the Economic Balance Sheet these are presented as separate assets (€7,569 million) and liabilities (€1,087 million) where appropriate).

INVESTMENTS

€ MILLION

	PROPERTY (OTHER THAN FOR OWN USE)	HOLDINGS IN RELATED UNDERTAKINGS	EQUITIES	BONDS	COLLECTIVE INVESTMENTS UNDERTAKINGS
Closing balance	**1,035**	**976**	**1,568**	**27,823**	**1,203**

INVESTMENTS

€ MILLION

	DERIVATIVES (INCL LIABILITIES)	DEPOSITS	OTHER	TOTAL 2021	TOTAL 2020
Closing balance	**5,482**	**924**	**3,813**	**42,824**	**49,415**

Good practice document and Q&A related to the treatment of mortgage saving products
On 1 September 2021, DNB issued a Good practice document and Q&A related to the treatment of mortgage saving products under Solvency II. Following this Q&A and Good practice, the mortgage saving assets are classified according to their actual risk characteristics and guarantees obtained by Achmea. The cash flows of a mortgage saving asset is split into three components:
1. an already built-up/paid-in component ("opgebouwd deel");
2. cash flows related to the interest accrual of the first part ("herbeleggingswaarde");
3. cash flows related to future premium payments of the policyholders ("toekomstig deel").

Based on the actual risk characteristics and availability of guarantees, these parts are classified as either deposits, derivatives, other investments and/or mortgage loans to individuals. This resulted in restatements and reclassifications.

Investments have decreased with €6,591 million mainly due to the effect of the treatment of mortgage saving products resulted in restatements (€4,275 million). Increased interest rates in combination with a change in the portfolio mix (receivers and payers) led to a decrease in the value of the interest rate derivatives. This resulted in a negative effect in changes in economic assumptions (€1,727 million).

The investments presented are recognised in the various insurance legal entities, Ancillary Service Entities and the Holding (excluding Intra-Group transactions). For an overview of the investments of the Dutch (re)insurance entities we refer to appendix 4.

D.1.4.1. PROPERTY (OTHER THAN FOR OWN USE)

Achmea uses the property values as reported in the IFRS financial statements as a proxy for the economic value. Investment property which is still under construction and land are measured at their economic value. However in the rare cases that the economic value cannot be established continuously for the investment property, Achmea measures the investment property at cost.

Most (99%) of the direct property instruments are located in the Netherlands. Indirect property relates to exposure in investment funds and can be located anywhere in the world.

The table below presents the actual exposure to property based on a look-through basis.

PROPERTY (OTHER THAN FOR OWN USE)

€ MILLION

	2021	2020
Total direct property	1,035	973
Total indirect property	393	261
Total investment property	**1,428**	**1,234**

Certain property investments funds or property participations which are subject to a leverage of more than 20% are not shocked as part of the Property Risk module, but are considered to resemble equity investments and shocked accordingly.

Direct investment property is mainly recognised within Achmea Pensioen- en Levensverzekeringen N.V. (€988 million) (2020: €930 million) and Achmea Interne Diensten N.V. (€33 million) (2020: €36 million).

D.1.4.2. HOLDINGS IN RELATED UNDERTAKINGS, INCLUDING PARTICIPATIONS

For Solvency II purposes, Achmea identifies the following 3 types of participations:
1. Subsidiaries which are legal entities subject to the Capital Requirement Directive (CRD IV), Institutions for Occupational Retirement Provisions legislation (IORP) or similar prudential legislation.
2. Participations where Achmea holds voting rights of more than 20% and less than 50%.
3. Other subsidiaries under the control of Achmea but which are not insurance or reinsurance entities, investment related undertakings or Ancillary Service Entities.

On the Economic Balance Sheet all these entities are presented in the balance sheet item Participations.

Participations are measured at their economic value using the economic value hierarchy. If no quoted price in an active market exists, the economic value will be derived by means of the “adjusted equity method”. (The balance sheet is measured at their economic value following the Solvency II principles, Achmea uses their equity interest to derive the adjusted equity value). If Achmea is not able to derive the Economic Balance Sheet, it uses the net asset value as recognised under IFRS while zeroing goodwill and non-eligible intangible assets. The valuation of Participations in the first category is based on principles as laid down in the local sectoral prudential regimes.

In the solo entity Achmea Zorgverzekeringen N.V., investment exposures are managed in a specific legal entity. On the statutory Balance Sheet this is presented as a participation. In the Group Economic Balance Sheet this investment related entity is fully consolidated.

CRD/IFD/IFR/IORP/SIMILAR LEGAL ENTITIES

Achmea has control over the following entities which are governed by the CRD/CRR, IFD/IFR, IORP or similar (national) regime. The valuation of these entities is based on their local sectoral valuation principles, in accordance with IFRS 13.

CRD IV / IFD / IFR / IORP / SIMILAR LEGISLATION

€ MILLION

	ASSET	LIABILITY	2021	2020
Syntrus Achmea Real Estate & Finance B.V.	60	12	47	46
Achmea Investment Management B.V.	61	17	44	46
Achmea Bank N.V.	12,812	12,033	779	853
Union Zdravotna Poist'ovna A.S.	214	166	48	26
Total CRD IV/ IFD / IFR / IORP/ Similar legislation			**918**	**971**

The CRD/CRR, IFD/IFR, IORP or Similar legal entities decreased in value in 2021 for an amount of €53 million due to a decrease of the net asset value of these entities. DNB has indicated that Achmea Bank N.V. must be consolidated on the basis of IFRS9 / COREP principles. As a result, a capital decreasing correction of €51 million has been made.

PARTICIPATIONS

Achmea has significant influence over the following entities.

PARTICIPATIONS

€ MILLION

	SHARE %	STRATEGIC	2021	2020
Life Sciences Partners II B.V.	30	N	0	5
Health Innovation Fund I B.V.	35	N	0	0
Zorgmatch B.V.	50	Y	0	0
Grendel games B.V.	25	N	0	0

Laevo B.V.	28	N	0	0
Mofixx B.V.	45	N	0	0
Nextgen Ventures B.V.	25	N	1	1
On(t)roerend goed B.V.	25	N	0	0
PA Imaging Holding B.V.	28	N	0	0
Stroke2prevent B.V.	0	N	0	0
Money Market Insurance Brokers S.A.	0	N	0	0
Megatrust Olympic Business Consultants	20	N	0	0
De Vereende N.V.	20	Y	6	5
Catventures Games B.V.	40	N	0	0
Verheijen Resins Beheer B.V.	30	N	0	0
Total participations			**8**	**13**

Money Market Agents S.A. was a participation in 2020. Due to the acquisition of the remaining shares in 2021, Money Market Agents S.A. is subsequently presented as an Ancillary Service Entity and included on an line-by-line basis for group purposes.

Participations in which Achmea has significant influence decreased in value for an amount of €5 million. This is mainly a result of the sale of almost all the assets related to venture capital of Life Science Partners II B.V. in the first half of 2021. The proceeds from the sale of the investments in Life Science Partners II B.V. have been reinvested in other investment categories.

OTHER SUBSIDIARIES

The participation is considered to be strategic if Achmea does not have the intention – based upon investment policy – to sell the participation in the near future, nor the market value showed less volatile movements compared to peer investments of the same risk type over the last years and the entities are included in the strategy of one or more insurance legal entities or Achmea Group.

Achmea has control over subsidiaries in the following countries.

OTHER SUBSIDIARIES

	2021	2020
Other subsidiaries in the Netherlands	35	61
Other subsidiaries in Ireland	3	3
Other subsidiaries in Turkey	0	0
Other subsidiaries in Canada	13	11

In 2021 Other subsidiaries presented a total movement of €26 million mainly as a result of the sale of the assets related to venture capital of Life Science Partners B.V. in the first half of 2021. Residex Capital B.V. has been liquidated in 2021.

D.1.4.3. EQUITY INVESTMENTS

Equity investments are recognised at their economic value using the economic value hierarchy. For those investment where no quoted price in an active market exists a valuation technique is used. The majority of listed equities are valued by their quoted prices (valuation hierarchy level 1), an amount of €1 million is reported as valuation hierarchy level 2 as a result of staleness of prices in the last month.

Unlisted equities are the “Fagoed Vastrecht” fund and “Stadsherstellen” are classified as fair value level 4. These funds are valued using the acquisition price (valuation hierarchy level 4). This is deemed to be a good proxy for the economic value because additional value created by the fund is not forwarded to the shareholders. Another unlisted equity investment is Garanti Emeklilik. This is measured on the basis of a mix of a Counterparty Credit Assessment and Embedded Value calculation.

The table below presents all financial instruments which are used as input to derive the capital requirement for Equity Risk. Achmea identifies the following categories:

1. Equity investments directly held;

2. Equity investments held within Collective Investment Undertakings which meet the criteria of the UCITS framework;
3. Participations, where the main risk driver is equity;
4. Equity derivatives, where the economic value is derived from its underlying assets which have an Equity type exposure;
5. Other, which comprises equity investment funds which do not meet the criteria of the UCITS framework.

The values for equities listed and unlisted reconcile with the values in the Economic Balance Sheet. The other categories are part of the line items Collective Investment Undertakings, Participations, Other subsidiaries and Other investments in the Economic Balance Sheet

EQUITY INVESTMENTS

€ MILLION

	2021	2020
Equities	1,568	1,178
Equities, listed	1,450	1,056
Equities, unlisted	118	122
Equities in investment funds	544	530
Equity participations	58	88
Equity derivatives	0	-18
Other	692	586
Total equity investments	**2,862**	**2,364**

In accordance with the investment plan, Achmea reinvested in listed equities, which were sold due to the de-risking activities in the first half of 2020 as response to the Covid-19 uncertainty and impact on the markets at that moment.

Equities listed and unlisted were affected by three factors in 2021:
1. Increased equity markets resulted in a positive revaluation amounting to €250 million;
2. Positive currency revaluation (effect €50 million), which is primary caused by appreciation of US dollar;
3. Net balance of €90 million of the recognition of new investments and derecognition of existing investments.

Investments in equities (listed and unlisted) are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V. (€513 million), Achmea Zorgverzekeringen N.V. (€462 million), Achmea Schadeverzekeringen N.V. (€302 million), Achmea Reinsurance Company N.V. (€123 million), Achmea B.V. (€48 million), N.V. Hagelunie (€21 million) and Interamerican Greece (€14 million) and Eureko Sigorta A.S. (€1 million).

Within the investment funds, exposure increased with €14 million. This is mainly due to the increase of equity funds by €54 million, a decrease of infrastructure funds (€24 million) and private equity (€12 million).

Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Schadeverzekeringen N.V. also invested in the Achmea IM Global Defensive Equity Fund (€67 million).

The categories Equities in Investment funds, Equity participations, Equity derivatives and Other will be discussed in their respective paragraphs.

Achmea uses foreign exchanges contracts for its hedging strategy to minimise the net currency exposure. These developments are discussed in the Derivatives section D.1.4.6.

D.1.4.4. BONDS

Bonds held by Achmea comprise three investment categories: government bonds, corporate bonds and collateralised securities.

The majority of the bonds are valued using a quoted market price on debt markets (valuation hierarchy level 1). If no quoted price in an active market is available Achmea uses the last known traded price in the market (valuation hierarchy level 2). The last known traded price is received from the custodian (BNY Mellon), and checked with Bloomberg prices. If the deviation of the two prices is more than 3%, the delivered price of the custodian is challenged, and additional information is requested. Achmea challenges the received price, and contacts the concerning asset manager (M&G in the case of collateralised securities such as ABS, CMBS and RMBS), who use different pricing sources (Bloomberg, IDC and Markit). The detailed information on how the price is derived, is judged by Balance Sheet Management. Based on this information, Achmea decides whether the price and fair value used is appropriate. If the assessment shows that the information does not yield an appropriate price, adjustments to price and market values are made.

BONDS

€ MILLION

	2021	2020
Government bonds and related exposures	11,322	13,262
Corporate bonds (including convertibles)	16,338	15,576
Collateralised securities	163	288
Total bonds	**27,823**	**29,126**

The bonds portfolio decreased with €1,303 million in 2021. The decrease was caused by:
1. A net derecognitions of €-372 million. In accordance with the investment plan, a shift has taken place from government bonds to corporate bonds and mortgages.
2. Increasing interest rates (10-year German state +39 bps and 30-year +33 bps) and widening credit spreads (corporate +3 bps, financials +5 bps) had a negative effect of €972 million.
3. Positive foreign exchange results for €41 million, mainly consisted of exposure in US dollar.

Investments in bonds are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V. (€16,676 million), Achmea Schadeverzekeringen N.V. (€5,294 million), Achmea Zorgverzekeringen N.V. (€3,658 million), Achmea Reinsurance Company N.V. (€305 million), N.V. Hagelunie (€189 million), Achmea B.V. (€597 million), Interamerican Greece (€702 million), Eureko Sigorta A.S. (€33 million) and Union Zdravotná Poist’ovňa A.S. (€111 million).

Achmea Pensioen- en Levensverzekeringen N.V. (€55 million) and Achmea Schadeverzekeringen N.V. (€27 million) have invested in the Achmea IM Green Bond Fund. Achmea Pensioen- en Levensverzekeringen N.V. (€51 million) and Achmea Schadeverzekeringen N.V. (€51 million) have invested in the Achmea IM Euro Corporate Bond Fund. Achmea Pensioen- en Levensverzekeringen N.V. (€50 million), N.V. Hagelunie(€5 million), Achmea Zorgverzekeringen N.V. (€16 million) and Achmea Reinsurance Company N.V. (€8 million). have invested in the Achmea IM Grondstoffen Fonds.

D.1.4.5. COLLECTIVE INVESTMENT UNDERTAKINGS

When determining the capital requirements for Market Risk, Achmea uses the "look-through approach" as much as possible with respect to Collective Investment Undertakings (CIUs).

The table below presents the classification of CIU’s to its respective type.

COLLECTIVE INVESTMENT UNDERTAKINGS

€ MILLION

	2021	2020
Equity funds	487	433
Debt funds	266	286
Asset allocation funds	11	11
Real estate funds	393	261
Alternative funds	0	0
Private equity funds	42	54
Infrastructure funds	0	24
Other	3	9
Total investment funds	**1,203**	**1,077**

The underlying assets of the equity funds are mostly listed equity exposures (valuation hierarchy level 1). While equity prices change constantly whenever the markets are open, the net asset value of a mutual fund (which reflects the prices of whatever equity it owns) is calculated only at the close of each business day. The largest exposure within Equity funds is the Robeco QI Institutional Emerging Markets Enhanced Index Fund, which has a market value of €384 million. This fund is listed and is therefore classified as level 1 in the valuation hierarchy. The main risk exposure is Equity Risk.

The Debt funds and Asset allocation funds are not quoted daily on an active market (valuation hierarchy level 2). The largest exposure is to M&G Active Euro Loan Fund (€265 million). The main risk exposure is Spread Risk. Asset allocation funds where the underlying value is not quoted on a stock exchange are reported as valuation hierarchy level 3. Asset allocation funds comprise Triodos Microfinance Fund (€11 million).

The Real estate funds are reported as valuation hierarchy level 4. Real estate funds mainly comprise several funds managed by Syntrus Achmea Real Estate & Finance (€367 million). The main exposure is Property Risk.

Private equity funds, where the underlying value is not quoted on a stock exchange (valuation hierarchy level 3). Private equity funds mainly comprise LSP Health Economics Fund C.V. (€24 million) and Triodos Food Transition Europe Fund (€13 million).

Collective Investment Undertakings are recognised within the legal entities Achmea Pensioen- en Levensverzekeringen N.V. for €553 million, Achmea Schadeverzekeringen N.V. for €380 million, Achmea Zorgverzekeringen N.V. for €183 million, Achmea Reinsurance Company N.V. for €50 million, N.V. Hagelunie for €20 million, Interamerican Greece for €15 million and Union Poist'ovňa A.S. for €2 million.

D.1.4.6. DERIVATIVES

These instruments are valued at their economic value using the economic value hierarchy. Achmea holds derivatives for risk mitigation purposes.

The specification of the derivatives into the individual risk categories is as follows:

DERIVATIVES

€ MILLION

	2021		2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rate derivatives	6,247	1,069	8,922	2,370
Currency derivatives	8	18	33	24
Equity derivatives	0	0	0	19
Credit default swaps	0	0	0	0
Other	315	0	1	0
Total derivatives	**6,569**	**1,087**	**8,956**	**2,413**

The derivative portfolio is mainly held by the Dutch legal entities and for a small amount by the Greek legal entities. The interest rate derivatives are mainly held by Achmea Pensioen- en Levensverzekeringen N.V. for €5,176 million which comprise plain vanilla interest rate swaps and swaptions. Net currency derivatives consists mainly of Achmea Pensioen- en Levensverzekeringen N.V. for €-6 million, Stichting Achmea Zorgverzekeringen Beleggingen for €-1 million and Achmea Schadeverzekeringen N.V. for €-2 million and Achmea Reinsurance Company N.V. for €-1 million. Currency derivatives and a large part of the interest derivatives are classified as valuation hierarchy level 2, since the valuation techniques are based on freely observable market inputs. Achmea also owns interest rate and equity futures, which are presented under interest rate derivatives and equity derivatives respectively and are classified as fair value level 1, since these futures have a quoted price in an active market.

As part of the “other” derivatives, Achmea has included the “forward” parts of the mortgage saving insurance assets. This amounts to €313 million. This classification is based on the Good practice and Q&A as issued by DNB on 1 September 2021. Based on these documents Achmea reclassified and remeasured the elements related to the mortgage saving insurance contracts. The mortgage saving assets are split into three components. An already built-up/paid-in part, which is classified according to the characteristics as either deposits, mortgages to individuals or as part of other investments. The second and third component are considered to be forward contracts and relates to future cashflows. These are presented as part of the “Other derivatives”. The notional amounts are assumed to be equal to the economic valuation of the cash flows. Depending on the guarantees obtained and whether a look-through can be applied, the risk-free interest rate is adjusted with a spread. The spread is derived from the market by referring to spreads related unsecured bonds with the same characteristics. The forward contracts related to mortgage savings are classified as valuation hierarchy level 3. In section D.4, Alternative methods for valuation, the method is explained in more detail.

In 2021, the total net amount of derivatives (excluding collateral) increased by an amount of €1,061 million. This is mainly visible in interest rate derivatives. Increased interest rates in combination with a change in the portfolio mix (receivers and payers) led to a decrease in the value of the interest rate derivatives. This resulted in a negative effect in changes in economic assumptions (€1,727 million). The increase in interest rates also resulted in a negative revaluation of the forward contracts related to mortgage saving for €5 million. Currency derivatives experienced negative revaluations mainly due to a stronger US dollar (and GBP) of €103 million. Since the most of these contracts have a duration of three months, these positive revaluations are derecognised and caused an increase in the net market value of €68 million. Due to increasing interest rates, futures increased in value with €144 million. The restatements consist of the reclassification of mortgage savings of €335 million out of the category "Other investments".

Achmea both has pledged and received collateral amounting to €924 million and €23,194 million respectively. A breakdown of the assets pledged/received is presented in the following table.

COLLATERAL

€ MILLION

	PLEDGED		RECEIVED	
	2021	2020	2021	2020
Cash	3	15	2,744	2,893
Government bonds	921	942	5,579	6,961
Corporate bonds	0	0	27	39
Equity investments	0	0	910	1,180
Property	0	0	13,933	13,451
Total collateral	**924**	**957**	**23,194**	**24,524**

COLLATERAL

€ MILLION

	PLEDGED		RECEIVED	
	2021	2020	2021	2020
On balance	3	15	2,744	2,888
Off balance	921	942	20,450	21,636
Total collateral	**924**	**957**	**23,194**	**24,524**

The 2021 presented off-balance collateral received related to mortgages to individuals is the market value. In 2020 85% of the market value (execution value) was presented.

Achmea and its counterparties receive and pledge collateral as assurance for the values on interest rate swaps, swaptions, futures, security lending, Oken (Canada RE) and loans and mortgages.

Achmea pledged €921 million in government bond securities. The pledged collateral consists of Achmea Pensioen- en Levensverzekeringen N.V. (€909 million), Achmea Schadeverzekeringen N.V. (€9 million), Stichting Achmea Zorgverzekeringen Beleggingen (€2 million) and Achmea Reinsurance Company N.V. (€1 million). Achmea pledged an on-balance cash collateral of €3 million. The pledged cash collateral consists of Achmea Schadeverzekeringen N.V. (€2 million) and Stichting Achmea Zorgverzekeringen Beleggingen (€1 million).

The on balance received cash collateral was €2,744 million within Achmea Pensioen- en Levensverzekeringen N.V.

In general, the total net collateral decreased from €23,567 million in 2020 to €22,270 million in 2021. Main driver was the increased interest rates (for example long-term swap). As a result, the market value of fixed income securities (including swaps) decreased. To mitigate CDR, Achmea requires less collateral (on and off balance) as assurance.

The received off-balance collateral can be divided in the received collateral for the loans, mortgages (€11,267 million), security lending programme (€3,919 million), over-the-counter derivatives (€2,550 million), Rabobank savings (€2,666 million), reinsurance arrangements (€28 million) and for Friesland Campina (€20 million). The received collateral mainly consisted of Achmea Pensioen- en Levensverzekeringen N.V. (€18,200 million) and Achmea Schadeverzekeringen N.V. (€2,250 million).

D.1.4.7. DEPOSITS (OTHER THAN CASH EQUIVALENTS)

These assets are fixed income instruments where, given the short-term duration, the nominal value accumulated with accrued interest is deemed to be a good proxy for the economic value.

DEPOSITS – DURATION

€ MILLION

	2021	2020
Less than 1 month	200	122
Between 1 month and 3 months	188	67
Between 3 months and 1 year	18	16
More than 1 year	0	0
Other	518	0
Total deposits	**924**	**206**

Achmea transfers the surplus on liquidities from insurance activities to short-term deposits. Therefore, the exposure to deposits can deviate largely throughout the year. Exposure in deposits increased with €718 million due to:

1. the restatement of mortgage savings out of the category “Other investments” of €562 million;
2. revaluations of €3 million;
3. net recognition of €154 million.

As part of Other, Achmea has included the built-up/paid-in part of the mortgage saving assets where no guarantee is obtained from the counterparty. These are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V.

DEPOSITS - MORTGAGE SAVING ASSETS

€ MILLION

	2021	2020
Rabobank U.A.	493	n.a.
Achmea Bank N.V.	21	n.a.
NIBC Bank N.V.	3	n.a.
Stater N.V.	1	n.a.
Other	0	n.a.
Total other deposits	**518**	**n.a.**

The economic value is determined based on the expected cash flows discounted with the risk-free interest rate adjusted with a credit spread. The credit spread is based on the unsecured bond spreads of instruments with similar risk characteristics. In the FYR 2020, these mortgage saving assets were part of the ’Other investments’.

The other deposits are recognised within the legal entities Zilveren Kruis Zorgverzekeringen N.V. for €195 million, Achmea B.V. for €75 million, Eureko Sigorta A.S. for €74 million, Achmea Zorgverzekeringen N.V. for €20 million, Achmea Schadeverzekeringen N.V. for €15 million, Interamerican Property & Casualty Insurance Company Single Member S.A. for €13 million, Interamerican Assistance General Insurance Company Single Member S.A. for €5 million, Union Poist’ovna A.S. for €5 million, Interamerican Hellenic Life Insurance Company S.A. for €3 million, Athinaiki General Clinic S.A. for €1 million and Interassistance Road Assistance Services S.A. for €1 million.

D.1.4.8. OTHER INVESTMENTS

Some investments are not readily classified into one of the categories mentioned above. For these exposures Achmea uses the category Other investments.

OTHER INVESTMENTS

	2021	2020
Saving mortgage Rabobank U.A.	2,714	7,855
Saving mortgage Achmea Bank. N.V.	408	807
Saving mortgage NIBC Bank N.V.	0	3
Saving mortgage ABN AMRO N.V.	0	1
Non UCITS investment funds	692	586
Total other investments	**3,813**	**9,253**

On 1 September 2021, DNB issued a Good practice document and Q&A related to the treatment of Mortgage saving products under Solvency II. The cash flows of a mortgage saving asset could be split into three components:
1. an already built-up/paid-in component ('opgebouwd deel');
2. cash flows related to the interest accrual of the first part ('herbeleggingswaarde');
3. cash flows related to future premium payments of the policyholders ('toekomstig deel').

Under Other investments, Achmea only classifies the value of the first component related to mortgage saving products where Achmea has a (sub-) participation and where no look-through is applied. All other components and mortgage saving products are reclassified to either deposits, mortgage to individuals and other derivatives.

Achmea classifies investment funds which do not meet the UCITS criteria in the balance sheet item Other Investments.

The Saving mortgage line items are recognised within the legal entity Achmea Pensioen- en Levensverzekeringen N.V.

Non-UCITS funds are recognised within the legal entities Achmea Pensioen- en Levensverzekeringen N.V. (€592 million), Achmea Schadeverzekeringen N.V. (€64 million), Achmea Reinsurance Company N.V. (€14 million), Eureko Sigorta A.S. (€16 million), Union Poist'ovna A.S. (€2 million) and Interamerican Property & Casualty Insurance Company Single Member S.A. (€2 million).

D.1.5. ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

Investments backing linked liabilities comprise mainly of investments funding Unit-Linked life insurance policies and investments to cover obligations under policies where the benefits are index-linked (performance-linked contracts or 'Gesepareerde Beleggings Depots (GBD)'). Investments presented under this category have the specific feature that the Market Risks associated with them are borne by Achmea. The assessment should be made against the host insurance contracts (without assessing any additional options and guarantees).

ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

€ MILLION

	PROPERTY (OTHER THAN FOR OWN USE)	HOLDINGS IN RELATED UNDERTAKINGS	EQUITIES	BONDS	COLLECTIVE INVESTMENTS UNDERTAKINGS
Closing balance	**0**	**0**	**7,414**	**1,057**	**0**

ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED FUNDS

€ MILLION

	DERIVATIVES	DEPOSITS	LOANS & MORTGAGES	OTHER	TOTAL 2021	TOTAL 2020
Closing balance	**154**	**228**	**0**	**667**	**9,520**	**9,032**

Exposure of assets held for Index-Linked and Unit-Linked funds have increased with €488 million mainly due to positive revaluations of the Achmea IM funds due to the effect of increasing stock markets and decreasing interest rates of the underlying equity and fixed income securities.

ACHMEA PENSIOEN- EN LEVENSVERZEKERINGEN N.V.

€ MILLION.

	2021	2020
Achmea IM Funds management	7,594	7,215
GBD investments	1,219	1,142
Non UCITS equities	496	457
Closing balance	**9,309**	**8,814**

FOREIGN ENTITIES

€ MILLION.

	2021	2020
Equities	211	218
Closing balance	**211**	**218**

Interamerican Hellenic Life Insurance Company S.A. had in total investments in these categories for €208 million (2020: €221 million) and Union Poist'ovňa A.S. for €10 million (2020: €9 million), both invested in equities.

D.1.6. LOANS AND MORTGAGES

Loans and mortgages are valued at their economic value using the economic value hierarchy. Within this category, Achmea includes the build-up part of the mortgage saving products which are guaranteed by cession/retrocession arrangements.

Valuation of the mortgage portfolio is based on an economic value determined using an exit price, which results in a market-based, rather than an entity-specific measurement. The mortgage loans are valued using a discounted-cash flow-model where the cash flows are determined per mortgage loan part and discounted using the relevant discount rate. The discount rate using the top down approach is based upon the relevant mortgage rates in the market and characteristics of the loan part (maturity, LTV, etc.). Several parameters are used in the mortgage loan portfolio valuation model. The following section contains a summary of these parameters:

- The market rate is determined via the entire space of primary mortgage products on offer at time of the valuation, excluding the loans that are classified as action rates. For the entire space of primary mortgage products, the Yield to Maturity ("YTM") is calculated for each unique combination of repayment type, Loan to value, NHG/non-NHG (Nationale Hypotheek Garantie), fixed rate period and asset type (residential or buy-to-let consumer). In the calculation of the YTM automatic risk class adjustment of the primary market products is accounted.
- A downward adjustment ranging from 6.5 bps to 13.9 bps (2020: 10 bps) is made to the processed market rates to account for the interest rate option – pipeline risk – that is priced into these primary market rates based on the product's offer type ("Offerterente", "Dagrente" or "Dalrente"), the repayment type of the loan and the fixed rate period of the loan.
- A prepayment curve is applied to account for the expected pre-payments. This depends on the Observed Prepayment Rate (OPR) and Long Term Prepayment Rate (LTPR). The OPR is portfolio specific, the LTPR is based on market data, the LTPR being 4.20% (2020: 3.89%).
- For non-NHG mortgage loan parts with a current loan to indexed market value above 106% there are no, or limited, primary market mortgage loan rates available. Therefore, for mortgage loan parts with a current loan to indexed market value (CILTMV) above 106% the interest rate charged to Dutch borrowers for unsecured personal loans is used for discounting the CILTMV part above 106%.
- Arrears are distributed across 5 buckets and per bucket a probability of default is set (0-30 days: 7%, 30-60 days: 12%, 60-90 days: 25%, >90 days: 55%). The NHG compliance ratio is set at 90%.

As part of the Mortgages to individuals, Achmea has included the mortgage saving products where Achmea has obtained a cession contract from the counterparty. On 1 September 2021, DNB issued a Good practice document and Q&A related to the treatment of mortgage saving products under Solvency II. Following this Q&A and Good practice, the mortgage saving assets are classified according to their actual risk characteristics and guarantees obtained by Achmea. Mortgage saving products where Achmea has obtained a cession contract resulting in mortgages transferred in the event the counterparty defaults, are presented as part of the Loans and Mortgages. These assets are split into a built-up-already paid-in part and a derivative part. The latter is presented as part of Other derivatives. The cash flows related to the built-up/already paid-in component are discounted using the risk-free interest rate. Following the look-through approach due to the cession contract, the counterparty of these assets are the individual policyholders. With respect to these policyholders, Achmea has similar insurance liabilities presented. The insurance policies are legally collateralised and additionally used to cover any default risk of the individual asset in excess of the mortgage value.

