Half year report 2023

In this document the English translation of the official Dutch Half Year Report is presented. In case of differences between the Dutch and English version, the Dutch version is leading.

achmea

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INTERIM RESULTS 2023

Bianca Tetteroo, Chair of Achmea's Executive Board:
"Today we present the results over the first half of 2023 and show strong growth in both premium income and result. Financial markets were less volatile than in 2022, which led to an improvement in the return on our investments. The social and economic context in which we operate nevertheless remains dynamic and uncertain, partly because of the high rate of inflation and increasingly frequent extreme weather conditions. We have recently seen many examples of this in Europe. There are also challenges in the field of healthcare, pensions and the housing market that we are working on based on our purpose 'Sustainable Living Together'. Together with healthcare providers and local governments, we are working to further improve regional healthcare on the basis of the Integral Care Agreement ("Integraal Zorgakkoord"). Extremely important, in this way we keep healthcare accessible and affordable. By building more lifetime homes, we respond to the changing housing needs as a result of an ageing society. This also relieves some of the burden on the healthcare system. And on 1 July, the Future Pensions Act came into force. Together with our customers, we started with the implementation.

Increase in operational result

The operational result over the first six months is € 405 million. This is € 165 million (+69%) higher than last year. The operational result at Non-Life increased by € 61 million. The total cost of claims was lower than last year as the first six months of 2023 saw no major natural catastrophy events in the Netherlands, in contrast to February's storm in 2022. However, we do see a substantial growth in the number of claims due to increased traffic intensity. The cost of repairing damage is also increasing as a result of inflation. The combined ratio remains strong at 91.3%. The operational result of the Health business improved by € 67 million.
The result of Retirement Services improved to € 10 million. Interest income improved at Achmea Bank, which forms part of Retirement Services. Mortgage margins increased and the mortgage portfolio grew in the first six months. Underlying trends at Pension & Life are in line with our expectations. The operational result decreased to € 134 million, partly due to the higher indexation on pension contracts from the service book. The operational result at International improved versus last year with € 34 million and, supported by further premium growth, came out at break-even. Finally, there was also an improvement in the operational result on our reinsurance activities of € 37 million owing to the absence of large calamities in the first six months.

Revenue growth

Premiums grew by € 1.5 billion (+8%) to € 19.9 billion. Premiums at Non-Life increased by 4%, mainly due to growth in the commercial segment. At Health, premiums increased by 7% due to higher premiums and a higher equalisation fund contribution. At International, there was the strongest premium growth (+41%) as a result of inflation and customer growth. At Retirement Services, assets under management increased by 6% to € 206 billion driven by inflow of new clients and market value developments. Achmea Bank's mortgage volume grew by € 1 billion. In light of our growth strategy on mortgages, we announced a partnership with Munt Hypotheken in April. We expect to provide approximately € 1.5 billion in additional mortgages with Munt over the next three years. A concerning development is that fewer and fewer people take out term life insurance when initiating or renewing a mortgage. In the longer term, this can lead to distressing situations.

High customer satisfaction and focus on efficiency

The NPS scores for our brands remain high. Customers value our (digital) services in which we continue to invest. This includes investment in a new IT platform that provides a solid basis for transitioning to the new pension system together with our customers.

Expenses increased significantly by 11% compared to last year. On the one hand this was caused by inflation and business growth. On the other hand, there are strategic investments, higher personnel costs and costs to comply with legislation. Also in the past six months we invested in our Customer Due Diligence programme. On the back of the increasing expenses a focus on efficiency and cost control remains key.

EXECUTIVE BOARD REPORT

Solvency robust
The solvency ratio stood at 195% at the end of June. This is still robust, yet lower than it was six months ago (year-end 2022: 209%). The decrease is caused by a sharp increase in healthcare costs and a higher net retention on our own reinsurance.
Our reinsurance cover was renewed as of 1 July this year. We are seeing higher premiums and altered terms and conditions, partly in response to the global increase in climate-related claims and inflation. This does not only impact the net retention in our reinsurance cover but also has an impact on the cost of our insurance products.

Working together on sustainability
At Achmea we look at three aspects when it comes to climate change: prevention, adaptation and insurability. For these three aspects we work on solutions together with our customers, the Dutch Association of Insurers ("Verbond van Verzekeraars") and the government.

Our employees made their own pleasant contribution to sustainability in the first six months of the year. Since 1 January 2023, all our employees have a climate budget of € 2,500 for making their own living environment more sustainable. More than half of the 12,000 Achmea employees in the Netherlands already used this budget in the first half of this year. We are also making it easier for our customers to improve the sustainability of their homes. From May this year, for example, Centraal Beheer customers receive a discount on their mortgage rate for a green loan component used for making their home more sustainable. At group level, in February Achmea invested € 55 million in two wind farms via the newly-launched Climate Infrastructure Fund.

Realising sufficient lifetime homes
In June, we presented the strategic ambitions and new name of Achmea Real Estate. We have solid growth plans and the development of lifetime homes plays a key role in this ambition. The ageing population means that in the long term the Netherlands requires an additional 450,000 homes of this type. Our goal is for 10% of these to be achieved by Achmea.

