# Achmea Interim Results 2022

Zeist | 11 August 2022

# General overview

Bianca Tetteroo, Chair of the Executive Board

# Operational result €115 million

## On track to achieve our strategic ambitions

- Lower result in first half of 2022 due to:
    - Lower investment income due to development of financial markets
    - Lower result on health insurance activities due to increased healthcare costs
- Strong growth in premium income of 6% (€1 billion) to €18.5 billion
- Good result Non-Life despite high claims due to February storms; combined ratio further improved to 92.0%
- Concrete steps taken to achieve climate-neutral operations by 2030, climate-neutral investments by 2040 and climate-neutral products and services by 2050
- Intended acquisition of ABN AMRO PPI strengthens Centraal Beheer's position in the employer market for retirement services
- Solvency robust at 200%

# Operational result H1 2022 €115 million, solvency robust at 200%

## Achmea Group key figures

| | | |
|---|---|---|
| Operational result | €115 million | H1 2021: €362 million |
| Solvency (SII) | 200% | 2021: 214% |
| Net Result | €94 million | H1 2021: €305 million |
| Sustainability (ESG Rating MSCI)[1] | 2021: AA | |
| Gross Written Premiums | €18,474 million | H1 2021: €17,402 million |
| Number of employees in FTEs | 17,034 | 2021: 16,824 |

## Main activities

| | | | |
|---|---|---|---|
| Non-Life Netherlands | Gross written premiums | €2.5 billion | H1 2021: €2.4 billion |
| Health Netherlands | Gross written premiums | €14.8 billion | H1 2021: €13.8 billion |
| Pension & Life Netherlands | Gross written premiums | €0.4 billion | H1 2021: €0.5 billion |
| Retirement Services Netherlands | Assets under Management | €201 billion | 2021: €247 billion |
| International | Gross written premiums | €0.7 billion | H1 2021: €0.6 billion |



[1] MSCI ESG Research is one of the world's largest providers of ESG ratings and research

# Achmea stands for Sustainable Living. Together.

## On track with our strategic ambitions, financial results under pressure


**Good progress on our strategic building blocks from 'The Sum of Us':**

**Large customer base**

- Premium income grows by €1 billion. Growth in Health, Non-life, Retirement Services and International

**Skilled employees**

- Introduction of unlimited training budget "All you can learn"
- Successful internal transfers with 55% of vacancies filled internally in the first half of 2022

**Strong partnerships**

- Growth with Rabobank in the corporate segment through Interpolis

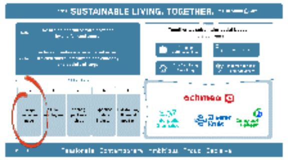
**Expertise in data & digital**

- Handling storm damage through expertise in data & digital

**Outstanding financial position**

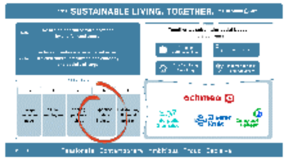
- Solid capital position (200%) gives room for investments to realise our strategy
- Lower investment income and health results have negative impact on operating result

# Highlighted: commercial growth in Health, Non-Life, Retirement Services and International

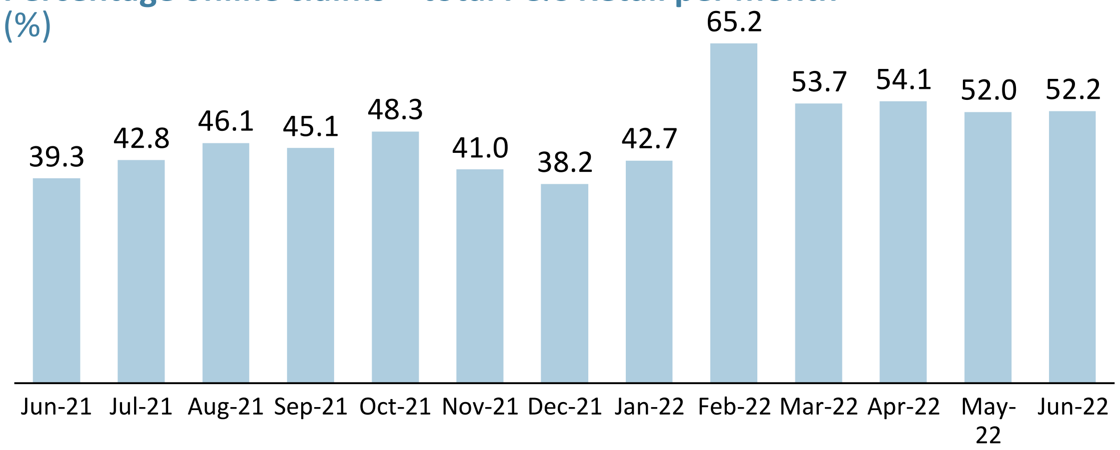



- Total premium growth of €1 billion to €18.5 billion in first half of 2022
- Health: growth of 300,000 to 5.1 million policyholders
- Non-Life: organic growth in corporate segment at Centraal Beheer and Interpolis driven by high customer appreciation
- Retirement Services:
  - Growth at Centraal Beheer APF through the addition of two new pension funds with asset management by Achmea Investment Management
  - Revenue growth at Achmea Investment Management and Achmea Pension Services driven by expansion of services to existing and new clients
- International: strong premium growth of 14% supported by organic growth in all countries in which we operate

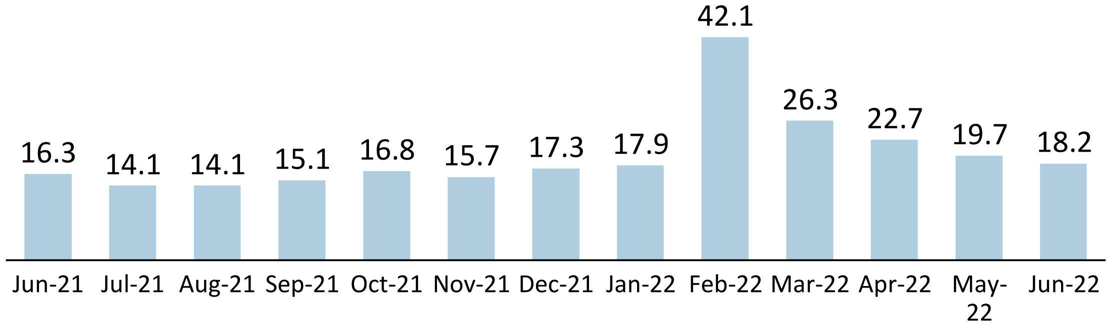
# Highlighted: handling storm damage with the use of expertise in data & digital and 'The Sum of Us'



**Percentage online claims – total P&C Retail per month**
(%)



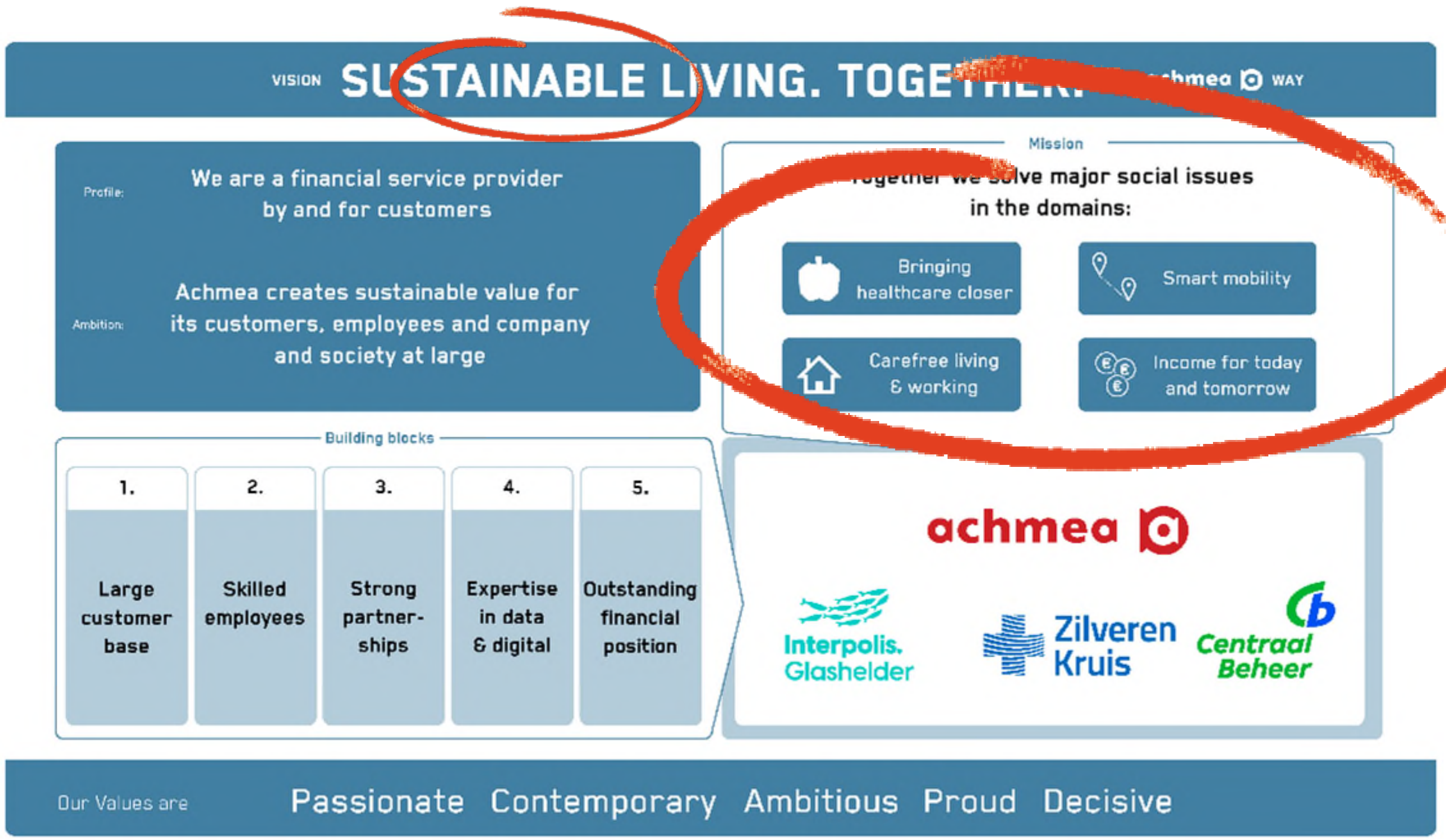

**Percentage STP handling claims – total P&C Retail per month**
(%)




- Three consecutive storms in February 2022 led to a large increase in claims from retail customers
- Retail customers reported over 80,000 storm claims in total, the vast majority of which were reported through online channels (approximately 75%)
- Uniform technology enabled us to the scale up customer contact centres for damage claims with colleagues from other units: from 500 to 750 employees
- Robotisation deployed to take over about 38,000 manual tasks from employees
- Total claims amount to over €200 million (over €100 million after reinsurance)