LOANS AND MORTGAGES

	2021	2020
Loans on policies	9	11
Loans and mortgages to individuals	12,795	8,575
Other loans and mortgages	1,409	1,445
Loans	*1,405*	*916*
Mortgages	*0*	*0*
Other	*4*	*529*
Total loans and mortgages	**14,213**	**10,030**

For an overview of the Loans and mortgages of the Dutch (re)insurance entities we refer to appendix 4.

Achmea Pensioen- en Levensverzekeringen N.V. has €13,302 million of the €14,213 million in investments. This mainly consists of investments in loans and mortgages to individuals of €11,908 million and other loans of €1,394 million.

The mortgage loans are included for an amount of €6,995 million in “Investment Related Undertakings (IRU)” which are controlled by Achmea Pensioen- en Levensverzekeringen N.V. Achmea Pensioen- en Levensverzekeringen N.V. owns 95% of the mortgages within Achmea Woninghypotheken B.V. (€3,976 million), 100% of Achmea Woninghypotheken II B.V. (€2,793 million) and 25% of Achmea Woninghypotheken III B.V. (€226 million).

The other mortgages portfolio to individuals from Achmea Pensioen- en Levensverzekeringen N.V. consist of three portfolios: Tellius (€355 million), CB Leef (€584 million) and mortgage saving products where Achmea Pensioen- en Levensverzekeringen N.V. has obtained a cession contract from the counterparty (€3,974 million).

The Loans and Mortgages of Achmea Schadeverzekeringen N.V. consist of €887 million of Loans and Mortgages to individuals. The mortgage loans are included for an amount of €887 million in “Investment Related Undertakings (IRU)” which are controlled by Achmea Schadeverzekeringen N.V. Achmea Schadeverzekeringen N.V. owns 5% of the mortgages within Achmea Woninghypotheken B.V. (€209 million) and 75% of Achmea Woninghypotheken III B.V. (€678 million).

The loans portfolio comprises mainly the following components: senior real estate debt (€215 million, 2020: €117 million), “Waarborgfonds Sociale Woningbouw” (WSW) Loans (€1,055 million, 2020: €1,171 million), ECA loans (€97 million, 2020: €80 million) and Other loans (€51 million, 2020: €77 million). WSW loans are investments in loans to housing associations guaranteed by WSW. The weighted average maturity date of the loans in the WSW portfolio is September 2042. The senior real estate debt and WSW loans are mainly held by Achmea Pensioen- en Levensverzekeringen N.V.

Criteria for impairing a mortgage loan are: arrears greater than four months in combination with economic mortgage loan value lower than nominal value. These criteria were applied and no significant impairments were processed.

In contrast to rising interest rates, the discount rate has fallen. This is mainly due to the lower spread on mortgages. The weighted average coupon rate also decreased due to lower interest rates on new production. Adjustment of the constant repayment rate to 4.20% (until 2021 Q3: 3.89%).

LOANS TO VALUE

€ MILLION

	2021	2020
< 80%	8,374	7,137
80% - 100%	412	1,416
> 100%	36	22
Total	**8,821**	**8,575**

The amount of the Loans to value reconciles with the mortgages to individuals excluding mortgage saving products where Achmea Pensioen- en Levensverzekeringen N.V. has obtained a cession contract from the counterparty (€3,974 million).

The loans to value (LTV) ratio expresses the ratio of a loan to the value of an asset purchased. The higher the ratio, the riskier the loan is for Achmea. In the table above only mortgage loans are included. Positive developments on the property market in combination with redemptions led to a more positive LTV.

D.1.7. DEPOSITS TO CEDANTS

These instruments are valued at their economic value using the economic value hierarchy. These assets are not rated and are valued using a “discounted cash flow” method using the discount rate for non-insurance assets and liabilities. This discount rate is adjusted with a credit spread based on either market observable information or prior published solvency ratios.

The deposits to cedants consist of Achmea Reinsurance Company N.V. and Achmea Schadeverzekeringen N.V.

D.1.8. RECEIVABLES

Receivables are measured at their economic value including the adjustment for expected default of the counterparty.

Receivables from direct insurance (policyholder receivables) which are not due are not included in Receivables as they are still included in the Best Estimate cash flows of the insurance obligations.

Under Other Achmea has included cash provided to counterparties as cash collateral. These assets are not directly on demand for Achmea.

RECEIVABLES

€ MILLION

	2021	2020
Receivables from direct insurance	386	365
Receivables from salvage and subrogation	0	0
Contribution from Dutch Health Insurance Fund	1,792	2,146
Receivables on reinsurance	5	5
Investment receivables	87	74
Prepayments to healthcare providers	640	982
Receivables from healthcare providers	670	595
Other	323	175
Total	**3,903**	**4,341**

Receivables are recognised within all legal entities. For the main contribution to the receivables we refer to appendix 4.

The contribution from the Dutch Health Insurance Fund includes the current account of Zorginstituut Nederland (ZIN). The current account ZIN mainly exists of the ex-ante budget contribution to be received from ZIN and the claims in relation to ZIN. The balance of these two items mainly concerns a timing difference: ZIN pays the budget spread over 24 months, while Achmea Zorgverzekeringen N.V. processes this in 12 months in the result and current financial account. With this chosen payment frequency ZIN aims to follow the actual claims declaration flow.

Following the Solvency II principles, receivables are in principle discounted, using the discount rate for non-insurance assets and liabilities. However, receivables with a payment term less than three months are not discounted (proportionality reasons). If discounting is more material, Achmea will apply a discounting. This concerns the prepayments to hospitals, to mental healthcare institutions and other healthcare providers.

The paid amounts above contractual agreements with healthcare providers are presented as part of the receivables. These receivables are discounted with a duration that has been set at 3 years from the year in which the claim arose.

In case of a negative net position, where the prepayments exceeds the amount of work in progress, the prepayments should not only be discounted with the risk-free curve for the non-insurance assets, but a surcharge is calculated. The related prepayments are discounted with the risk-free curve for the non-insurance assets and a surcharge reflecting the adjustment for expected defaults is added.

“Other receivables” are expected to be recovered within 3 months after reporting date. The current carrying amount is a reasonable approximation of the economic value.

Please note that the Reinsurance recoverables are described as part of the Technical Provisions.

D.1.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash, bank balances and call deposits. This asset category is valued at the nominal amounts.

Cash provided as cash collateral is not included as part of Cash and cash equivalents but is included as Other receivables.

CASH AND CASH EQUIVALENTS

€ MILLION

	2021	2020
Cash and bank balances	570	1,014
Call deposits	0	0
Total	**569**	**1,014**

Cash and cash equivalents are mainly held with counterparties with an A / AA rating.

D.1.10. OWN SHARES

The valuation of the Own shares will be based on their economic value using the valuation hierarchy. For the shares of Achmea no quoted price in an active market is available.

Achmea has two types of shares: ordinary shares and preference shares.

Ordinary shares

Achmea will use the net adjusted equity value as the basis for the valuation of the Own shares. The adjusted equity value following the consolidated Balance Sheet from Achmea will be the basis (excluding subordinated liabilities). This basis will be recalculated to resemble 100% of the shares. Achmea’s holding of the own shares will then be calculated. In this calculation, the economic value of the preference shares should be subtracted.

Preference shares

For the preference shares, Achmea will discount the expected dividend payments over the perpetual lifetime of the preference shares. The discount rate will be based on the swap curve adjusted with a relevant spread reflecting the risk of Achmea.

D.1.11. ANY OTHER ASSETS

All other asset balance sheet entries are presented under this heading. This includes Prepayments (not related to Investments or Investment property).

Other assets are measured at their economic value. Achmea considers the value as presented in the IFRS Financial Statements to be good proxy for this economic value.

ANY OTHER ASSETS

€ MILLION

	2021	2020
Prepayments and accrued income	207	257
Other assets	1	5
Total	**207**	**262**

Prepayments and accrued income includes accrued commission costs. The term is less than one year.

Any other assets are recognised within all legal entities. For the main contribution to Any other assets we refer to appendix 4.

D.2. TECHNICAL PROVISIONS

PARAMETERS SET BY EIOPA AND KEY ASSUMPTIONS USED BY ACHMEA

Basic risk-free interest rate term structure

When determining the Best Estimate of the (re-)insurance liabilities Achmea has to use the risk-free interest rate (RFR) as endorsed by the European Commission in an Implementing Act. This RFR is based on information as provided by EIOPA.

Achmea uses the following RFR:

RISK-FREE INTEREST RATE

CURRENCY	CURVE	CREDIT RISK ADJUSTMENT	LAST LIQUID POINT	CONVERGENCE POINT	ULTIMATE FORWARD RATE
Euro	Swap	10 bps	20	60	3.60%
Turkish lira	Swap	35 bps	8	60	5.50%
US dollar	Swap	10 bps	50	90	3.60%
UK pound	Swap	10 bps	50	90	3.60%

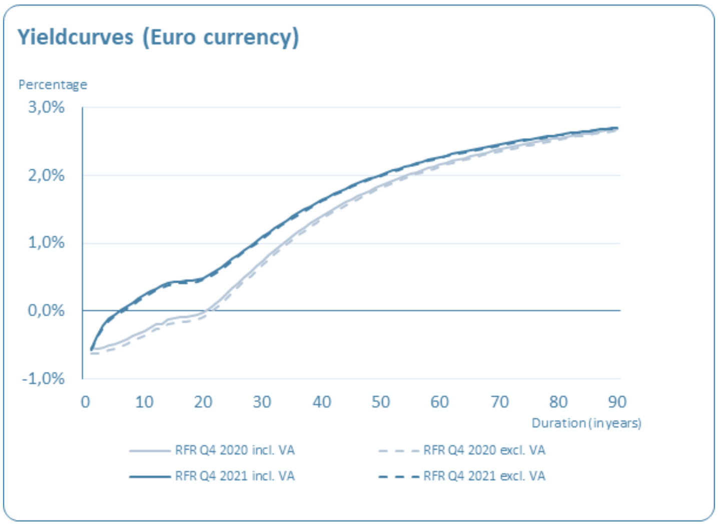
The methodology for deriving the relevant Risk-free interest rate 2021 and the underlying assumptions have not changed compared with 2020 year-end. One of the major underlying assumptions is the use of the UFR. Currently, an UFR of 3.60% is used (2020: 3.75%).

Volatility Adjustment

Achmea uses the VA when determining the Best Estimate of several insurance portfolios stemming from underlying legal entities. The VA adjusts the relevant risk-free interest rate used by Achmea. Based on the risk profile, duration of Technical Provisions or proportionality reasons, the VA is either applied or not.

The VA for the euro at year-end was determined by EIOPA at 3 bps (2020: 7 bps).

Graphically the following discount rates were used for in Euro denominated Technical Provisions and directly related assets:



Risk Margin

The Risk Margin of the individual entities within Achmea is calculated by determining the cost of providing an amount of EOF equal to the SCR necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of EOF is called Cost-of-Capital rate. This rate is set at 6% by EIOPA. Within the individual entities the projection of the SCR is based on the “approximation approach”. For this purpose the entities use appropriate risk drivers like future Best Estimates or premiums.

The Capital Requirement is calculated based on the relevant yield curve excluding VA. The Risk Margin of Achmea Group is equal to the sum of the Risk Margin of the individual legal entities before elimination of the intercompany positions.

BUSINESS SPECIFIC PARAMETERS AND ASSUMPTIONS USED

BEST ESTIMATE

Contract boundary

The contract boundary represents the end of the insurance contract based on an economic perspective. The contract boundary is that point in time where a changed risk profile of the insurance contracts can result in a change in premiums or benefits payable to the policyholder.

Health insurance contracts

For the Dutch health insurance contracts, valued according to Non-Life actuarial techniques (NSLT), the contract boundary has been determined to be one year. Within the Health policies in Turkey the contract boundary is equal to the contractual end-date. For the Dutch health contracts which are valued according to SLT techniques (SLT) the contract boundary is in general one year. The specific portfolio Self-Employed (“AOV”) has the ability to use “en bloc” clauses per end date of the contract. On 9 November 2021, DNB published a Q&A in which it addresses that individual disability insurances qualify as long-term contracts. DNB will take this amended interpretation of the Solvency II regulations into its supervision as from the 2023 Q2 quarterly statements. At year-end 2021 Achmea used the contract boundary of in general one year.

In order to implement this change, Achmea Schadeverzekeringen N.V. started a project in the fourth quarter of 2021 to translate this into requirements for the insurance IT-systems and the (actuarial) models used in the Solvency II processes. This includes a major change in the AOV underwriting risk model (part of the internal model) and will follow the standard procedure for major changes, including approval of DNB. The required changes will be implemented in such a way that the SII reporting Q2 2023 complies with the Q&A. In order to determine the impact on EOF, the required capital and the solvency ratio, Achmea has made pro forma calculations in which the individual AOV products are qualified as long-term contracts. The calculations also take into account Future Management Actions. These are actions that if agreed on will be taken by management to mitigate the effects of negative developments in the portfolio. This could include premium increases and claims-mitigating measures.

Based on the pro forma calculations, it can be concluded that on balance the impact on the solvency ratio is limited. At the same time, the amended qualification of the AOV products leads to a substantial increase in the EOF and the required capital.

IMPACT CONTRACT BOUNDARY AOV SOLVENCY RATIO PARTIAL INTERNAL MODEL

€ MILLION

	CONTRACTBOUNDARY SHORT-TERM	CONTRACTBOUNDARY LONG-TERM	IMPACT CONTRACTBOUNDARY
Eligible Own Funds	10,363	10,464	101
Solvency Capital Requirement	4,853	4,930	77
Surplus	**5,509**	**5,533**	**24**
Ratio (%)	213.5%	212.2%	-1.3%-pt

Non-life insurance contracts
For the Non-Life insurance contracts including SLT Health the majority of the contracts have a contract boundary of one year, besides a few specific exceptions in the Netherlands, for those insurance contracts the contractual maturity is used as contract boundary. The covers bundled with Motor policies in Greece have a clearly described duration. There are no commitments to extend the policy at a certain price. Within Marine (transportation) policies in Turkey single shipment policies insure a single shipment for the time shipment takes and the contract bound-is assumed to be three months.

Life insurance contracts
In general the contract maturity is used as contract boundary. For group contracts in the Netherlands the contract boundary restraint is used. Only the premiums until the end of contract date are taken into account in the calculations of the liabilities. Riders attached to the Life insurance host contract have generally the same duration as the host life insurance contract. For the Dutch mortgage saving life insurance product (“spaarhypotheken”) the contract boundary will be derived by the terms and conditions as embedded in the contracts. The interest rate reset point will not act as a cut-off point for a Life insurance component to derive their specific contract boundary.

Unit-linked contracts
In general the contract maturity is used as contract boundary.

Life insurance and SLT health insurance: mortality tables

The Netherlands
For mortality / morbidity within Achmea Pensioen- en Levensverzekeringen N.V., the assumptions combine an assumption for general population mortality (AG2020 as published by the Dutch Royal Actuarial Association in September 2020) with an assumption for experience rate mortality to allow for different mortality in our own portfolio.
For all products the assumption for mortality experience rates are derived from the observations in our own portfolio.

Within Achmea Schadeverzekeringen N.V. the provision for periodic claim payments AOV, WIA and WAO is calculated on a case-by-case based cash-flow method using mortality and recovery probabilities. For the WIA recovery probabilities and transition rates between WIA regimes, the ‘Verbondsmodel 2019’ is used, where the level of the rates is calibrated based on experience data of Achmea. The AOV recovery probabilities are entirely calibrated based on experience data of Achmea.

Greece
In Greece the mortality Best Estimate assumptions are derived by an investigation carried out separately for males and females for all ages, and for protection and saving business. The assumption is expressed as a percentage of the GR2005 tables. The mortality Best Estimate assumptions for Traditional and Unit-Linked individual business are derived by an investigation carried out for the period 2005-2020. For Group business, the investigation has been carried out for the period 2006-2020.

Slovakia
On a regular basis Slovakia performs a mortality analysis by comparing the expected mortality and the actual mortality. The experienced mortality for the Union portfolio, which is based on the Slovak population mortality rates 1990-1994 or 1995-2003 depending on specific products, remained stable at 25% in 2021 (2020: 25%). For the newly acquired Poštová poisťovňa portfolio the expected mortality, based on Slovak population mortality rates 2012-2019, is unchanged in comparison to 2020:
- 50% (year 1-5), 80% (year 6+) for Traditional and Unit-Linked insurance;
- 50% (year 1), 55% (year 2+) for Credit Protection Insurance (CPI);
- 50% for mortgages and other products.

Expense assumptions

The Netherlands
The basis for the expense assumptions of Achmea Pensioen- en Levensverzekeringen N.V. is the business plan for the period 2022-2025. The business plan was approved by the Board. The expense level of 2025 is the basis for the expense projection after the year 2025 for both Life and Pension products. An inflation curve is used.

The Best Estimate provision for claim handling expenses of Achmea Schadeverzekeringen N.V. is determined on the basis of the paid-to-paid methodology. This implies that the incurred claims handling per calendar year is expressed as a percentage of the claim payments. These are then multiplied by the provision for periodic claim payments.

Greece
The expenses used are based on the endorsed budget 2022, allowing for future cost inflation.

Slovakia
Expenses are split into back office and front office, where front office expenses (acquisition costs) are treated as initial costs and back office expenses (administration costs) as renewal costs. In 2021 the expense assumptions for the Union portfolio have remained unchanged. The expense assumptions for the newly acquired Poštová poisťovňa portfolio have decreased in 2021 for all segments: CPI, Children, Funeral, Risk&Other. The expense inflation increased (2021: 3.64%; 2020: 3.37%).

Turkey
The expenses are allocated to distribution channels, products and lines of business based on predefined allocation keys. The allocation keys per expense type are determined based on an allocation study. The allocation of the expenses are carried out on a quarterly basis.

Lapse assumptions

The Netherlands
The lapse assumptions used by Achmea Pensioen- en Levensverzekeringen N.V. are based on a yearly lapse investigation, which is carried out for the life products and for the pension products. The Lapse research is done on portfolio level. A distinction has been made between surrender, lapse and paid up. No relevant assumptions have been made about policyholder behaviour within Achmea Zorgverzekeringen N.V. Every policyholder (and Achmea Zorgverzekeringen N.V.) is basically bound by its contract until year-end. The exceptions (e.g. due to death or movement to a foreign country) lead to a lapse that is negligible.

Greece
The lapse assumptions are determined by taking into account the previous years' experience and the management expectations according to the latest business plan. The most recent lapse study is used (30 April 2021). The assumptions are determined per homogeneous risk group or per product where appropriate.

Slovakia
Union calculates lapse rates on a quarterly basis. Calculation is segmented into contract type – frequency of premium – distribution channel combination. Lapse rates in a first, second and third policy year are based respectively on the last 4, 5 and 6 years'

experience. For all other policy years (4+) all historical data are used. Single premium contracts have an exception due to low volume. All historical data is used also for a 1st to 3rd policy year and for other policy years there is just one lapse rate calculated; it is a weighted average of lapse rates in remaining years (4+). This is to avoid high fluctuation in higher policy years.

Turkey
The lapse assumptions are based on the annual business plan and the previous year's lapse experience included in the data cube of the Finance Department.

D.2.1. TECHNICAL PROVISIONS ACHMEA GROUP

In the following table the gross Technical Provisions of Achmea Group are presented, including a specification to the several entities within the Group. The gross Technical Provisions are excluding intercompany positions with the exception of the Risk Margin.

TECHNICAL PROVISIONS ACHMEA GROUP (EXCLUDING INTERCOMPANY)

€ MILLION

	BEST ESTIMATE	RISK MARGIN	GROSS TECHNICAL PROVISIONS	REINSURANCE	GROSS TECHNICAL PROVISIONS EXCLUDING REINSURANCE
Achmea Pensioen- en Levensverzekeringen N.V.	41,772	1,628	43,400	73	43,326
Achmea Schadeverzekeringen N.V.	6,026	168	6,194	157	6,037
N.V. Hagelunie	65	4	68	0	68
Achmea Reinsurance Company N.V.	105	41	146	214	-67
Achmea Zorgverzekeringen N.V.	72	14	86	0	86
Zilveren Kruis Zorgverzekeringen N.V.	3,220	118	3,339	0	3,339
FBTO Zorgverzekeringen N.V.	193	10	203	0	203
Interpolis Zorgverzekeringen N.V.	129	6	135	0	135
De Friesland Zorgverzekeraar N.V.	462	18	480	0	480
Union Poist'ovna A.S.	120	6	126	7	119
Eureko Sigorta A.S.	207	23	231	148	82
Interamerican Hellenic Life Insurance Company S.A.	570	25	595	1	594
Interamerican Assistance General Insurance Company S.A.	4	1	5	0	5
Interamerican Property & Casualty Insurance Company S.A.	242	11	253	25	228
Total	**53,185**	**2,073**	**55,258**	**625**	**54,633**

D.2.2. TECHNICAL PROVISIONS NON-LIFE (EXCL. HEALTH)

TECHNICAL PROVISIONS – NON-LIFE (EXCL. HEALTH)

€ MILLION

	2021	2020	Δ
Best Estimate	3,681	3,385	296
Risk Margin	180	175	5
Total Gross Technical Provisions	**3,861**	**3,560**	**301**

BEST ESTIMATE NON-LIFE (EXCL. HEALTH)

€ MILLION

	2021	2020	Δ
Gross Best Estimate premium provision	370	338	32
Gross Best Estimate claim provision	3,312	3,047	264
Total Best Estimate Non-Life	**3,681**	**3,385**	**296**

The increase in the Best Estimate is mainly due to developments within Achmea Schadeverzekeringen N.V. (€264 million) and Achmea Reinsurance Company N.V. (€35 million). The increase within Achmea Schadeverzekeringen N.V. is due to an increase in claim provision (€258 million) mainly in the lines of business Motor and General TPL due to an increase in the bodily injury claim provisions. Fire is the only Non-Life Lines of Business where the claim provision decreased. The increase within Achmea Reinsurance Company N.V is mainly due to accepted (Group) reinsurance for Property (proportional and non-proportional). This includes the impact of hurricane Ida (USA), flood Bernd (Germany) and windstorm Uri (US). The impact of the delay of payments and the effect of the reassessments (and run-off) regarding bodily injury claims and the lower capitalisation factor used in bodily injury claims settlement due to jurisprudence increased the provisions. This impact is partly compensated due to lower than expected claims in 2021 due to the Covid-19 pandemic.

The increase in Risk Margin is caused by Achmea Schadeverzekeringen N.V. (€7 million), Achmea Reinsurance Company N.V. (€8 million), Eureko Sigorta A.S. (€-1 million) in line with the underlying risks. The decrease within Interamerican Property & Casualty Insurance Company S.A. (€-9 million) is caused by an improved methodology (simplification method 2 instead of 3).

D.2.3. TECHNICAL PROVISIONS HEALTH NSLT

TECHNICAL PROVISIONS – HEALTH NSLT

€ MILLION

	2021	2020	Δ
Best Estimate	4,462	4,318	145
Risk Margin	178	161	17
Total Gross Technical Provisions	**4,640**	**4,479**	**161**

BEST ESTIMATE HEALTH NLST

€ MILLION

	2021	2020	Δ
Gross Best Estimate premium provision	1,039	781	258
Gross claim provision	3,423	3,537	-114
Total Best Estimate Health NSLT	**4,462**	**4,318**	**145**

The Best Estimate premium provision consists mainly of the amount of premium paid in advance and the expected result for the coming period of the Dutch Health insurance entities. The Best Estimate premium provision increased and is based on the expected future loss for accident year 2022, explaining an increase of the premium provision. In line with the Achmea objective for a stable premium development over the years, Achmea returned the contribution from the catastrophe regulation of the government to the insured. The amount of premium paid in advance increased from FYR 2020 to FYR 2021, explaining an increase of the premium provision.

The Best Estimate claim provision decreased mainly caused by developments within the Dutch Health Insurance entities (€-116 million). The ex-post receivables are treated as part of the Best Estimate, and as such decrease the Best Estimate claim provision. For FYR 2021 the amount of ex-post increased mostly due to an increase of the expected contributions from the catastrophe regulation for Covid-19 and corresponding redistribution arrangements among health insurers. For FYR 2020 this consisted of expected contributions for accident year 2020 only, while for FYR 2021 it consisted of expected contributions for both accident years 2020 and 2021. Also the expected contribution for accident year 2020 increased.

The remaining development in claim provision is caused by a decrease within Achmea Schadeverzekeringen N.V. (€-3 million) and an increase within Interamerican Hellenic Life Insurance Company S.A. (€6 million). The decrease within Achmea Schadeverzekeringen N.V. is mainly due to reassessment of the mortgage protection portfolio, absenteeism underwriting agents portfolio and accident portfolio. The higher than expected claims relating to the absenteeism portfolio (due to Covid-19) and also bodily injury claims are totally compensated by the reassessment of Best Estimate claim provision of the other health NSLT portfolios. The increase within Hellenic Life Insurance Company S.A. is due to growth of the portfolio.

The Risk Margin increased in 2021 due to the increase within the Dutch Health insurance entities by €17 million. The main drivers of the increase within the Dutch Health insurance entities were the increase of the expected Best Estimate Health NSLT (€14 million) and the SCR Health Risk (€3 million) mainly due a higher premium volumes.

D.2.4. TECHNICAL PROVISIONS HEALTH SLT

TECHNICAL PROVISIONS – HEALTH SLT

€ MILLION

	2021	2020	Δ
Best Estimate	2,738	2,833	-95
Risk Margin	67	61	6
Total Gross Technical Provisions	**2,806**	**2,895**	**-89**

The Best Estimate Health SLT of Achmea Group decreased due to the increase in the yield curve in 2021. The SLT portfolio within Achmea Schadeverzekeringen N.V. is interest-sensitive due to the durations of the disability (AOV) insurance portfolio (€-82 million). The yield curve effect is partly offset by the increased inflation curve. The remaining impact is caused by Achmea Reinsurance Company N.V. (€-13 million).

The Risk Margin increased due to Achmea Schadeverzekeringen N.V. in line with the increase in the underlying capital requirements. The impact within the other entities was not material.

D.2.5. TECHNICAL PROVISIONS LIFE

TECHNICAL PROVISIONS – LIFE (EXCL. HEALTH AND UNIT-LINKED) € MILLION

	2021	2020	Δ
Best Estimate	33,575	36,412	-2,837
Risk Margin	1,599	1,795	-197
Total Gross Technical Provisions	**35,174**	**38,208**	**-3,034**

Due to the change in economic assumptions the Technical Provisions decreased by €1,614 million. This includes the impact of the increased yield curve, the adjustment of the UFR from 3.75% to 3.60% and the changes in volatilities, which have an impact on the Time Value of Options and Guarantees (TVOG).

The change in non-economic assumptions had an effect of €273 million and include changes in mortality, lapse, expense and investment expense assumptions. The change was mainly caused by increased inflation and expense assumptions within the portfolio of Achmea Pensioen- en Levensverzekeringen N.V. The impact of changes in mortality assumptions in Greece was an increase of €1 million. The mortality assumptions in the Netherlands have not changed in 2021.

The Best Estimate increased by an amount of €336 million due to model changes of which was mainly caused by methodological changes in the valuation of the Dutch mortgage saving life insurance product (“spaarhypotheken”).

In 2021 the acquisition of Poštová poisťovňa in Slovakia increased the Technical Provisions by €20 million. The remaining impact was mainly caused by the closed book portfolio of Achmea Pensioen- en Levensverzekeringen N.V.

The Risk Margin for the traditional Life portfolio decreased and was caused by developments within Achmea Pensioen- en Levensverzekeringen N.V. (€-194 million) and Interamerican Hellenic Life Insurance Company S.A. (€-3 million). The decrease is mainly due to the increase of the yield curve and the impact of the closed book portfolio.

D.2.6. REINSURANCE RECOVERABLES

D.2.6.1. REINSURANCE RECOVERABLES NON-LIFE (EXCL. HEALTH)

REINSURANCE RECOVERABLES – NON-LIFE (EXCL. HEALTH) € MILLION

	2021	2020	Δ
Recoverables reinsurance premium provision	101	79	21
Recoverables reinsurance claim provision	193	221	-28
Total reinsurance recoverables Non-Life	**294**	**300**	**-7**

The decrease was mainly due to the change of the yield curve and to the devaluation of the Turkish lira.

D.2.6.2. REINSURANCE RECOVERABLES HEALTH NSLT

REINSURANCE RECOVERABLES HEALTH NLST € MILLION

	2021	2020	Δ
Recoverables reinsurance Premium provision	1	0	1
Recoverables reinsurance Claim provision	1	1	-1
Total reinsurance recoverables Health NSLT	**2**	**1**	**1**

D.2.6.3. REINSURANCE RECOVERABLES - HEALTH SLT

REINSURANCE RECOVERABLES HEALTH SLT

€ MILLION

	2021	2020
Closing balance	**250**	**145**

The Closing balance 2020 does not include accepted reinsurance Health SLT of Achmea Reinsurance Company N.V. for an amount of €69 million. Last year this portfolio was classified as reinsurance recoverables Life. The remaining increase was caused by the increased impact of the annual growth of the WGA/WIA contract.

D.2.6.4. REINSURANCE RECOVERABLES - LIFE (EXCL. INDEX-LINKED AND UNIT-LINKED)

REINSURANCE RECOVERABLES LIFE (EXCL. HEALTH AND UNIT-LINKED)

€ MILLION

	2021	2020
Closing balance	**80**	**167**

D.2.7. TECHNICAL PROVISIONS EXCLUDING VOLATILITY ADJUSTMENT

Achmea Group uses the VA when determining the Best Estimate of the insurance contracts. For the Technical Provisions of the following legal entities the VA is not applied:

- The Dutch health insurance entities;
- Achmea Reinsurance Company N.V.;
- Interamerican Assistance General Insurance Company S.A.;
- Eureko Sigorta A.S.

Ultimo 2021 a VA of 3 bps (2020: 7 bps) has been used. The Solvency II Regulation does not allow the VA to be used in Turkey.