Thank you to our customers, partners and employees
We succeeded in moving in the right direction in the first six months of the year and did so together with our customers, partners and employees who I want to thank for their contribution and trust in Achmea!

Overview of group results

Transition to new accounting standards

For the first time Achmea is reporting its results in accordance with the new IFRS 9 and IFRS 17 accounting standards. Under IFRS 9/17, the value changes of both the investments and the liabilities resulting from changes in e.g. interest rates and equity and real estate prices are recognised in the income statement. This impact was largely included in equity under IAS 39/IFRS 4 and therefore had less of an effect on the net result.

As a result, movements on the financial markets can cause greater volatility in the result under IFRS 9/17. We have altered the definition of operational result in order to maintain focus on the underlying development of the results. This means that volatility from market movements is recognised in the non-operational result. To this end we use an expected return method based on the expected market rates at the start of the year and normalised returns on investments in equities and investment property. The same market rates are used to determine the discount curve and interest accrual of our insurance liabilities when calculating the operational result. In addition, the operational result is adjusted for any reorganisation expenses and transaction results from mergers and acquisitions. These adjustments enables the operational result to accurately reflect Achmea's underlying financial performance.

Under the adjusted financial indicators the results will give comparable through-the-cycle outcomes, whereby we maintain our ambitions for 2025.

The comparative figures for 2022 have been adjusted accordingly. Recognition of the market value developments of the investments and the insurance liability in the income statement under IFRS 9/17 leads to a substantially lower net result over the first half of 2022 as compared to IAS 39/IFRS 4. Exceptional market conditions, including the sharply higher interest rates, spreads and lower equity prices, had a significant negative impact on the result in the first half of 2022 under IFRS 9/17. By using the expected return method, the operational result is significantly less sensitive to extreme market conditions. Following the transition to IFRS 9/17 and a revised definition of operational result the dividend policy will be changed, possibly introducing an optional dividend.

EXECUTIVE BOARD REPORT

OPERATIONAL RESULTS SEGMENTS

(€ MILLION)

	H1 2023	H1 2022
Non-Life Netherlands	201	140
Pension & Life Netherlands	134	194
Retirement Services Netherlands	10	2
International activities	0	-34
Other activities	-54	-109
Operational result (excl. Health)	**291**	**193**
Health Netherlands	114	47
of which Basic Health Insurance	62	-31
of which Supplementary Health Insurance and other	52	78
Operational result	**405**	**240**
Non-operational result	39	-1,358
Result before tax	**444**	**-1,118**
Income tax expenses	67	-249
Net result	**377**	**-869**

Operational result

The operational result increased to € 405 million during the first half of 2023 (H1 2022: € 240 million).

The operational result for Non-Life Netherlands over the first six months of 2023 increased to € 201 million (H1 2022: € 140 million). This was primarily driven by an improvement in the insurance service results. In contrast to the first half of 2022, there were no sizeable storm-related claims in the first six months of 2023. We are seeing a higher amount of claims due to the impact of inflation and for car insurances increased traffic intensity leading to higher claims (including bodily injury). At Income Protection the result has improved due to a lower cost of claims in the disability insurance portfolio.

At € 114 million operational results for Health Netherlands were higher in the first half of 2023 (H1 2022: € 47 million). The result on supplementary health insurance amounted to € 52 million (H1 2022: € 78 million), while the result on basic health insurance was € 62 million (H1 2022: € 31 million negative).

In the first half of 2023 the operational result for Pension & Life Netherlands decreased to € 134 million (H1 2022: € 194 million). The insurance service result was lower, in part due to higher indexation because of inflation and a lower release of the Contractual Service Margin (CSM).

The operational result for Retirement Services increased to € 10 million in the first half of 2023 (H1 2022: € 2 million), mainly due to the higher interest margin at Achmea Bank in part generated by growth in the mortgage portfolio at a higher return. The results of the other activities within this segments are lower because of higher investments in systems and in preparation for the new pensions act.

The operational result for International activities increased to € 0 million in the first half of 2023 (H1 2022: € 34 million negative). The improved result is primarily driven by the higher insurance service results in Greece deriving from adjustments to premiums and higher financial results combined with a lower impact from hyperinflation on our activities in Turkey in the first six months of 2023 versus 2022.

The result for Other activities improved by € 55 million to € 54 million negative (H1 2022: € 109 million negative). At Achmea Reinsurance the result increased to € 10 million (H1 2022: € 27 million negative) because of the lower impact from catastrophe-related claims and higher premium income due to a hardening of the market. The result on Other activities comprises the expenses from the holding company and shared service activities as well as the financing costs of the bonds issued by Achmea. The operational result improved compared to last year, in part thanks to lower operating expenses and higher investment results.

EXECUTIVE BOARD REPORT

Result before tax

The non-operational result over the first half of 2023 amounts to € 39 million (H1 2022: € 1,358 million negative).

The non-operational financial result from (re-)insurance activities is € 1,396 million higher in the first half of 2023 than in the same period in 2022. This higher result derives from the more positive trends on the financial markets in 2023 compared to the extreme development of interest rates and spreads and lower equity prices in the first half of 2022, which resulted in lower market values for the investments.