# Achmea stands for Sustainable Living. Together.

## Progress on our sustainability ambitions and solutions in the domains




**Sustainability goals:**

- Interim targets for $CO_2$ reduction of investment portfolio set
- Top-3 position Eerlijke Verzekeringswijzer[1]

**Domains:**

- Bringing healthcare closer
  - Zilveren Kruis together with partners leads the way in moving care to outside the hospital
- Smart mobility
  - Partnership with Veilig Verkeer Nederland in the field of seniors in traffic on an e-bike
- Carefree living & working
  - Realisation of new locations, such as the iconic project De Nieuwe Sint Jacob in Amsterdam
  - Acquisition of Tiptrack strengthens position in sustainable employability market
- Income for today and tomorrow
  - Intended acquisition of ABN AMRO PPI strengthens Centraal Beheer's position in the employer market

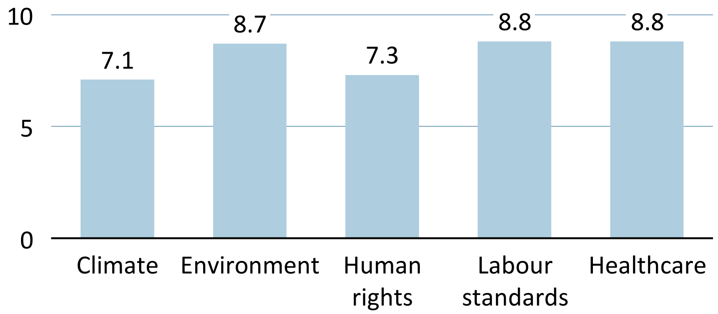


[1] Fair Insurance Guide

# Interim targets for $CO_2$ reduction of investment portfolio set, top-3 position Eerlijke Verzekeringswijzer[1]

| | | |
|---|---|---|
| MSCI ESG RATINGS AA | PRI Principles for Responsible Investment | Eerlijke Verzekeringswijzer |
| AA | A+ | 3rd |
| VBDO Dutch Association of Investors for Sustainable Development | SUSTAINALYTICS a Morningstar company | GRESB |
| 4th | Low Risk | 5* |

**Eerlijke Verzekeringswijzer[1]**
Consolidated top 3 position with high scores on five key themes for Achmea

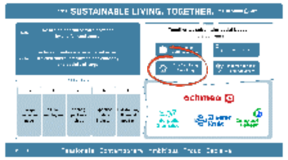



- Targets: climate-neutral operations by 2030, climate-neutral investments by 2040, climate-neutral products/services by 2050
- Interim $CO_2$ reduction targets set for own risk equities and credit portfolio for 2025 (32%) and 2030 (68%)[2]
- Corporate clients are also insured by Achmea for damage caused by non-primary flooding
- From 2023 onwards, climate budget of €2,500 for employees in collective labour agreement
- Achmea scores 8 in the benchmark 'biodiversity' of the Eerlijke Verzekeringswijzer[1]
- Achmea Investment Management member of the Net Zero Asset Managers Initiative



[1] The Eerlijke Verzekeringswijzer (Fair insurance Guide) is a benchmark on sustainable investment policy on 14 themes. Achmea's average score rose from 7.0 to 7.4 in 2022
[2] Reference point concerns reduction of carbon footprint of the market benchmarks by the end of 2020

# Expansion of sustainable and appropriate housing with care facilities for the elderly



*"De Nieuwe Sint Jacob" in Amsterdam festively opened*

- By 2040, the Netherlands will need approximately 500,000 new life-course resistant homes for the elderly
- Realise life-proof housing by combining our expertise in real estate, healthcare and pensions
- Reduce pressure on informal care and improve the flow on the housing market
- Completing new locations, such as the iconic Nieuwe Sint Jacob project in Amsterdam
- Developing services that enable people to grow old healthily in their own homes, such as new forms of mortgage, personal alarms and home monitoring through our brands Centraal Beheer and Interpolis

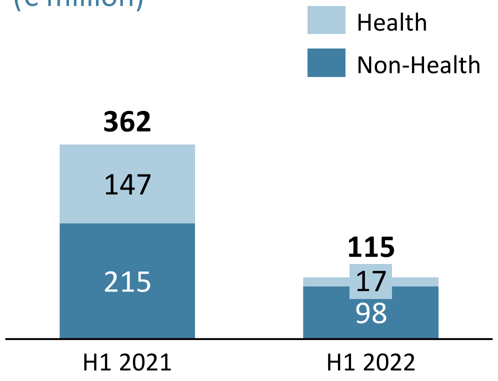
# Financial overview

Michel Lamie, Chief Financial Officer and Vice-Chair of the Executive Board

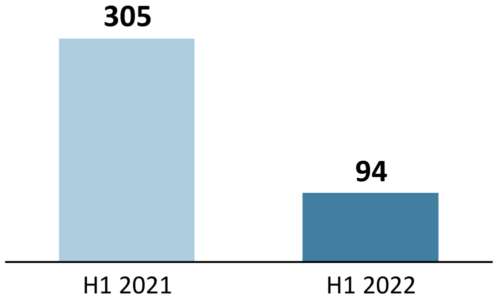
# Operational result €115 million

## Lower investment income and lower result on Health. Solvency robust

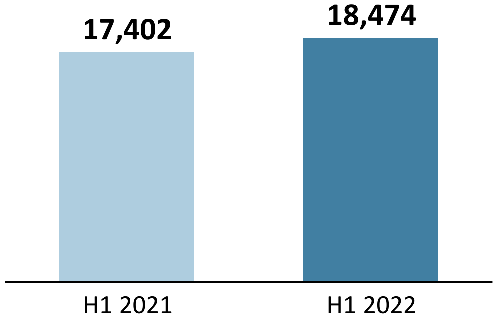
### Operational result
(€ million)



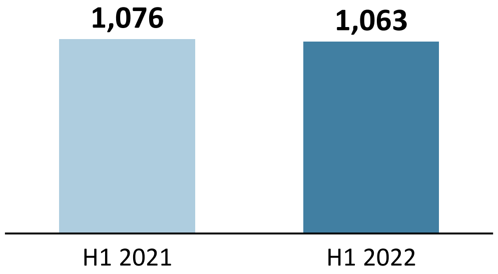

### Net result
(€ million)



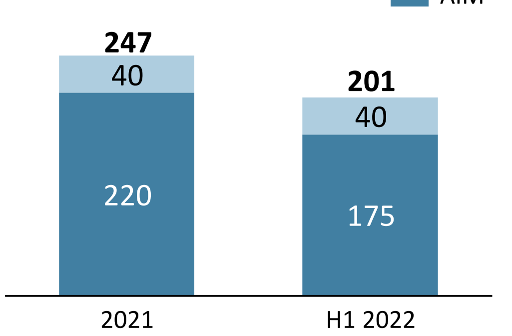

### Gross written premiums
(€ million)



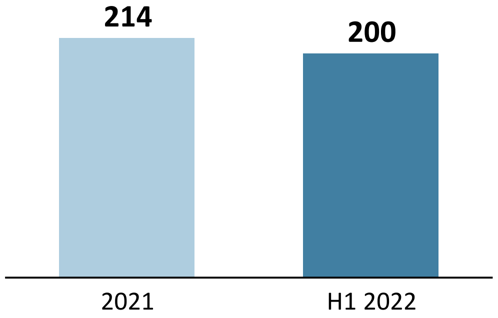

### Gross operating expenses
(€ million)




### AuM[1] AIM and SAREF
(€ billion)




### Solvency II (SII)[2]
(%)




- Result lower due to decrease in investment income from financial market developments
- Lower result on Health activities due to increased health care costs
- Good result Non-Life despite high claims February storms
- Premiums up 6% in the first half of 2022 to €18.5 billion
- Operating expenses decreased slightly due to a combination of lower pension costs due to a lower agreed contribution and higher personnel costs due to the increases in the collective labor agreement
- AuM decreased, despite the addition of a number of new pension funds, due to the fall in the value of the investments due to the rise in interest rates
- Solvency robust at 200%
- The further development of the financial markets, inflation and interest rates makes the development of our financial results for the second half of the year uncertain



[1] Total assets under management after eliminations
[2] Solvency II ratio after proposed payment of dividends and coupons

# Operational result of €115 million

## Result impacted by lower investment result due to financial market developments and increased health care costs

| Results by segment | H1 2021 | H1 2022 |
|---|---|---|
| Non-Life NL | 103 | 106 |
| Pension & Life NL | 170 | 97 |
| Retirement services NL | 10 | -8 |
| International activities | 23 | -1 |
| Other activities | -91 | -96 |
| ***Operational result (excl. Health NL)*** | **215** | **98** |
| **Health NL** | **147** | **17** |
| Basic | 84 | -62 |
| Supplementary + other | 63 | 79 |
| ***Operational result*** | **362** | **115** |

### Non-Life Netherlands

- Good result despite claims February storms and lower investment result; Combined ratio improved to 92.0%
- Further decrease in cost ratio through continuing focus on digitalisation and cost efficiency

### Pension & Life Netherlands

- Operational result of €97 million decreased driven by lower investment income due to financial market developments
- Expenses decreased as a result of cost savings initiatives and rationalisation programmes
- Portfolio development in line with our service-book strategy

### Retirement Services Netherlands

- Lower result Achmea Bank due to lower interest margin and revaluation of part of mortgage portfolio as a result of increased interest rates
- Clients increased further at Achmea IM and Achmea Pension Services; two pension funds opt for Centraal Beheer APF
- Well positioned for further growth thanks to position as multi-client institutional service provider and investments related to new pension agreement