Not using the VA results in a higher Best Estimate due to a higher present value of cash flows, especially in the case of the long-tail liabilities (Life excluding Index-Linked and Unit-Linked). The VA is not used when determining the Risk Margin.

IMPACT OF VOLATILITY ADJUSTMENT ON TECHNICAL PROVISIONS (GROSS)

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Technical Provisions (gross)	55,258	55,386	-127
Technical Provisions – Non-Life (excluding Health)	3,861	3,865	-3
Technical Provisions – Health (similar to Non-Life)	4,640	4,640	0
Technical Provisions – Health (similar to Life)	2,806	2,811	-6
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	35,174	35,290	-116
Technical Provisions – Index-Linked and Unit-Linked	8,777	8,779	-2

IMPACT OF VOLATILITY ADJUSTMENT ON RECOVERABLES FROM REINSURANCE

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Recoverables from Reinsurance	625	626	-1
Technical Provisions – Non-Life (excluding Health)	294	294	0
Technical Provisions – Health (similar to Non-Life)	2	2	0
Technical Provisions – Health (similar to Life)	250	250	-1
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	80	80	0
Technical Provisions – Index-Linked and Unit-Linked	0	0	0

IMPACT OF VOLATILITY ADJUSTMENT ON TECHNICAL PROVISIONS MINUS RECOVERABLES FROM REINSURANCE

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VOLATILITY ADJUSTMENT	IMPACT VA
Technical Provisions minus Recoverables from Reinsurance	54,633	54,760	-126
Technical Provisions – Non-life (excluding Health)	3,568	3,571	-3
Technical Provisions – Health (similar to Non-Life)	4,638	4,638	0
Technical Provisions – Health (similar to Life)	2,556	2,561	-5
Technical Provisions – Life (excluding Health and Index-Linked and Unit-Linked)	35,095	35,210	-116
Technical Provisions – Index-Linked and Unit-Linked	8,777	8,779	-2

D.3. OTHER LIABILITIES

D.3.1. TECHNICAL PROVISIONS - INDEX-LINKED AND UNIT-LINKED

TECHNICAL PROVISIONS – UNIT-LINKED AND INDEX-LINKED

€ MILLION

	2021	2020	Δ
Best Estimate	8,728	8,452	275
Risk Margin	50	55	-5
Total Gross Technical Provisions	**8,777**	**8,507**	**270**

The change of the yield curve had an effect of €-69 million on the Unit-Linked portfolio. The yield curve only affects the future profits.

The impact of changes in assumptions for mortality, lapse, expense and investment expenses increased the Best Estimate by €69 million. The remaining impact (€275 million) is caused by the (closed book) portfolio developments and the change in the value of the Unit-Linked funds within Achmea Pensioen- en Levensverzekeringen N.V. (€286 million), Interamerican Hellenic Life Insurance Company S.A. (€-12 million) and Union Poist'ovna A.S. (€1 million).

The Risk Margin for the Unit-Linked portfolio decreased by €5 million due to developments within Achmea Pensioen- en Levensverzekeringen N.V. in line with the variance analysis on the Best Estimate.

D.3.2. PROVISIONS OTHER THAN TECHNICAL PROVISIONS

The recognised “Other provisions” does resemble the ”Other provisions” as described in the IFRS Financial Statements of Achmea. The values are the same and based on the present value. Achmea did not discount the “Other Provisions” which are deemed to be current. See for more details the IFRS Financial Statements of Achmea[12].

OTHER PROVISIONS

€ MILLION

	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPOYMENT BENEFITS)	OTHER	2021	2020
Opening balance	25	14	0	41	18	97	112
Closing balance	18	9	0	42	25	95	97

For the contribution to the Other provisions we refer to appendix 4.

D.3.3. CONTINGENT LIABILITIES

The following non-material contingent liabilities are identified:
- Achmea B.V. and companies forming part of Achmea are involved in lawsuits and arbitration proceedings. These proceedings relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Although it is not

[12] part 2 Year Report, note 19 Other Provisions

possible to predict or define the outcome of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcomes of the actions will have a material negative impact on the financial position of Achmea B.V.

- Achmea B.V. has issued guarantees on behalf of subsidiaries that relate to the activities of these subsidiaries, carried out in their capacity as insurer, credit provider, service provider, employer, investor and tax payer. Achmea B.V. also issued guarantees and indemnities for third parties under sales transactions.
- The Netherlands-based insurance companies of Achmea provided the 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.' with guarantees to a maximum of €38 million (2020: €39 million). Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks related to terrorism. In 2021 no terrorism claims incurred, therefore no liabilities are present to be recognised.
- Achmea provides mortgage loans for its own account and for the account and risk of its clients (pension funds). In this capacity Achmea has commitments arising from offers for mortgage loans. If the clients accept the offers Achmea is obliged to provide mortgage loans in the amount of €1 billion (2020: €717 million). This commitment is offset by a received guarantee of €164 million (2020: €143 million).
- Achmea B.V. has provided Vereniging Achmea and Rabobank with an indemnity for amounts imposed by the Australian supervisor related to the activities of the Australian branch of Achmea Schadeverzekeringen N.V. in case the Australian supervisor will impose on Vereniging Achmea and Rabobank as shareholder of the ultimate parent of Achmea Schadeverzekeringen N.V. additional obligations and responsibilities relating to these Australian activities. The possible maximum exposure of this indemnity has been estimated at €14 million (2020: nil). The probability of occurrence of the triggering event is nil.
- Achmea B.V. has given guarantees to specific counterparties that the liquidity and solvency of three subsidiaries will be sufficient to continue their operations (Achmea Investment Management N.V., Achmea Pensioenservices N.V., Syntrus Achmea Real Estate & Finance B.V.). We note that the probability of occurrence of the triggering event is near nil.
- Achmea B.V. has issued guarantees that two subsidiaries will fulfil their contractual payment obligations (Achmea Investment Management N.V., Achmea Pensioenservices N.V.).
- Autoriteit Financiële Markten (AFM) has set an indemnity for Stichting PFV Particuliere hypothekenfonds as a condition of being both a provider of mortgage loans and a custodian of an Alternative Investment Fund (AIF). Normally, an AIF custodian may not have other roles / activities than being the legal owner of the assets, in this case, mortgage receivables. This is in order not to expose the custodian's task to additional risks. Because these tasks cannot be separated in the case of this fund, AFM has set this condition. The consequence is that the indemnity given by Syntrus Achmea Real Estate & Finance B.V. must be maintained until the moment the fund is liquidated or Stichting PFV Particuliere hypothekenfonds is no longer a custodian or the law is amended on that point.
- Frexit Holding B.V. and Inshared Holding B.V. issued guarantees as mentioned in Section 403 of Book 2 of the Dutch Civil Code, in respect of 7 companies within the group (Frexit Assurandeuren B.V., Frexit Assurantiën B.V., respectively H.I. Services B.V., Inshared Nederland B.V., Inshared Services B.V., Legal Shared B.V. and Online Claims Services B.V.).
- Achmea B.V. has taken out directors' liability insurance for Executive Board and Supervisory Board members of Achmea B.V. and its subsidiaries. Some board members are also indemnified against financial loss based on third-party claims, under certain conditions, insofar as this loss exceeds the insured cover.

The abovementioned contingent liabilities are classified as 'remote' and have no material effect. Therefore these contingencies are currently not recognised on the Economic Balance Sheet.

The estimated probability of occurrence of the event triggering an unlimited guarantee is assessed to be nil.

Achmea has one contingent liability on the Economic Balance Sheet recognised. This is based on the guarantee given by Achmea to Achmea Bank as part of the transfer of the Acier portfolio of the previous banking entity Staalbankiers N.V. to Achmea Bank. The contingent liability is based on a possible payout from Achmea regarding the servicing of accountholders within the Acier portfolio. In previous years this was recognised as part of "Debts owed to credit institutions" in line with the accounting company balance of Achmea. However, due to accounting considerations this liability is not recognised at the accounting company balance sheet of Achmea. Under Solvency II, the liability is still recognised as originally agreed with DNB at the date of the transaction.

Achmea did not have any other material contingent liabilities recognised on the Economic Balance Sheet as at 31 December 2021.

D.3.4. PENSION BENEFIT OBLIGATIONS

Employee benefits are all obligations of the employer to the employee or former employee. Examples are post-employment benefits and retirement packages or long-term remuneration packages.

Achmea presents the short-term employee benefits (such as salaries, already declared bonuses) with an expected settlement less than 1 year as part of the Other liabilities; long-term remuneration packages (such as option schemes) are presented as part of Other provisions. All other employee benefits (such as pension schemes) with an expected settlement of more than 1 year are presented as part of this balance sheet entry.

The economic value of employee benefits is currently best estimated by reference to the value according to IAS 19R, which is included in the IFRS financial statements.

PENSION BENEFIT OBLIGATIONS

€ MILLION

	2021	2020
Opening balance	**955**	**952**
Adjustment of valuation principles	-7	0
Interest on defined benefit obligations	6	9
Change in actuarial assumptions	-61	27
Paid benefits	-33	-33
Closing balance	**860**	**955**

Achmea has a pension scheme for the major part of its employees. The pension scheme executed by Stichting Pensioenfonds Achmea, applicable to the major part of the 11,000 employees in the Netherlands, is a so-called Collective Defined Contribution (CDC) scheme. The obligation of Achmea related to the pension scheme is limited to payment of the agreed premium for the current year of service. In 2021 contributions paid to the CDC scheme amounted to €275 million (2020: €256 million). The contribution is determined as the actuarially required contribution for the acquired pension rights in that year, taking into account current interest rates.

Achmea's defined benefit obligation is mainly related to the accrued rights of a number of (former) employees under former defined benefit plans. These defined benefit plans were maintained in the Netherlands, and for a limited amount in Greece. Benefits related to medical costs are not included in these plansThe accrued rights of the former defined benefit pension obligations in the Netherlands of a number of (former) employees are insured with Achmea Pensioen- en Levensverzekeringen N.V., and therefore Achmea retains the financial and actuarial risks. As a result of the scheme being insured by Achmea Pensioen- en Levensverzekering N.V., the investments related to the insurance contracts do not qualify as investments to cover defined benefit obligations.

For the accrued rights of the former defined benefit pension schemes of a number of (former) employees in the Netherlands that are insured with Achmea Pensioen- en Levensverzekeringen N.V. and SBZ, an indexation of pension rights applies that is administered by Stichting Pensioenfonds Achmea on the basis of the administration agreement. The administration agreement between Achmea and the pension fund has been signed for an indefinite period of time, whereby the administration of the indexation of pension rights for both these (former) employees and the other participants in the pension fund is financed from the available assets of the pension fund. The CLA and the administration agreement with the pension fund stipulate that Achmea’s obligation does not exceed beyond payment of premium for the collective fixed contribution scheme as determined on the basis of the CLA. In view of these agreements, the likelihood that this indexation leads to the necessity to additionally provide on the provision at Achmea is estimated to be very limited.

The change in actuarial assumptions in 2021 is caused by an increase in the average discount rate. The average discount rate increased from 0.6% to 1.1%. This resulted in a gain of approximately €60 million.

D.3.5. DEPOSITS FROM REINSURERS

For the contribution to the deposits from reinsurers we refer to appendix 4.

D.3.6. DEBTS OWED TO CREDIT INSTITUTIONS

Debts owed to credit institutions include all loans from external parties to Achmea, financial lease liabilities and financial reinsurance liabilities. Financial liabilities are valued at economic value, with the exception of the effect of changing Achmea's own creditworthiness since the recognition date. When the economic value is determined, Achmea adds this fixed 'initial' spread to the risk-free interest rate at the reporting date.

For very small loans (< €1 million) with a limited remaining time to maturity (< 3 years) Achmea has not discounted the cash flows but retained the amortised cost value. Considering the discount rate this has a very small impact on the value of the Own Funds.

DEBTS OWED TO CREDIT INSTITUTIONS

€ MILLION

	SECURED LOANS	UNSECURED LOANS	OTHER	2021	2020
Closing balance	**0**	**0**	**11**	**11**	**45**

D.3.7. FINANCIAL LIABILITIES OTHER THAN DEBTS OWED TO CREDIT INSTITUTIONS

Financial liabilities other than debts owed to credit institutions include all loans from external parties to Achmea, financial lease liabilities and financial reinsurance liabilities. Financial liabilities are valued at economic value, with the exception of the effect of changing Achmea's own creditworthiness since the recognition date. When the economic value is determined Achmea adds this fixed 'initial' spread to the risk-free interest rate at reporting date.

FINANCIAL LIABILTIES OTHER THAN DEBTS OWED TO CREDIT INSTITUTIONS

€ MILLION

	2021	2020
Opening balance	**931**	**946**
Restatement	1	0
Effect of changes in economic assumptions	-17	-2
Portfolio development	-27	-12
Closing balance	**888**	**931**

Financial liabilities other than debts owed to credit institutions consists of a unsecured loan of €750 million (economic value amounts to €742 million) and a lease liability of €145 million. The financial liability from Achmea Pensioen- en Levensverzekeringen N.V. (€2 million) is furthermore related to transferred pension obligations to other insurance companies.

D.3.8. PAYABLES

Payables are measured at their economic value. The value according to the IFRS Financial Statements is deemed to be an adequate proxy for the economic value.

PAYABLES

€ MILLION

	2021	2020
Payables from direct insurance	1,418	1,218
Payables on reinsurance	35	27
Creditors	91	92
Taxes	316	300
Other	34	31
Total	**1,893**	**1,668**

Payables are recognised within all legal entities. For the main contribution to the payables we refer to appendix 4.

D.3.9. SUBORDINATED LIABILITIES NOT IN BASIC OWN FUNDS

Any subordinated liabilities which do not qualify as being part of the EOF are presented as a separate Balance Sheet item. These subordinated liabilities are valued according to their economic value. The cash flows are discounted using the discount rate as used by Achmea including a credit spread as agreed at the inception date. This credit spread remains constant over time.

At the end of 2021 Achmea had no such subordinated liabilities (2020: nil).

D.3.10. ANY OTHER LIABILITIES

All other liability balance sheet entries are presented under this heading. This includes Accruals (not related to Investments or Investment property) and Other as presented as part of the IFRS Financial Statements (not related to insurance contracts).

Other liabilities are measured at their economic value. Achmea considers the value as presented in the IFRS Financial Statements to be a good proxy for this economic value.

ANY OTHER LIABILITIES

€ MILLION

	2021	2020
Accruals and deferred income	130	156
Other	2,866	3,235
Total	**2,995**	**3,391**

The total amount of Other consists mainly of repayment obligations of collateral received in the form of cash due to the EMIR regulation be operational, processed collateral for certain OTC derivatives on the balance received. Achmea receives an amount of cash collateral depending on the current market value of the derivative. The economic value of the repayment obligation of collateral is €2,679 million (2020: €2,888 million).

Any other liabilities are recognised within all legal entities. For the main contribution to Any other liabilities we refer to appendix 4.

D.3.11. DEFERRED TAXES

In the Economic Balance Sheet the principles as defined by IAS 12 are applied. The amounts already recognised on the IFRS Financial Statements are deemed to be recoverable. Due to the valuation principle employed by Solvency II, amounts are added to the Deferred Tax Assets/Liabilities following the Solvency II valuation principles. Achmea assesses the recoverability of these additions, in conjunction with the changes in the DTL (Deferred Tax Liability) and the Loss LACDT (recoverability analysis, in order to avoid double counting) per legal entity. Each addition to the deferred tax due to the valuation differences is calculated as that change in valuation multiplied by the enacted tax rate of the appropriate fiscal regime applicable to the Member State in which Achmea operates. In the recoverability analysis, Achmea includes an assessment with respect to uncertainties in the future projections and adjusts any amounts if necessary.

In mid-December 2021, the Dutch parliament decided to increase corporate income tax rates for the year 2022 and further to 25.8% (was 25%). The enacted tax rate of Turkey has decreased from 25% to 23% for the year 2022 and further. The enacted tax rates in the other countries where Achmea operates remained unchanged.

DEFERRED TAXES (ASSET = + ; LIABILITY = -)

€ MILLION

	OPENING BALANCE 2021	CLOSING BALANCE 2021
Intangible assets	5	13
Property for own use and equipment	0	0
Investments	-4,000	-3,447
Other assets	-9	2
Insurance liabilities	4,509	4,016
Other provisions	7	3
Pension benefit obligations	-24	-19
Other liabilities	65	-42
Loss carry-forwards	10	6
Total	**563**	**531**
Of which Deferred Tax Assets	607	578
Of which Deferred Tax Liabilities	-44	-47

DEFERRED TAXES (ASSET = + ; LIABILITY = -) PER COUNTRY

€ MILLION

	DEFERRED TAX ASSETS	DEFERRED TAX LIABILTIES	TOTAL 31-12-2021	PART OF FISCAL UNITY ACHMEA B.V.
Achmea Interne Diensten N.V.	27	0	27	Y
Achmea B.V.	12	0	12	Y
Achmea Schadeverzekeringen N.V.	-128	17	-145	Y
Achmea Pensioen en Levensverzekeringen N.V.	652	0	652	Y
Achmea Reinsurance Company N.V.	-10	0	-10	Y
N.V. Hagelunie	0	18	-18	N
InShared Holding B.V.	9	0	9	N
Consolidation	-25	0	-25	N
Total Netherlands (25.8%)	**538**	**35**	**504**	
Slovakia (21%)	0	1	-1	
Turkey (23%)	5	0	5	
Greece (22%)	35	11	24	
Total	**578**	**47**	**531**	

D.4. ALTERNATIVE METHODS FOR VALUATION

For some investment exposures Achmea has to use alternative methods for valuation in case a quoted price in an active market is unavailable. Where possible Achmea uses best practice valuation approaches as described in the various sections of this SFCR. For some exposures own techniques or expert judgment is used as a basis for the valuation. This section of the SFCR describes these alternative valuation approaches in more detail.

Property for own Use and Investment Property

The property for own use is valued using a discounted cash flow technique. The cash flows for the coming twenty years are projected and discounted. In this projection information and parameters are used as suggested by the National association of appraisers (NRVT), such as the inflation scenario. After twenty years the terminal value is predicted which is subject to expert judgment. The valuation is performed by an external party. The value of the property is also compared to recent transactions in the same geographical area. Based on differences in location and characteristics of the building adjustments are made. This valuation is also benchmarked with the so called “capitalisation method”. The outcomes of both methods should not deviate too much. If so, the external party and Achmea must make appropriate adjustments.

For investment property the main method is the capitalisation method which is benchmarked by the discounted cash flow method.

All the external parties involved have to adhere to the ISAE 3402, a professional standard. Each quarter 25% of the entire portfolio has to be appraised by the external party. The remainder of the portfolio is updated to reflect the circumstances at the reference date. Every three years the contracted external parties are changed for other external parties. In the valuation approach of the external parties recent transactions are taken into consideration.

For investment property related to residential property the highest value of continuous exploitation or direct sale is used.

The appraisal value is benchmarked with at least three reference objects with similar characteristics.

Equity participations

For venture capital investments and private equity, Achmea uses the valuation principles as published by the European Foundation for Venture Capital and private equity association (EVCA).

In certain instances a discounted cashflow value cannot be determined. Alternatively, the economic value is based on the net asset value, adjusted for goodwill and intangibles. For several participations in companies, an Economic Balance Sheet is not readily available at the reference date. In these instances, reference is made towards the net asset value based on an earlier balance sheet date not exceeding one year and subject to expert judgement regarding possible adjusting intermediate events. Where appropriate the not-current net asset value of the participations is adjusted with a relevant index benchmark reflective of the nature of the participation.

Bonds, loans and receivables

Achmea invests in certain exposures where no market information is readily available to really reflect the economic valuation. In these instances, Achmea uses the discounted cash flow method. The cash flows are projected and discounted with the swap curve adjusted with an adjustment for default risk. Achmea uses the same method as laid down for the economic valuation of "amounts ceded to reinsurers" (Article 42 of Regulation 2015/35). Based on the Loss Given Default of the exposure and the probability of default a through the cycle adjustment is calculated.

Mortgage Saving assets

Classification on the balance sheet of identified components

Achmea splits the mortgage saving assets into three components:
1. Paid-in part ("opgebouwd deel"): Discounted value of the net cash outflow at the expected end date of the contract. The cash flows include the premiums and compounded interest and future interest to be received on this amount. This is the amount which would be paid at the end of the contract if no additional premiums would be received anymore.
2. Reinvestment part ("herbeleggingswaarde"): Discounted value of the net cash flows based on the discounted compounded interest on future interest payments (based on the amount based on contractual interest terms less the received interest payments).
3. Future part ("toekomstig deel"): Discounted value of the net cash flows based on future premiums and compounded interest thereon minus the premiums to be received according to the contractual terms).

Based on the existence of risk mitigation features, the paid-in part ("opgebouwd deel") is classified as:
- Deposits, if there are no risk mitigation features or other received guarantees in the contractual arrangements.
- Loans and mortgages to individuals, if there are risk mitigation features and a look-through is possible (Cession contracts / participation contracts concluded with securitisations based on a look-through approach on the Economic Balance Sheet).
- Other investments, if risk mitigation features are in place but a look-through is not allowed (participation contracts concluded with securitisations of external parties).

In the classification under Solvency II and based on the Q&A of DNB issued on 1 September 2021, the second and third part are considered to be a "forward contract" and classified as Other derivatives on the balance sheet with the provider of the credit (Bank or SPV) as counterparty.

Achmea classifies the mortgage saving assets where:
- Achmea has no risk mitigation arrangements with the Rabobank (Obvion and Term insurance contracts) and other smaller mortgage saving contracts.
- The mortgage saving products where a cession arrangement exist (Rabobank not embedded in "Best" and Achmea Bank).
- The mortgage saving products where a participation arrangement ("Best" and securitisations of Achmea Bank) exists.

On the Liability side of the Economic Balance Sheet (see also Chapter 5), the paid-in part is considered to be part of the Technical Provisions, while the reinvestment part and future part are considered to be derivatives with the policyholder as counterparty.

Duration and assumptions

The cash flows of the mortgage saving asset should be based on the contractual terms and conditions and are adjusted to reflect policyholder behaviour such as lapses and mortality in an equal manner to the related insurance liability. If a policy lapses, the amounts as cash outflows (to the policyholder) mirrors the amount received as cash inflow (from the bank).

The mortality and lapse assumptions are aligned with the assumptions as used in valuing the Best Estimate cash flows. The contract boundary of the mortgage saving insurance products is equal to the duration assumed of the mortgage saving asset.

Many of the mortgage saving contracts involve a possibility of an interest rate reset after a certain number of years. This interest rate reset is at the initiative of the bank and involves an agreement between the bank and the policyholder. This interest rate reset is subsequently used in valuing both the insurance liability and mortgage saving asset. As this assumption is part of the economic value of the asset and liability, Achmea has to apply a Best Estimate of the interest rate after a future reset. Based on proportionality reasons, Achmea uses the agreed interest rate as per reporting date for the remaining period up to the expected end date of the contract. Interest rates will only amend after this is agreed upon by the policyholder and the bank. This new rate is communicated to Achmea and subsequently used in the valuation of the asset and liability, again mirroring the interest cash flows.

Assessment of counterparty default risk

Achmea assesses the existence of counterparty default risk within the mortgage saving asset. If there are no mitigating arrangements such as cession contracts or participation contracts, the mortgage saving asset is considered to be unsecured. The size of the risk is estimated by using a market observable spread: Achmea uses the unsecured bond spread included in the market yield of the bond of the counterparty (with the same duration) to estimate this risk.

For those mortgage saving products where risk mitigation arrangements exist (cession/retrocession contracts, (sub-)participant contracts), Achmea does not run counterparty risk at the paid-in/build-up part. Some counterparty risk (not obtaining the future guaranteed return) could exist if the counterparty would default and the liquidator/curator/resolution authority would not continue with the contractual arrangement. This is very difficult to predict. As a proxy, Achmea applies a spread to the reinvestment part and not to the future part. This is considered to be a prudent approach.

Based on the risk characteristics, the overview summarises the spread to be applied.

TYPE	PAID IN PART	REINVESTMENT PART	FUTURE PART
Unsecured	Yes	Yes	Yes
Cession	No	Yes	No
Participation	No	Yes	No

The applied spread is based on the remaining duration of the expected end date of the contract taking the policyholder behaviour into consideration. If the spread is not readily available, Achmea will interpolate the available spreads based on the available unsecured bonds of the counterparty.

D.5. ANY OTHER INFORMATION

Information about the valuation of assets and liabilities is stated in the notes to the Economic Balance Sheet.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

E.1.1. CAPITAL ADEQUACY POLICY

The Achmea Capital Adequacy Policy is applicable for Achmea Group and its subsidiaries. Starting point for this policy is the Achmea risk appetite. The main principles of this policy are as follows:
- The Executive Board of Achmea is responsible for the solvency position at Group level and the statutory boards are responsible for the solvency position of the legal entities;
- The Executive Board is responsible for capital allocation between the legal entities;
- All entities must be adequately funded, which involves having a buffer at entity level that is above the statutory minimum that is sufficient to be able to absorb setbacks;
- Achmea aims to keep a capital buffer at Holding level. This will enable the Group to solve possible capital shortages of legal entities by simply transferring capital within the Group;
- Solvency II is the leading capital regime for Achmea. The Solvency II capital limits are defined for the PIM approved by the College of Supervisors.

At Group level, the minimum level is defined as the level where all entities are capitalised at 100% SCR based on the approved PIM.

On legal entity level, a buffer above the 100% SCR level is kept to absorb ”normal” volatility. Around the target level a bandwidth is defined and the lower boundary of the bandwidth is the internal limit, below which measures to improve the solvency position are required. With a solvency level of 214% (2020: 208%) Achmea is in the green zone of the risk appetite. No action is required.

For the Dutch Operating Companies except the Health entities, the bandwidth is 5%-pt. For the non-Dutch Operating Companies and the Dutch Health entities the bandwidth is 10%-pt. At Group level, Achmea strives to achieve a target Solvency II ratio of 165%.

Achmea monitors the solvency position and takes measures to restore solvency ratios within predefined time periods and to prevent solvency ratios from falling below the minimum levels. Applicable contingency plans will especially focus on the Group. For the insurance legal entities, in principle the entities need to identify stand-alone recovery measures. One of these measures can be a possible capital injection by Achmea B.V. to restore the capital above the internal limit levels. If specific trigger levels are breached, crisis governance comes into effect.

E.1.2. ELIGIBLE OWN FUNDS

The Solvency II ratio increased by 6%-pt to 214% (2020: 208%). The increase in the capital position resulted from a combination of a decrease of €333 million in the Solvency II EOF to €10,363 million (2020: €10,696 million) and a decrease of €299 million in the SCR to €4,853 million (2020: €5,153 million).

ELIGIBLE OWN FUNDS – GROUP

€ MILLION

	2021	2020	Δ
Tier 1 restricted	820	842	-22
Tier 1 unrestricted	7,410	7,603	-193
Tier 2	1,578	1,699	-121
Tier 3	554	552	2
Total Eligible Own Funds	**10,363**	**10,696**	**-333**

The Tier 1 capital had a net decrease in 2021. The adjustment of inflation, expense assumptions, the purchase of own shares and a methodological change in the inclusion of Achmea Bank in the Own Funds had a negative impact on the Tier 1 capital. The positive developments on the equity and property markets resulted in an increase of the Tier 1 capital.

The Tier 2 capital decreased because the increased risk-free interest rate resulted in a lower value of the capital components included in the Tier 2 capital.

On November 9, 2021, DNB issued a Q&A in which they indicate that individual disability insurance (AOV) products qualify as long-term contracts under Solvency II. At the end of 2021, Achmea still designates these products as short-term contracts. DNB will include the Q&A in its supervision from 1 July 2023. A provisional first estimate of the effect of the changed treatment of AOV products would lead to an increase of the EOF by approximately €101 million to €10,464 million.

Tier 1

Tier 1 consists of an unrestricted and a restricted part. The restricted part of Tier 1 may not exceed 25% of the unrestricted part and consists of two capital instruments:

- €356 million Preference shares 5.5% (2020: €356 million; nominal value: €356 million, of which €45 million held by Achmea B.V., grandfathered), issued in December 2003, having a coupon reset date every 10 years, with no option to call. Buy-in of preference shares is possible on a yearly basis;
- €510 million Capital security 4.625% (2020: €531 million; nominal value: €500 million), issued in September 2019, no maturity date (perpetual), issuer call option annually, first call option is 24 March 2029. The valuation of this capital instrument is based on the initial credit spread of 4.45%.

Tier 2

The capital components included within Tier 2 consist of the following instruments:

- €535 million Note 6% (2020: €545 million; nominal value: €500 million, grandfathered) 6% till April 2023, issued in 2013, initial credit spread 4.33%, having the maturity date in April 2043, issuer call annually, first call option in April 2023;
- €797 million Note 4.25% (2020: €892 million; nominal value: €750 million) 4.25% fixed rate up to February 2025, issued in 2015, initial credit spread 3.55%, no maturity date (perpetual), issuer call option annually, first call option in February 2025;
- €246 million Capital security 2.5% (2020: €262 million; nominal value: €250 million) 2.5% issued in September 2019, initial credit spread 2.75%, having a maturity date in September 2039, issuer call annually, first call option in June 2039.