The return on real estate including property investment funds decreased to € 99 million negative in the first six months of 2023 (H1 2022: € 102 million) as a result of market value developments due to higher interest rates. This negative effect in the first half of 2023 was offset in full by the higher returns on the other asset classes. The return on equities and similar instruments was € 163 million in the first half of 2023 (H1 2022: € 125 million negative), which resulted in the overall return on these investments exceeding the expected return.

The difference between the impact of developments in interest rates and spreads on our fixed income investments on the one hand and the insurance liabilities on the other hand improved in the first six months of 2023 versus the same period in 2022. The positive interest rate effect can be explained by the fact that (long-term) interest rates and spreads barely changed in the first half of 2023. This resulted in a slightly positive non-operational financial result in the first half of 2023. Exceptional market conditions, including the sharply higher interest rates, spreads and lower equity prices, had a significant negative impact on the result in the first half of 2022 under IFRS 9/17.

Reorganisation expenses and the transaction result from mergers and acquisitions added up to a small amount (H1 2023: € 4 million negative; H1 2022: € 5 million negative).

Net result

The net result amounted to € 377 million in the first half of 2023 (H1 2022: € 869 million negative). The effective tax expenses were € 67 million (15.1%). The effective tax rate is lower than the tax rate, mainly as a result of charging the interest payments on perpetual bonds to equity and the tax exempt results of our Health business.

Revenue

GROSS WRITTEN PREMIUMS (€ MILLION)

	H1 2023	H1 2022	Δ
Non-Life Netherlands	2,571	2,472	4%
Health Netherlands	15,766	14,726	7%
Pension & Life Netherlands	466	429	9%
International activities	1,001	709	41%
Gross written premiums	**19,934**	**18,474**	**8%**

Gross written premiums increased by 8% to € 19,934 million in the first six months of 2023 (H1 2022: € 18,474 million).

Premiums at Non-Life Netherlands grew by 4% to € 2,571 million (H1 2022: € 2,472 million) due to autonomous growth and indexation of insured values. At our international non-life business, premiums increased by 40% to € 471 million (H1 2022: € 337 million).

Gross written premiums within Health Netherlands increased by 7% to € 15,766 million (H1 2022: € 14,726 million) thanks to higher premiums and a higher contribution from the Health Insurance Equalisation Fund. Premiums from our international health business grew by 42% to € 497 million (H1 2022: € 351 million), largely owing to growth in Slovakia.

Gross written premiums from pension and life insurance policies increased by 9% to € 466 million (H1 2022: € 429 million), mainly due to higher indexation on pension contracts.

At Retirement Services, revenues grew by 17% to € 233 million in the first half of 2023 (H1 2022: € 199 million), mostly as a result of the higher interest margin at Achmea Bank.

EXECUTIVE BOARD REPORT

Assets under management at Achmea Investment Management grew to € 180 billion (year-end 2022: € 166 billion) because of new inflow and positive developments on the financial markets. Assets under management at Syntrus Achmea remained almost unchanged at € 40 billion (year-end 2022: € 41 billion). The volume of mortgage grew; the value of managed property decreased due to lower valuations in the Dutch real estate market.

Gross operating expenses

The gross operating expenses that can be allocated to the insurance activities are presented as part of the expenses from insurance-related services. The part of the operating expenses that cannot be allocated to the insurance activities and operating expenses from the other activities are recognised under Operating expenses in the income statement.

Gross operating expenses increased by 11% to € 1,175 million in the first half of 2023 (H1 2022: € 1,063 million). This increase on the one hand relates to strategic investments and business growth. On the other hand with higher personnel costs, inflation and legislation. The higher personnel costs derive from wage increases under the Collective Labour Agreement and higher expenses for contractors.

The total number of employees grew to 17,962 FTEs (year-end 2022: 17,526 FTEs). In the Netherlands, the number of FTEs increased to 14,506 (year-end 2022: 14,075 FTEs) due to strategic investments. The total number of employees outside the Netherlands remained fairly stable at 3,456 FTEs (year-end 2022: 3,451 FTEs).

Capital management

Total equity

Achmea's equity increased by € 281 million to € 8,878 million in the first half of 2023 (year-end 2022: € 8,597 million). This is mostly due to the net result over the first six months of 2023. In addition, equity declined in 2023 due to the dividend payment on preference shares over 2022 and coupon payments.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31.12.2022	**8,597**
Net result	377
Revaluation of net defined benefit liability	-13
Unrealised gains and losses on property for own use	-7
Movement in exchange difference reserve	-18
Dividends and coupon payments to holders of equity instruments	-58
Issue, sale and buyback of equity instruments	0
Minority interest	0
Total equity 30.06.2023	**8,878**

Solvency II

The solvency position of Achmea Group is solid at 195% at the end of June 2023 (year-end 2022: 209%). The solvency position has decreased driven by an increase in the required capital due to significantly increased healthcare costs and a higher retention and increased premiums on our reinsurance. The growth in Non-Life and the growth of the mortgage portfolio at Achmea Bank also led to an increase in required capital. The investment results and release of capital at Pension & Life contributed positively. On balance, market developments had a negative effect due to interest rate and spread developments, an increase in required capital due to adjustments in the investment portfolio and the increased share prices. Methodology and model changes contributed on balance negatively due to the introduction of a sector wide countercyclical buffer at Achmea Bank that was partly compensated by the positive impact of a change in the contract boundary of disability. Other effects, including the impact of the partial Tier 2 refinancing, the decrease in the restriction of Tier 3 capital due to the increased SCR and a lower net deferred tax asset, had on balance a positive effect on the Solvency II ratio.