### International activities

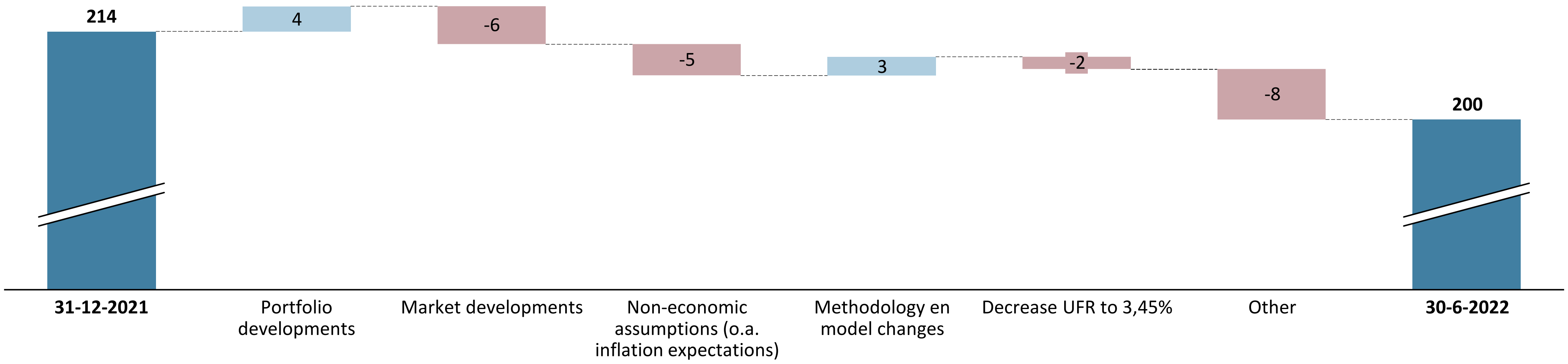
- Strong increase in premium income to €709 million (+14%)
- Result decreased due to higher claims in Greece and lower government contribution in Slovakia for Health
- Remaining intangible fixed assets Turkish activities of €8 million written off to zero given the economic developments and hyperinflation

### Health Netherlands

- Lower operational result due to combination of higher health care costs and lower investment result
- Number of insured increased by 300,000 to 5.1 million
- Operating expenses per insured decreased further, partly driven by the growth in the number of insured and previous investments in digitalisation

# Solvency decreased to 200% but remains robust

## Solvency II (Partial Intern Model)
(%)




- Portfolio developments, including the good result of Non-Life and the run-off of the Pension & Life service-book, contributed positively
- Market developments on balance had a limited negative impact driven by the decrease in share prices, increased interest rates and spreads partly mitigated by a decrease in required capital for the market- and life risk
- Non-economic assumptions were mainly influenced by increased future inflation expectations in the Life liabilities and Non-Life claim payments
- Methodology changes includes a changed methodology for the cost-inflation curve that reduces the weight of the short-term inflation development
- The category “Other” includes the correction for the pension indexation liability[1] and the restriction of Tier 3 capital due to the decrease in required capital

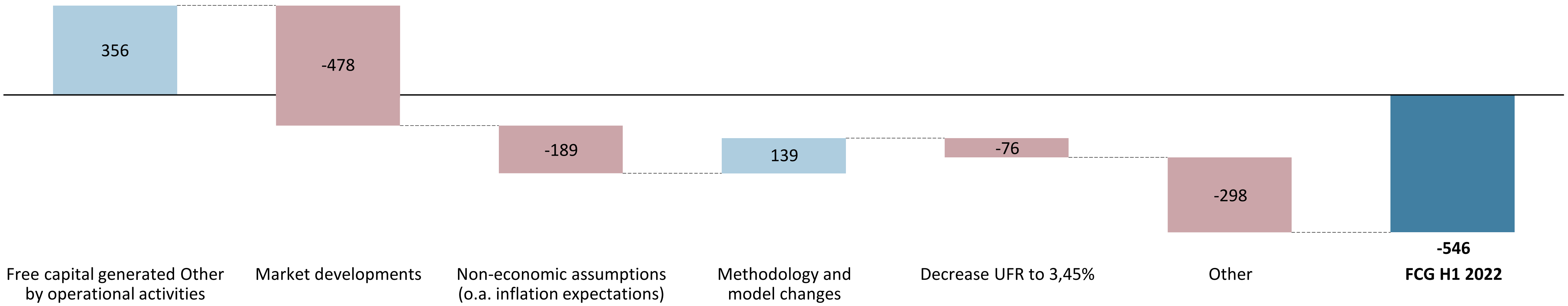


[1] Total equity declined as a result of a correction and the liability entered on the balance sheet relating to the indexation of two pension schemes as of 31 December 2021

# Free capital generation decreased to €546 million negative

## Capital generation from operational activities with €356 million at a good level

**Free Capital Generation**
(€ million)



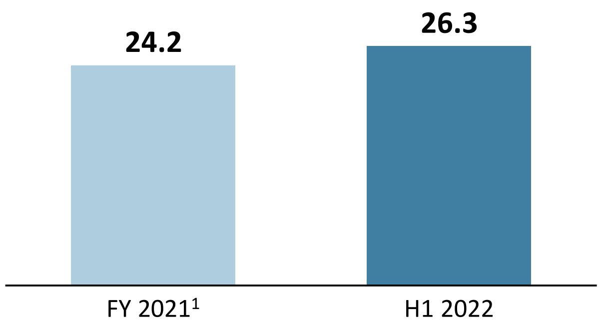

- Capital generation from the operational activities amounted to €356 million, driven by the good result of Non-Life and the run-off of the service-book
- These positive developments were more than offset by the negative incidental impact of market developments, increased inflation expectations and the UFR decrease as of 1 January
- Methodology changes includes a changed methodology for the cost-inflation curve. This had on balance a positive impact
- The category "Other" includes the correction for the pension indexation liability[1] and the restriction of Tier 3 capital due to the decrease in required capital
- The results and developments of the equity position of the Dutch healthcare activities are not included in the Free Capital Generation



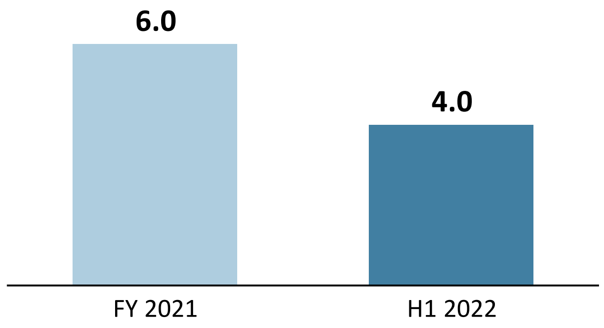
[1] Total equity declined as a result of a correction and the liability entered on the balance sheet relating to the indexation of two pension schemes as of 31 December 2021

# Financial ratios and holding liquidity adequate

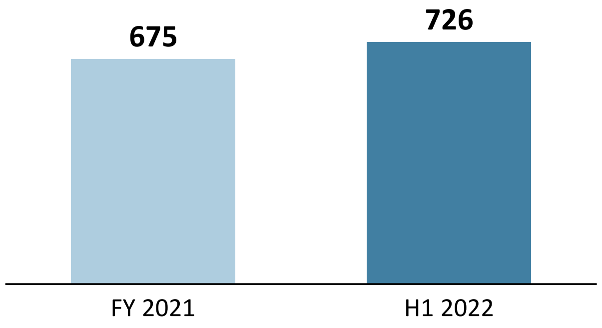
**Debt leverage**
(%)




**Fixed charge coverage ratio**
(X)




**Liquidity holding**
(€ million)




**Ratings core insurance activities**

| S&P Global | Fitch Ratings |
|---|---|
| A | A+ |

## Financial ratios

- Debt leverage ratio increased to 26.3% due to decrease in equity, mainly due to lower valuation of investments
- FCCR decreased to 4.0x due to lower operating result

## Liquidity

- The liquidity of the holding has increased to €726 million and is well above the internal ambition of €250-400 million

## Ratings

- Ratings have a 'stable' outlook reflecting leading market positions in Dutch P&C and Health market, and a strong capitalisation and profitability


[1] The indexation of the pension provision has been changed retrospectively. As a result, Total equity as at 31 December 2021 has changed by €148 million negative

# Operational result €115 million

## On track to achieve our strategic ambitions

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  - Lower investment income due to development of financial markets
  - Lower result on health insurance activities due to increased healthcare costs
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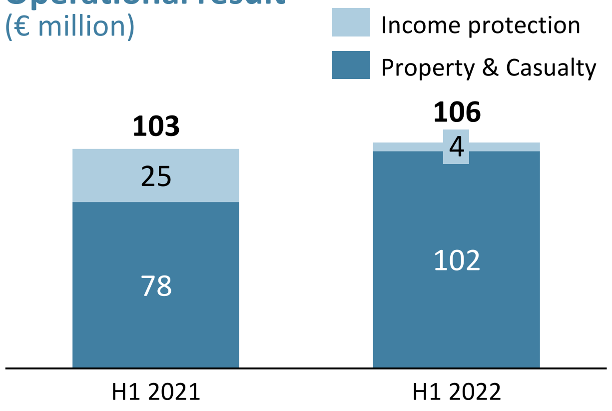
- Good result Non-Life despite high claims due to February storms; combined ratio further improved to 92.0%
- Concrete steps taken to achieve climate-neutral operations by 2030, climate-neutral investments by 2040 and climate-neutral products and services by 2050
- Intended acquisition of ABN AMRO PPI strengthens Centraal Beheer's position in the employer market for retirement services
- Solvency robust at 200%

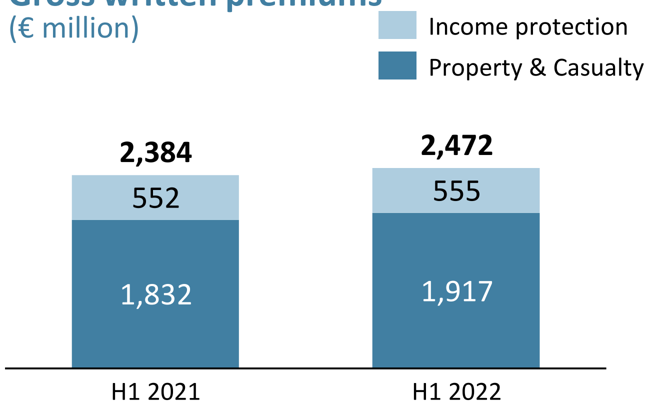
# Appendix

# Non-Life: sound result despite claims arising from February's storms and lower investment results; combined ratio improved to 92.0%