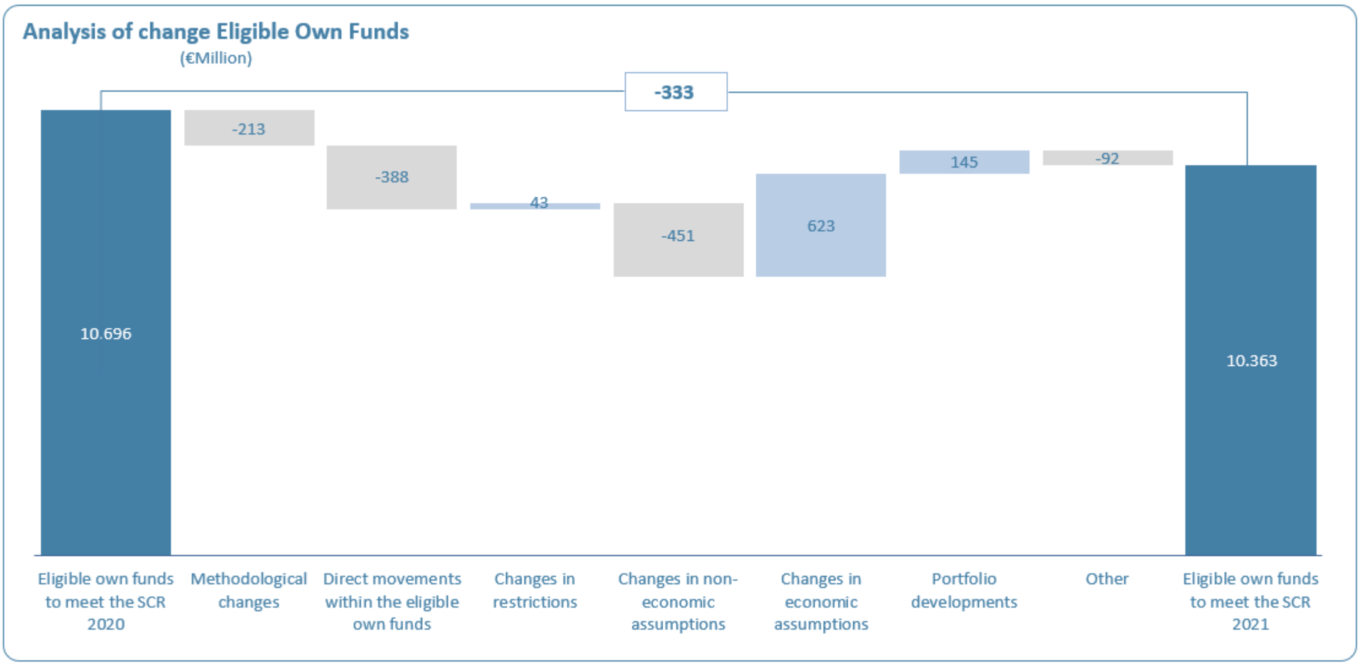
Tier 3

Within Tier 3 Achmea includes the net DTA as recognised on the Economic Balance Sheet maximised at 15% of the SCR. Any amounts exceeding this threshold are considered not eligible for covering the SCR. Also any amounts of Tier 2 + Tier 3 exceeding 50% of the SCR are considered not eligible for covering the SCR. Achmea defines this as “Relegation of Tier 3”. For the year-end 2021 no Relegation of Tier 3 is applicable (2020: €47 million).

Own Funds to cover the Minimum Capital Requirement

Achmea also has to assess whether the capital components are able to cover the group MCR. Compared to the SCR, Tier 3 capital is not eligible to cover the MCR and Tier 2 capital components may not exceed 20% of total eligible capital. For covering the MCR, the relegation of Tier 2 was €1,110 million (2020: €1,210 million).

ANALYSIS OF CHANGE IN THE ELIGIBLE OWN FUNDS



Methodological changes

Starting with 2021 there are 2 changes in the methodology with regard to the inclusion of CRD entities (i.e. Achmea Bank) in the Solvency information of Achmea with a total impact on the EOF of €-147 million:

- The individual reported Eligible Own Funds of the banks (COREP) are to be recognised as part of EOF of the Group. These are the Own Funds including all prudential filters and deductions.
- Due to new insights of the regulator, the way in which the ratio of a Mixed Financial Holding Company is calculated changed. The Eligible Own Funds of CRD entities had to be corrected for the impact of Intra-Group transactions on the Own Funds of Achmea due to different valuation basis (sectoral valuation principles versus economic value).

In 2021, DNB submitted a Q&A and Good practice (GP) on Mortgage saving products. The Q&A and GP describe the manner in which this product has to be valued, classified and treated in the capital requirements under Solvency II. The Q&A and GP resulted in a change on the Economic Balance Sheet and had an impact of €-49 million on the EOF.

Annually, Achmea continuously refines projection models used to calculate the Technical Provisions based on back testing and forward-looking assessments. This resulted in changes in the Technical Provisions in the Netherlands. The impact on the EOF is €-17 million.

Direct movements within the Eligible Own Funds

The foreseeable dividends on ordinary shares, coupon payments on preference shares and hybrid capital result in a decrease of €241 million in the EOF. The coupon payment in 2021 of the Restricted Tier 1 Capital Security with a nominal value of €500 million had an impact of €-17 million on the EOF.

The General Meeting of Shareholders agreed on the repurchase of own shares from Fundo do Pensões de Grupo Banco Commercial Português and Stichting Beheer Aandelen Achmea had a negative impact of €131 million on the EOF (nominal value). The economic value of the repurchased own shares is €317 million.

Impact of changes in restrictions including relegation of Tiers

At year-end 2021, no relegation of Tiers is recognised. The 2020 year-end relegation of Tier 3 was not required which resulted in a positive development of the EOF (2020: €47 million).

Achmea must maintain funds in Australia based on local prudential legislation, capital not available to absorb losses elsewhere within the group. However, these restricted funds are allowed to be used to absorb related capital requirements of the Australian insurance liabilities. The increase of this restriction had an impact of €-1.8 million on the EOF.

Higher non-distributable Own Funds of the Dutch care administration offices (‘zorgkantoren’) led to an increase in the restrictions (€-2.8 million).

Impact of changes in non-economic assumptions

The developments in the non-economic assumptions were related to the revision of the inflation curve, expense assumptions, an adjustment in mortality assumptions, lapse assumptions and subsequent diversification effects.

The development in the non-economic assumptions was related to Achmea Pensioen- en Levensverzekeringen N.V. (€-385 million), Achmea Schadeverzekeringen N.V. (€-75 million), Achmea Zorgverzekeringen N.V. (€-1 million), Interamerican Hellenic Life Insurance Company S.A. (€6 million), Union Poisťovňa A.S. (€2 million) and Achmea Reinsurance Company N.V. (€1 million).

Impact of changes in economic assumptions

Changes in economic assumptions have their main impact on the investment exposures and value of the Technical Provisions.

The changes in the economic assumptions during 2021 had an overall positive impact on the EOF. The main changes were:

- The equity markets increased in 2021 (The MSCI World increased with 20.1% and the AEX index with 27.7%). As a result the economic value of equities investments’ value increased, with a positive impact on the EOF. The property markets increased in value, mainly due to higher house prices in the Netherlands. This had a positive effect on the EOF.
- The increase in interest rates, tightening of the Dutch mortgage spreads and increase in the government spreads resulted in a decrease in the value of the fixed income investments and consequently a decrease in the EOF.

- The increase of the relevant risk-free interest rate in 2021 resulted in a decrease of the Technical Provisions. The subsequent decrease in the VA from 7 bps to 3 bps and the decrease of the UFR from 3.75% to 3.60% resulted in an increase of the Best Estimates. The combined effect is an increase in EOF.
- The depreciation of euro against the US dollar had a positive impact on the investments denominated in US dollars, as a small part of the exposure is not hedged. The devaluation of the Turkish lira had a negative impact on the contribution of the Turkish subsidiary and participation to the EOF.

The entities which contributed to a positive impact on the EOF of the Group are:

Achmea Pensioen- en Levensverzekeringen N.V. contributed positively to the development of the EOF (€371 million). A positive return on property investments due to favourable market conditions of property investments and positive results on investments in equities and alternative investments contributed positively to the EOF (€384 million). The increased interest rates, the developments in the Volatility Adjustment during the year, the decrease of the UFR and the UFR drag, in correlation with the increased interest rates and increased credit spreads had a combined effect of €-12 million on the EOF.

Achmea Schadeverzekeringen N.V. contributed positively to the development of the EOF (€158 million). The increase in the discount rate in combination with the developments regarding the credit, country and mortgages spreads, together with the investment results (increased equity markets and positive return on investment property) generated a positive impact on the EOF.

Achmea Zorgverzekeringen N.V. contributed positively to the development of the EOF (€79 million). The effect of changes in economic assumptions by Achmea Zorgverzekeringen N.V. was mainly driven by the increase in stock exchanges, compensation effects were widened credit spreads, increased interest rates and a depreciation of the euro. The increased interest rate led to a decrease in Technical Provisions, having a positive influence on the EOF.

Other effects (€15 million) with influence on the changes in the economic assumptions were related to positive financial market and real estate developments. The increase in the valuation of Garanti Emeklilik denominated in euro is almost entirely mitigated by the exchange rate of Turkish lira. The devaluation of Turkish lira contributed to a decrease in the EOF.

Impact of portfolio developments

Portfolio developments had a positive contribution to the EOF. The actual claim frequency in the non-life business was lower than expected, mainly due to Covid-19 effects. Higher results from the disability portfolio, lower than expected large claims due to fire, the decrease of Risk Margin in life business due to portfolio run-off, investment results and the recognised contracts at 1 January 2022 contributed to the increase of the EOF. The portfolio developments mainly relate to Achmea Schadeverzekeringen N.V. (€138 million), Achmea Pensioen- en Levensverzekeringen N.V. (€74 million), Interamerican Hellenic Life Insurance Company S.A. (€23 million), Eureko Sigorta A.S. (€9 million), N.V. Hagelunie (€4 million), Achmea Zorgverzekeringen N.V. (€-26 million) and other entities (€-77 million).

Achmea Schadeverzekeringen N.V. contributed positively to the increase of the EOF of Achmea Group (€98 million). A decrease in the claim frequency of especially mobility and travel insurance related to Covid-19, partly compensated by increased claim frequency and severity of income insurance (absenteeism for employers and self-employed) resulted in a positive effect on the EOF. Other portfolio effects were the positive results in the disability portfolio and lower than expected large claims due to fire. These effects were partly offset by losses due to storms and the run-off effects, combined with the decrease in the discount rate used in bodily injury claims settlements.

The positive portfolio developments of Achmea Pensioen- en Levensverzekeringen N.V. (€74 million) were mainly the result of the portfolio run-off leading to a release in the Risk Margin (€92 million). This effect was partly offset by the difference between actuals expenses and the release of expenses in the Best Estimate with an impact of €-15 million and other effects.

Interamerican Hellenic Life Insurance Company S.A. contributed positively to the EOF of Achmea (€23 million). This effect was related to the performance of the company and its subsidiaries, portfolio run-off and change in Risk Margin.

Achmea Zorgverzekeringen N.V.'s impact on the EOF of Achmea was €-26 million, mostly due to the development in the expected result of 2022 and prior years. This includes the effect of the expected contribution from the catastrophe regulation and corresponding solidarity arrangements due to Covid-19. Other effects were related to investment results and the decrease in the Risk Margin.

Impact of other changes

The other changes are mostly related to the regular tax effects as a result of the individual changes in the EOF and other changes.

E.1.3. BRIDGE OWN FUNDS FINANCIAL STATEMENTS – ECONOMIC BALANCE SHEET

RECONCILIATION EQUITY FINANCIAL STATEMENTS - BASIC OWN FUNDS SII

€ MILLION

	2021	2020	Δ
Equity Financial statements	10,633	10,559	74
Subordinated liabilities in Basic Own Funds[1]	-1,250	-1,250	0
Own shares (held directly)	466	335	131
Total Financial statements excess of assets over liabilities (IFRS adjusted)	**9,849**	**9,644**	**205**
Intangible assets	-728	-707	-21
Investments	219	299	-80
Deferred Tax Assets	17	92	-76
Deferred acquisition costs	-36	-41	5
Banking Credit Portfolio	0	0	0
Reinsurance recoverables	-177	-121	-56
Receivables	3	7	-4
Other assets	359	168	191
Technical Provisions	36	304	-268
Contingent liabilities	-31	0	-31
Other provisions	0	0	0
Deferred Tax Liabilities	-2	-117	115
Financial liabilities	-57	-250	193
Payables	34	0	34
Other liabilities	14	6	8
Total delta valuation Financial statements - SII	**-350**	**-358**	**8**
Other	-7	-7	0
Total excess of assets over liabilities	**9,492**	**9,280**	**212**

[1] The subordinated liabilities in Basic Own Funds of 1,250 million are the subordinated liabilities eligible for IFRS and are therefore deducted to calculate Total excess over liabilities.

The starting point for the Economic Balance Sheet is the IFRS consolidated balance sheet of Achmea Group. Some IFRS line items are reclassified according to the presentation in the Economic Balance Sheet. All balance sheet items are verified according to Solvency II valuation principles and adjusted accordingly. The “Excess of assets over liabilities” has been calculated net of any Intra-Group positions except for the Intra-Group positions included in the entities which are classified as participations on the Economic Balance Sheet, such as the Credit institutions and Other entities within the meaning of the Capital Requirements Directive, the Institutions for Occupational Retirement Provisions (IORPs) and Non Ancillary Entities.

Intangible assets

All recognised intangible assets are valued at their economic value. Achmea uses the value as presented in the IFRS financial statements for such intangibles as a proxy for the value in the Economic Balance Sheet. Notwithstanding this definition, goodwill and intangible assets obtained by means of a business combination are valued at nil. The intangible assets in the IFRS Financial Statements are recognised within the legal entities Achmea B.V., Achmea Interne Diensten N.V., InShared Holding B.V., Eureko Sigorta A.S, Union Poist'ovňa A.S and Interamerican entities.

Investments

The investments are (re)-classified in the Economic Balance Sheet according to their characteristics and risk profile (look-through principle). In the Consolidated IFRS financial statements, Achmea either measures or discloses the fair value of its investments. For most of the financial investments, the fair value is deemed to be a good proxy for the economic value.

For some of the investments the IFRS value is adjusted to reflect the economic value according to article 75 of the Directive 2009/138/EC.

The remeasurement regards mainly:
- Some mortgage saving assets, which are measured according to amortised cost principles under IFRS. These assets are remeasured to their economic value.
- The unlisted equity investment in Garanti Emeklilik: Under IFRS Garanti Emeklilik is recognised as a participation and measured on a net asset value basis. Under Solvency II, Garanti Emeklilik is classified as an investment as the equity interest is 15% and measured accordingly.

Deferred Acquisition Costs

The deferred acquisition costs are valued nil.

Receivables

The receivables and other assets 'due' are discounted based on their expected cash flows.

Other assets

Solvency II recognises "Own shares" as a separate asset. The own shares that are measured at cost in the IFRS balance sheet are revalued at their economic value.

Financial liabilities

Financial liabilities that are measured at amortised cost in the IFRS balance sheet are revaluated at their economic value, with the exception of the effect of changing Achmea's own creditworthiness since the recognition date.

Payables and Other liabilities

The remeasurement refers to insurance payables and other (related to insurance) liabilities which are "not due" are recognised as part of the Best Estimate.

Deferred Tax Assets and Liabilities

Because of the valuation principle applied by Solvency II, amounts are added to the Deferred Tax Assets/Liabilities following the Solvency II valuation principles. Achmea assesses the recoverability of these additions, in conjunction with the changes in the Deferred Tax Liability and the LACDT (recoverability analysis, in order to avoid double counting). Each addition to the deferred tax due to the valuation differences is calculated as that change in valuation multiplied by the enacted tax rate of the appropriate fiscal regime applicable to the Member State in which Achmea operates.

Technical Provisions and Reinsurance Recoverables

The main differences between IFRS and Solvency II Technical Provisions and reinsurance recoverables are given by:
- The Solvency II Technical Provisions are based on Best Estimates and a Risk Margin. IFRS takes into account a provision and a prudency margin based on IFRS accounting principles;
- The IFRS accounting principles include a reserve for capital gains on fixed interest assets;
- The Solvency II Technical Provisions are discounted with a yield curve whereas IFRS Technical Provisions are in general either discounted with a fixed interest rate or are not discounted;
- The IFRS Technical Provisions do not take lapses, expenses, future profit sharing to the expiration date into account, where Solvency II does;
- The following are all included under line item "Other":
  - The Solvency II Fair value valuation of savings mortgages where those are measured at amortised cost;
  - Premiums paid in advance are an element of the Premium Provision under Solvency II;
  - IFRS only reports expected loss in the Technical Provisions while under Solvency II the expected result (profit/loss) is reported;
  - The outcome from the catastrophe scheme and solidarity scheme of the Dutch health entities, which are recognised in accident years 2020 and 2021, are incorporated in the Claims Provision.
  - Dutch health care institutions receive prepayments if they have (technical) problems with invoicing. These prepayments are temporary in nature and are generally short. They have been netted in the IFRS balance sheet with the Technical Provisions. Under Solvency II, however, netting with the Technical Provisions is not permitted;

- The Dutch ministry of VWS receives a discount for a number of expensive medicines (VWS arrangements). This discount is to be received by all health insurers. Netting in the IFRS balance sheet with the Technical Provisions is not permitted. Since there is a direct relation between the Technical Provisions and the discount netting with the Technical Provisions under Solvency II is permitted;
- Reclassification of the “Metaal construct Kleinmetaal” and “Waarborgfonds”. In the IFRS financial statements these items are not qualified as insurance contracts.

Solvency II principles, parameters and assumptions are based on Best Estimate assumptions.

BRIDGE TECHNICAL PROVISIONS IFRS - SII

€ MILLION

	2021	2020
IFRS Technical Provisions	56,742	58,626
Prudency margin	-2,776	-3,658
Discounting	334	698
Risk Margin	2,073	2,247
Assumptions	0	0
Other	-1,115	-266
SII Technical Provisions	**55,258**	**57,648**

E.1.4. SOLVENCY RATIO

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	10,363	10,696	-333
Total Group Solvency Capital Requirement	4,853	5,153	-299
Surplus	5,509	5,543	-34
Ratio (%)	**214%**	**208%**	**6%-pt**

E.1.4.1. ALTERNATIVE SCENARIOS

SOLVENCY POSITION EXCLUDING THE USE OF THE VOLATILITY ADJUSTMENT

Achmea applies the VA. The VA is not applied by the Dutch Health insurance legal entities, Achmea Reinsurance Company N.V. and Interamerican Assistance General Insurance Company S.A. (based on proportionality reasons). Applying the VA in Turkey is not allowed in accordance with the applicable Solvency II Regulation; therefore the VA is not applied by Eureko Sigorta A.S.

IMPACT OF VOLATILITY ADJUSTMENT ON SOLVENCY RATIO

€ MILLION

	INCLUDING VOLATILITY ADJUSTMENT		EXCLUDING VOLATILITY ADJUSTMENT		IMPACT VA	
	2021	2020	2021	2020	2021	2020
Eligible Own Funds	10,363	10,696	10,269	10,502	94	193
Total Group Solvency Capital Requirement	4,853	5,153	6,149	6,540	-1,295	-1,387
Surplus	5,509	5,543	4,120	3,963	1,389	1,580
Ratio (%)	**214%**	**208%**	**167%**	**161%**	**47%-pt**	**47%-pt**

The VA is published by EIOPA and endorsed by the European Commission. Ultimo 2021, a VA of 3 bps (2020: 7 bps) has been applied. Compared to 2020, the impact of the VA on the Solvency II ratio of Achmea has remained unchanged (47%-pt).

The use of the VA has an impact on the value of the Best Estimate of the Insurance obligations. Not applying the VA results in a higher value of the Best Estimate. The increase of the insurance liabilities also increases the Deferred Tax Asset (DTA). Both effects partly offset each other. The overall effect on the EOF is negative. Not applying the VA has an increasing impact on the capital requirements for Market Risk. Not applying the VA also causes the DVA to disappear. Excluding the VA and DVA would result in changes of the characteristics of the assets and liabilities due to the adjusted discounting curve. As a result, the asset mix is not aligned with the insurance liabilities and the capital requirements without using the DVA are not a true reflection of the risk profile of the fixed income securities (such as government bonds and mortgage loans). Both leading to a disproportionate increase of the capital requirement for Market Risk.

SENSITIVITIES ULTIMATE FORWARD RATE

The UFR is part of the relevant risk-free interest rate used to discount the Best Estimate. In the calculations per 31 December 2021 an UFR of 3.60% is used. The UFR will be lowered to 3.45% per 1 January 2022. As part of risk management activities the sensitivity of the Solvency position related to the underlying assumptions of the relevant risk-free interest discount rate is assessed.

IMPACT UFR SOLVENCY RATIO

	ULTIMATE FORWARD RATE 3.60%	ULTIMATE FORWARD RATE 3.45%	NO ULTIMATE FORWARD RATE
Eligible Own Funds	10,363	10,271	8,403
Total Group Solvency Capital Requirement	4,853	4,849	5,827
Surplus	5,509	5,422	2,575
Ratio (%)	**214%**	**212%**	**144%**

The higher value of the Best Estimate has an increasing impact on the SCR. The impact of the UFR is mainly visible in the Life insurance portfolio (long-tail business in Life Underwriting Risk). The impact on the deferred taxes and SCRs also has an impact on the size of the LACDT.

E.1.5. SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

Achmea determines a Solvency position for each individual supervised legal entity. The following Solvency positions are calculated for the supervised entities of Achmea.

LIFE INSURANCE ENTITY

Achmea Pensioen- en Levensverzekeringen N.V.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	3,946	4,152	-206
Solvency Capital Requirement	2,188	2,505	-317
Surplus	1,758	1,647	111
Ratio (%)	**180%**	**166%**	**15%-pt**

Changes in non-economic assumptions (increased expense assumption and increased expense inflation), the dividend paid based on the performance of 2020 (€200 million) and the methodological changes related to the treatment of mortgage saving products were the main causes of the decrease in the EOF in 2021. These effects were partly mitigated by the changes in economic assumptions, such as the increased interest rate (effect on the Best Estimate and the return on investment) and the portfolio developments as a result of the service book strategy.

Market Risk and Life Underwriting Risk are the main drivers of the decrease in the Solvency Capital Requirement. The decrease in Market Risk is mainly caused by the major model change PIM for Equity / Property Risk, volume effects and the annual calibration of the Economic Scenario's. Life Underwriting Risk decreased because of the increase in the relevant risk-free interest rate, the decrease in portfolio (closed book strategy) and because of the methodological change of the mortgage saving products. These effects were partly mitigated by the changes in expense assumptions.

NON-LIFE INSURANCE ENTITIES

Achmea Schadeverzekeringen N.V.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	1,136	1,092	43
Solvency Capital Requirement	805	752	52
Surplus	331	340	-9
Ratio (%)	**141%**	**145%**	**-4%-pt**

EOF increased due to positive investment and portfolio results. The investments in equities and real estate provided positive returns. The interest and spread movements resulted to a net positive result as a decreased Volatility Adjustment resulted in a higher value of insurance liabilities. A decrease in the claim frequency of especially mobility insurance and travel insurance related to Covid-19 resulted in an increase of the EOF. Reassessment of recovery rates for the disability portfolio ("AOV"), positive run-off results of the "Wet Werk Inkomen naar Arbeidsvermogen"-portfolios and lower than expected large claims and less material claims were also positive portfolio effects. In addition, negative portfolio developments as reassessments and run-off regarding bodily injury claims, the lower discount rate used in bodily injury claims settlement, increase of inflation and losses due to winter storms and flooding in Limburg negatively impacted EOF. A dividend payment in 2021 decreased the EOF.

The Solvency Capital Requirement increased mainly due to higher Non-Life Underwriting Risk driven by increased provisions for bodily injury claims, higher risk factors and a model change for an add-on for risk factors Reserve Risk. This is partly offset by lower Catastrophe Risk caused by restructuring of the reinsurance of Achmea Australia and implementation of the contractual give back clause within Achmea. Also an increase in Market Risk related to a higher exposure to Property and Equity Risk, driven by substantial re-investments and a model change Equity / Property Risk.

In November 2021, DNB published a Q&A in which it addressed that individual disability insurances qualify as long-term contracts. DNB will take this amended interpretation of the Solvency II regulations into its supervision as from the 2023 Q2 quarterly statements. Based on pro forma calculations, it can be concluded that on balance the impact on the solvency ratio is limited. At the same time, the amended qualification of the AOV products led to an increase in EOF and the required capital. The EOF increased by approximately €101 million to €1,237 million and the total required capital by approximately €69 million to €873 million resulting in a slightly higher Solvency II ratio (0.5%-pt) of Achmea Schadeverzekeringen N.V.

Achmea has a 20% capital share in De Vereende. Achmea has included 20% of the SII capital requirement of insurer De Vereende in the SCR Other entities (€4 million). The adjusted equity value corresponding to the 20% interest in the entity De Vereende was part of the EOF (€5.5 million).

N.V. Hagelunie

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	201	204	-3
Solvency Capital Requirement	50	53	-3
Surplus	150	151	0
Ratio (%)	**398%**	**384%**	**14%-pt**

EOF decreased mainly caused by the payment of dividend to Achmea B.V. The dividend payment was almost offset by positive underwriting results including the negative impact of snowstorm Darcy and positive investment results.

The Solvency Capital Requirement decreased, driven by a lower Underwriting Risk caused by a decrease in Catastrophe Risk, partly offset by an increase in Counterparty Default Risk.

Eureko Sigorta A.S.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	70	96	-26
Solvency Capital Requirement	55	58	-3
Surplus	15	38	-24
Ratio (%)	**126%**	**166%**	**-39%-pt**

* 2020 figures have been updated after the publication of the SFCR 2020

The solvency ratio based on Turkish prudential legislation denominated in euro decreased.

Due to the further devaluation of the Turkish lira, the available capital in euro showed a decrease as compared with the Turkish lira, where it showed a slight increase. The available capital in Turkish lira increased due to good operational and investment results. Commercial fire, Casco and MTPL (Motor Third Party Liability) reserves were higher due to increase in claims as consequence of the depreciation of Turkish lira and change in the MTPL regulations. Higher premium reserves due to growth in Casco and higher Risk Margin contributed negatively to the EOF.

Interamerican Property & Casualty Insurance Company S.A.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	144	152	-8
Solvency Capital Requirement	60	61	-1
Surplus	84	91	-7
Ratio (%)	**239%**	**249%**	**-10%-pt**

EOF decrease was mainly driven by the foreseeable dividend that has been deducted from 2021 Own Funds, while the acquisition of a subsidiary (Insurance Market) had a negative effect, mainly due to the Goodwill that has been paid. This decrease has been counterbalanced by the entity's positive operating results, decrease of Risk Margin following a change in methodology and benefit from non-economic assumptions. Additionally, a model change related to the claims provisions analysis applied, in order to minimize the use of expert judgement (Loss ratio method) and to rely on occurred data and relevant statistical methods.

The Solvency Capital Requirement did not change much. Market Risk increased due to higher equity, interest and spread risks, while Non-Life Underwriting Risk increased mainly due to the increase of Premium and Reserve. LACEP has increased due to increased expected economic profits, which reduced the capital requirements.

Interamerican Assistance General Insurance Company S.A.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	17	17	0
Solvency Capital Requirement	10	10	0
Surplus	7	7	1
Ratio (%)	**177%**	**170%**	**7%-pt**

The EOF slightly increased due to company performance. Interamerican Assistance General Insurance Company S.A. expected a dividend payment to Interamerican Property & Casualty Insurance Company S.A. for 2021. This reduced the EOF per year-end 2021.

The Solvency Capital Requirement of Interamerican Assistance General Insurance Company S.A slightly decreased due to a decrease in Non-Life Underwriting Risk driven by the decrease of Lapse Risk as an update of the assumptions related to the timing that the mass lapse shock scenario occurs and the fixed and variable expenses.

HEALTH INSURANCE ENTITIES

In the Netherlands, basic and supplementary health care insurance is offered via dedicated entities. Achmea manages these entities via one organisational division (division Zilveren Kruis). In this respect the consolidated solvency position of Achmea Zorgverzekeringen N.V. is calculated via a look-through approach (sub-consolidation).

Within Achmea Zorgverzekeringen N.V. the following insurance entities are consolidated: FBTO Zorgverzekeringen N.V., De Friesland Zorgverzekeraar N.V., Interpolis Zorgverzekeringen N.V. and Zilveren Kruis Zorgverzekeringen N.V., which offer basic health care insurance only. Achmea Zorgverzekeringen N.V. is the parent and offers supplementary health care insurance and is not deemed to be an Insurance Holding Company.

The SCR is calculated with the Standard Formula and no Volatility Adjustment has been applied. No Internal Model is used.

Achmea Zorgverzekeringen N.V. (Consolidated)

The following table presents the solvency ratio of Achmea Zorgverzekeringen N.V. at year-end 2021 and year-end 2020.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	3,568	3,515	53
Solvency Capital Requirement	2,158	2,072	86
Surplus	1,410	1,443	-33
Ratio (%)	**165%**	**170%**	**-4%-pt**

The Solvency Ratio of Achmea Zorgverzekeringen N.V. decreased by 4.3%-pt compared to last year. Both the EOF and the Required Capital increased, where the latter is the dominant factor in the decrease of the Solvency Ratio.

The increase of the EOF was mainly due to positive developments in the result for the years 2021 and before and positive developments in the equity markets. On the other hand, there was a negative development in the expected result for 2022 and of the Risk Margin. It was a conscious choice to deploy capital to return the contribution from the catastrophe regulation to the insured. This is in line with the objective for a stable premium development over the years and at the same time reduces the Solvency II Ratio.

The SCR Market Risk increased due to increased Equity Risk (due to an increase in the market value of equity investments and the purchase of equity investments). Spread Risk and Currency Risk increased due to the higher volume of exposures. Interest Rate Risk decreased due to a better match between assets and liabilities.

The SCR Health Underwriting Risk increased, mainly due to an increase in Premium Risk because of an increase in the premium volume, due to both an increase in the number of insured 2022 and an increase in the premium per insured. The Catastrophe Risk increased due to the increase in the number of insured 2022 and an increase of the annually set national parameters for Health Catastrophe Risk. The Reserve Risk decreased mainly due to an increase in the expected contribution from the legal catastrophe arrangement for Covid-19.

The SCR Counterparty Default Risk decreased due to a decrease in type 2 exposures and the SCR Operational Risk decreased mostly due to a substantial (but one-off) decrease in the mental health care cost in 2021 (because of the introduction of a new funding system as of 2022).