SOLVENCY II RATIO FOR ACHMEA GROUP (€ MILLION)

	30-06-2023	31-12-2022	Δ
Eligible Own Funds under Solvency II	9,290	9,195	95
Solvency Capital Requirement	4,756	4,410	346
Surplus	4,534	4,785	-251
Solvency II Ratio	**195%**	**209%**	**-14 pp**

UNCERTAINTIES IN THE SECOND HALF OF 2023

Our activities involve inherent uncertainties, as do the related investments. The risks related to the development of the financial markets are managed as much as possible via the investment policy and the restrictions it contains. The impact and volatility of the Solvency II ratio are kept within specific bandwidths based on the limits set for the individual investments and interest rate sensitivities. However, the application of IFRS 9/17 will cause greater volatility than the standards used in the past because of the integral recognition of market value developments for both our investments and the provisions in the income statement.

Given the nature of our activities, there is always a risk of potential calamities. The summer of 2023 saw several of these in Europe, such as Storm Poly and wildfires in Southern Europe. The financial impact for Achmea of these calamities is still developing, but is limited for the time being. In addition, claims are limited by reinsurance, the level of net retention of which recently has been increased in response to developments within the reinsurance market.

Zeist, 23 August 2023

Bianca Tetteroo

Chair of the Executive Board of Achmea B.V.

EXECUTIVE BOARD REPORT

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board prepared the condensed consolidated interim financial statements of Achmea B.V. for the period ending on 30 June 2023 (hereinafter: “interim financial statements”).

The Executive Board declares that, to the best of its knowledge, the interim financial statements give a true and fair view of the assets, liabilities, financial position and net result of Achmea B.V. and the companies included jointly in the consolidation. The interim financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union as in force as at 30 June 2023, in particular IAS 34 ‘Interim Financial Reporting’. The Executive Board believes that the information included in these interim financial statements does not contain any omissions that would materially alter the scope of any statements made. The Executive Board further declares that, to the best of its knowledge, the Report of the Executive Board gives a true and fair view of the information required by Section 5:25d of the Financial Supervision Act [in Dutch: *Wet op het financieel toezicht*].

Zeist, the Netherlands, 23 August 2023

Executive Board

B.E.M. (Bianca) Tetteroo, Chair
M.A.N. (Michel) Lamie, Vice-chair and CFO
M.G. (Michiel) Delfos, CRO
D.C. (Daphne) de Kluis
R. (Robert) Otto
L.T. (Lidwien) Suur

ACHMEA B.V.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

30 JUNE 2023

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	30 JUNE 2023	REVISED 31 DECEMBER 2022	REVISED 1 JANUARY 2022
Assets				
Intangible assets		795	787	745
Associates and joint ventures		40	46	41
Property for own use and equipment		355	378	473
Investment property	4	765	850	1,028
Financial investments	5			
Investments from insurance and other activities		56,220	55,977	66,289
Banking credit portfolio		13,903	12,911	12,095
Deferred tax assets		969	1,031	936
Income tax receivable		104	78	
Insurance contract assets	6	6	11	9
Reinsurance contracts held assets	6	960	780	667
Receivables and accruals		2,202	2,012	1,139
Cash and cash equivalents		1,863	1,946	1,533
Assets classified as 'Held for sale'		36	26	7
Total assets		**78,218**	**76,833**	**84,962**
Equity				
Equity attributable to holders of equity instruments of the company		8,876	8,595	9,477
Non-controlling interest		2	2	9
Total equity		**8,878**	**8,597**	**9,486**
Liabilities				
Insurance contract liabilities	6			
Insurance contract liabilities Non-Life		6,739	6,418	6,760
Insurance contract liabilities Health		2,622	2,392	1,863
Insurance contract liabilities Life		34,320	34,336	46,399
Other provisions		880	876	1,155
Financial liabilities	7	20,529	19,857	17,659
Derivatives		4,218	4,317	1,427
Deferred tax liabilities		18	26	49
Income tax payable		14	14	164
Total liabilities		**69,340**	**68,236**	**75,476**
Total equity and liabilities		**78,218**	**76,833**	**84,962**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(€ MILLION)