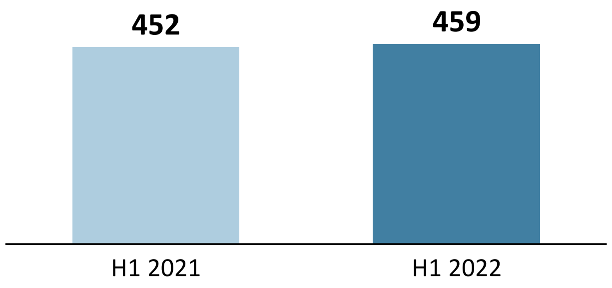
**Operational result**
(€ million)



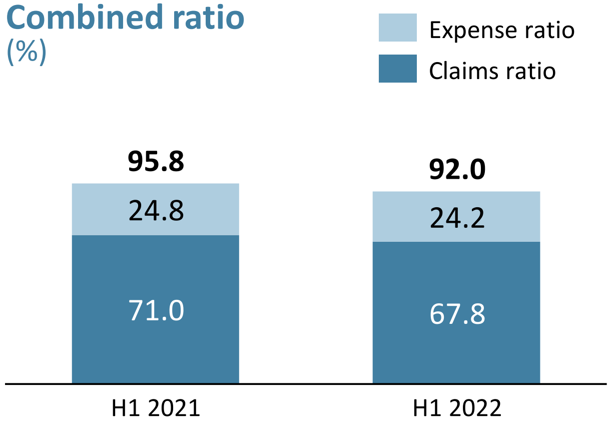

**Gross written premiums**
(€ million)




**Operating expenses**
(€ million)




**Combined ratio**
(%)




- Premium growth due to organic growth, especially in the business segment, partly driven by strong online market propositions across all brands
- Higher operating result due to good non-life insurance results
- Cost ratio improved through further efficiency from digitization of business operations

## Property & Casualty

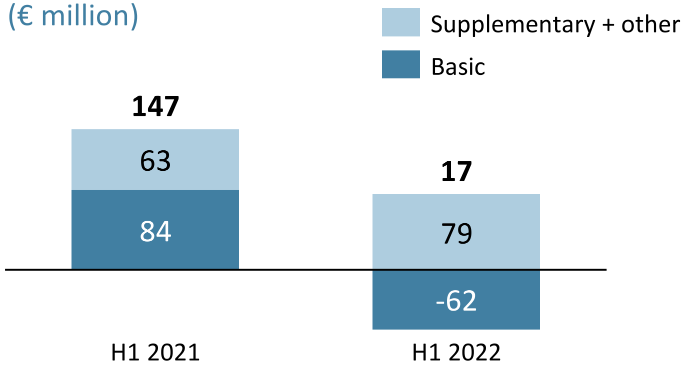
- Higher result on non-life insurance due to less regular traffic, burglary and major fire damage. This is despite additional reserves for personal injury claims from previous years, lower investment results and high claims costs from the February storms
- Combined ratio improved to 91.6%

## Income

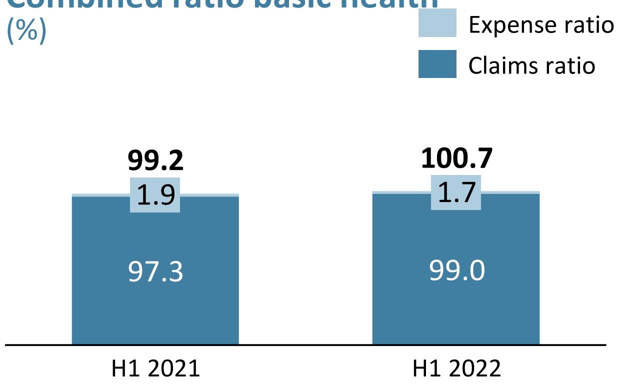
- Decreased income protection due to lower investment results
- Higher result at Absence due to earlier premium and portfolio adjustments
- Combined ratio rises to 94.4%

# Health: operational result decreased due to a combination of higher medical expenses and lower investment income

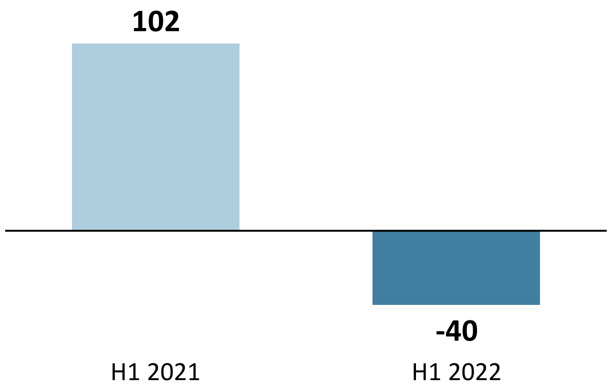
### Operational result
(€ million)



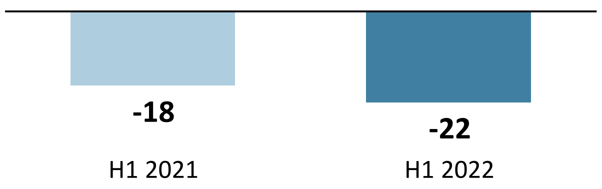

### Combined ratio basic health
(%)




### Basic health result in current year
(€ million)




### Basic health result on prior years
(€ million)




- Premiums increased with 6% due to an increase in the number of policyholders by 300,000 and an average higher premium and higher contribution per policyholder from the Health Insurance Equalisation Fund
- Lower operational costs due to unfilled job vacancies and increasing digitization of customer contact in particular

## Basic health insurance

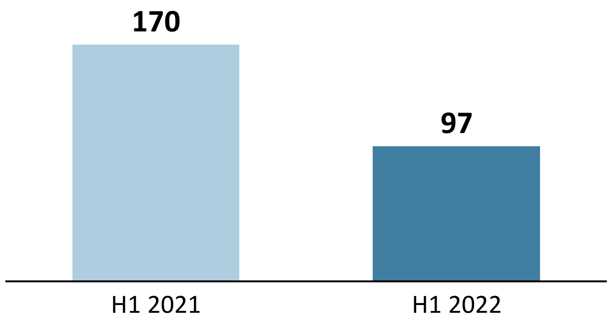
- Lower result derives from higher than expected contribution to the solidarity scheme for health insurers, higher medical expenses and lower investment results

## Supplementary health insurance

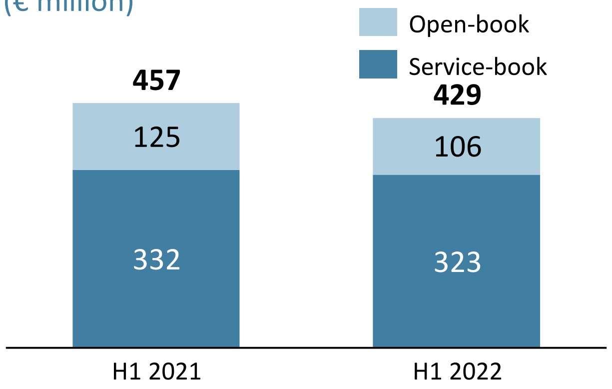
- Improved result due to lower medical expenses, especially in dental care
- Share of basic health customers with supplementary insurance 79% (2021: 80%)

# Pension & Life: operational result of €97 million and decreased due to lower investment income

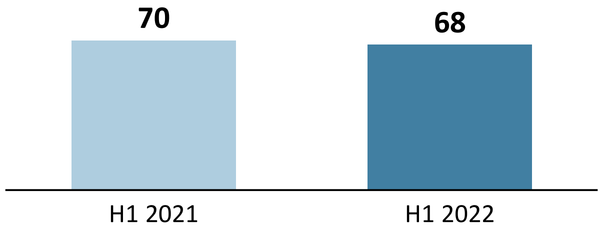
### Operational result[1]
(€ million)



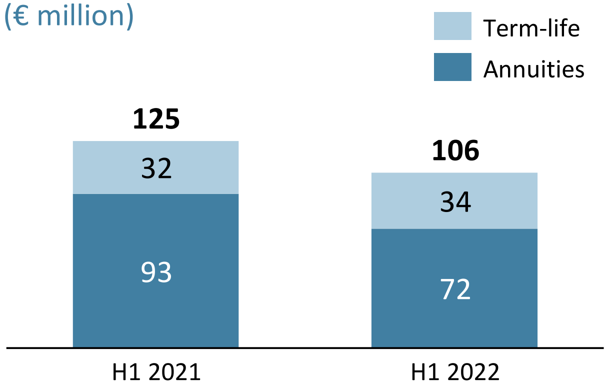

### Gross written premiums
(€ million)




### Operating expenses
(€ million)




### GWP term-life and annuities
(€ million)




- Decrease in operational result primarily driven by lower investment income due to development of financial markets
- Decrease in operational expenses in line with ambition. Cost reduction initiatives and previous IT investments have led to cost reduction

### Service-book Pension & Life

- Portfolio and premium development in line with our service book strategy

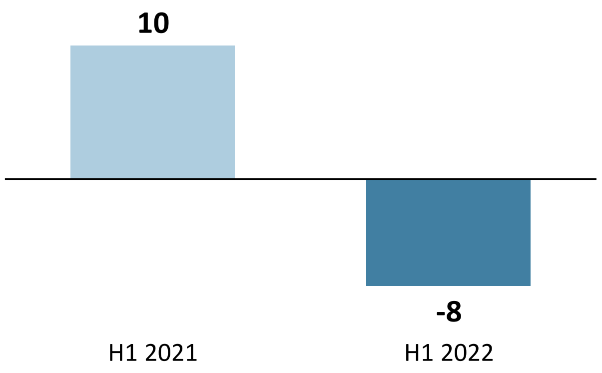
### Term-life and annuities

- 6% growth in premiums from term life insurance policies, reduction in revenues in immediate annuities and pensions