The solvency ratios of the individual insurance legal entities of Achmea Zorgverzekeringen N.V.:

SOLVENCY RATIOS OF INDIVIDUAL HEALTH ENTITIES

%

ENTITY	2021	2020
Achmea Zorgverzekeringen N.V.	450%	449%
FBTO Zorgverzekeringen N.V.	136%	159%
De Friesland Zorgverzekeraar N.V.	129%	157%
Interpolis Zorgverzekeringen N.V.	170%	176%
Zilveren Kruis Zorgverzekeringen N.V.	138%	146%

Achmea Zorgverzekeringen N.V. (non-look-through)

The EOF increased by €53 million compared to the figure as at 31 December 2020. This was mainly due to positive developments in the result for the years 2021 and before and positive developments in the equity markets. On the other hand, there was a negative development in the expected result for 2022 and of the Risk Margin.

The SCR of Achmea Zorgverzekeringen N.V. (non-look-through) increased by €9 million compared to 2020. The SCR Market Risk increased, mainly due an increase in Equity Risk. Positive developments in the market value of equity investments and increase in the volume of equity exposures increased the capital requirement while the lower adjusted equity value of the participations resulted in a decrease of the capital requirement.

The SCR Counterparty Default Risk decreased mainly due to a decrease in the intercompany position.

The SCR Health Underwriting Risk decreased, mainly due to a decrease in Premium Risk as a result of a lower premium volume (lower number of insured).

FBTO Zorgverzekeringen N.V.

The EOF increased by €19 million to €157 million. This was mainly due to positive developments in the result for the years 2021 and previous years and positive developments in the stock markets. In December 2021, an agio deposit was received. However, there was a negative development in the expected result for 2022 and of the Risk Margin.

The SCR of FBTO Zorgverzekeringen N.V. increased by €29 million to €115 million.

The SCR Market Risk increased, mainly due to an increase in Equity Risk as a result of positive developments in the market value of equity investments and the purchase of equity.

The SCR Counterparty Default Risk increased due to an increase of type 1 exposures.

The SCR Underwriting Risk increased, mainly due to an increase in Premium Risk. The premium volume increased due to an increase in the number of insured and an increase in the premium per insured. Also the Catastrophe Risk increased due to the increase in the number of insured 2022 and an increase of the annually set national parameters for Health Catastrophe Risk. The Reserve Risk decreased mainly due to an increase in the expected contribution from the legal catastrophe arrangement for Covid-19.

De Friesland Zorgverzekeraar N.V.

The EOF decreased by €27 million to €297 million. This was mainly due to a negative development in the expected result for 2022 and of the Risk Margin. On the other hand there were positive developments in the result for the years 2021 and before and positive developments in the stock markets. In December 2021, an agio deposit was received.

The SCR of De Friesland Zorgverzekeraar N.V. increased by €23 million to €230 million.

The SCR Market Risk increased, mainly due to an increase in Equity Risk as a result of positive developments in the market value of equity investments and the purchase of equity. Interest Risk decreased due to a better match between assets and liabilities.

The SCR Counterparty Default Risk increased, mainly due to a temporary intercompany position.

The SCR Health Underwriting Risk increased, mainly due to an increase in Premium Risk. The premium volume increased due to an increase in the number of insured. Also the Reserve Risk increased due to a higher Claim Provision.

Interpolis Zorgverzekeringen N.V.

The EOF decreased by €1 million to €125 million. This was mainly due to a negative development in the expected result for 2022 and of the Risk Margin. On the other hand there were positive developments in the result for the years 2021 and previous years and positive developments in the stock markets.

The SCR of Interpolis Zorgverzekeringen N.V. increased by €2 million to €73 million.

The SCR Market Risk increased, mainly due to an increase in Equity Risk as a result of positive developments in the market value of equity investments and the purchase of equity.

The SCR Counterparty Default Risk decreased mainly due to a decrease of type 2 exposures.

SCR Underwriting Risk increased, mainly due to an increase in Premium Risk. The premium volume increased due to an increase in the number of insured and an increase in the premium per insured. The Catastrophe Risk increased due to the increase in the number of insured 2022 and an increase of the annually set national parameter for Health Catastrophe Risk. The Reserve Risk decreased mainly due to an increase in the expected contribution from the legal catastrophe arrangement for Covid-19.

Zilveren Kruis Zorgverzekeringen N.V.

The EOF decreased by €99 million to €2,039 million. This was mainly due to an agio payment to Achmea Zorgverzekeringen N.V. and a negative development in the expected result for 2022 and of the Risk Margin. The EOF increased because of positive developments in the result for the years 2021 and previous years and positive developments in the stock markets.

The SCR of Zilveren Kruis Zorgverzekeringen N.V. increased by €16 million to €1,483 million.

The SCR Market Risk increased, mainly due to an increase in Equity Risk as a result of positive developments in the market value of equity investments and the purchase of equity. Spread Risk also increased due to the purchase of investment instruments. Interest Risk decreased due to a better match between assets and liabilities.

The SCR Counterparty Default Risk decreased due to a decrease of both type 1 and type 2 exposures.

SCR Underwriting Risk increased, mainly due to an increase in Premium Risk. The premium volume increased due to an increase in the number of insured and an increase in the premium per insured. The Catastrophe Risk increased due to the increase in the number of insured 2022 and an increase of the annually set national parameter for Health Catastrophe Risk. The Reserve Risk decreased mainly due to an increase in the expected contribution from the legal catastrophe arrangement for Covid-19. The Reserve Risk decreased mainly due to an increase in the expected contribution from the legal catastrophe arrangement for Covid-19.

COMPOSITE INSURANCE ENTITY

Interamerican Hellenic Life Insurance Company S.A.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	161	138	23
Solvency Capital Requirement	102	104	-2
Surplus	59	34	25
Ratio (%)	**158%**	**133%**	**25%-pt**

The EOF increased mainly due to positive effects from subsidiaries and the Life entity. Life positive results are mainly driven from economic assumptions as the yield curves increased. Other positive results on the EOF come from a TVFOG (Time value of financial options and guarantees) methodological change, Best Estimate release from portfolio run off and operational results including gain from change in pension benefit assumptions. Finally the decrease in Risk Margin increased the EOF. The positive development has been partly offset by the update of Non-economic assumptions and a Mutual funds group pension model change.

The subsidiaries' positive effect was mainly driven from Interamerican Property & Casualty Insurance Company S.A.'s positive operating results (including Risk Margin decrease and non-economic assumptions effect). Interamerican Property & Casualty Insurance Company S.A. also acquired Money Market Agents SA in 2021 which partially counterbalanced the above positive effects.

Solvency Capital Requirement decreased mainly due to the decrease of Life Underwriting Risk million caused by the increase of the relevant risk-free interest rate, slightly offset by the increase in Market Risk due to Equity Risk and Interest Risk increases. The capital requirement for CDR decreased following a methodological change related to policyholders' receivables.

Union Poist'ovňa A.S.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	37	36	1
Solvency Capital Requirement	23	17	6
Surplus	14	19	-5
Ratio (%)	**162%**	**217%**	**-55%-pt**

The EOF did not change significantly compared to 2020. Union merged with Poštová Poisťovňa A.S. in 2021 and parallelly signed an exclusivity agreement with the former owner of Poštová Poisťovňa A.S. An update of the expense assumptions affected the EOF positively. Positive portfolio result had a positive effect on the EOF.

The Solvency Capital Requirement increased compared to year-end 2020. The increase was mainly driven by the merger with Poštová Poisťovňa A.S. Within Union's "existing" risks it has been mainly Market Risk and Non-Life Underwriting Risk that have increased. The increases were partially offset by decrease in Counterparty Default Risk and Life Underwriting Risks.

REINSURANCE ENTITY

Achmea Reinsurance Company N.V.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	315	289	26
Solvency Capital Requirement	179	156	23
Surplus	136	133	3
Ratio (%)	**176%**	**186%**	**-10%-pt**

The increase in the EOF was mainly the outcome of positive financial market developments and changes within the reinsurance and investment portfolio.

The Solvency Capital Requirement increased mainly due to the increase of Non-Life Underwriting Risk and Market Risk and a decrease in the Loss Absorbing Capacity Deferred Taxes. This increase of Non-Life Underwriting Risk was due to an increase of the Non-Life Catastrophe Risk, caused by portfolio developments (renewal, new contracts) and the impact of the change of parameter settings for geographical diversification (NP Reinsurance parameter). The increase of Market Risk was the result of an increase of Equity Risk, due to positive financial market developments and purchase of equities. This was partly offset by the major change Equity / Property Risk.

The Loss Absorbing Capacity Deferred Taxes (LACDT) increased. The higher Basic Solvency Capital Requirement, for the reasons described above, resulted in a higher maximum LACDT which increased the LACDT. Changes within Tax legislation had a positive effect.

SOLVENCY POSITION LEGAL ENTITIES SUBJECT TO THE CAPITAL REQUIREMENTS DIRECTIVE

Within Achmea 1 legal entity is subject to requirements of the Capital Requirements Directive (CRD)(Achmea Bank N.V. as credit institution).

CRD RATIO ACHMEA BANK N.V.

€ MILLION

	RWA	TCR	CET 1-RATIO	CAPITAL REQUIREMENTS	OWN FUNDS
2021	3,717	20.9%	20.9%	405	779
2020	3,954	20.4%	20.4%	498	808

Within Achmea two legal entities are subject to IFD/IFR requirements as asset managers (Achmea Investment Management N.V. and Syntrus Achmea Real Estate & Finance B.V.).

IFD/IFR REQUIREMENTS

€ MILLION

ENTITY	CAPITAL REQUIREMENTS		OWN FUNDS	
	2021	2020	2021	2020
Achmea Investment Management B.V.	24.4	18.6	40.9	36.8
Syntrus Achmea Real Estate & Finance B.V.	18.3	21.2	34.6	29.7

Achmea uses the standardised approach to determine its credit risk. The Total Capital Ratio based on CRD IV/CRR increased from 20.4% in 2020 to 20.9% in 2021, which was related to regular mortgage (re)payments and a decreased number of outstanding mortgage quotations, partly compensated by new business.

Due to guidance of DNB on the treatment of CRD entities within a MFHC, the CRD entities (Achmea Bank, Achmea Investment Management and Syntrus Achmea Real Estate & Finance) are included in the Solvency II consolidation for Achmea Group. Based on the Q&A of DNB Achmea has to apply as sectoral capital requirements the sum of Pillar I, Pillar II and the Combined Buffer Requirement. At this moment, for Achmea Bank this is 13.4% (2020: 15,1%) of the Risk Weighted Assets based on the latest Supervisory Review and Evaluation Process (SREP) communication of DNB (Pillar I + II: 10.9% and 2.5% Combined Buffer Requirement).

For Syntrus Achmea Real Estate & Finance and Achmea Investment Management, Achmea has to apply the requirements of the IFR/IFD Regulation in 2021. The capital requirement is the highest of:

1. 25% of the fixed overhead expenses of the preceding 12 months;
2. The permanent minimum requirement following the IFR/IFD legislation;
3. The “k”-factor.

For Achmea Investment Management Achmea applies a required capital of €24 million based on ICAAP rules in 2021. This required capital is higher than the requirements based on the IFR/IFD Regulation. In 2020 Achmea applied the minimum requirement (8.0%) for Syntrus Achmea Real Estate & Finance and Achmea Investment Management. The Intra-Group transactions between Achmea and the CRD entities concerns short term deposit transactions and the allocation of costs. Achmea has also Intra-Group transactions with Achmea Bank N.V. regarding the mortgage savings. There are no capital transactions between Achmea and Achmea Bank N.V. All Intra-Group transactions with CRD entities are not eliminated, therefore Achmea retains the original calculated capital requirement i.e. no elimination.

SOLVENCY POSITION OF LEGAL ENTITIES SUBJECT TO THE IORP OR SIMILAR ENTITIES

In Slovakia, Achmea has two subsidiaries: Union Poisťovňa A.S. and Union Zdravotná Poisťovňa A.S. The first is the composite insurer as described above, the second is a legal entity dedicated to Health insurance. The local Slovakian Ministry of Finance has decided that the Health entity (and similar entities within Slovakia) is not subject to Solvency II legislation but subject to local capital requirements as determined by Slovakian law.

Union Zdravotná Poist'ovňa A.S.

SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	48	26	22
Solvency Capital Requirement	17	17	0
Surplus	31	9	22
Ratio (%)	**289%**	**154%**	**135%-pt**

The Own Funds maintained with Union Zdravotná Poisťovňa A.S. at year-end 2021 were €48 million. The local capital requirements year-end 2021 were €17 million which is a fixed legal amount.

NOTIONAL SOLVENCY POSITION

For any Mixed Financial Holding Company, Insurance Holding Company or Financial Holding Company a notional capital requirement must be calculated. These holding companies are individually not subject to supervision. However, they are subject to group supervision.

The notional capital position is calculated, based on the company Economic Balance Sheet and resulting notional SCR as if Solvency II legislation would be applied. In this approach, all subsidiaries are presented as participations and Intra-Group positions are not eliminated. The participations of Achmea B.V. are included in the notional SCR under Market Risk based on the Standard Formula.

Achmea B.V.

NOTIONAL SOLVENCY RATIO

€ MILLION

	2021	2020	Δ
Eligible Own Funds	10,684	11,026	-341
Total Group Solvency Capital Requirement	2,324	2,394	-70
Surplus	8,360	8,632	-271
Ratio (%)	**460%**	**461%**	**-1%-pt**

The Notional Capital Requirement of Achmea B.V. consists mainly of a Notional Capital Requirements Market Risk. The Notional Capital Requirements Market Risk was €2.3 billion year-end 2021. The Market Risk of the Notional Capital Requirement is dominated by Equity Risk on the strategic participations of Achmea (€2.3 billion).

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

More detail regarding the Solvency Capital Requirements of the Dutch insurance legal entities can be found in the public Quantitative Reporting Templates (see appendix for hyperlinks).

E.2.1. KEY ASSUMPTIONS APPLIED OR USED BY ACHMEA

HRES Parameters

Achmea applies the HRES parameters (Health Risk Equalisation System) when determining the capital requirement for Premium- and Reserve Risk for the Line of Business Medical Expense. The HRES parameters are based on the Implementing Technical Standards that have been published by the European Commission. The HRES parameters are only applied to Dutch basic health insurances. For Premium Risk 2.7% is applied, for Reserve Risk 5.0%. The use of the HRES parameters is accompanied by the requirement to use the “broad premium” definition e.g. all premiums and payments received by Achmea for the basic health insurance obligations, including payments received by Zorginstituut Nederland, are deemed to be premiums.

Commitments to invest in future exposures

In certain instances, Achmea provides commitments to counterparties to invest in issuance of equity or debt investments. Based on the contractual agreements, Achmea already has committed an economic value for these future investments. On the Economic Balance Sheet these commitments are not recognised e.g. the underlying exposure is not recognised. For the determination of the capital requirement, Achmea includes these commitments as input for the various sub-risk modules.

Economic assumptions

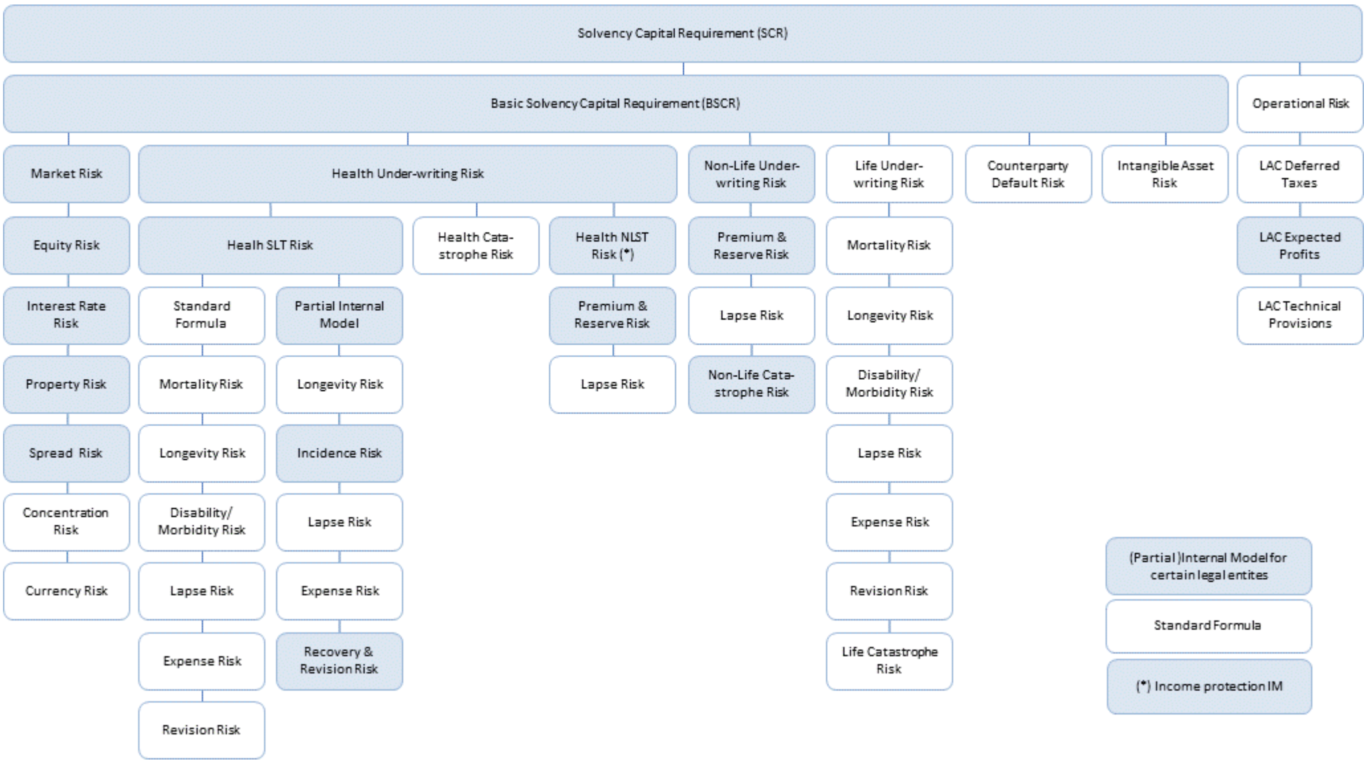
At the end of 2021 the application ratio used for the several legal entities using the Dynamic Volatility Adjustment is:
- Achmea Schadeverzekeringen N.V. and N.V. Hagelunie: 65% (2020: 65%);
- Achmea Pensioen & Levensverzekeringen N.V.: 60% (2020: 63%).

The discount rate used to calculate the Interest Rate Risk within the PIM for Market Risk is the German Bund curve (Euro Core).

E.2.2. STANDARD FORMULA VERSUS PARTIAL INTERNAL MODEL

Achmea uses an Internal Model for:

- Non-Life Risk the Premium and Reserve Risk of Achmea Schadeverzekeringen N.V. (excluding Achmea Australia), N.V. Hagelunie, Interamerican Property and Casualty Insurance Company S.A. and Achmea B.V.
- Non-Life Risk the Natural Catastrophe Risk of Achmea Schadeverzekeringen N.V. (excluding Achmea Australia), N.V. Hagelunie (excluding Achmea Canada), Interamerican Property and Casualty Insurance Company S.A., Achmea Reinsurance Company N.V. (excluding incoming reinsurance contracts) and Achmea B.V.
- Health Risk (Health Not Similar to Life Techniques, NSLT) the Premium and Reserve Risk for sickness and accident insurance of Achmea Schadeverzekeringen N.V., Interamerican Property and Casualty Insurance Company S.A. and Achmea B.V.
- Health Risk (Health Similar to Life Techniques, SLT) the risks relating to disability, rehabilitation and revision percentages of Achmea Schadeverzekeringen N.V. and Achmea B.V.
- Market Risk the risks related to Interest Rate Risk, Equity Risk, Property Risk and Spread Risk of Achmea Schadeverzekeringen N.V., N.V. Hagelunie, Achmea Reinsurance Company N.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea B.V.



Achmea uses a PIM[13] to calculate the SCR. The SF components and Internal Model components are aggregated into a single SCR. The aggregation is done by means of 1) The "Default approach" (use of the correlations as provided by the SF at the level of the main risk types and most sub-risk types; 2) The "Implicit correlation approach" for SLT Underwriting Risk and Non-Life Premium and Reserve Risk and the "Implicit correlation" approach for Market Risk for the shocks under the SF for Interest Rate Risk/Spread Risk/Equity Risk and Property Risk on the one hand and Currency Risk/Concentration Risk on the other hand; 3) The "Simulation approach" to aggregate the Equity Risk/Property Risk/Interest Rate Risk and Spread Risk of those entities not using the PIM for Market Risk.
For some sub-risk types Achmea aggregates data at a lower level than applied in the SF. Here the correlations are based on Achmea's data and expert judgment especially within Non-Life Underwriting Risk.

In addition to the Internal Model components Achmea has added a capital correction for Inflation Risk to the Interest Rate Risk within Market Risk for Interamerican Property & Casualty Insurance Company S.A. Achmea excluded the Inflation Risk from the Internal Model for Non-Life Underwriting and Health SLT Underwriting Risk. In order to capture this risk in the SCR, Achmea has determined a

[13] Within Non-Life Cat Risk Man-made Risk is not included. For the foreign insurance entities (with the exception of Interamerican Property & Casualty Insurance Company S.A.) and Achmea Reinsurance Company N.V. no Internal Model is used for Premium and Reserve Risk.

capital requirement in "Pillar II" associated with this risk. Within "Pillar I", the SCR for Inflation Risk is added at the level of "Interest Rate Risk" by means of the "simulation approach".

The SCR Counterparty Default Risk is impacted due to the Internal Model for Non-Life Catastrophe Risk and Market Risk.

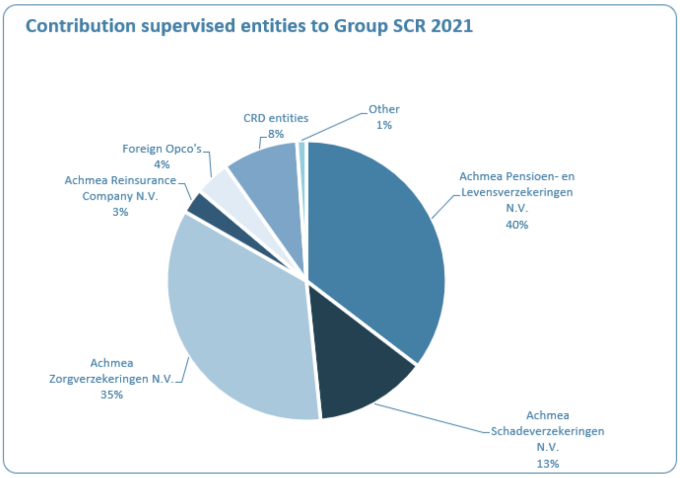
Following the differences between the SF and the PIM used, the outcome of the LACDT under the PIM differs from the outcome of the SF.

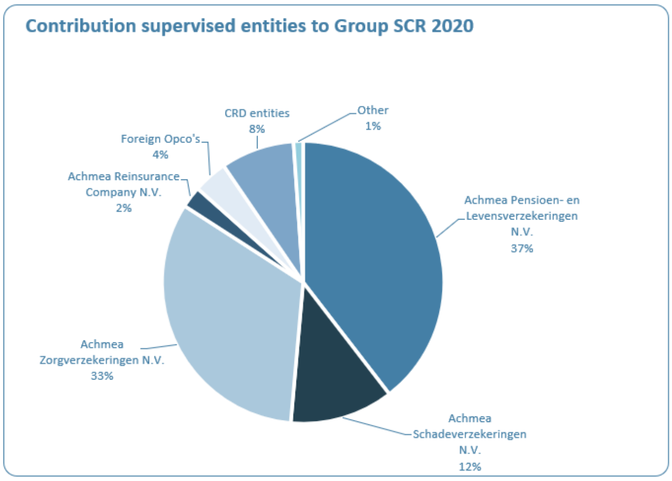
Within the SF the LACEP is not applicable, because it is assumed that the impact is already included in the various SF parameters as laid down in the Solvency II legislation. In Achmea's PIM an adjustment factor for LACEP is applied to take future profitability into account within the PIM[14].

E.2.3. SOLVENCY CAPITAL REQUIREMENT

E.2.3.1. SOLVENCY CAPITAL REQUIREMENT

Solvency Capital Requirement according to major legal entities[15]:





The share of the various solo entities in the SCR group changed slightly in 2021 compared to 2020. The share of Achmea Pensioen- en Levensverzekeringen N.V. has decreased, while the other Dutch insurance entities have increased in contribution. Due to the closed book portfolio of Achmea Pensioen- en Levensverzekeringen N.V. and the increase in the relevant Risk-free Interest Rate the share of Achmea Pensioen- en Levensverzekeringen N.V. decreased.

[14] For Achmea's Non-Life Premium- and Reserve and Market Risk calculated using the PIM, the capital requirements are calculated as possible (99.5%) deviations from the expected figures. These capital requirements reflect (unexpected) deviations from the expected change in Own Funds for the forthcoming one-year period. The expected change in Own Funds serves as a first buffer to absorb unexpected deviations.
[15] Foreign OpCo's = supervised insurance entities outside the Netherlands and CRD entities = supervised banking and investment firms subject to CRD/IFR/IFD legislation.

The main SCR results based on the Partial Internal Model are:

TOTAL GROUP SOLVENCY CAPITAL REQUIREMENT

€ MILLION

	2021	2020	Δ
Market Risk	2,315	2,423	-108
Counterparty Default Risk	202	250	-48
Life Underwriting Risk	1,849	1,977	-128
Health Underwriting Risk	1,800	1,746	55
Non-Life Underwriting Risk	1,014	953	62
Diversification	-2,602	-2,637	35
Intangible Asset Risk	0	0	0
Basic Group Solvency Capital Requirement	**4,578**	**4,710**	**-133**
Operational Risk	596	607	-12
Loss-Absorbing Capacity of Expected Profits	-217	-188	-29
Loss-Absorbing Capacity of Technical Provisions	0	0	0
Loss-Absorbing Capacity of Deferred Taxes	-682	-659	-23
SCR Other Financial Sectors	557	650	-93
SCR Other Entities	22	32	-10
Total Group Solvency Capital Requirement	**4,853**	**5,153**	**-300**

The Solvency Capital Requirement of the individual entities on the situation as at 31 December 2021 is included in the following table.

SOLVENCY CAPITAL REQUIREMENT OF INDIVIDUAL ENTITIES

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	2,188	2,505
Achmea Schadeverzekeringen N.V.	805	752
Interamerican Assistance General Insurance Company S.A. (99.89%)	10	10
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	60	61
N.V. Hagelunie	50	53
Achmea Zorgverzekeringen N.V.	792	783
Interpolis Zorgverzekeringen N.V.	73	71
Zilveren Kruis Zorgverzekeringen N.V.	1,483	1,466
De Friesland Zorgverzekeraar N.V.	230	206
FBTO Zorgverzekeringen N.V.	115	86
Union Poist'ovna A.S. (99.97%)	23	17
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	102	104
Achmea Reinsurance Company N.V.	179	156
Achmea Bank N.V.	498	597
Syntrus Achmea Real estate & Finance B.V.	18	18
Achmea Investment Management B.V.	24	19
Total individual entities	6,651	6,904
Diversification, mixed financial holding company, investment related entities and ancillary entities	-1,797	-1,751
Total	**4,853**	**5,153**

The anticipated SCR of Achmea over its business planning time period based on the business strategy is given below. The small effects of the SCR are amongst others linked to the decrease of the Life portfolio in the Netherlands, partly mitigated by the increase of Non-Life Risk and Health NSLT Insurance Risk because of an increase of Health insurance claims. In this projection the consequences of future legislative changes in Solvency II and CRD legislation are not included.

DEVELOPMENT SCR OVER SII BUSINESS HORIZON

€ MILLION

	2022	2023	2024	2025	2026
Total Group Solvency Capital Requirements	5,059	5,056	5,189	5,329	5,468

E.2.3.2. MARKET RISK

Achmea uses a Partial Internal Model for the calculation of the Solvency Capital Requirements for Market Risk.

MARKET RISK

€ MILLION

	2021	2020
Interest rate	1,192	1.401
Equity	1,361	1.254
Property	486	406
Spread	1,124	1.305
Currency	128	124
Concentration	0	0
Diversification	-1,976	-2,068
SCR Market risk	**2,315**	**2,423**

In 2021 the capital requirement for Market Risk decreased by €108 million which was driven by the higher interest rates and the major model change Equity / Property Risk. This model change will better reflect the risk profile of the equity and property portfolio, especially in the relevant parts of the risk distributions. The impact is further decreased by the annual calibration of the Economic Scenarios.

MARKET RISK INDIVIDUAL ENTITIES

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	1,467	1,700
Achmea Reinsurance Company N.V.	91	81
Achmea Schadeverzekeringen N.V.	477	462
Achmea Zorgverzekeringen N.V.	685	674
Athinaiki Clinic	0	0
De Friesland Zorgverzekeraar N.V.	36	28
Eureko Sigorta S.A.	29	42
FBTO Zorgverzekeringen N.V.	14	11
Interamerican Assistance General Insurance Company S.A.	1	1
Interamerican Hellenic Life Insurance Company S.A.	53	50
Interamerican Property & Casualty Insurance Company S.A.	15	12
Interassistance Commercial Company of Automobile and Tourism S.A.	0	0
Interassistance Road Assistance Services	0	0
Interpolis Zorgverzekeringen N.V.	13	10
Mentor	0	0
Modern Private Medical Group Practice	0	0
N.V. Hagelunie	27	27
Union Poist’ovna A.S.	11	2
Zilveren Kruis Zorgverzekeringen N.V.	188	133
Total individual entities	**3,108**	**3,232**
Diversification	-794	-809
Total	**2,315**	**2,423**

INTEREST RATE RISK

The capital requirement for Interest Rate Risk is mainly recognised within Achmea Pensioen- en Levensverzekeringen N.V. Interest Rate Risk within the other supervised insurance entities is limited because of the Interest Rate Risk policy employed, such as duration matching and absolute limits used.