	NOTES	FIRST HALFYEAR 2023	REVISED FIRST HALFYEAR 2022
Insurance revenue	10	11,437	10,679
Insurance service expenses	11	-11,542	-10,486
Net insurance service result from reinsurance contracts held		333	46
Insurance service result	**9**	**228**	**239**
Investment result from (re)insurance activities		1,234	-9,695
Finance result from insurance contracts		-1,122	8,536
Finance result from reinsurance contracts held		151	-37
Net financial result from (re)insurance activities	**12**	**263**	**-1,196**
Income from associates and joint ventures		-4	-6
Investment result from other activities	13	150	108
Income from service contracts		252	216
Other income		24	12
Total other income		**422**	**330**
Operating expenses		378	352
Interest and similar expenses		46	59
Other expenses		45	80
Total other expenses		**469**	**491**
Profit before tax		**444**	**-1,118**
Income tax		67	-249
Net result		**377**	**-869**
Net result attributable to:			
Holders of equity instruments of the company		377	-869
Non-controlling interest		0	0
Average number of outstanding ordinary shares		375,685,702	375,685,702
Earnings per share (in euro)		0.85	-2.47

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTE	FIRST HALFYEAR 2023	REVISED FIRST HALFYEAR 2022
Items that will not be reclassified to the Statement of profit and loss[1]			
Remeasurements of net defined benefit liability[2]		-13	169
Unrealised gains and losses on property for own use[3]		-7	2
Items that may be reclassified to the Statement of profit and loss[1]			
Currency translation differences (including realisations) on subsidiaries, associates, goodwill and joint ventures[4]		-18	20
Net other comprehensive income		**-38**	**191**
Net result		**377**	**-869**
Comprehensive income		**339**	**-678**
Comprehensive income attributable to:			
Holders of equity instruments of the company		339	-678
Non-controlling interest		0	0

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATES STATEMENT OF CHANGES IN TOTAL EQUITY

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVES	EXCHANGE DIFFERENCE RESERVE	CASHFLOW HEDGES	OTHER RESERVES	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	**SUBTOTAL EQUITY[1]**	NON-CONTROLLING INTEREST	**TOTAL EQUITY**
Balance at 31 december 2022	**11,357**	**-507**	**79**	**-251**	**-528**	**-7**	**-2,222**	**105**	**1,250**	**9,276**	**2**	**9,278**
Impact valuation IFRS 9/17				918	15		-1,614			-681		-681
Balance at 1 January 2023	**11,357**	**-507**	**79**	**667**	**-513**	**-7**	**-3,836**	**105**	**1,250**	**8,595**	**2**	**8,597**
Net other comprehensive income			4	-7	-22		-13			-38		-38
Net result								377		377		377
Total result			**4**	**-7**	**-22**		**-13**	**377**		**339**		**339**
Appropriations to reserves			5	-78			178	-105				
Dividends and coupon payments							-58			-58		-58
Balance at 30 June 2023	**11,357**	**-507**	**88**	**582**	**-535**	**-7**	**-3,729**	**377**	**1,250**	**8,876**	**2**	**8,878**

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

	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVES	EXCHANGE DIFFERENCE RESERVE	CASHFLOW HEDGES	OTHER RESERVES	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	**SUBTOTAL EQUITY[1]**	NON-CONTROLLING INTEREST	**TOTAL EQUITY**
Balance at 1 January 2022	**11,357**	**-466**	**55**	**1,159**	**-517**	**-7**	**-2,822**	**467**	**1,250**	**10,476**	**9**	**10,485**
First time adoption IFRS 17[2]							-1,168			-1,168		-1,168
First time adoption IFRS 9[2]				-489	1		657			169		169
Balance at 1 January 2022 revised	**11,357**	**-466**	**55**	**670**	**-516**	**-7**	**-3,333**	**467**	**1,250**	**9,477**	**9**	**9,486**
Change in composition of the group											-7	-7
Net other comprehensive income			15	2	5		169			191		191
Net result								-869		-869		-869
Total result			**15**	**2**	**5**		**169**	**-869**		**-678**		**-678**
Appropriations to reserves			8	121			338	-467				
Dividends and coupon payments							-233			-233		-233
Balance at 30 June 2022	**11,357**	**-466**	**78**	**793**	**-511**	**-7**	**-3,059**	**-869**	**1,250**	**8,566**	**2**	**8,568**

[1] Subtotal equity refers to equity attributable to holders of equity instruments of the company.
[2] For the impact of the first-time adoption of IFRS 9/17, see Note 17 Notes on transition to IFRS 9/17.

Share capital/premium includes € 10,923 million share premium (30 June 2022: € 10,923 million). In the first half year of 2023, € 58 million was paid: € 43 million in coupon payments and € 15 million in dividends. The € 43 million (first half year of 2022: € 43 million) relates to coupon payments on Other equity instruments. This amount is recognised in Dividend and coupon payments.

With regard to the result for 2022, the General Meeting decided, in its deliberations on 12 April 2023, not to pay a dividend on the ordinary shares. On the preference shares issued by Achmea B.V., a dividend of € 20 million (2022: € 20 million) was paid out to Achmea Tussenholding B.V., the holder of preference shares. Achmea B.V. 'received back' € 5 million (2022: € 3 million) as dividend as holder of the depositary receipts issued by Stichting Administratiekantoor Achmea Tussenholding in the capital of Achmea Tussenholding B.V. which are (indirectly) linked to the preference shares in Achmea B.V.