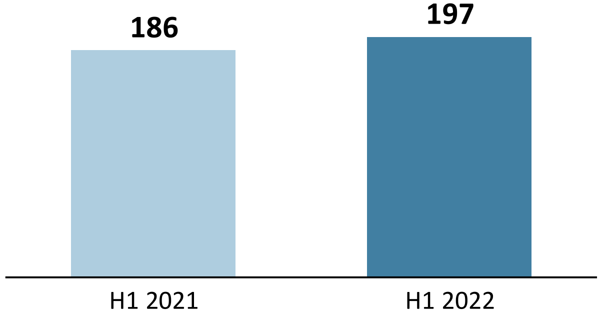
[1] The test margin for the insurance liabilities has declined as a result of the sharp rise in interest rates and has very limited scope. In the event of a further rise in the yield curve and/or spread, it may even become negative, with the result that the insurance obligations will have to be increased. This may have a material impact on the result

# Retirement Services: lower Achmea Bank result due to lower interest margin and revaluation of part of the mortgage portfolio as a result of higher interest rates

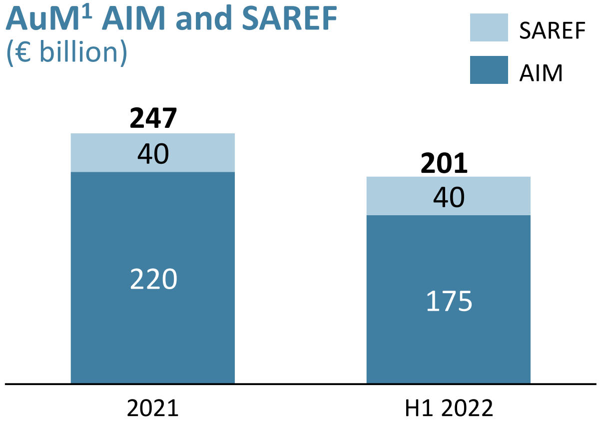
**Operational result**
(€ million)



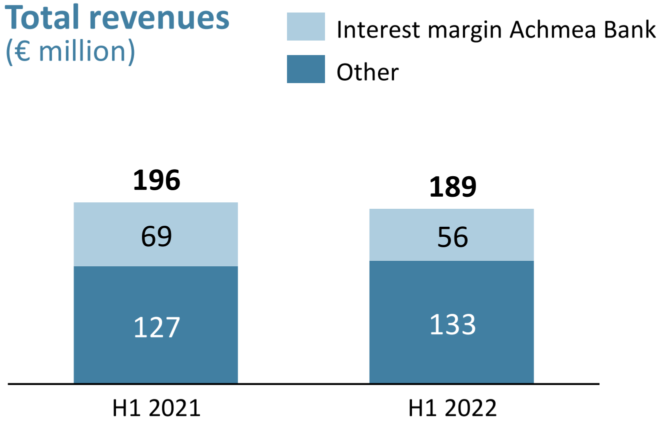

**Operating expenses**
(€ million)




**AuM[1] AIM and SAREF**
(€ billion)




**Total revenues**
(€ million)




## Achmea Bank

- Result decrease due to a lower interest result (€13 million negative) from lower mortgage proceeds. Additionally, the fair value result decreased by €6 million due to a lower market value of an older portfolio valued at market value as a result of higher mortgage interest rates

## Achmea Investment Management

- Assets under management decreased to €175 billion due to decrease in value of investments
- Revenue increased due to growth in customer portfolio and one-off transition revenues

## Achmea Pension Services

- Negative result of €12 million, partly as a result of increased investments in new IT systems and further preparations for the implementation of the new pension agreement

## Syntrus Achmea Real Estate & Finance

- AuM in real estate and mortgages stable at €40 billion
- Operational result increased to €3 million
- Total revenue increased to €65 million (H1 2021: €59 million), primarily through realisation of mandates and the positive value growth of the real estate investments



[1] Total assets under management after eliminations

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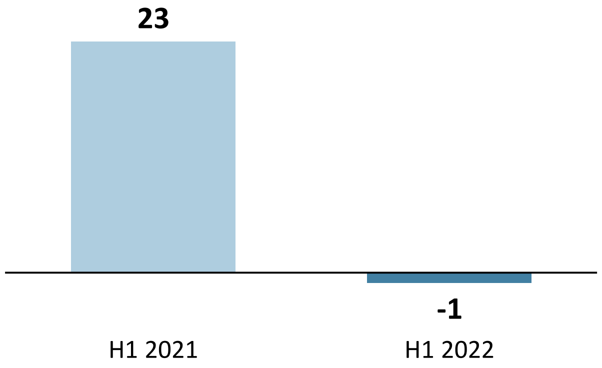
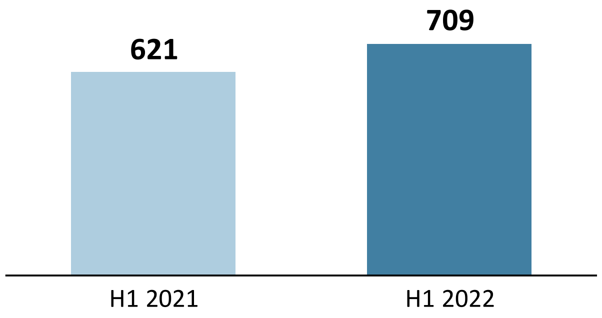
# International: result decreased due to higher cost of claims in Greece and a lower government contribution to Health in Slovakia

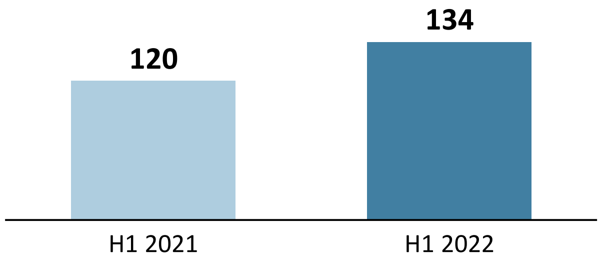
## Operational result
(€ million)



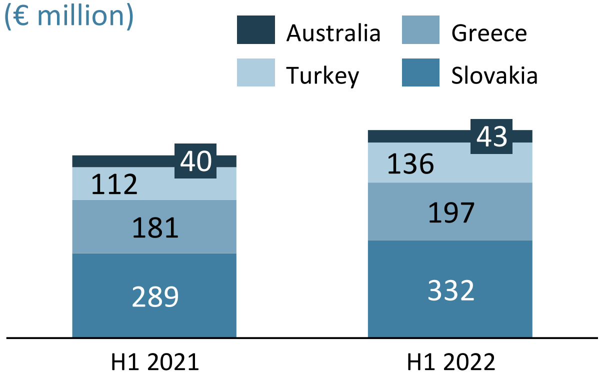

## Gross written premiums
(€ million)




## Operating expenses
(€ million)




## Gross written premiums per country
(€ million)




## International activities

- Operational result decreased to €1 million negative due to higher cost of claims in Greece and a lower government contribution to Health in Slovakia
- Strong premium growth of 14% supported by growth in all countries
- Operating expenses increased in line with the premium growth
- Remaining intangible fixed assets Turkish activities of €8 million written down to nil given economic developments and hyperinflation



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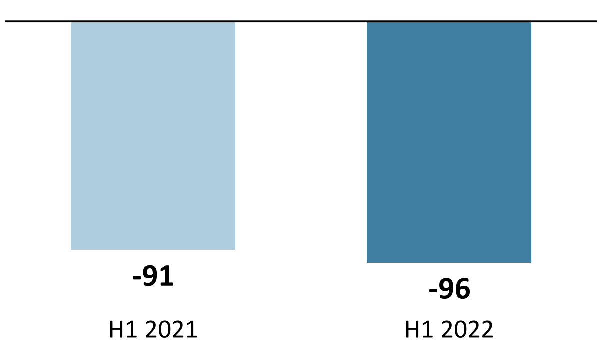
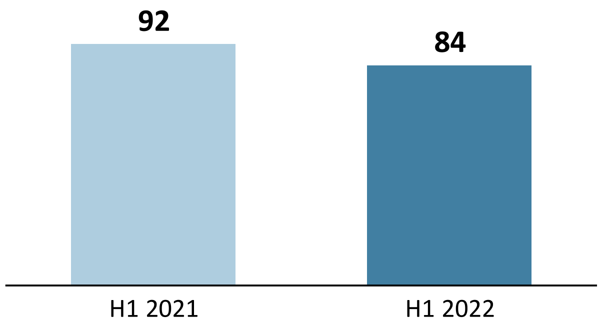
# Other activities: result Achmea Reinsurance decreased due to lower investment income and storm-related claims in the Group portfolio

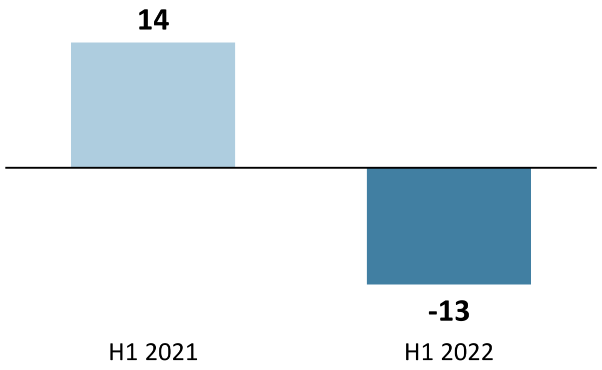
**Operational result**
(€ million)



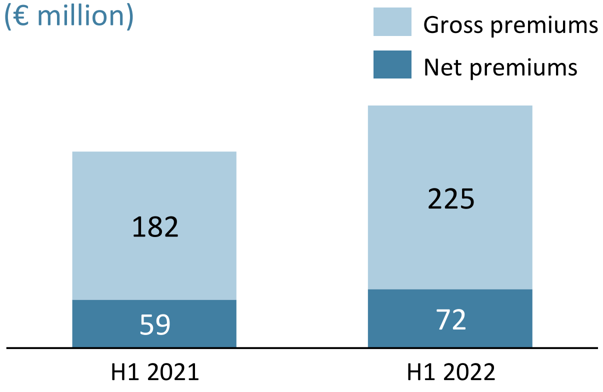

**Operating expenses**
(€ million)




**Operational result Achmea Reinsurance**
(€ million)




**Written premiums Achmea Reinsurance**
(€ million)




## Other activities - Holding

- Other activities comprises the results of non-recharged holding and shared service center expenses and financing costs of the group
- Improved holding result owing to lower operational expenses

## Other activities - Achmea Reinsurance

- Lower result is mostly due to a high cost of claims from February's storms, a number of major claims in our internal reinsurance programme and lower investment results
- Increase in written premiums due to higher premium income on the Achmea portfolios due to the further integration of the International activities in the reinsurance programme, the stronger US dollar exchange rate and hardening of the insurance market