INTEREST RATE RISK

€ MILLION

	ECONOMIC VALUES BEFORE SHOCK				SCR		
	2021		2020		2021	2020	Δ
	ASSETS	LIAB.	ASSETS	LIAB.			
Interest Rate Risk	51,368	55,485	54,381	57,957	1,192	1,401	-209

Achmea has included the Risk Margin in the calculation of the Interest Rate Risk (contrary to the Standard Formula) by modelling the Risk Margin as a separate cash flow. Interest Rate Risk decreased caused the increase in the yield curve and by changes in volume and duration of the investments. During 2021 Achmea changed the capital hedge. This decreased the Interest Rate Risk.

EQUITY RISK

The capital requirements for Equity Risk is mainly driven by the Dutch legal entities. On a solo perspective Interamerican Hellenic Life Insurance Company S.A. and Interamerican Property and Casualty Insurance Company S.A. have recognised Equity Risk. However, the equity exposures are mainly the participation in subsidiaries.

Achmea has investments in so-called “Property investment funds”. If the leverage included in these funds exceeds 20% the investment fund is not included as part of Property Risk but is included within Equity Risk. This has been the case for funds with an economic value of €5.2 million. These funds are recognised within the portfolio of Achmea Pensioen- en Levensverzekeringen N.V.

The capital requirement with respect to participations classified as “Other Entities”, “Other Financial Sectors” or “Non-Controlled Participations”. These are presented as a separate line item part of the Solvency Capital Requirement. The capital requirement are added to the Solvency Capital Requirement, no diversification effects are recognised.

EQUITY RISK

€ MILLION

	ECONOMIC VALUES BEFORE SHOCK				SCR		
	2021		2020		2021	2020	Δ
	ASSETS	LIAB.	ASSETS	LIAB.			
Equity Risk	3,369	4,525	2,841	4,227	1,361	1,254	106

The capital requirements for Equity Risk are sensitive to changes in the equity markets. Equity Risk increased due to increased market values and investments. In 2021 the major model change Equity / Property Risk is implemented. This model change will better reflect the risk profile of the equity property portfolio, especially in the relevant parts of the risk distributions. The procyclical behaviour of the model was changed by eliminating the VIX index (CBOE Volatility Index) from the model.

PROPERTY RISK

Achmea has investments in so called “Property investment funds”. If the leverage included in these funds is lower than 20% the investment fund is included as part of Property Risk.

Achmea has certain Unit-Linked insurance contracts where the fee earned by Achmea depends on the fund value (assets). These are shocked according to the scenarios and the adjusted value of the fee income is determined. The lower discounted value of the fee income is added to the capital requirements.

PROPERTY RISK

€ MILLION

	ECONOMIC VALUES BEFORE SHOCK				SCR		
	2021		2020		2021	2020	Δ
	ASSETS	LIAB.	ASSETS	LIAB.			
Property Risk	1,737	198	1,592	187	486	406	79

Property Risk increased in 2021 due to increased market values and investments and the implementation of the major model change Equity / Property Risk.

SPREAD RISK

Achmea applies the Partial Internal Model for Spread Risk for all bonds and loans, government bonds and related exposures and for mortgage loans. EIONIA spread, Swap spread and the DVA are also part of the Spread Risk module. Hence the PIM for Spread Risk is also applied to the value of liabilities and derivatives. Achmea applies a “simulation integration” technique in order to calculate the capital requirements for Spread Risk at the level of the group i.e. to aggregate standard formula parts and internal model parts.

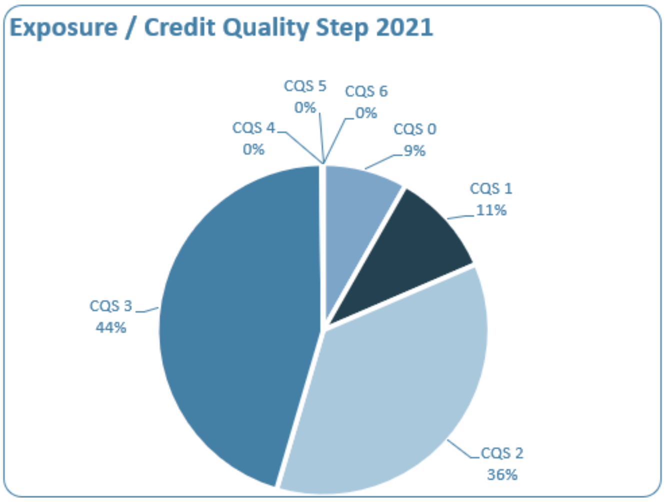
Credit Spread Risk is the risk that spreads increase, while the ratings remain unchanged. Migration and Default Risk address the risk of downgrades and defaults. The DVA is a (dynamic) adjustment to the basic risk-free curve to avoid pro-cyclical investment behaviour.

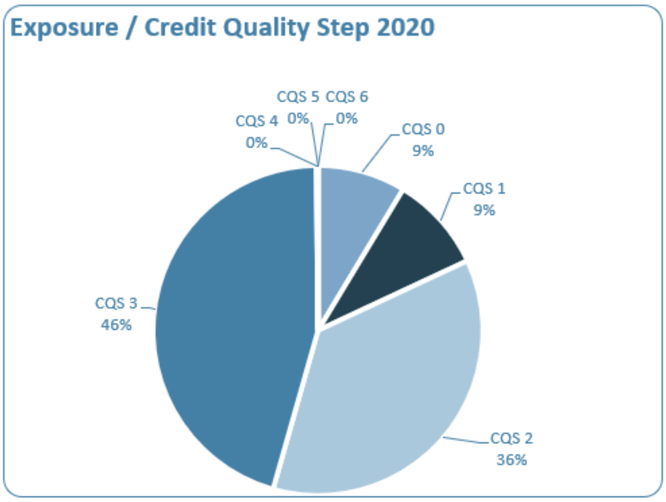
SPREAD RISK

€ MILLION

	ECONOMIC VALUES BEFORE SHOCK				SCR		
	2021		2020		2021	2020	Δ
Spread Risk	43,201	50,538	45,213	54,460	1,124	1,305	-181

The following graphs present the quality of the bond and loan portfolio (hence excluding Government bonds).





The average duration of the bond and loan portfolio decreased from 4.1 to 3.7 years.

Spread Risk decreased in 2021. Changes in credit spreads and model changes lowered the Spread Risk by €15 million. The annual calibration of the economic scenario generator lowered Spread Risk by €48 million mainly due to lower charges on BBB- or lower rated bonds. Higher interest rates leading to lower market values and other portfolio effects decreased Spread Risk. The net result of these effects is a decrease of Spread Risk by €144 million. The mitigating effect of the swap spread hedge decreased by €53 million (2021: €-75 million vs 2020: €-129 million).

Within the Spread Risk sub risk, Achmea includes the DVA. The DVA results in a lower capital requirement. Achmea’s DVA depends on the actual information regarding the fundamental spread at t=0 as published by EIOPA and Achmea’s own application ratio.

MARKET RISK CONCENTRATIONS

A capital requirement for Market Concentration Risk is only recognised when the exposure to a single name exceeds the thresholds set by the Solvency II legislation. Government bonds and related exposures, exposures subject to the Counterparty Default Risk module, unit-linked related exposures and certain legal entities part of the Group are not subject to this capital requirement.

At the end of 2021, Achmea had no exposure to any counterparty that exceeded the Concentration Risk threshold. Therefore the SCR Market Concentration remained zero.

The Dutch Health entities and part of the legal entities outside the Netherlands have Concentration Risk on the level of the solo capital requirements.

CURRENCY RISK

The capital requirement for Currency Risk increased by €4 million to €128 million at the end of 2021, mainly due to an increased exposure to USD and DKK, partly compensated by the decreased exposure in Turkish lira.

The largest non-euro exposure is on the USD, which has increased due to rising equity markets. The second largest non-euro operation is carried out by Eureko Sigorta A.S. in Turkey. This resulted in an exposure to the Turkish lira which is unhedged.

Most foreign currency exposures in insurance and investment portfolios are hedged using currency derivatives. Achmea Reinsurance Company N.V. has exposures in several currencies because of their incoming reinsurance activities outside the Eurozone. Achmea Schadeverzekeringen N.V. has Currency Risk related to the Australian dollar because of branch selling insurance products in Australia. N.V. Hagelunie has Currency Risk in Canadian dollar related insurance products sold in Canada. The other legal entities have some Currency Risk based on exposures denominated in other currencies than the euro embedded in the investment portfolio.

E.2.3.3. COUNTERPARTY DEFAULT RISK

The exposures to Counterparty Default Risk are the result of normal operations within Achmea. The scope of the CDR module includes risk mitigating contracts, such as reinsurance agreements and derivatives, receivables from intermediaries, as well as any other credit exposures which are not covered in the Market Risk sub module Spread Risk.

The following table specifies the SCR for the CDR.

COUNTERPARTY DEFAULT RISK

€ MILLION

	2021	2020	Δ
Reinsurance arrangements	24	23	0
Derivatives	57	66	-9
Other non-risk mitigating exposures	52	53	-2
Commitments depending on the credit standing of the counterparty	3	39	-35
Diversification	-17	-27	11
SCR CDR on Type 1 exposures	**118**	**154**	**-36**
Insurance and Intermediaries Receivables	14	15	-1
Other Credit exposures (excl. Mortgage Loans)	84	98	-15
Mortgage loans	0	0	0
SCR CDR on Type 2 exposures	**97**	**113**	**-16**
Diversification	-14	-17	3
SCR Counterparty Default Risk	**202**	**250**	**-48**

The decrease of the SCR CDR on Type 1 exposures is mainly due to a new classification and restatement of the mortgage saving products from commitments depending on the credit standing of the counterparty to derivatives Type 4 and Spread Risk. The market value of the derivatives portfolio decreased due to the higher yield curve. In addition, the cash and cash equivalent positions decreased.

On 1 September 2021, DNB issued a Q&A and Good practice document related to the treatment of mortgage saving products under Solvency II. The cash flows of a mortgage saving asset could be split into three components:
1. An already built-up/paid-in component (“opgebouwd deel”) which is reclassified to Spread Risk.
2. Cash flows related to the interest accrual of the first part (“herbeleggingswaarde”).
3. Cash flows related to future premium payments of the policyholders (“toekomstig deel”).
In the classification based on the Q&A of DNB issued on 1 September 2021, the second and third part are considered to be a “forward contract” and classified as Other derivatives (Type 4) on the balance sheet.

The decrease of the SCR CDR on Type 2 exposures is mainly due to developments within the Dutch health insurance entities caused by a lower debtor position and a lower position as a result of claims under a deductible. Also there was a decrease of the negative net position with healthcare providers, in which the 'work in progress' position is lower than the prepayments to the healthcare providers. Within the Life insurance business in the Netherlands an increase in the receivables of taxes and social security premiums led to a higher Type 2 exposure.

The impact of diversification decreased due to the decrease of the underlying risks.

Derivatives

Derivatives are used to hedge undesirable risks in the investment portfolio and for efficient portfolio management. Interest Rate Swaps, Swaptions and Bond Futures are used to hedge interest rate risks arising from the insurance liabilities. Forward exchange contracts (FX forwards) are used for hedging Currency Risk. In line with the counterparty policy, positions in derivatives are collateralised. Daily collateral is exchanged with the relevant counterparties. For OTC contracts, only high rated government bonds are accepted as collateral. For positions cleared through Central Clearing the variation margin is settled in cash.

The exposure on the derivatives decreased from due to the development of currency rates and interest rates and the restatement of the mortgage saving products from commitments depending on the credit standing of the counterparty to derivatives Type 4.

Derivatives which are centrally cleared are subject to different capital requirements than derivatives which are not centrally cleared.

VOLUME DERIVATIVES

€ MILLION

	2021	2020	Δ
Type 1	2,679	2,916	-237
Type 2			
Type 3	2,412	3,658	-1,246
Type 4	314	-1	315
Total derivatives subject to CDR module - Type 1	**5,405**	**6,573**	**-1,168**

The derivatives are classified in four types. Type 1 derivatives consists of cleared interest rate swaps. Type 2 derivatives are comparable with Type 1, but Achmea is not required to be protected from losses in the event that the clearing member and another client of the clearing member jointly default. Type 4 derivatives consists of bond futures and mortgage saving products. All the other derivatives are classified as Type 3 derivatives. The above table shows the distribution over the different types.

COUNTERPARTY DEFAULT RISK OF INDIVIDUAL ENTITIES

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	83	111
Achmea Schadeverzekeringen N.V.	58	54
Interamerican Assistance General Insurance Company S.A. (99.89%)	2	1
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	7	7
N.V. Hagelunie	12	11
Achmea Zorgverzekeringen N.V.	10	12
Interpolis Zorgverzekeringen N.V.	1	2
Zilveren Kruis Zorgverzekeringen N.V.	27	49
De Friesland Zorgverzekeraar N.V.	15	3
FBTO Zorgverzekeringen N.V.	4	2
Union Poist'ovna A.S. (99.97%)	4	5
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	5	6
Achmea Reinsurance Company N.V.	13	12
Total individual entities	242	276
Diversification, mixed financial holding company, investment related entities and ancillary entities	-40	-26
Total	**202**	**250**

The impact of diversification includes the change in the intercompany positions within the Dutch health insurance entities.

E.2.3.4. LIFE UNDERWRITING RISK

The following table sets out the composition of Achmea's Life Underwriting Risk. This relates both traditional and Unit-Linked policies. For the calculation of Life Underwriting Risk Achmea uses a simple sum to aggregate the outcomes of the legal entities by using a correlation 1, with the exception of Lapse Risk. When determining the Lapse Risk the various scenarios are aggregated. The most onerous scenario is used to determine the capital requirement, which regards mass lapse. Within Achmea Life Underwriting Risk is based on the Standard Formula.

LIFE UNDERWRITING RISK

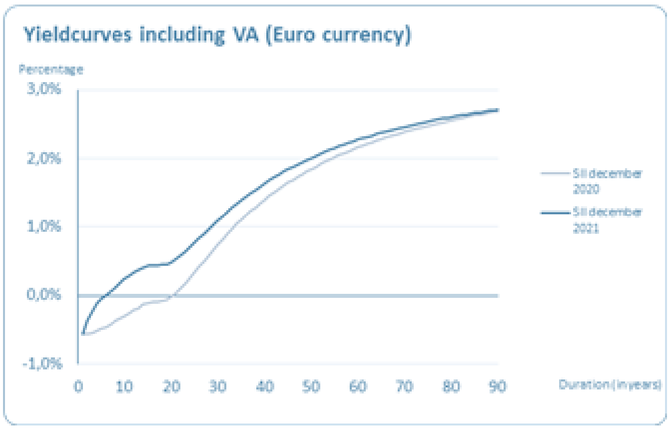
€ MILLION

	2021	2020	Δ
Mortality Risk	169	185	-17
Longevity Risk	1,414	1,537	-123
Disability/ Morbidity Risk	6	14	-8
Lapse Risk	208	287	-79
Expense Risk	717	681	36
Catastrophe Risk	125	129	-5
Diversification Risk	-790	-857	67
SCR Life	**1,849**	**1,977**	**-128**

Approximately 96% of Life Underwriting Risk is recognised within Achmea Pensioen- en Levensverzekeringen N.V., 2% within Achmea Reinsurance Company N.V. and 2% within Interamerican Hellenic Life Insurance Company S.A.

Life Underwriting Risk decreased due to the higher yield curve leading to a decrease of the Best Estimate and a decrease of the required capital. The capital requirement decreased due to the decreasing insurance portfolio in the Netherlands, partly compensated by an update of the non-economic assumptions, including expense assumptions and assumptions for expense inflation.

The Life Underwriting Risk is very sensitive to movements in the relevant Risk-free interest rate. A change will result in a change in the Best Estimate, which will influence the capital requirements for Life Underwriting Risk. In 2021, the relevant Risk-free interest rate increased. Ceteris Paribus other developments, this results in a lower value of the Best Estimate and related capital requirements, because the average duration of Achmea's Life portfolio is 12.3 years (2020: 12.4 years).



UNDERWRITING RISK LIFE INDIVIDUAL ENTITIES

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	1,873	2,006
Union Poist'ovna A.S. (99.97%)	7	5
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	38	44
Achmea Reinsurance Company N.V.	45	45
Total individual entities	1,963	2,101
Diversification	-114	-124
Total	**1,849**	**1,977**

Diversification includes mainly the impact of the Pension Benefit Obligations and the impact of other Intra-Group transactions. In Greece, the Lapse down has the most onerous outcome of all the three scenarios. In the Netherlands and in Slovakia the mass lapse scenario applies. At group level, the mass lapse scenario applies.

Mortality Risk

The SCR for Mortality Risk is determined by calculating the liabilities with mortality rates which are increased by 15% for future years.

The SCR for Mortality Risk decreased by €17 million to €169 million and is mainly driven by Achmea Pensioen- en Levensverzekeringen N.V. (€-16million). The decrease in Mortality Risk is mainly caused by portfolio developments and the increase in interest rate levels. Changes in non-economic assumptions and model changes also contributed to the change in Mortality Risk. Reinsurance of Mortality Risk within Achmea Reinsurance Company N.V. (€-2 million) has only a small effect on Mortality Risk. The remaining impact is caused by Union Poist'ovna A.S. (€1 million).

Longevity Risk

The SCR for Longevity Risk is determined by calculating the liabilities with mortality rates that are decreased by 20% for future years.

The SCR for Longevity Risk decreased by €123 million to €1,414 million. This decrease is caused by Achmea Pensioen- en Levensverzekeringen N.V. due to changes in economic assumptions, non-economic assumptions and portfolio developments. The change in economic assumptions was due to higher interest rate levels. The change in non-economic assumptions was mainly due to the update of the expense assumptions (including inflation). The decrease due to portfolio developments is mainly caused by the closed book character of the portfolio.

Disability/Morbidity Risk

For the Disability/Morbidity Risk in the Netherlands the capital requirements are determined using an approximation agreed by the Actuarial Function Holder. The approximation is based on information provided by Achmea Schadeverzekeringen N.V. for portfolios with a similar risk type. The information is adjusted for differences in contract conditions and the portfolio.

The SCR for Disability/Morbidity Risk decreased by €8 million to €6 million within Achmea Pensioen- en Levensverzekeringen N.V. The Disability Risk decreased due to portfolio developments. Because of the closed book character of the portfolio the premium income for disability is decreasing.

Lapse risk

LAPSE RISK - LIFE

€ MILLION

	2021	2020	Δ
Lapse Increase	56	87	-31
Lapse Decrease	58	70	-12
Mass Lapse	208	287	-79
Scenario Used	**Mass**	**Mass**	

In line with recent years mass lapse is the dominant scenario for the Life portfolios on Group.

The outcome of the Mass lapse scenario decreased due to a decrease within the Life portfolio of Achmea Pensioen- en Levensverzekeringen N.V. (€-77 million). The decrease in lapse shock is caused by:

1. the decreasing portfolio;
2. the impact due to the change in the valuation of the Dutch mortgage saving life insurance product ("spaarhypotheken");
3. changes in non-economic assumptions, mainly because of an update of lapse assumptions;
4. the increase in interest rate levels.

The decrease in mass lapse shock within Union Poist'ovna A.S. is equal to €-2 million due to the portfolio run-off and the lapse campaign. The mass lapse scenario is the most onerous within all entities, except for Interamerican Hellenic Life Insurance Company S.A. (€-6 million) where the downward shock is the most onerous.

Expense Risk

The SCR for Expense Risk increased by €36 million to €717 million. Expense Risk is determined by calculating the impact on the liabilities where the expenses are increased by 10% and the inflation rate has increased by 1%. The increase in Expense Risk is driven by the developments within Achmea Pensioen- en Levensverzekeringen N.V. (€34 million). The increase in interest rate levels caused a decrease in Expense Risk. Changes in non-economic assumptions caused an increase, mainly due to the increase in inflation levels. Experienced variance/portfolio developments caused a decrease in Expense Risk. Within Union Poist'ovna A.S. Expense Risk increased by €2 million due to the development within the funeral portfolio with long durations.

Revision Risk

Revision Risk only applies to annuity payments related to claims for damage insurance. There are no such insurances in the Achmea portfolio. Accordingly, the Revision Risk is zero.

Catastrophe Risk

The SCR for Catastrophe Risk decreased by €5 million to €125 million. Catastrophe Risk is mainly driven by developments within Achmea Pensioen- en Levensverzekeringen N.V. (€-5 million). For the individual model the Catastrophe Risk is calculated according to a simplification, which is 0.15% of the Capital at Risk. The prescribed method is to increment the mortality rates in the first projection year by 0.15%. For the group model it is calculated according to prescribed method, i.e. increasing the mortality in the first year by 0.15%.

The decrease within Achmea Pensioen- en Levensverzekeringen N.V. is mainly due to experienced variance and portfolio developments. Catastrophe Risk within Achmea Pensioen- en Levensverzekeringen N.V. is mitigated by a reinsurance contract with Achmea Reinsurance Company N.V. (€1 million). Within Union Poist'ovna A.S. Catastrophe Risk increased by €1 million due to the acquisition of Poštová poisťovňa and Interamerican Hellenic Life Insurance Company S.A. (€-1 million).

Diversification effects

The impact of diversification effects between sub-risks decreased in 2021 by €67 million due to the decrease of the underlying sub-risks.

E.2.3.5. HEALTH UNDERWRITING RISK

Health Underwriting Risk consists of three components: Health Similar to Life (SLT), Health Similar to Non-Life (NSLT) and Health Catastrophe Risk. The Line of Business Health insurance is related to Health SLT. The Lines of Business Medical Expenses, Income Protection and Worker's Compensation are related to Health NSLT.

The Health SLT portfolio uses internal models for the Dutch disability portfolio for Disability/Morbidity and Revision Risk. This only relates to the legal entity Achmea Schadeverzekeringen N.V. The risk taxonomy of the PIM deviates from the risk taxonomy of the Standard Formula for Health SLT Underwriting Risk. Achmea first determines the SCR Health SF SLT and the SCR Health PIM SLT. These two outcomes are aggregated by means of implicit correlations.

For the Dutch Basic Health Insurance Obligations, Achmea used the HRES-parameters as put forward in the Implementing Technical Standard. For NSLT Premium Risk, the parameter/standard deviation is 2.7% and for Reserve Risk 5.0%.

HEALTH UNDERWRITING

€ MILLION	2021	2020	Δ
Mortality	1	1	0
Longevity	28	30	-1
Disability/Morbidity/Revision	201	208	-8
SLT Lapse	22	22	1
Expense	34	35	-2
Diversification	-84	-85	1
SCR UR Health SLT	**201**	**210**	**-9**
NSLT Lapse	19	17	2
Premium and Reserve	1,674	1,617	57
Diversification	-19	-17	-2
SCR UR Health NSLT	**1,674**	**1,617**	**57**
Health Catastrophe	61	50	11
Diversification	-136	-132	-4
SCR UR Health	**1,800**	**1,746**	**55**

UNDERWRITING RISK HEALTH OF INDIVIDUAL ENTITIES

€ MILLION	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	0	0
Achmea Schadeverzekeringen N.V.	264	267
Interamerican Assistance General Insurance Company S.A. (99.89%)	0	0
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	1	1
N.V. Hagelunie	0	0
Achmea Zorgverzekeringen N.V.	186	187
Interpolis Zorgverzekeringen N.V.	53	52
Zilveren Kruis Zorgverzekeringen N.V.	1,107	1,097
De Friesland Zorgverzekeraar N.V.	169	152
FBTO Zorgverzekeringen N.V.	93	64
Union Poist'ovna A.S. (99.97%)	5	2
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	43	42
Achmea Reinsurance Company N.V.	21	16
Total individual entities	**1,942**	**1,880**
Diversification	-142	-135
Total	**1,800**	**1,746**

The diversification includes the impact of Intra-Group transactions and the impact of diversification within NSLT Premium and Reserve Risk.

Health SLT

The Health SLT portfolio uses Internal Models for the Dutch disability portfolio for Disability/Morbidity and Revision Risk. This only relates to the legal entity Achmea Schadeverzekeringen N.V.

Mortality Risk SLT

There were no material portfolio developments within Interamerican Hellenic Life Insurance Company S.A. As a result Mortality Risk has remained €1 million.

Longevity Risk SLT

Longevity Risk decreased by €1 million due to a decrease within Achmea Schadeverzekeringen N.V. This decrease is caused by the increased yield curve which is largely compensated by a higher inflation curve.

Disability/Morbidity/Recovery Risk SLT

Disability/Morbidity Risk (incidence + recovery) decreased by €8 million. Within the WIA portfolio of Achmea Schadeverzekeringen N.V. Recovery Risk SLT decreased by €5 million due to the yearly expansion of the 50% Quota Share reinsurance arrangement for the “WIA” portfolio. Within Interamerican Hellenic Life Insurance Company S.A. Morbidity Risk decreased by €2 million due to the increased yield curve.

Lapse Risk SLT

In line with 2020, the “lapse decrease scenario” is the dominant scenario for Lapse Risk Health SLT in 2021 on Group level. Lapse Risk increased by €1 million due to an update of non-economic assumptions within Interamerican Hellenic Life Insurance Company S.A. Within Achmea Schadeverzekeringen N.V. and Union Poist’ovna A.S. the mass lapse scenario is applicable.

Expense Risk SLT

Expense Risk SLT decreased by €2 million due to lower operating expenses within Achmea Schadeverzekeringen N.V. Within Union Poist’ovna A.S. and Interamerican Hellenic Life Insurance Company S.A. the impact was not material.

Health NSLT

Health NSLT consists of three lines of business, Medical Expenses, Income Protection and Workers’ compensation. Achmea applies an Internal Model for Income Protection. Medical Expenses accounts for the vast majority of the required capital of Health NSLT.

Lapse Risk NSLT

Lapse Risk increased by €2 million caused by the increased profitability of the recognised portfolio, especially absenteeism within Achmea Schadeverzekeringen N.V. Due to DNB guidelines for the LoB Medical Expenses, Lapse Risk does not have to be taken into account for Achmea Zorgverzekeringen N.V. (consolidated) and its subsidiaries. The remaining impact is caused by Union Poist’ovna A.S. (€1 million) and Interamerican Greece (€-1 million).

Premium and Reserve Risk Health NSLT

The increase of Health NSLT Premium and Reserve Risk mainly consisted of the Dutch Health insurance business (€55 million) and Achmea Schadeverzekeringen N.V. (€1 million). All the changes in the Premium and Reserve Risk arose from development of the portfolio, changes in expected cash flows and its effect on the discounting. The remaining impact was caused by Union Poist’ovna A.S. (€3 million), Interamerican Hellenic Life Insurance Company S.A. (€1 million) and Eureko Sigorta A.S. (€-2 million).

The increase of the premium volume in the Dutch Health insurance business was mostly due to the increase in the number of insured, as compared to 2020, by more than 250,000, as well as an increase of the premium per insured. Within Achmea Schadeverzekeringen N.V. the Premium Risk in 2021 increased by €6 million due to higher expected claims and a higher risk factor in the Absenteeism portfolio.

The volume measure for Reserve Risk decreased due to an increase in the expected contribution from the catastrophe regulation for Covid-19 in the Netherlands. Also the mental health care had a one-off decrease in the total costs for accident year 2021, due to a new funding system per 2022. On the other hand, at FYR 2020 the payments due to the continuity arrangements were invoiced quicker than the actual (discontinued) health care would have been, reducing the Best Estimate Claim Provision. At FYR 2021 the continuity arrangements have no impact anymore. Within Achmea Schadeverzekeringen N.V. Reserve Risk decreased by €4 million due to a reassessment of the mortgage protection portfolio resulting in a decrease in Technical Provisions. These developments were partly offset by a higher Reserve Risk factor for motor personal indemnity (“SVI”).

Health Catastrophe Risk

HEALTH CATASTROPHE RISK

€ MILLION

	2021	2020	Δ
Mass Accident Risk	16	16	0
Accident Concentration Risk	27	22	5
Pandemic risk	52	42	10
Diversification	-34	-30	-5
SCR CAT Risk Health	**61**	**50**	**11**

Within Achmea Reinsurance Company N.V. Accident Concentration Risk increased by €5 million due to renewal and new contracts per 1 January (€4 million) and Foreign currency exchanges rates (€1 million).

Within the Dutch Health insurance business the Pandemic Risk increased by €10 million. This was due to an increase in the number of insured by almost 7% to 5.1 million and an increase in the Dutch parameter for Pandemic Risk by 22% to €106.45 due to the annual national recalibration.

NON-LIFE UNDERWRITING RISK

The legal entities with a PIM for Non-Life Premium and Reserve Risk are Achmea Schadeverzekeringen N.V., N.V. Hagelunie and Interamerican Property & Casualty Insurance Company S.A. The legal entities with a PIM for Non-Life Catastrophe Risk (Natural) are Achmea Schadeverzekeringen N.V., N.V. Hagelunie, Interamerican Property & Casualty Insurance Company S.A. and Achmea Reinsurance Company N.V. The other legal entities within Achmea and the other (sub)Risks are based on the SF. In terms of PIM SCR 83% (2020: 83%) of Non-Life Underwriting Risk is based on the PIM (before diversification).

For reinsurance contracts issued in Turkey with Turkish counterparties where a Credit Quality Step lower than 3 is applicable, the risk mitigation capacity of these reinsurance contracts is not taken into consideration. Based on the Solvency II legislation (article 211 Regulation 2015/35) these reinsurance contracts may not be considered as effective risk mitigation.

Achmea has used the “implicit correlation” approach to aggregate the capital requirements on Group level.

NON-LIFE UNDERWRITING RISK

€ MILLION

	2021	2020	Δ
Lapse	144	139	5
Premium and Reserve	744	644	101
Catastrophe	513	546	-33
Diversification	-387	-376	-11
SCR UR Non-Life	**1,014**	**953**	**62**

Approximately 44% of Non-Life Underwriting Risk is driven by Achmea Schadeverzekeringen N.V., 22% by Achmea Reinsurance Company N.V., 20% by Eureko Sigorta A.S., 9% by Interamerican Property & Casualty insurance Company S.A., 3% by N.V. Hagelunie and 1% by Union Poisťovňa A.S.