Unrealised gains and losses on Achmea's Property for own use and equipment are recognised in the Revaluation reserve. In addition, Dutch regulations require Achmea to establish Legal reserves for all unrealised value gains for assets not listed on active markets and for which the unrealised value changes are recognised in the Statement of profit and loss. The reserve is formed by transferring the required amounts from Other reserves to the Legal reserve. Related changes in unrealised gains on insurance contracts are taken into account in determining the amount of the Legal reserve. Both the Revaluation reserves and the Legal reserves cannot be distributed to shareholders.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	FIRST HALFYEAR 2023	REVISED FIRST HALFYEAR 2022
Cash and cash equivalents at 1 January	1,946	1,533
Cash flows from operating activities		
Result before tax	444	-1,118
Adjustments of non-cash items and reclassifications	-259	1,609
Changes in operating assets and liabilities	183	242
Cash flow operating items not reflected in result before tax	-30	-100
Total cash flow from operational activities	**338**	**633**
Cash flows from investing activities		
Acquisitions and investments	-42	-43
Divestments and disposals	5	4
Dividends received	5	4
Total cash flow from investment activities	**-32**	**-35**
Repayment of loans and funds drawn down	-296	-303
Dividends and coupon payments	-58	-233
Interest paid	-27	-24
Paid lease liabilities	-8	-12
Total cash flow from financing activities	**-389**	**-572**
Net cash flow	**-83**	**26**
Cash and cash equivalents at 30 June	**1,863**	**1,559**
Cash and cash equivalents include the following items:		
Cash and bank balances	1,363	1,549
Call deposits	500	10
Cash and cash equivalents at 30 June	**1,863**	**1,559**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GENERAL

GENERAL DISCLOSURES

Achmea B.V. is a private company with limited liability incorporated under Dutch law with its registered office in Zeist, the Netherlands. The company's head office is located at Handelsweg 2 in Zeist, the Netherlands. The Achmea Group (hereinafter referred to as: “Achmea”) consists of Achmea B.V. and the entities it controls. These condensed consolidated interim financial statements (“interim financial statements”) form part of the half-yearly report, which also includes the Report of the Executive Board.

1. ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The interim financial statements have been prepared in accordance with International Financial Reporting Standard 34, Interim Financial Reporting, as adopted by the European Union. The accounting policies used to prepare these interim financial statements are in accordance with International Financial Reporting Standards – including International Accounting Standards (IAS) and interpretations – as in force as at 30 June 2023 and adopted by the European Union. The Consolidated Financial Statements of Achmea B.V. for 2022 are available at www.achmea.nl. Unless stated otherwise, all amounts in the interim financial statements are in millions of euros. The corporate tax for the first half of 2023 is calculated based on the estimated effective tax rate for the 2023 financial year.

B. CHANGES TO REPORTING PRINCIPLES

Achmea applied IFRS 9 and IFRS 17 for the first time in 2023. The initial application of these standards will have a significant impact on these interim financial statements. Subsection D explains the resulting changes.

In May 2023, the IASB made amendments to IAS 12: International Tax Reform Pillar Two Model Rules. The amendments introduce a mandatory exception in IAS 12 regarding the recognition and disclosure of deferred tax effects arising from Pillar II income tax legislation. It is mandatory to disclose the application of these changes.

Moreover, current corporate tax expenses arising from Pillar II must be disclosed separately during the periods in which this income tax legislation is in force. These amendments apply to reporting periods beginning on or after 1 January 2023, but not to interim periods ending on or before 31 December 2023. Because the Pillar II legislation has not yet been introduced as of the end of June 2023, these changes have no impact on these interim financial statements.

In addition, the following new standards, amendments to standards and interpretations issued by the International Accounting Standard Board (IASB) were adopted as of 1 January 2023: These have no significant impact on Total equity as per 30 June 2023, Net result for the first half year of 2023 and comparative figures of Achmea B.V.:

- Amendments to IAS12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

C. CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

Over the past years, the following changes in accounting principles have been published with a future application date. On application they will have no impact on Total equity or Net result or only a limited impact on the presentation and notes of Achmea.

- Amendments to IAS12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.

Achmea did not early adopt these changes.

D. CHANGES IN ACCOUNTING POLICIES, PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

Effectively from 1 January 2023, IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts have been applied. The initial application of these standards will have a significant impact on Achmea’s consolidated financial statements, because the valuation, presentation and determination of results for both insurance contracts and financial instruments will be substantially different. Further information is included in note 17 Notes on the transition to IFRS 9/17.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

E. CHANGES IN ACCOUNTING ESTIMATES

The preparation of the interim financial statements involves the use of estimates and assumptions that may differ from the actual outcome. Due to the transition to IFRS 9 and IFRS 17, the assumptions and estimates in applying Achmea B.V.'s accounting policies and the key sources of estimation uncertainty for the preparation of the 2023 interim financial statements are no longer the same as for Achmea B.V.'s 2022 consolidated financial statements. The key estimation uncertainties are included in the explanatory notes to the items of the statement of financial position.