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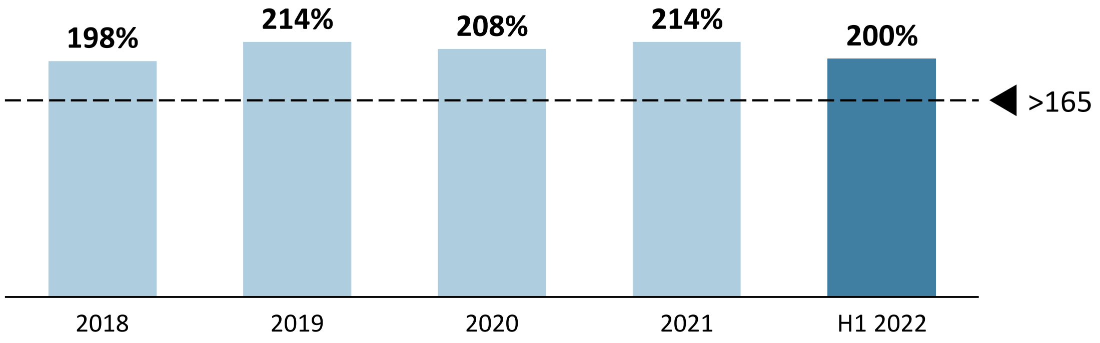
# Solvency robust and well above the minimal ambition

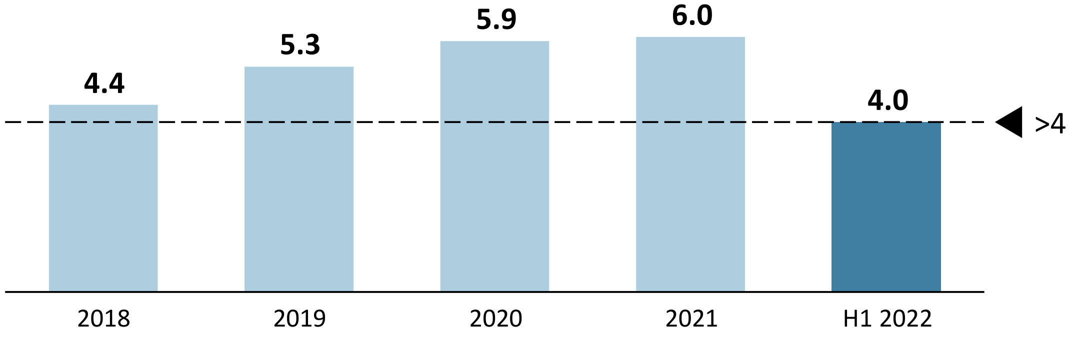
## All balance sheet metrics comfortably meet our ambitions

### Solvency II ratio
(%)

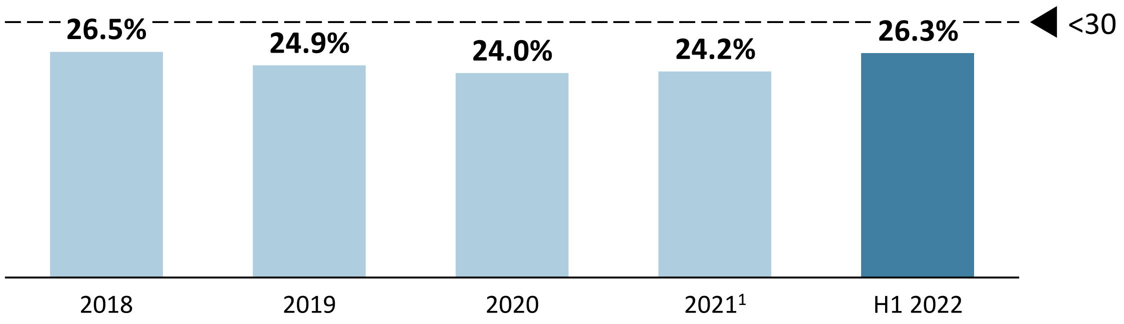



### Fixed-Charge Coverage ratio (FCCR)
(X)

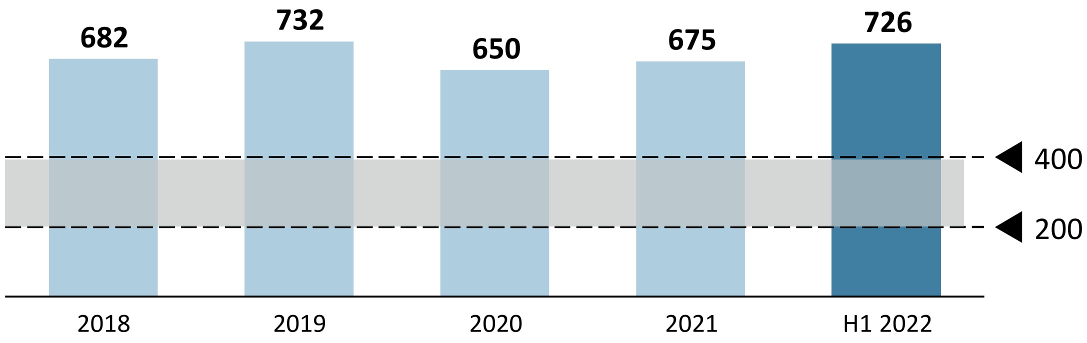
Minimal ambition 2025




### Debt leverage ratio
(%)




### Holding cash position
(€ million)

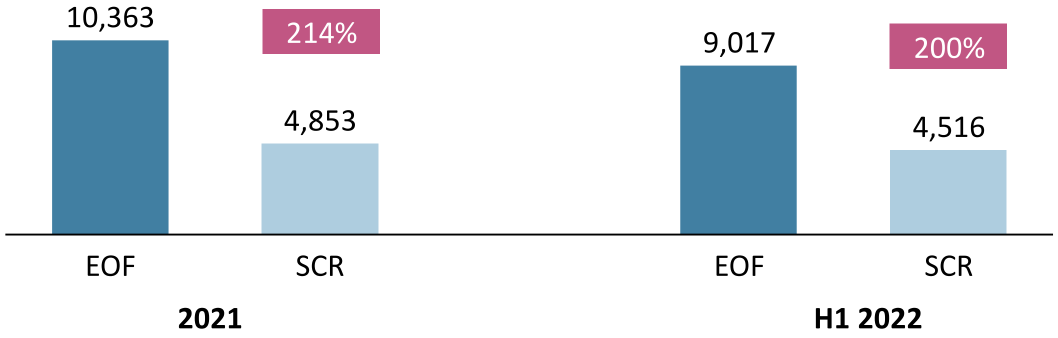




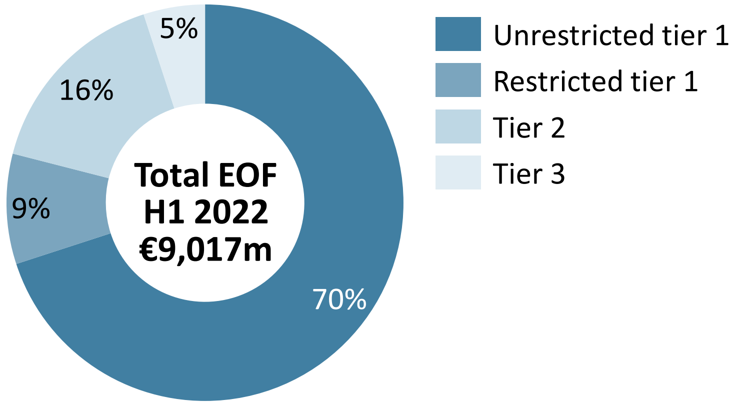

[1] The indexation of the pension provision has been changed retrospectively. As a result, Total equity as at 31 December 2021 has changed by €148 million negative

# Strong Solvency II position

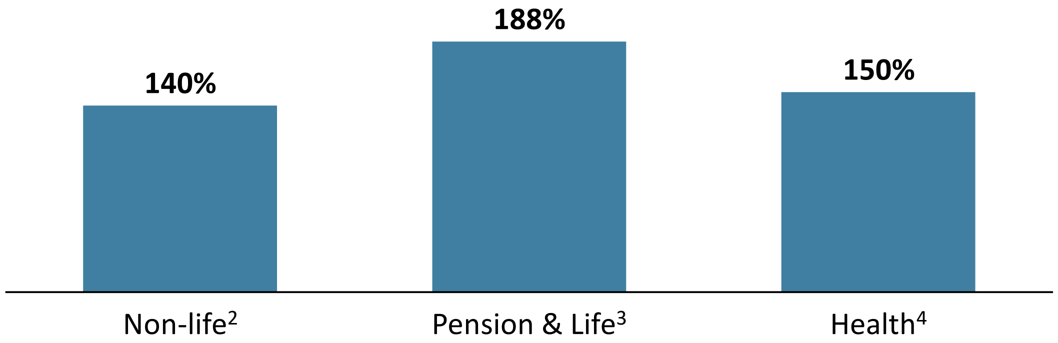
## Solvency II ratio (PIM)[1]
(€ million, Group)