UNDERWRITING RISK NON-LIFE OF INDIVIDUAL ENTITIES

€ MILLION

	2021	2020
Achmea Schadeverzekeringen N.V.	717	623
Interamerican Assistance General Insurance Company S.A. (99.89%)	7	8
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	68	66
N.V. Hagelunie	46	50
Union Poist’ovna A.S. (99.97%)	15	13
Achmea Reinsurance Company N.V.	175	145
Total individual entities	**1,029**	**904**
Diversification	-15	48
Total	**1,014**	**953**

The diversification includes the impact of diversification within Non-Life Premium and Reserve Risk, Non-Life Catastrophe Risk and the impact of Intra-Group transactions. The contribution of Eureko Sigorta A.S. as a non-EEA entity in the group consolidation is included in line item diversification.

Lapse Risk

The SCR of Non-Life Lapse Risk is modelled according to the SF. In the Netherlands Lapse Risk increased by €15 million within Achmea Schadeverzekeringen N.V. due to the growth of the recognised and profitable portfolio for Motor other and Fire and the increase in profitability of the Motor other portfolio, which means that the possible loss due to lapse has increased. Lapse Risk within Interamerican Property & Casualty Insurance Company S.A. decreased by €4 million as a result of the addition of lapse rates in the calculation of Best Estimate Premium Provisions. The Lapse Risk for Eureko Sigorta A.S. decreased by €6 million due to portfolio development and the devaluation of the Turkish lira. Within N.V. Hagelunie (€2 million) and Interamerican Assistance General Insurance Company S.A. (€-1 million) the impact was limited.

Premium & Reserve Risk

The most important reason for the increase of Premium and Reserve Risk in the Netherlands was the increase in volumes. The development in Premium and Reserve Risk was mainly caused within Achmea Schadeverzekeringen N.V. (€102 million) and Interamerican Property & Casualty Insurance Company S.A. (€3 million) where Premium and Reserve Risk is modelled according to the Internal Model of Achmea. The impact of Premium and Reserve Risk within N.V. Hagelunie (€4 million) and Eureko Sigorta A.S. (€-14 million) is modelled according to the SF. The change was mainly caused by increased volume and risk factors. Within Union Poist'ovna A.S. the risk increased by €2 million due to the acquisition of Poštová poisťovňa.

The most important reason for the increase of Premium and Reserve Risk within Achmea Schadeverzekeringen N.V. was the increase in Reserve Risk, mainly due to higher risk factors and increased volumes. The update of the risk factors Reserve Risk, include the model change add-on, caused approximately 60% of the increase. Especially the bodily injury groups of both Motor and General Liability were responsible for this increase. The increase in the volume of provisions caused approximately 40% of the impact. The remainder of the volume increase is due to several catastrophe and fire losses in 2021. The increase in Premium Risk is caused by a higher volume due to the growth of the Gross Written Premium 2022 and the associated expected cost of claims (Inshared, Australia and mobility products).

Premium and Reserve Risk within Interamerican Property & Casualty Insurance Company S.A. increased by €3 million mainly due to an updated calibration process which was implemented in December 2021. Within Eureko Sigorta A.S. Premium and Reserve Risk decreased by €14 million as a result of depreciation of the Turkish lira, partly compensated by the impact of growth of the portfolio.

Catastrophe Risk

Achmea has developed an Internal Model for Natural Catastrophe Risk in which the Greek and Dutch Non-Life Natural Catastrophe Risk are included. Turkey and Slovakia are included for Earthquake Risk according to SF[16].

CATASTROPHE RISK NON-LIFE — € MILLION

	2021	2020	Δ
Natural	326	406	-80
Catastrophe Risk Non-Proportional Property Reinsurance	92	52	39
Man-Made	297	297	0
Other	6	6	0
Diversification between sub-modules	-209	-215	7
SCR Catastrophe Risk Non-Life	513	546	-33

Catastrophe Risk decreased due to increased reinsurance coverage for Canada, Australia, Greece and the Dutch Greenhouses. In addition, a larger part of the reinsurance from Eureko Sigorta A.S. has now been transferred to Achmea Reinsurance N.V. and has become part of the reinsurance cover at group level.

Previously, Achmea had applied geographical diversification effects when calculating the capital requirements for Non-proportional property reinsurance rather than using no diversification effects. This resulted in a higher capital requirement.

E.2.3.6. INTANGIBLE ASSET RISK

INTANGIBLE ASSET RISK — € MILLION

	2021	2020	Δ
Intangible Asset Risk	0	0	0
SCR Intangible Assets	**0**	**0**	**0**

Intangible Risk is equal to 80% of the value of the intangible assets and the intangible assets decreased to almost €0 million.

[16] Man-made and Other is modelled according to the SF.

E.2.3.7. OPERATIONAL RISK

OPERATIONAL RISK

€ MILLION

	2021	2020	Δ
SCR OR based on Technical Provisions	413	413	1
SCR OR based on Earned Premiums	585	596	-11
Charge before Capping	585	596	-11
CAP BSCR	1,373	1,413	-40
Charge after capping	585	596	-11
Expenses Unit-Linked Business	43	45	-2
Charge related to Expenses Unit-Linked Business (25%)	11	11	-1
SCR Operational Risk	**596**	**607**	**-12**

In line with recent years the calculation for Achmea is based on the dominant Premium Risk component, where the BSCR constraint is not hit.

Operational Risk decreased as a consequence of the decreased premium volumes in 2021 compared to 2020 in the Health insurance portfolio and lower premium volumes in the Dutch Life and Pension business due to the closed book portfolio. The decrease of the expenses in unit linked business caused a decrease in the Operational Risk.

OPERATIONAL RISK – SENSITIVE SCENARIO

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	Provision	Provision
Achmea Schadeverzekeringen N.V.	Premium	Premium
N.V. Hagelunie	Premium	Premium
Achmea Reinsurance Company N.V.	Premium	Premium
Achmea Zorgverzekeringen N.V. (consolidated)	Premium	Premium
Achmea Zorgverzekeringen N.V. (non-look-through)	Premium	Premium
Zilveren Kruis Zorgverzekeringen N.V.	Premium	Premium
Interpolis Zorgverzekeringen N.V.	Premium	Premium
FBTO Zorgverzekeringen N.V.	Premium	Premium
De Friesland Zorgverzekeraar N.V.	Premium	Premium
Interamerican Hellenic Life Insurance Company S.A.	Premium	Premium
Interamerican Property & Casualty Insurance Company S.A.	Provision	Provision
Interamerican Assistance General Insurance Company S.A.	Premium	Premium
Union Poist’ovna A.S.	Premium	Premium
Eureko Sigorta A.S.	Provision	Provision

During 2021 no entities changed in sensitive scenario.

OPERATIONAL RISK OF INDIVIDUAL ENTITIES

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	164	177
Achmea Schadeverzekeringen N.V.	115	112
Interamerican Assistance General Insurance Company S.A. (99.89%)	1	1
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	7	7
N.V. Hagelunie	3	3
Achmea Zorgverzekeringen N.V.	36	37
Interpolis Zorgverzekeringen N.V.	15	15
Zilveren Kruis Zorgverzekeringen N.V.	306	314
De Friesland Zorgverzekeraar N.V.	43	45
FBTO Zorgverzekeringen N.V.	17	18
Union Poist’ovna A.S. (99.97%)	3	2

Interamerican Hellenic Life Insurance Company S.A. (99.89%)	5	5
Achmea Reinsurance Company N.V.	10	10
Total individual entities	726	745
Diversification	-130	-138
Total	596	607

In line with recent years the calculation for Achmea is based on the dominant Premium Risk component. The calculation of Operational Risk of most entities within Achmea is based on the premium based component, except for Achmea Pensioen- en Levensverzekeringen N.V., Interamerican Property & Casualty Insurance Company S.A. and Eureko Sigorta A.S. In line with last year this caused the impact of diversification on Group level. The contribution of Eureko Sigorta A.S. as a non-EEA entity in the group consolidation is included in line item diversification.

E.2.3.8. LOSS-ABSORBING CAPACITY OF EXPECTED PROFITS

LOSS-ABSORBING CAPACITY OF EXPECTED PROFITS

€ MILLION

	2021	2020	Δ
LACEP Underwriting Risk	-70	-56	-14
LACEP Market Risk	-147	-132	-15
Total LACEP	**-217**	**-188**	**-29**

The methodology to calculate the capital requirements for Market Risk within the Internal Model results in a so called “Profit-at-Risk value (PaR)”. In the calculation the appropriate returns of the coming twelve months are taken into consideration. However, the Solvency Capital Requirement should be based at a Value-at-Risk (VaR) basis. In order to arrive at the VaR, Achmea has determined the LACEP Market Risk (PaR + LACEP = VaR). The LACEP Market Risk is calculated as the expected excess return for the total return assets above risk-free rate (1-year German government bond). Due to increased market values following the favourable development of the equity markets and the purchase of shares, the impact of the LACEP Market Risk increased by €15 million to €147 million.

The impact of the LACEP Underwriting Risk increased caused by an expected increased future profitability of the renewed and new business of the Dutch and Greek Non-life insurance portfolios.

LOSS-ABSORBING CAPACITY OF EXPECTED PROFITS OF INDIVIDUAL ENTITIES

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	-81	-75
Achmea Schadeverzekeringen N.V.	-85	-75
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	-11	-5
N.V. Hagelunie	-2	-1
Achmea Reinsurance Company N.V.	-15	-16
Total individual entities	-194	-171
Diversification, mixed financial holding company, investment related entities and ancillary entities	-23	-16
Total	-217	-188

The impact on diversification is caused by LACEP Market Risk due to the LACEP Market Risk of the non-insurance entities.

The LACEP of Achmea includes the impact of LACEP Market Risk of Achmea Zorgverzekeringen N.V. and excludes the impact of LACEP Underwriting Risk of Achmea Reinsurance Company N.V. due to the intercompany characteristic.

E.2.3.9. LOSS-ABSORBING CAPACITY OF TECHNICAL PROVISIONS

The Loss-Absorbing Capacity of Technical Provisions (LACTP) is negligible as was the case in 2020.

E.2.3.10. LOSS-ABSORBING CAPACITY DEFERRED TAXES

The amount recognised as LACDT has been based on the Solvency II legislation and local additional guidance submitted by National Supervisory Authorities, including the supervisory guidance and the outcomes of the supervisory dialogue.

The LACDT is determined on the level of the individual legal insurance entities and based on Solvency II legislation and local fiscal legislation. On Group level the solo determined LACDT is aggregated taking the diversification effects into account.

LOSS-ABSORBING CAPACITY OF DEFERRED TAXES

€ MILLION

	2021	2020	Δ
SCR Loss-Absorbing Capacity of Deferred Taxes	**-682**	**-659**	**-23**

RECOGNISED ADJUSTMENT FACTOR ON SOLO LEVEL (ADJ_{DT}) PIM

€ MILLION

	2021	2020
Achmea Pensioen- en Levensverzekeringen N.V.	574	569
Achmea Schadeverzekeringen N.V.	279	251
Interamerican Property & Casualty Insurance Company S.A.	14	15
N.V. Hagelunie	18	18
Union Poist'ovna A.S.	6	4
Achmea Reinsurance Company N.V.	54	41
Total without applying guideline 22	**945**	**898**
Total recognised	**682**	**659**

The adjustment based on the diversification effect recognised at Achmea Group level is 72.2% (2020: 73.4%). The increase of the impact of the LACDT Achmea Group was mainly caused by an increase of the LACDT for the Dutch insurance entities, especially Achmea Pensioen- en Levensverzekeringen N.V., Achmea Schadeverzekeringen N.V. and Achmea Reinsurance Company N.V.

Within Achmea Pensioen- en Levensverzekeringen N.V. the impact of the adjustment LACDT increased by €5 million. The increase was the result of a decreased maximum LACDT amount and the reduction in the DTA which improved the recoverability. Within Achmea Schadeverzekeringen N.V. and Achmea Reinsurance Company N.V. the increase was mainly the result of an increase of the applicable SCR. In the Netherlands the average corporate income tax rate increased to 25.8% (2020: 25%), this increased the maximum LACDT.

E.2.3.11. OTHER COMPONENTS OF THE GROUP REQUIREMENTS

OTHER FINANCIAL SECTORS

Due to guidance of DNB on the treatment of CRD entities within a MFHC the CRD entities (Achmea Bank, Achmea Investment Management and Syntrus Achmea Real Estate & Finance) are included in the Solvency II consolidation for Achmea Group.

SCR OTHER FINANCIAL SECTORS

€ MILLION

	2021	2020	Δ
CRD entities	541	633	-93
Union Zdravotna Poist'ovna A.S.	17	17	0
Total SCR Other Financial Sectors	**557**	**650**	**-93**

The capital requirement for Other Financial Sectors decreased due to the CRD entities based on the latest Supervisory Review and Evaluation Process (SREP) communication of DNB. The Risk Weighted Assets of Achmea Bank decreased due to regular mortgage (re)payments and a decreased number of outstanding mortgage quotations, partly compensated by new business. The capital requirement of Union Zdravotna Poist'ovna A.S. has remained unchanged. The capital requirement is equal to the legal minimum requirement in Slovakia for a health insurance company.

SCR OTHER ENTITIES

€ MILLION

	2021	2020	Δ
De Vereende	4	3	0
Non Ancillary entities	18	29	-10
Total SCR Other Entities	**22**	**32**	**-10**

The capital requirement of the Other entities decreased due to the Non Ancillary entities. The Non Ancillary Entities are entities which are part of Achmea but perform no activities supporting the insurance entities. The capital requirement decreased caused by a decrease of the underlying adjusted net asset value. The included capital requirement of €4 million is equal to 20% of the SII SF capital requirement of De Vereende.

E.2.4. MINIMUM CAPITAL REQUIREMENT

MINIMUM CAPITAL REQUIREMENT PIM

€ MILLION

	2021	2020	Δ
SCR Consolidated	4,274	4,471	-197
MCR	2,342	2,447	-105
MCR/SCR (%)	**55%**	**55%**	**0%-pt**

The MCR for Achmea Group is equal to the sum of the solo MCR's of all insurance entities (excluding Other Financial sectors). No diversification effects between the insurance entities are taken into account. This is based on Solvency legislation imposed by EIOPA. The MCR of Eureko Sigorta A.S. is equal to 1/3 of the local SCR, also based on EIOPA guidance. Achmea has not eliminated the Intra-Group positions (with regards to premiums and Technical Provisions) influencing the volume-factors with regards to the solo MCR calculations.

Within Achmea Pensioen- en Levensverzekeringen N.V., the MCR for 2021 is subject to the cap of 45% of the SCR (in 2020, no cap applied). Within Achmea Schadeverzekeringen N.V., the MCR for 2021 and 2020 was subject to the cap of 45%. The SCR increased, therefore the MCR increased as well.

MCR OF INDIVIDUAL ENTITIES

€ MILLION

	2021	2020	Δ
Achmea Pensioen- en Levensverzekeringen N.V.	984	1,111	-127
Achmea Schadeverzekeringen N.V.	362	339	23
Interamerican Assistance General Insurance Company S.A. (99.89%)	4	4	0
Interamerican Property & Casualty Insurance Company S.A. (99.89%)	32	30	2
N.V. Hagelunie	13	13	-1
Union Poist'ovna A.S. (99.97%)	11	9	2
Interamerican Hellenic Life Insurance Company S.A. (99.89%)	25	26	-1
Achmea Reinsurance Company N.V.	45	39	6
Achmea Zorgverzekeringen N.V. (Consolidated)	846	857	-11
Eureko Sigorta A.S.	18	19	0
Total	**2,342**	**2,447**	**-105**

Subject to the cap of 45% of the SCR are Achmea Pensioen- en Levensverzekeringen N.V., Achmea Schadeverzekeringen N.V., Interamerican Assistance General Insurance Company S.A. and Interamerican Property & Casualty Insurance Company S.A.

Subject to the floor of 25% of the SCR are N.V. Hagelunie, Achmea Reinsurance Company N.V. and Interamerican Hellenic Life Insurance Company S.A.

For the remaining entities no cap or floor is applied.

IMPACT OF VOLATILITY ADJUSTMENT ON THE MCR

€ MILLION

	INCLUDING VA		EXCLUDING VA		IMPACT VA	
	2021	2020	2021	2020	2021	2020
Total Group Solvency Capital Requirement Consolidated	4,274	4,471	5,569	5,858	1,295	1,387
MCR	2,342	2,447	2,446	2,513	105	66
MCR/Total Group Solvency Capital Requirement Cons (%)	**55%**	**55%**	**44%**	**43%**	**8%**	**5%**

The use of the VA has an impact on the MCR because the value of the Best Estimate is higher when the VA is not used (lower discount rate).

E.3. USE OF THE DURATION BASED EQUITY SUB-MODULE IN THE CALCULATION OF THE SCR

Achmea does not use the duration-based Equity sub-module.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

For a description of the differences between the Standard Formula and the Internal Models, please refer to the key assumptions set out by Achmea in paragraph E.2.2.

The structure of the Internal Model is described in C. Risk profile. Non-compliance with the MCR and non-compliance with the SCR

As at 31 December 2021, solvency levels of the Achmea Group and all legal entities under supervision met the prudential requirements. All solvency levels were above 100%.

E.5. ANY OTHER INFORMATION

Achmea Group has no other information to disclose which would be relevant in this chapter.

APPENDIX 1: SFCR ENTITIES ACHMEA GROUP

A number of legal entities within Achmea Group disclose a Solvency and Financial Condition report. Underneath the link to the individual reports.

SFCR SUPERVISED ENTITIES ACHMEA GROUP

	REFERENCE	PUBLICATION DATE
Achmea Group	https://www.achmea.nl/investors/publicaties	12 April 2022
Interamerican Hellenic Life Insurance Company S.A.	https://www.interamerican.gr/interamerican/stoixeia-fereggyotitas	7 April 2022
Interamerican Property & Casualty Insurance Company S.A.	https://www.interamerican.gr/interamerican/stoixeia-fereggyotitas	7 April 2022
Interamerican Assistance General Insurance Company S.A.	https://www.interamerican.gr/interamerican/stoixeia-fereggyotitas	7 April 2022
Union Poisťovňa A.S.	https://www.union.sk/sprava-o-solventnosti-a-financnom-stave	8 April 2022

APPENDIX 2: SENSITIVITIES

As part of risk management practices Achmea assesses the sensitivities of the Technical Provisions, Basic Own Funds and solvency position to changes in the underlying assumptions of the risk-free discount rate for those insurance entities sensitive to these assumptions. Achmea currently assesses the following sensitivities:
- use of the VA;
- change in UFR;
- change in the Last Liquid Point (30 years).

The baseline is the calculation of the solvency position based on the application of the PIM and the use of the VA (where applied within the group).

Compared with the baseline the relevant risk-free interest rate is lower which, increases the value of the Best Estimate. The higher Best Estimate of the Technical Provisions subsequently results in higher capital requirements where the Best Estimate is used as volume factor. The higher value of the Best Estimate and the higher capital requirements result in a higher Risk Margin. Where relevant these changes also have an upward impact on the net Deferred Tax Assets and this also has a negative impact on the value of the LACDT. All these changes together result in a negative impact on the solvency position.

As part of its risk management practices Achmea assesses the sensitivities of the Economic Balance Sheet, Basic Own Funds and solvency position to changes in the economic variables. Achmea currently assesses the following sensitivities:
- A change in equity prices (-20%);
- A change in property prices (-20%).

The scenario with respect to "equity prices" are only related equity investments and not "Equipment". In the baseline "Equipment" is shocked as part of "Type 2" exposures. A decrease in equity or property values will result in a reduction in solvency ratios, mainly as a result of a reduction in the Available Own Funds.

Achmea Pensioen- en Levensverzekeringen N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	44,268	3,946	2,188	180%	166%
Last Liquid Point 30 years	45,893	2,342	2,323	101%	73%
Equity prices -20%	44,268	3,625	2,185	166%	154%
Property prices -20%	44,268	3,705	2,200	168%	156%

IMPACT OF VOLATILTY ADJUSTMENT ON TECHNICAL PROVISIONS

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VA	IMPACT VA
Technical Provisions (gross)	44,268	44,388	-120
Technical Provisions – Life (excluding Health and Index-Linked and Unit Linked)	35,708	35,826	-118
Technical Provisions – Index-Linked and Unit Linked	8,561	8,563	-2
Recoverables from reinsurance	73	73	0
Technical Provisions – Life (excluding Health and Index-Linked and Unit Linked)	73	73	0
Technical Provisions – Index-Linked and Unit Linked	0	0	0
Technical Provisions minus recoverables from reinsurance	44,195	44,315	-120
Technical Provisions – Life (excluding Health and Index-Linked and Unit Linked)	35,634	35,752	-118
Technical Provisions – Index-Linked and Unit Linked	8,561	8,563	-2

Appendix 2: Sensitivities

IMPACT ULTIMATE FORWARD RATE ON SOLVENCY CAPITAL REQUIRMENT

€ MILLION

	BASELINE	UFR 3.45%
Market Risk	1,467	1,445
Counterparty Default Risk	83	83
Life Underwriting Risk	1,873	1,886
Diversification	-743	-740
Basic SCR	**2,679**	**2,675**
Operational Risk	164	164
LACTP	-81	-81
LACDT	-574	-569
Solvency Capital Requirement	**2,188**	**2,188**

Achmea Schadeverzekeringen N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	6,204	1,136	805	141%	145%
Equity prices -20%	6,204	1,023	787	130%	137%
Property prices -20%	6,204	1,093	804	136%	143%

IMPACT OF VOLATILTY ADJUSTMENT ON TECHNICAL PROVISIONS

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VA	IMPACT VA
Technical Provisions (gross)	6,204	6,213	-9
Technical Provisions – Non-Life (excluding Health)	3,153	3,156	-3
Technical Provisions – Health (similar to Non-Life)	339	339	0
Technical Provisions – Health (similar to Life)	2,712	2,718	-6
Recoverables from reinsurance	397	398	-1
Reinsurance recoverables – Non-Life (excluding Health)	134	134	0
Reinsurance recoverables – Health (similar to Non-Life)	1	1	0
Reinsurance recoverables – Health (similar to Life)	262	263	-1
Technical Provisions minus recoverables from reinsurance	5,807	5,815	-8
Technical Provisions – Non-Life (excluding Health)	3,019	3,022	-3
Technical Provisions – Health (similar to Non-Life)	338	338	0
Technical Provisions – Health (similar to Life)	2,450	2,455	-5

N.V. Hagelunie

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	68	201	50	398%	384%
Equity prices -20%	68	193	49	393%	382%

Appendix 2: Sensitivities

IMPACT OF VOLATILTY ADJUSTMENT ON TECHNICAL PROVISIONS

€ MILLION

	ECONOMIC BALANCE SHEET	EXCLUDING VA	IMPACT VA
Technical Provisions (gross)	68	68	0
Technical Provisions – Non-Life (excluding Health)	68	68	0
Recoverables from reinsurance	31	31	0
Reinsurance recoverables – Non-Life (excluding Health)	31	31	0
Technical Provisions minus recoverables from reinsurance	37	37	0
Technical Provisions – Non-Life (excluding Health)	37	37	0

Achmea Reinsurance Company N.V.

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	427	315	179	176%	186%
Equity prices -20%	427	289	173	167%	174%

Achmea Zorgverzekeringen N.V. (consolidated)

SENSITIVITIES

€ MILLION

	TECHNICAL PROVISIONS	OWN FUNDS	SCR	SOLVENCY RATIO 2021	SOLVENCY RATIO 2020
Baseline	4,242	3,568	2,158	165%	170%
Equity prices -20%	4,242	3,438	2,110	163%	167%

APPENDIX 3: PREMIUMS, CLAIMS AND EXPENSES BY MAJOR LINE OF BUSINESS

Non-Life

PREMIUMS, CLAIMS AND EXPENSES NON-LIFE BY LINE OF BUSINESS

€ MILLION

	2021					
	MEDICAL EXPENSE INSURANCE	FIRE AND OTHER DAMAGE TO PROPERTY INSURANCE	MOTOR VEHICLE LIABILITY INSURANCE	OTHER MOTOR INSURANCE	OTHER	TOTAL
Gross written Premiums	14,151	1,342	975	605	1,106	18,179
Net earned Premiums	13,888	1,185	948	595	990	17,606
Claims Incurred (net)	13,468	586	794	319	645	15,812
Expenses Incurred	477	394	265	197	381	1,713

PREMIUMS, CLAIMS AND EXPENSES NON-LIFE BY LINE OF BUSINESS

€ MILLION

	2020					
	MEDICAL EXPENSE INSURANCE	FIRE AND OTHER DAMAGE TO PROPERTY INSURANCE	MOTOR VEHICLE LIABILITY INSURANCE	OTHER MOTOR INSURANCE	OTHER	TOTAL
Gross written Premiums	14,417	1,256	920	594	1,089	18,277
Net earned Premiums	14,286	1,116	882	590	976	17,850
Claims Incurred (net)	13,570	576	662	291	701	15,800
Expenses Incurred	483	374	247	195	368	1,668

For a breakdown of the line of business medical expense insurance to the Dutch health entities we refer to A.2. Underwriting performance.

In table below only the major lines of business of the Dutch Non-Life entities Achmea Schadeverzekeringen N.V., N.V Hagelunie and Achmea Reinsurance Company N.V. are stated:

PREMIUMS, CLAIMS AND EXPENSES NON-LIFE BY MAJOR LINE OF BUSINESS

€ MILLION

MOTOR THIRD PARTY LIABILITIY	2021			2020		
	ASNV	HAGELUNI	ACHMEA RE	ASNV	HAGELUNIE	ACHMEA RE
Gross written Premiums	841	0	0	788	0	0
Net earned Premiums	818	0	0	754	0	0
Claims Incurred (net)	717	0	0	596	0	0
Expenses Incurred	234	0	0	215	0	0
MOTOR OTHER	ASNV	HAGELUNI	ACHMEA RE	ASNV	HAGELUNIE	ACHMEA RE
Gross written Premiums	532	0	0	527	0	0
Net earned Premiums	520	0	0	517	0	0
Claims Incurred (net)	262	0	0	248	0	0
Expenses Incurred	181	0	0	179	0	0
FIRE	ASNV	HAGELUNI	ACHMEA RE	ASNV	HAGELUNIE	ACHMEA RE
Gross written Premiums	996	116	67	950	104	56
Net earned Premiums	906	58	59	865	51	50
Claims Incurred (net)	449	41	41	503	16	15
Expenses Incurred	316	18	18	301	16	15

Life

Achmea Pensioen- en Levensverzekeringen N.V. contributes 63% to the life line of business in the Netherlands. The remaining part is contributed by Achmea Schadeverzekeringen N.V. (health insurance life) for 28% and Achmea Reinsurance Company N.V. (life reinsurance) for 9%.