F. CONSOLIDATION AND REPORTING FRAMEWORK

Achmea B.V.'s interim financial statements include all subsidiaries, associates and joint ventures. The accounting policies and calculation methods as used in the preparation of the interim financial statements are the same as those used in the preparation of the 2022 Achmea B.V. consolidated financial statements, with the exception of the adjustments mentioned above.

G. SEASONAL INFLUENCES

Inherent to the insurance business and Achmea's contractual obligations is that there is a certain degree of seasonality. Insurance revenues recognized in the Statement of profit and loss are based on the compensation the company expects to receive for the insurance-related services provided. For most insurance contracts, this results in an even revenue over the months. Some forms of coverage, depending on the risks insured, may be subject to a seasonal pattern.

H. OPERATIONAL RESULT

For Achmea, the operational result is an important indicator for assessing its results. The operational result equals the profit before tax, which is adjusted for restructuring costs, transaction results (M&A) and the application of an 'expected-return'-methodology regarding the return on investments from insurance activities. For the latter, Achmea bases itself on expected market interest rates at the beginning of the year and normalised returns on non-fixed income investments. The same market interest rates are applied by Achmea to determine the discount rate and interest accretion for our insurance contract liabilities in determining the operational result.

These adjustments are reported as non-operational result. The sum of operational and non-operational result represents the IFRS result before tax.

The definition has been adjusted with the 'expected-return'-methodology to align with the new IFRS 9/17 regime. Movements in financial markets may lead to higher volatility in the result under IFRS 9/17. To maintain focus on and control of the underlying development of the financial results, the definition has been changed. With this adjustment, the operational result accurately reflects Achmea's underlying financial performance (refer to Chapter 3 Segmented information).

2. CAPITAL AND RISK MANAGEMENT

This note provides an update on capital and risk management within Achmea as explained in the 2022 consolidated financial statements.

CAPITAL POSITION

Achmea has a solid capital position. As per 30 June 2023, the solvency ratio under Solvency II was 195% (31 December 2022: 209%).

The calculation of the solvency ratio as per 30 June 2023 is based on our current understanding of the economic situation and the information available to us and represents our best estimate. The calculated Solvency Capital Requirement (SCR) and Solvency II eligible own funds (EOF) is based on the principles set by EIOPA and further interpretation by Achmea.

For calculating the solvency capital requirement under Solvency II, Achmea uses a partial internal model approved by the College of Supervisors. Through the partial internal model, the risks are calculated partly via an internal model and partly using the Solvency II standard formula. The internal models are used to calculate the solvency capital requirement for the insurance risks of property & casualty and income protection insurance as well for market risk. For an explanation of the scope of the internal model, please refer to Note 2 Capital and Risk Management in the Achmea B.V. Consolidated Financial Statements 2022.

The table below shows the Solvency II outcomes as at 30 June 2023.

SOLVENCY RATIO

(€ MILLION)

	30 JUNE 2023	31 DECEMBER 2022
Eligible own funds Solvency II	9,290	9,195
Solvency Capital Requirement	4,756	4,410
Surplus	**4,534**	**4,785**
Ratio (%)	195%	209%

The solvency ratio declined to 195% in the first half of the year. The eligible own funds increased as result of methodology and model changes (which includes, among others, the qualification of individual disability products as long-term products) as well a sharp decrease in restrictions in capital transferability. The latter is a result of a decrease in Tier 2 capital (the redemption of the 6% Tier 2 loan with a nominal value of € 500 million and issuance of a 6.75% Tier 2 bond with a nominal value of € 300 million), the decrease in deferred tax assets and an increase in solvency capital requirement.

The increase in eligible own funds as result of the developments described above, is partly offset by negative portfolio developments following lower expected results in 2023 and result from prior years from the Dutch healthcare business. Moreover, higher premiums and higher own retention as result from reinsurance arrangements result in lower eligible own funds.

The solvency capital requirement increased mainly due to higher health, non-life and market risk. Health risk increases in particular due to the qualification of the individual disability products as long-term products and an increase in premium volume at the Dutch healthcare business due to cost inflation. The hardening of the reinsurance market is leading to higher retention which result to an in an increase in claims risk. Market risk increased due to higher share prices and investment portfolio changes.

The table below shows the composition of the eligible own funds under Solvency II and serves as buffer to absorb risks and financial losses. It consists of the available equity (following economic principles), subordinated loans qualified as equity, taking into account the tiering restrictions within Solvency II.

ELIGIBLE OWN FUNDS SOLVENCY II

(€MILLION)

	30 JUNE 2023	31 DECEMBER 2022
Tier 1	7,448	7,320
Tier 2	1,241	1,467
Tier 3	601	408
Total eligible own fund Solvency II	**9,290**	**9,195**

Equity under Solvency II regulations is not equal to equity under IFRS as a result of valuation differences and restrictions. The table below shows the composition of eligible equity under Solvency II and the relationship with equity under IFRS.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

(€MILLION)

	30 JUNE 2023	31 DECEMBER 2022
Equity Financial statements[1]	**8,878**	**8,597**
Solvency II valuation and classification differences	1,281	1,777
Not qualifying equity and foreseeable dividends	-869	-1,179
Eligible own funds Solvency II	**9,290**	**9,195**

1 This is the revised amount following the transition to IFRS 9 and IFRS 17. For a further explanation, see Note 1 Accounting policies, section D First-time application of accounting policies.