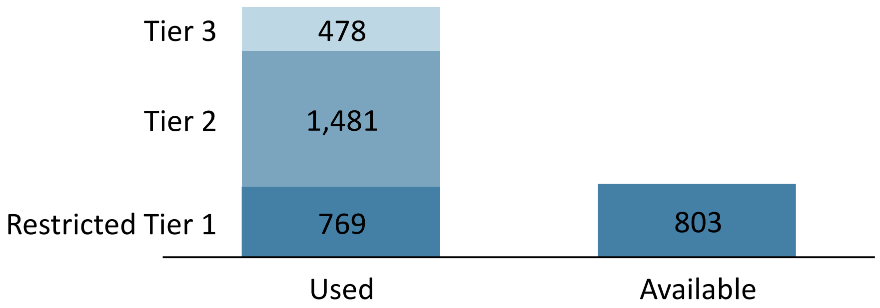

## Tiering of capital
(%)




## Solvency II ratio (PIM)
(H1 2022, legal entities)




## Available issuance capacity within tiering limits
(H1 2022, € million)

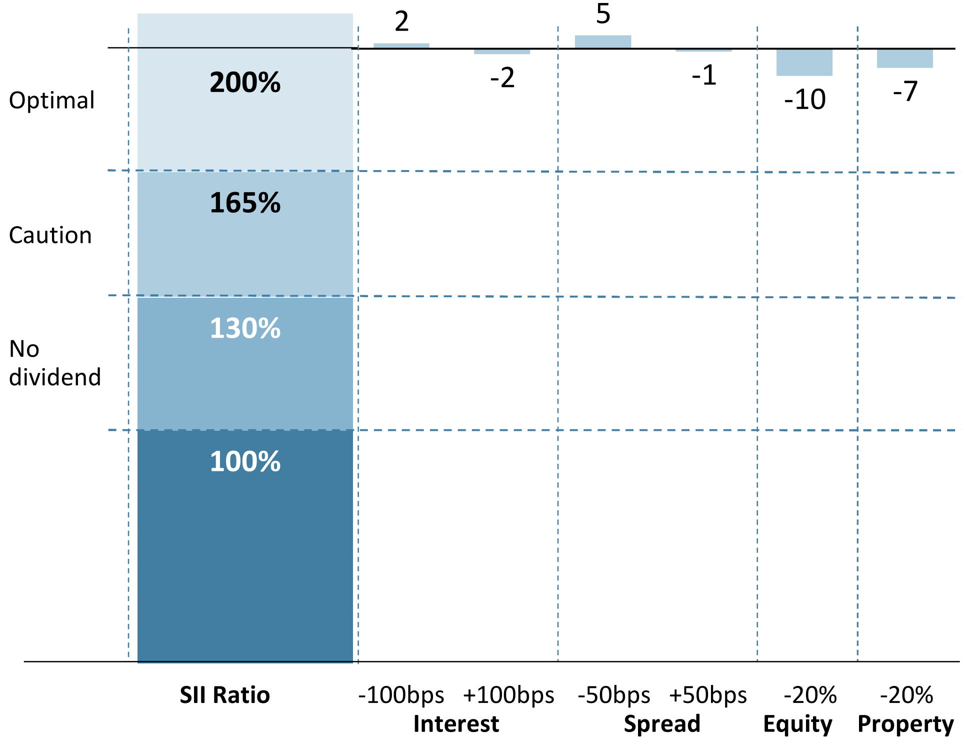





[1] After proposed dividends and coupons on hybrids | [2] Achmea Schadeverzekeringen N.V. (excluding Hagelunie N.V.)
[3] Achmea Pensioen- en Levensverzekeringen N.V. | [4] Achmea Zorgverzekeringen N.V.

# Solvency II ratio sensitivities are well within tolerance levels

**Solvency II Sensitivities per 30 June 2022**
(change in %-pt)




- Sensitivities are calculated based on the partial internal model which includes market risk as of 1 July 2018
- Spread sensitivities are calculated using parallel shocks. The sensitivities can be different in case of disparity in the spread movements
- Interest rate sensitivities are limited and in line with our policy bandwidth
- Limited spread sensitivity as spread impact on assets is mitigated by impact VA on liabilities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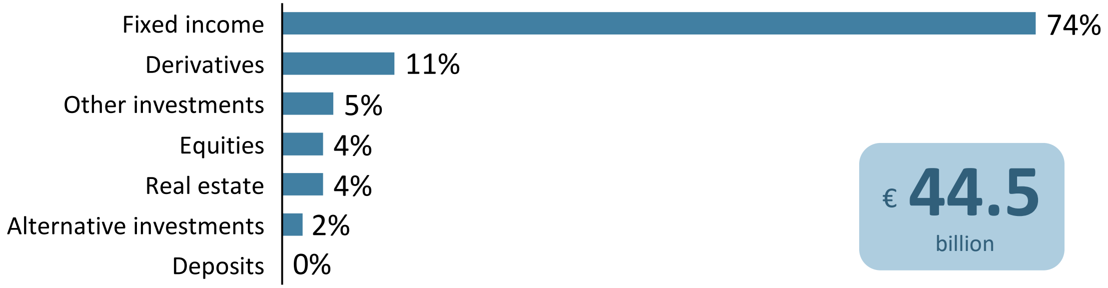
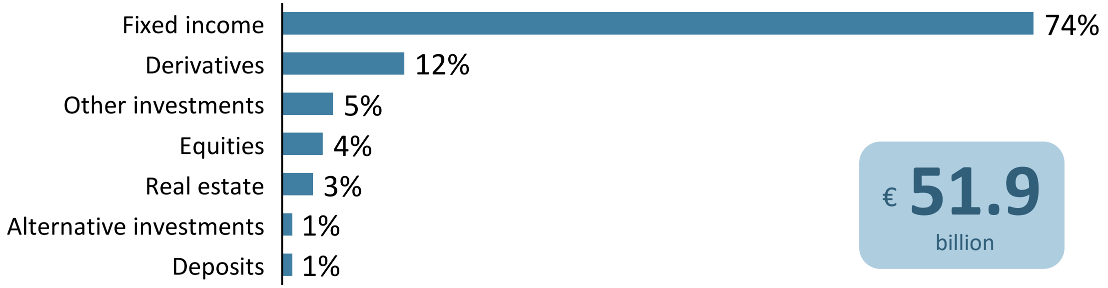
# Gradual optimisation of our investment portfolio

## Total investment portfolio
(30-06-2022, %)



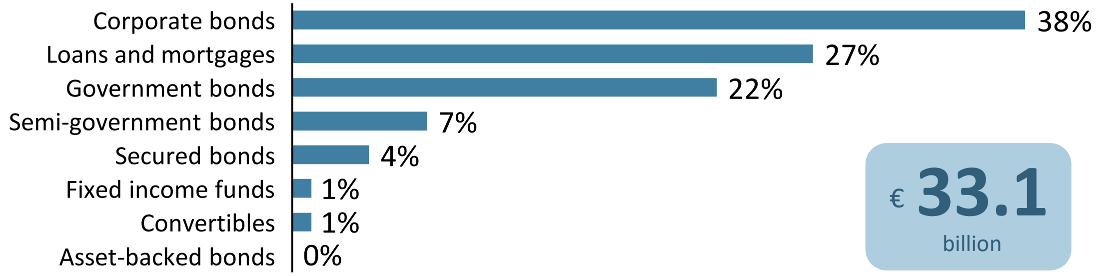

€ 44.5
billion

## Total investment portfolio
(31-12-2021, %)



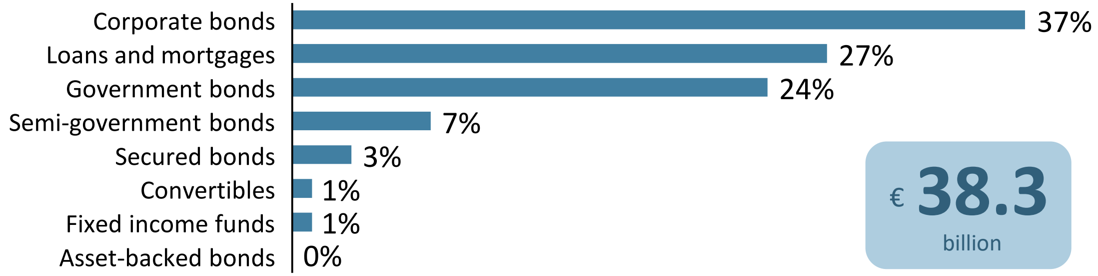

€ 51.9
billion

## Fixed income portfolio
(30-06-2022, %)



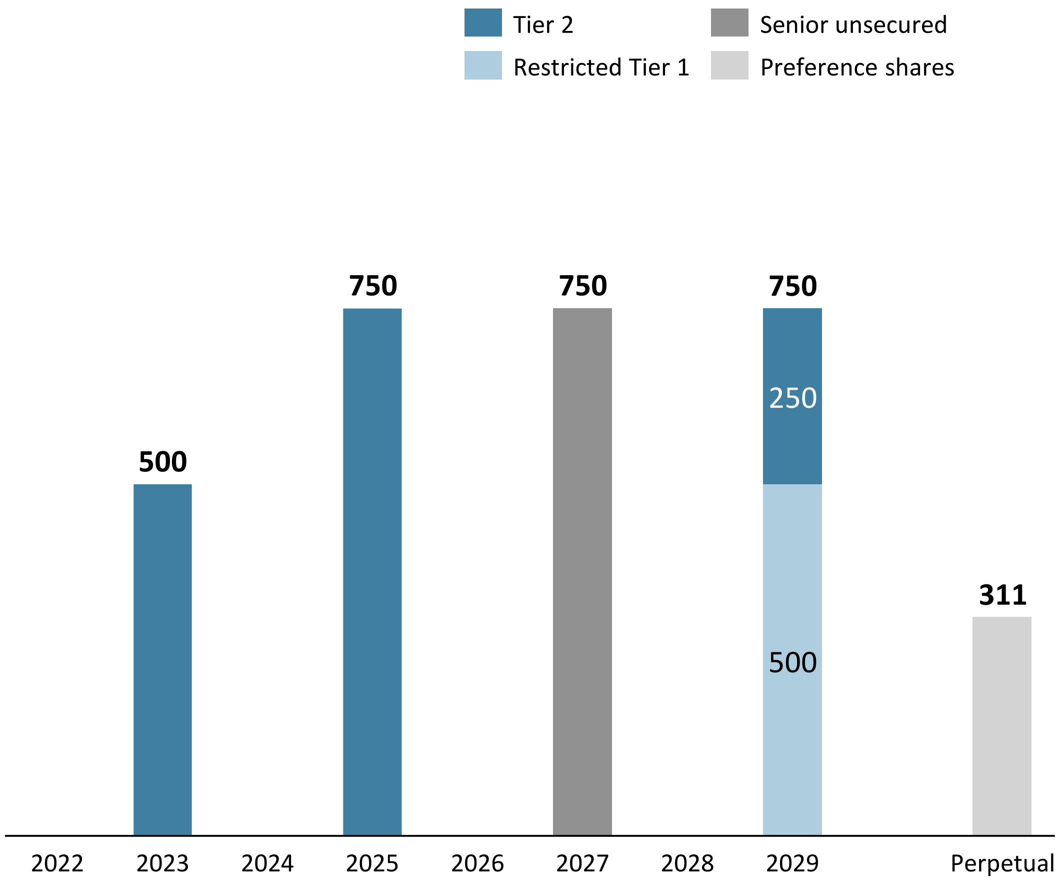

€ 33.1
billion

## Fixed income portfolio
(30-06-2021, %)




€ 38.3
billion

# Well-distributed maturity profile and good access to capital markets




| Instrument | Tiering under SII | Comments |
|---|---|---|
| Subordinated debt €500 mln @ 6.0% | Tier 2 (grandfathered) | Maturity April 2043. Callable as of April 2023 |
| Perpetual €750 mln @ 4.25% | Tier 2 | Callable from February 2025 |
| Senior Unsecured €750 mln @ 1.5% | Debt | Maturity May 2027 |
| €500 mln Perpetual Restricted Tier 1 @ 4.625% | Tier 1 | Callable as of March 2029 |
| €250 mln Tier 2 @2.5% | Tier 2 | Maturity September 2039 Callable as of June 2029 |
| Preference shares €311 mln @ 5.5% | Tier 1 (grandfathered) | Coupon reset in January 2024 |
| Credit facility €1,000 mln (undrawn) | Debt | Maturity March 2026. Replacement of the previous €750 mln credit facility |