Appendix 3: Premiums, claims and expenses per line of business

PREMIUMS, CLAIMS AND EXPENSES LIFE BY LINE OF BUSINESS

€ MILLION

	2021					
	HEALTH INSURANCE	INSURANCE WITH PROFIT PARTICIPATION	INDEX-LINKED AND UNIT-LINKED INSURANCE	OTHER LIFE INSURANCE	OTHER	TOTAL
Gross written Premiums	351	100	371	448	75	1,346
Net earned Premiums	268	100	371	445	60	1,244
Claims Incurred (net)	212	414	1,319	562	17	2,525
Expenses Incurred	89	55	74	89	22	328

PREMIUMS, CLAIMS AND EXPENSES LIFE BY LINE OF BUSINESS

€ MILLION

	2020					
	HEALTH INSURANCE	INSURANCE WITH PROFIT PARTICIPATION	INDEX-LINKED AND UNIT-LINKED INSURANCE	OTHER LIFE INSURANCE	OTHER	TOTAL
Gross written Premiums	303	91	434	529	133	1,491
Net earned Premiums	272	86	432	527	62	1,379
Claims Incurred (net)	262	297	905	868	8	2,340
Expenses Incurred	98	59	61	86	29	333

APPENDIX 4: COMPANY ECONOMIC BALANCE SHEET DUTCH (RE)INSURANCE ENTITIES

ECONOMIC BALANCE SHEET

	2021								
ASSETS	ACHMEA PENSIOEN LEVENSVER ZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZE KERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKE RINGEN (SOLO)	DE FRIESLAND ZORGVERZEKE RAAR	FBTO ZORGVERZEKE RINGEN	INTERPOLIS ZORGVERZEKE RINGEN	ZILVEREN KRUIS ZORGVERZEKE RINGEN
Intangible assets	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	835	0	0	0	0	0	0	0	0
Property, plant & equipment held for own use	0	0	1	0	0	0	0	0	0
Investments (other than assets held for index-linked and unit-linked contracts)	30,728	501	6,264	235	3,591	367	231	186	2,801
Property (other than for own use)	952	0	0	0	2	0	0	0	0
Holdings in related undertakings, including participations	1,247	0	164	0	2,636	1	0	0	0
Equities	513	123	338	21	134	45	16	15	251
Bonds	16,676	305	5,295	189	717	303	210	165	2,263
Collective Investments Undertakings	553	58	380	25	81	16	6	5	90
Derivatives	6,556	1	9	0	1	0	0	0	2
Deposits other than cash equivalents	518	0	15	0	20	0	0	0	195
Other investments	3,714	14	64	0	0	1	0	0	0
Assets held for index-linked and unit-linked funds	9,309	0	0	0	0	0	0	0	0
Loans and mortgages	12,384	0	816	0	1	26	0	0	3
Reinsurance recoverables	73	214	397	31	0	0	0	0	0
Deposits to cedants	0	21	0	0	0	0	0	0	0
Insurance and intermediaries receivables	33	1	112	8	6	215	76	61	1,564
Reinsurance receivables	0	0	0	6	0	0	0	0	0
Receivables	194	3	42	0	66	179	58	43	1,392
Cash and cash equivalents	49	37	87	12	31	67	58	24	30
Any other assets, not elsewhere shown	-1	2	114	5	0	0	0	0	2
Total assets	**53,605**	**778**	**7,832**	**297**	**3,695**	**855**	**423**	**314**	**5,791**

Appendix 4: Company Economic Balance Sheet Dutch (re)insurance entities

ECONOMIC BALANCE SHEET

2021									
LIABILITIES	ACHMEA PENSIOEN LEVENSVER ZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZE KERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKE RINGEN (SOLO)	DE FRIESLAND ZORGVERZEKE RAAR	FBTO ZORGVERZEKE RINGEN	INTERPOLIS ZORGVERZEKE RINGEN	ZILVEREN KRUIS ZORGVERZEKE RINGEN
Technical Provisions – non-life (excluding health)	0	282	3,153	68	0	0	0	0	0
Technical Provisions – health (similar to non-life)	0	6	339	0	86	480	203	135	3,339
Technical Provisions – health (similar to life)	0	132	2,712	0	0	0	0	0	0
Technical Provisions – life (excluding health and index-linked and unit-linked)	35,708	7	0	0	0	0	0	0	0
Technical Provisions – index-linked and unit-linked	8,561	0	0	0	0	0	0	0	0
Provisions other than Technical Provisions	2	0	8	3	1	0	0	0	0
Deposits from reinsurers	0	8	0	0	0	0	0	0	0
Deferred Tax Liabilities	0	10	136	18	0	0	0	0	0
Derivatives	1,072	2	11	0	1	0	0	0	1
Financial liabilities other than debts owed to credit institutions	1	0	1	0	0	0	0	0	33
Insurance & intermediaries payables	907	9	160	0	0	48	23	19	233
Reinsurance payables	5	1	15	0	0	0	0	0	0
Payables (trade, not insurance)	73	1	77	5	12	3	40	35	139
Subordinated liabilities not in Basic Own Funds	0	0	0	0	0	0	0	0	0
Subordinated liabilities in Basic Own Funds	0	0	0	0	0	0	21	0	0
Any other liabilities, not elsewhere shown	2,824	6	62	3	14	2	0	0	6
Total liabilities	**49,152**	**464**	**6,673**	**97**	**113**	**533**	**287**	**189**	**3,752**
Excess of assets over liabilities	**4,453**	**315**	**1,159**	**201**	**3,582**	**322**	**136**	**125**	**2,039**

Appendix 4: Company Economic Balance Sheet Dutch (re)insurance entities

ECONOMIC BALANCE SHEET

	2020								
ASSETS	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Intangible assets	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	854	0	0	0	0	0	0	0	0
Property, plant & equipment held for own use	0	0	1	0	0	0	0	0	0
Investments (other than assets held for index-linked and unit-linked contracts)	38,820	450	5,903	238	3,535	380	179	150	2,277
Property (other than for own use)	898	0	0	0	2	0	0	0	0
Holdings in related undertakings, including participations	1,650	0	188	0	2,740	2	0	0	0
Equities	377	75	210	15	100	34	12	11	187
Bonds	17,658	300	5,130	194	595	328	163	134	1,977
Collective Investments Undertakings	529	60	279	28	69	14	5	5	75
Derivatives	8,581	2	9	0	2	1	0	0	3
Deposits other than cash equivalents	0	0	30	0	27	0	0	0	35
Other investments	9,127	13	57	0	0	1	0	0	0
Assets held for index-linked and unit-linked funds	8,814	0	0	0	0	0	0	0	0
Loans and mortgages	8,648	0	1,041	0	3	27	0	0	3
Reinsurance recoverables	97	169	348	11	0	0	0	0	0
Deposits to cedants	0	6	0	0	0	0	0	0	0
Insurance and intermediaries receivables	47	0	115	6	5	256	91	71	1,842
Reinsurance receivables	0	0	0	7	0	0	0	0	0
Receivables	177	5	37	0	76	150	80	55	1,466
Cash and cash equivalents	289	25	99	5	22	32	42	30	176
Any other assets, not elsewhere shown	6	11	117	4	1	2	0	0	2
Total assets	**57,752**	**668**	**7,662**	**272**	**3,642**	**847**	**392**	**306**	**5,766**

ECONOMIC BALANCE SHEET

	2020								
LIABILITIES	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Technical Provisions – non-life (excluding health)	0	234	2,881	43	0	0	0	0	0
Technical Provisions – health (similar to non-life)	0	5	341	0	87	404	191	135	3,260
Technical Provisions – health (similar to life)	0	106	2,788	0	0	0	0	0	0
Technical Provisions – life (excluding health and index-linked and unit-linked)	38,801	8	0	0	0	0	0	0	0
Technical Provisions – index-linked and unit-linked	8,279	0	0	0	0	0	0	0	0
Provisions other than Technical Provisions	2	0	8	2	0	0	0	0	4
Deposits from reinsurers	0	1	0	0	0	0	0	0	0
Deferred Tax Liabilities	0	6	119	15	0	0	0	0	0
Derivatives	2,289	1	7	0	1	0	0	0	1
Financial liabilities other than debts owed to credit institutions	2	0	1	0	0	0	0	0	0
Insurance & intermediaries payables	734	4	140	0	0	43	24	14	240
Reinsurance payables	6	1	12	0	0	0	0	0	0
Payables (trade, not insurance)	71	1	130	8	10	47	39	31	68
Subordinated liabilities not in Basic Own Funds	0	0	0	0	0	0	0	0	0
Subordinated liabilities in Basic Own Funds	0	0	0	0	0	0	22	0	0
Any other liabilities, not elsewhere shown	2,938	12	120	0	18	4	0	0	55
Total liabilities	**53,122**	**379**	**6,548**	**68**	**116**	**498**	**276**	**181**	**3,628**
Excess of assets over liabilities	**4,630**	**289**	**1,114**	**204**	**3,526**	**349**	**116**	**125**	0 **2,138**

APPENDIX 5: SOLVENCY CAPITAL REQUIREMENT DUTCH (RE)INSURANCE ENTITIES

SOLVENCY CAPITAL REQUIREMENT

€ MILLION

2021	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Market Risk	1,467	91	477	27	685	36	14	13	188
Counterparty Default Risk	83	13	58	12	10	15	4	1	27
Life Underwriting Risk	1,873	45	0	0	0	0	0	0	0
Health Underwriting Risk	0	21	264	0	186	169	93	53	1,107
Non-Life Underwriting Risk	0	175	717	46	0	0	0	0	0
Diversification	-743	-108	-461	-20	-125	-34	-13	-9	-146
Intangible Asset Risk	0	0	0	0	0	0	0	0	0
Basic Solvency Capital Requirement	**2,679**	**238**	**1,054**	**67**	**756**	**186**	**99**	**58**	**1,176**
Operational Risk	164	10	115	3	36	43	17	15	306
Loss-Absorbing Capacity of Expected Profits	-81	-15	-85	-2	0	0	0	0	0
Loss-Absorbing Capacity of Technical Provisions	0	0	0	0	0	0	0	0	0
Loss-Absorbing Capacity of Deferred Taxes	-574	-54	-279	-18	0	0	0	0	0
Other Deductions & Additions	0	0	0	0	0	0	0	0	0
Solvency Capital Requirement	**2,188**	**179**	**805**	**50**	**792**	**230**	**115**	**73**	**1,483**

SOLVENCY CAPITAL REQUIREMENT

€ MILLION

2020	ACHMEA PENSIOEN LEVENSVERZEKERINGEN	ACHMEA REINSURANCE COMPANY	ACHMEA SCHADEVERZEKERINGEN	HAGELUNIE	ACHMEA ZORGVERZEKERINGEN (SOLO)	DE FRIESLAND ZORGVERZEKERAAR	FBTO ZORGVERZEKERINGEN	INTERPOLIS ZORGVERZEKERINGEN	ZILVEREN KRUIS ZORGVERZEKERINGEN
Market Risk	1,700	81	462	27	674	28	11	10	133
Counterparty Default Risk	111	12	54	11	12	3	2	2	49
Life Underwriting Risk	2,006	45	0	0	0	0	0	0	0
Health Underwriting Risk	0	16	267	0	187	152	64	52	1,097
Non-Life Underwriting Risk	0	145	623	50	0	0	0	0	0
Diversification	-844	-96	-439	-19	-126	-21	-9	-8	-127
Intangible Asset Risk	0	0	0	0	0	0	0	0	0
Basic Solvency Capital Requirement	**2,972**	**203**	**966**	**68**	**746**	**162**	**68**	**56**	**1,152**
Operational Risk	177	10	112	3	37	45	18	15	314
Loss-Absorbing Capacity of Expected Profits	-75	-16	-75	-1	0	0	0	0	0
Loss-Absorbing Capacity of Technical Provisions	0	0	0	0	0	0	0	0	0
Loss-Absorbing Capacity of Deferred Taxes	-569	-41	-251	-18	0	0	0	0	0
Other Deductions & Additions	0	0	0	0	0	0	0	0	0
Solvency Capital Requirement	**2,505**	**156**	**752**	**53**	**783**	**206**	**86**	**71**	**1,466**

APPENDIX 6: PUBLIC DISCLOSURE QUANTITATIVE REPORTING TEMPLATES

QUANTITATIVE REPORTING TEMPLATES ACHMEA GROUP

QRT	DESCRIPTION
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.22.01	Impact of long term guarantees measures and transitionals
S.23.01	Own Funds
S.25.02	Solvency Capital Requirement - SF and PIM
S.32.01	Undertakings within the scope of the group

QUANTITATIVE REPORTING TEMPLATES SUPERVISED ENTITIES

QRT	DESCRIPTION
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.05.02	Premiums, claims and expenses by country
S.12.01	Life and Health SLT Technical Provisions
S.17.01	Non-Life Technical Provisions
S.19.01	Non-Life Insurance Claims Information
S.22.01	Impact of long term guarantees measures and transitionals
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – only SF
S.25.02	Solvency Capital Requirement – SF and PIM
S.28.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

APPENDIX 7: GLOSSARY

The glossary as presented below is reflecting the most common definitions of terminology used in the context of the Solvency and Financial Condition Report.

A

- "Administrative, management or supervisory body" shall mean, where a two-tier board system comprising of a management body and a supervisory body is provided for under national law, the management body or the supervisory body or both of those bodies as specified in the relevant national legislation or, where no body is specified in the relevant national legislation, the management body.
- "Ancillary services undertaking" means a non-regulated undertaking the principal activity of which consists of owning or managing property, managing data-processing services, health and care services or any other similar activity which is ancillary to the principal activity of one or more insurance or reinsurance undertakings.

B

- "Basic risk-free interest rate term structure" means a risk-free interest rate term structure which is derived in the same way as the relevant risk-free interest rate term structure to be used to calculate the Best Estimate but without application of a matching adjustment or a volatility adjustment.

C

- "Capital requirement" means the amount of capital an insurance undertaking has to hold in relation to a certain risk.
- "Catastrophe risk" means the risk of loss or of adverse change in the value of insurance liabilities, arising from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.
- "Central clearing party". Reference is made to the definition included at "Qualifying central counterparty".
- "Collateral arrangements" means arrangements under which collateral providers do one of the following: (a) transfer full ownership of the collateral to the collateral taker for the purposes of securing or otherwise covering the performance of a relevant obligation; (b) provide collateral by way of security in favour of, or to, a collateral taker, and the legal ownership of the collateral remains with the collateral provider or a custodian when the security right is established.
- "College of Supervisors" is a multilateral groups of relevant supervisors, national competent authorities, that is formed for the collective purpose of enhancing efficient, effective and consistent supervision of financial institutions operating across borders.
- "Composite insurance entity" means an insurance undertaking which insures both Life and Non-Life risks.
- "Concentration risk" means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance undertakings.
- "Control" means the relationship between a parent undertaking and a subsidiary undertaking, as set out in Article 1 of Directive 83/349/EEC
  ((a) has a majority of the shareholders' or members' voting rights in another undertaking (a subsidiary undertaking); or
  (b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking; or
  (c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions; or (d) is a shareholder in or member of an undertaking, and:
  (aa) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated accounts are drawn up, have been appointed solely as a result of the exercise of its voting rights; or
  (bb) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders' or members' voting rights in that undertaking.), or a similar relationship between any natural or legal person and an undertaking.
- "Counterparty default risk". Reference is made to the definition included at "Credit risk".

- "Credit institution, a financial institution or an ancillary banking services undertaking" means a legal entity within the meaning of Article 4(1), (5) and (21) of Directive 2006/48/EC respectively (an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account).
- "Credit quality step (CQS)" is a risk weighted credit rating as defined by EIOPA. The CQS is derived from credit ratings issued by ECAIs or, when the counterparty is an insurance undertaking which is not rated by an ECAI, the solvency position of the counterparty.
- "Credit risk" means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.
- "Currency risk" means the risk of loss or of adverse change in the financial situation, arising from changes in currency exchange rates.

D

- "Deep market" means a market where transactions involving a large quantity of financial instruments can take place without significantly affecting the price of the instruments.
- "Disability/Morbidity risk" means the risk of loss or of adverse change in the value of the insurance liabilities, resulting from changes in the level, trend of volatility of disability and morbidity rates.
- "Discontinuance" of an insurance policy means surrender, lapse without value, making a contract paid-up, automatic non-forfeiture provisions or exercising other discontinuity options or not exercising continuity options.
- "Diversification effects" means the reduction in the risk exposure of insurance and reinsurance undertakings and groups related to the diversification of their business, resulting from the fact that the adverse outcome from one risk can be off set by a more favourable outcome from another risk, where those risks are not fully correlated.

E

- "Earned premiums" means the premiums relating to the risk covered by the insurance or reinsurance undertaking during a specified time period.
- "EIOPA"means the European Insurance and Occupational Pensions Authority.
- "Eligible Own Funds" are those components of the Available Own Funds which can be used to cover the Solvency Capital Requirement.
- "EMIR"means the European Market Infrastructure Regulation, which imposes requirements to improve transparency and reduce the risks associated with the derivatives market.
- "Equity risk" means the risk of loss or of adverse change in the financial situation, arising from changes in equity prices.
- "Equity transitional" is a mandatory transitional measure for the Standard Formula. The Equity Transitional implies that an insurance undertaking is to use a reduced equity shock for all equity exposures which were recognised on the Economic Balance Sheet on or before 31 December 2016. For the next seven years the equity shocks will increase linearly with the equity shocks as laid down in the Solvency II legislation (Type 1: 39%; Type 2 49%).
- "Events after the reporting period" are those events, favourable and unfavourable, that occur between the statement of solvency and financial position date and the date when the financial statements are authorised for issue. Two types of events can be identified: (a) those that provide evidence of conditions that existed at the statement of financial and solvency position date (adjusting events after the reporting period); and (b) those that are indicative of conditions that arose after the statement of financial and solvency position date (non-adjusting events after the reporting period).
- "Existing insurance or reinsurance contract" means an insurance or reinsurance contract for which insurance or reinsurance obligations have been recognised.
- "Expected profit included in future premiums" means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.
- "Expense risk" means the risk of loss or of adverse change in the financial situation, arising from the variation in the expenses incurred in servicing insurance and reinsurance contracts.
- "External credit assessment institution" ("ECAI") means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009 (Regulation on Credit Rating Agencies) or a central bank issuing credit ratings which are exempt from the application of Regulation (EC) No 1060/2009. The ECAI is included in the list as endorsed as Delegated Act.

F

- "Future discretionary bonuses" and "future discretionary benefits" mean future benefits other than index-linked or unit-linked benefits of insurance or reinsurance contracts which have one of the following characteristics: (a) they are legally or contractually based on one or more of the following results: (i) the performance of a specified group of contracts or a specified type of contract or a single contract; (ii) the realised or unrealised investment return on a specified pool of assets held by the insurance or reinsurance undertaking; (iii) the profit or loss of the insurance or reinsurance undertaking or fund corresponding to the contract; (b) they are based on a declaration of the insurance or reinsurance undertaking and the timing or the amount of the benefits is at its full or partial discretion.

G

- "Group" means a group of undertakings that: (i) consists of a participating undertaking, its subsidiaries and the entities in which the participating undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship as set out in Article 12(1) of Directive 83/349/EEC ((a) that undertaking and one or more other undertakings with which it is not connected, are managed on a unified basis pursuant to a contract concluded with that undertaking or provisions in the memorandum or articles of association of those undertakings; or (b) the administrative, management or supervisory bodies of that undertaking and of one or more other undertakings with which it is not connected, consist for the major part of the same persons in office during the financial year and until the consolidated accounts are drawn up); or (ii) is based on the establishment, contractually or other wise, of strong and sustainable financial relationships among those undertakings, and that may include mutual or mutual-type associations, provided that: — one of those undertakings effectively exercises, through centralised coordination, a dominant influence over the decisions, including financial decisions, of the other undertakings that are part of the group; and, — the establishment and dissolution of such relation ships for the purposes of this Title are subject to prior approval by the group supervisor, where the undertaking exercising the centralised coordination shall be considered as the parent undertaking, and the other undertakings shall be considered as subsidiaries.
- "Group supervisor" means the supervisory authority responsible for group supervision.

H

- "Health insurance obligation" means an insurance obligation that covers one or both of the following: (i) the provision of medical treatment or care including preventive or curative medical treatment or care due to illness, accident, disability or infirmity, or financial compensation for such treatment or care, (ii) financial compensation arising from illness, accident, disability or infirmity.
- "Health reinsurance obligation" means a reinsurance obligation which arises from accepted reinsurance covering health insurance obligations.
- "Home Member State" means any of the following: (a) for Non-Life insurance, the Member State in which the head office of the insurance undertaking covering the risk is situated; (b) for Life insurance, the Member State in which the head office of the insurance undertaking covering the commitment is situated; or (c) for reinsurance, the Member State in which the head office of the reinsurance undertaking is situated.

I

- "Income protection insurance obligation" means an insurance obligation that covers the financial compensation arising from illness, accident, disability or infirmity other than the financial compensation for preventive or curative medical treatment or care due to illness, accident, disability or infirmity.
- "Income protection reinsurance obligation" means a reinsurance obligation which arises from accepted reinsurance covering income protection insurance obligations.
- "Institutions for occupational retirement provision" means institutions within the meaning of Article 6(a) of Directive 2003/41/EC of the European Parliament and of the Council (an institution, irrespective of its legal form, operating on a funded basis, established separately from any sponsoring undertaking or trade for the purpose of providing retirement benefits in the context of an occupational activity on the basis of an agreement or a contract agreed:

- - individually or collectively between the employer(s) and the employee(s) or their respective representatives, or
- - with self-employed persons, in compliance with the legislation of the home and host Member States,
- and which carries out activities directly arising therefrom).
- "Insurance holding company" means a parent undertaking which is not a mixed financial holding company and the main business of which is to acquire and hold participations in subsidiary undertakings, where those subsidiary undertakings are exclusively or mainly insurance or reinsurance undertakings, or third-country insurance or reinsurance undertakings, at least one of such subsidiary undertakings being an insurance or reinsurance undertaking.
- "Insurance undertaking" means a direct life or Non-Life insurance undertaking which has received authorisation from the supervisory authorities. "Intangible assets risk" means the risk of loss or of adverse change in the financial situation, arising from two risks in relation to the intangible assets:
- - Market risks, derived from the decrease of prices in the active markets
- - Internal risks, inherent to the specific nature of these elements.
- "Interest rate risk" means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in interest rates. Interest rate risk exists for all assets and liabilities for which the net asset value is sensitive to changes in the term structure of interest rates or interest rate volatility. This applies to both real and nominal term structures and to on-balance sheet and off-balance sheet items.
- "Internal Model" means a model developed by an insurance undertaking to calculate its Solvency Capital Requirements (instead of using the Standard Formula). The reason for using an internal model is that there may be some cases where the standardised approach does not adequately reflect the very specific risk profile of an undertaking.
- "Intra-Group transaction" means any transaction by which an insurance or reinsurance undertaking relies, either directly or indirectly, on other undertakings within the same group or on any natural or legal person linked to the undertakings within that group by close links, for the fulfilment of an obligation, whether or not contractual, and whether or not for payment.

L

- "Lapse risk" means the risk of loss or of adverse change in the financial situation, due to a change in the expected exercise rates of policyholder options.
- "Last liquid point" means the last maturity for which markets for bonds are still deep, liquid and transparent.
- "Liquid market" means a market where financial instruments can readily be converted through an act of buying or selling without causing a significant movement in the price.
- "Liquidity risk" means the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.
- "Long-term guarantees (LTG) measures" were introduced in the Solvency II Directive to ensure an appropriate treatment of insurance products that include long-term guarantees. The long-term guarantees are the following:
    - The extrapolation of risk-free interest rates
    - The matching adjustment
    - The volatility adjustment
    - The extension recovery period in case of non-compliance with the Solvency Capital Requirement
    - The transitional measure on the risk-free interest rates
    - The transitional measure on Technical Provisions
- "Longevity risk" means the risk of loss or of adverse change in the financial situation, arising from a decrease in mortality rates.
- "Loss Absorbing Capacity of Deferred Taxes (LACDT)" means the possibility to have a loss absorbency related to the possibility to recover the capital requirement as part of the deferred taxes.
- "Loss Absorbing Capacity of Expected Profits" means the expected change in Own Funds which can serve as a first buffer to absorb the capital requirements (in cases where an insurance undertaking uses an internal model to determine a capital requirement).
- "Loss Absorbing Capacity of Technical Provisions" means the ability of an insurer to defer payments relating to discretionary participation features embedded within the insurance liabilities.

M

- "Market risk" means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

- "Medical expense insurance obligation" means an insurance obligation that covers the provision or financial compensation of medical treatment or care including preventive or curative medical treatment or care due to illness, accident, disability or infirmity.
- "Medical expense reinsurance obligation" means a reinsurance obligation which arises from accepted reinsurance covering medical expense insurance obligations.
- "Minimum Capital Requirement (MCR)" is a minimum level of security (lower than the Solvency Capital Requirement) below which the amount of insurance undertakings" financial resources should not fall, otherwise supervisory authorities may withdraw authorisation.
- "Mixed financial holding company" means a mixed financial holding company as defined in Article 2(15) of Directive 2002/87/EC" (a parent undertaking, other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the Community, and other entities, constitutes a financial conglomerate).
- "Mortality risk" means the risk of loss or of adverse change in the financial situation, arising from an increase in mortality rates.

N

- "NSLT Health obligations" means health insurance obligations that are assigned to the lines of business for Non-Life insurance obligations.

O

- "Operational risk" means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
- "Outsourcing" means an arrangement of any form between an insurance or reinsurance undertaking and a service provider, whether a supervised entity or not, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance undertaking itself.

P

- "Parent undertaking" means a parent undertaking within the meaning of Article 1 of Directive 83/349/EEC (any undertaking governed by its national law to draw up consolidated accounts and a consolidated annual report if that undertaking (a parent undertaking):
  (a) has a majority of the shareholders' or members' voting rights in another undertaking (a subsidiary undertaking); or
  (b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking; or
  (c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions. A Member State need not prescribe that a parent undertaking must be a shareholder in or member of its subsidiary undertaking. Those Member States the laws of which do not provide for such contracts or clauses shall not be required to apply this provision; or
  (d) is a shareholder in or member of an undertaking, and:
  (aa) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated accounts are drawn up, have been appointed solely as a result of the exercise of its voting rights; or
  (bb) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders' or members' voting rights in that undertaking. The Member States may introduce more detailed provisions concerning the form and contents of such agreements).
- "Partial Internal Model" means that the Solvency Capital Requirement is partly based on capital requirements for certain
- Risk or sub-risk types based on an Internal Model and for the remaining risk or sub-risk types on the Standard Formula.
- "Participation" means the ownership, direct or by way of control, of 20 % or more of the voting rights or capital of an undertaking.
- "Pooling arrangement" means an arrangement whereby several insurance or reinsurance undertakings agree to share identified insurance risks in defined proportions. The parties insured by the members of the pooling arrangement are not themselves members of the pooling arrangement.

- "Premium and reserve risk" combines a treatment for the two main sources of underwriting risk, premium risk and reserve risk.
  Premium risk results from fluctuations in the timing, frequency and severity of insured events.
  Reserve risk results from fluctuations in the timing and amount of claim settlements.
- "Property risk" means the risk of loss or of adverse change in the financial situation, arising from changes in prices of property.
- "Prudent person principle" means that insurance undertakings shall only invest in assets whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs.

Q

- "Qualifying central counterparty" means a central counterparty that has been either authorised in accordance with Article 14 of Regulation (EU) No 648/2012 (authorised Central Clearing Party) or recognised in accordance with Article 25 of that Regulation (recognised Third-Party Central Clearing Party.

R

- "Regulated market" means either of the following:
  (a) in the case of a market situated in a Member State, a regulated market as defined in Article 4(1)(14) of Directive 2004/39/EC
  (a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly); or
  (b) in the case of a market situated in a third country, a financial market which fulfils the following conditions:
  (i) it is recognised by the home Member State of the insurance undertaking and fulfils requirements comparable to those laid down in Directive 2004/39/EC; and
  (ii) the financial instruments dealt in on that market are of a quality comparable to that of the instruments dealt in on the regulated market or markets of the home Member State.
- "Regulated undertaking" means "regulated entity" within the meaning of Article 2(4) of Directive 2002/87/EC of the European Parliament and of the Council (a credit institution, an insurance undertaking or an investment firm).
- "Relegation of Tier 3" implies a situation where the insurance undertaking has recognised a net Deferred Tax Asset which exceeds the Tier 3 limit of 15% of the SCR. An excess above this 15% is deemed not eligible to cover the Solvency Capital Requirement.
- "Reinsurance" means either of the following: (a) the activity consisting in accepting risks ceded by an insurance undertaking or third-country insurance undertaking, or by another reinsurance undertaking or third-country reinsurance undertaking; or (b) in the case of the association of underwriters known as Lloyd's, the activity consisting in accepting risks, ceded by any member of Lloyd's, by an insurance or reinsurance undertaking other than the association of under writers known as Lloyd's.
- "Reinsurance undertaking" means an undertaking which has received authorisation to pursue reinsurance activities.
- "Related undertaking" means either a subsidiary undertaking or other undertaking in which a participation is held, or an undertaking linked with another undertaking by a relationship as set out in Article 22(7) of Directive 2013/34/EU
  ((a) that undertaking and one or more other undertakings are managed on a unified basis in accordance with:
  (i) a contract concluded with that undertaking, or
  (ii) the memorandum or articles of association of those other undertakings; or
  (b) the administrative, management or supervisory bodies of that undertaking and of one or more other undertakings to which it is not related consist in the majority of the same persons in office during the financial year and until the consolidated financial statements are drawn up)
- "Reporting currency", unless otherwise required by the supervisory authority, shall be: (a) for individual disclosure, the currency used for the preparation of the insurance or reinsurance undertaking's financial statements; (b) for group disclosure, the currency used for the preparation of the consolidated financial statements.
- "Required capital". Reference is made to the definition included at "Capital requirement".
- "Risk-Free Interest discount rate". Reference is made to the definition included at "Basic risk-free interest rate tem structure".

- "Revision risk" means the risk of loss or of adverse change in the value of insurance liabilities, arising from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.
- "Risk-mitigation techniques" means all techniques which enable insurance and reinsurance undertakings to transfer part or all of their risks to another party.

S

- "Scope of an internal model" means the risks that the internal model is approved to cover; the scope of an internal model may include both risks which are and which are not reflected in the standard formula for the Solvency Capital Requirement.
- "SLT Health obligations" means health insurance obligations that are assigned to the lines of business for life insurance obligations.
- "Solvency Capital Requirement (SCR)" is a level of financial resources that enables insurance undertakings to absorb significant losses and that gives reasonable assurance to policy holders and beneficiaries that payments will be made as they fall due.
- "Standard Formula" means the standard formula as defined in the Solvency II regulations to determine the Solvency Capital Requirement and is intended to reflect the risk profile of most insurance and reinsurance undertakings.
- "Subsequent events". Reference is made to the definition included at "Events after the reporting period".
- "Supervisory authority" means the national authority or the national authorities empowered by law or regulation to supervise insurance or reinsurance undertakings.
- "Surrender" means all possible ways to fully or partly terminate a policy, including the following: (i) voluntary termination of the policy with or without the payment of a surrender value; (ii) change of insurance or reinsurance undertaking by the policy holder; (iii) termination of the policy resulting from the policy holder's refusal to pay the premium.
- "Symmetric adjustment" means an adjustment mechanism to be applied to the standard calculation of the equity risk capital requirement. This symmetric adjustment mechanism allows the equity shock to move within a band of 10% on either side of the underlying standard equity stress. In times of rising equity markets the dampener will increase the capital charge, and in times of falling equity indices the dampener will reduce the capital charge.

T

- "Tiering" refers to the categorisation of the Eligible Own Funds into three Tiers which present the quality characteristics of the components of the Eligible Own Funds. Tier 1 is the capital with the highest quality. The three components are subject to sub limits. Tier 1 should exceed 50% of the SCR, while Tier 3 may not exceed 15% of the SCR. Tier 1 is further divided into an unrestricted and restricted part. The restricted part may not exceed 20% of the total amount of Tier 1.
- "Transparent market" means a market where current trade and price information is readily available to the public, in particular to the insurance or reinsurance undertakings.

U

- "Ultimate Forward Rate (UFR)" means a calculated level that the term structure for maturities exceeding the last liquid point grows towards. Insurance undertakings use the term structure for converting long-term liabilities to the economic value.
- "Underwriting risk" means the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

V

- "Valuation hierarchy" means the grouping of assets into levels based on the inputs used in determining the economic value.
- "Volatility Adjustment" is an adjustment to the relevant risk-free interest rate to cover for changes in spread risk not related to changed default probabilities and to reduce the volatility of the whole Economic Balance Sheet. The Volatility Adjustment is determined by EIOPA according to endorsed legislation. The Volatility Adjustment is the same for all insurance undertakings in a specific currency zone based on a reference portfolio. For the euro a so-called country layer can be recognised to reflect local circumstances.

W

- "Written premiums" means the premiums due to an insurance or reinsurance undertaking during a specified time period regardless of whether such premiums relate in whole or in part to insurance or reinsurance cover provided in a different time period.