# Update IFRS 17

# Transition to new accounting regime in 2023

**2021**

- IT Integration (end-to-end) Test IFRS 9/17 completed
- Preliminary accounting policy choices and parameters determined for parallel run in 2022
- Dress rehearsal (opening balance and first quarter results)
- External auditor involved in dress rehearsal and policy choices and parameter setting
- Implementation of IFRS 9/17 used to improve the financial infrastructure

- In 2023 two new accounting guidelines will be implemented:
  - IFRS 9: valuation of financial instruments replacing IAS 39
  - IFRS 17: valuation of insurance liabilities replacing IFRS 4
- The combination of IFRS 9 and IFRS 17 will lead to a fundamental overhaul of accounting principles for insurance companies, bringing it closer in line with market-based valuations
- The combined effect of implementing these new standards is expected to lead to an increase in the volatility of the presented results, as e.g. changes in market conditions will be reflected in the P&L
- At Achmea, application of IFRS 17 will primarily impact the Pension & Life segment with its long-term insurance liabilities that, in line with our service book strategy, will gradually decline over the years
- Impact on product portfolio expected to be limited, although in any product approval process possible consequences of these accounting changes are considered

# Transition from IFRS 4 to IFRS 17 and the different measurement approaches

## Transition from IFRS 4 to IFRS 17

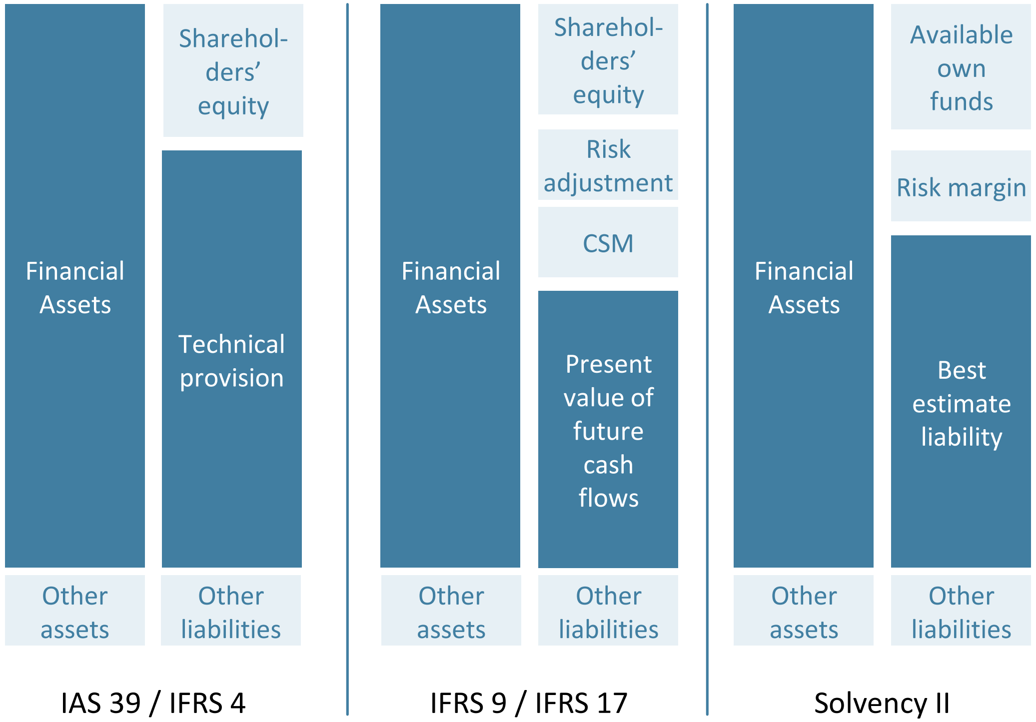
- Comparative figures for the 2022 financial year will be determined as if IFRS 17 had always been applied by using the full retrospective method in order to determine the value of the insurance liabilities at the time of transition (and thus the CSM)
- Mainly for the life and pension business, the required information is not sufficiently available and reproducible for all portfolios and reporting years due to system and data conversions. Therefore, the value of the related insurance liabilities on the transition balance sheet for these portfolios will be determined in accordance with the fair value approach

## IFRS 17 measurement approaches

| | General Measurement Model (GMM) | Premium Allocation Approach (PAA) | Variable Fee Approach (VFA) |
|---|---|---|---|
| When applicable | General model applicable to all insurance contracts | Simplified approach for short term contracts | Participating (profit-sharing) contracts where payments are linked to underlying items |
| Type of contract | • Long term insurance contracts<br>• Annuities<br>• Term Life | • Property & Casualty<br>• Health | • Individual and collective unit-linked |
| Impact at Achmea | • Pension and Life (traditional insurance)<br>• Non-Life (Income)<br>• International | • Non-Life (P&C)<br>• Health<br>• International | • Pension and Life (unit-linked) |

# Impact on balance sheet

## Simplified balance sheets under current and new accounting regime and Solvency II[1]




- Significant impact of introduction IFRS 17 on accounting balance sheet:
  - Insurance liabilities valued at market value compared to tariff rates under IFRS 4
  - Achmea will no longer use the methodology of the Provision for discounting of insurance liabilities
  - Introduction of Contractual Service Margin (CSM) that reflects the expected value of future profits related to insurance services
  - Introduction of Risk Adjustment reflecting the cost of capital for non-financial risks
- Application of IFRS 17 is expected to have an impact on equity. The impact is currently further analysed in relation to the policy choices made
- Introduction IFRS 9 expected to have relatively limited impact on value of financial assets
- Both IFRS 17 and Solvency II are based on market value principles, but important differences remain such as:
  - Different discount curves
  - Although we aim to align the Risk adjustment (IFRS 17) and the Risk Margin (Solvency II), differences will remain
  - Composition of shareholders' equity versus Available Own Funds (e.g. use and valuation of hybrid capital)



[1] Relative size of the bars is purely for illustrative purposes

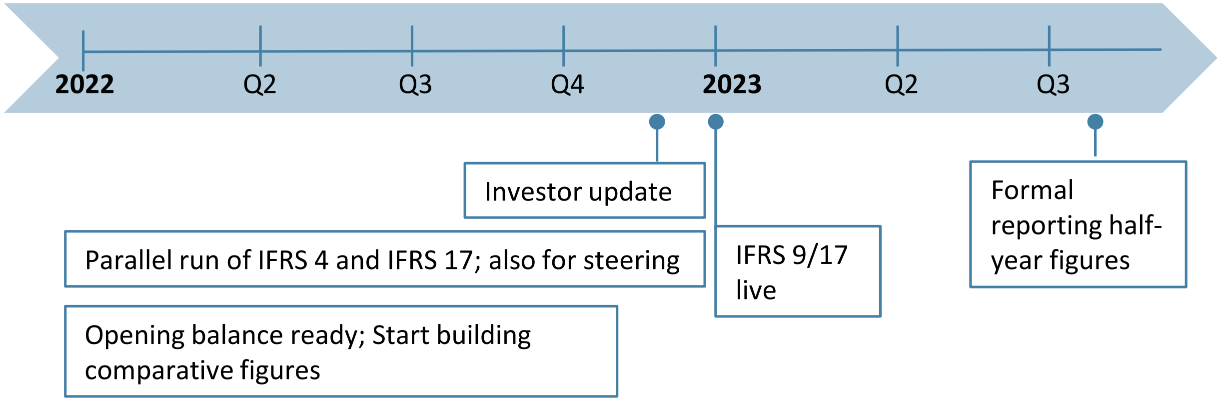
# Impact on P&L

**Simplified P&L under current and new accounting regime**

| IFRS 4 | IFRS 17 |
|---|---|
| Gross written premiums | Insurance service revenue |
| Net earned premiums | Insurance service expenses |
| Investment income | **Insurance service result** |
| **Total income** | Investment income |
| Net expenses from insurance contracts | Insurance finance expenses/income |
| Operating expenses | **Insurance finance result** |
| **Total expenses** | Fee income |
| | Other expenses |
| **Result before tax** | **Result before tax** |

- IFRS 17 introduces new view on statement of profit and loss
- Insurance service result includes release of CSM and Risk Adjustment when services are rendered
- Loss making (onerous) business not included in CSM but directly in P&L
- Impact of model- and parameter adjustments reflected in CSM
- Impact of financial market movements on both assets and liabilities (e.g. interest and spread) reflected in investment income
- Impact of changes in financial parameters will be reflected in the P&L
- As Achmea's interest rate risk management focuses on stabilising the regulatory solvency position this will lead to volatility under IFRS 17
- Results from Achmea's retirement services business (e.g. Achmea Bank, Achmea Investment Management) is reflected in fee income

# Roadmap to 2023




## 2022 and 2023

- Parallel run IFRS 9/17 alongside existing IFRS 4/IAS 39
- Opening balance ready; Start building comparative figures for both the balance sheet and the P&L
- Review by external accountant in process on outcomes parallel run
- Inform stakeholders of comparative figures
- Mandatory training / education for all finance employees in the field of IFRS 9/17

- In general, the change in the accounting framework is not expected to have a material impact on how we manage our business, although it can lead to new ways of measuring performance
- Achmea will continue to focus its result presentation on operational result, but the definition may change to improve insight in the underlying performance of the business
- Segment specific information such as the cost/income ratio will remain
- At our Investor Update at the end of the year we will provide an IFRS 9/17 update

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