The Solvency II revaluations and reclassifications amount to € 1,281 million (1 January 2022: € 1,992 million, 31 December 2022: € 1,777 million). The use of different economic principles for the determination of the economic items of the statement of financial position under SII (e.g. discount rate, illiquidity premium, a different Cost of Capital percentage for the determination of the Risk Adjustment under IFRS 17 than for the calculation of the Risk Margin under SII) leads to a different valuation than IFRS.

Non-qualifying equity and expected dividends includes the changes in Achmea's available equity in accordance with Solvency II regulations. This item mainly of consists of own shares repurchased, restrictions, valuation differences and expected dividends. The changes compared to 31 December 2022 comprise of expected dividends of € 5 million (2022: € 65 million) and restrictions of € 101 million (2022: € 343 million).

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

SOLVENCY CAPITAL REQUIREMENT

(€MILLION)

	30 JUNE 2023	31 DECEMBER 2022
Market Risk	2,180	2,050
Counterparty Risk	231	174
Life Risk	1,258	1,258
Health Risk	2,206	1,906
Non Life Risk	1,261	1,124
Diversification	-2,627	-2,394
Basic Solvency Capital Requirement	**4,509**	**4,118**
Loss absorbing capacity of Expected Profit (LAC EP)	-574	-444
Loss absorbing capacity of Deferred tax (LAC DT)	-577	-550
Operational Risk	651	626
Solvency Capital Requirement (Consolidated)	**4,009**	**3,750**
SCR Other Financial Sectors & Other entities	747	660
Solvency Capital Requirement	**4,756**	**4,410**

Compliance update

This paragraph provides an update on compliance risk and ongoing investigations by regulators as disclosed in the financial statements of 2022.

Investigations from supervising authorities focus, among others, on international legislation such as CDD, Privacy, Cybersecurity and Outsourcing. Achmea monitors compliance with law and regulations through a short cycle. When appropriate, action plans will be launched and implemented in consultation with management. Pro-active communication and coordination between Achmea and supervising authorities is in place.

The short-cycle monitoring of Achmea revealed points of attention in the areas of CDD, Privacy, Cybersecurity and Outsourcing. Action plans were developed, implemented and executed in consultation with management.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The on-site investigation by the Dutch Central Bank (De Nederlandse Bank; DNB) at Achmea Pensioen- en Levensverzekeringen N.V. regarding non-compliance of the Anti Money Laundering and Terrorist Financing Act (Wet ter voorkoming van witwassen en financieren van terrorisme) has been completed without any follow up actions. The improvements requested by DNB were implemented within the agreed period.

In 2022, the Authority Financial Markets (Autoriteit Financiële Markten; AFM) launched an investigation regarding compliance of the Wwft at Syntrus Achmea following reported transactions by Syntrus Achmea to the Financial Intelligence Unit (FIU) during 2018 to 2022. The investigation by the AFM into the FIU reports has not been completed yet. The AFM can impose an enforcement measure. In addition, the AFM announced that it will launch an investigation into the compliance with the Wwft and Sanctions Act (Sanctiewet) at Syntrus Achmea.

Update legal proceedings

Achmea B.V., its subsidiaries and participating interests are involved in a number of legal and arbitration proceedings. These proceedings relate to submitted claims arising from regular business activities.

On 14 June 2022, Achmea Bank N.V., like several other banks, received a letter from Stichting Compensatie Zwitserse Frank Leningen (CZFL) in which the latter stated that the foundation wants to initiate legal proceedings on behalf of several clients with regard to the mortgages provided in Swiss Francs and breach of the duty of care. According to our internal assessment, there is no breach of the duty of care, Achmea feels supported by previous rulings by judges and Kifid. To date, no formal claim has been made by CZFL and given our assessment of any potential complaint or claim on the grounds stated in CZFL's letter, no provision has been made.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. SEGMENTED INFORMATION

Achmea's activities are divided into segments which are regularly reviewed by the Executive Board to allocate resources to and assess the performance of each segment. The division into segments and the manner in which information on segments has been determined has remained unchanged compared with the Achmea B.V. consolidated financial statements for 2022. Conversely, the manner in which information on segments has been determined has been changed to align with the new regime of IFRS 9/17. In addition, a new definition of Operational Result has been introduced to better reflect this new regime. For more information, see H. Operational Result.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

(€ MILLION)

	SCHADE & INKOMEN NEDERLAND	ZORG NEDERLAND	PENSIOEN & LEVEN NEDERLAND	OUDEDAGS-VOORZIENING NEDERLAND	INTER-NATIONALE ACTIVITEITEN	OVERIGE ACTIVITEITEN	ELIMINATIES TUSSEN DE SEGMENTEN	TOTAL
Assets								
Intangible assets	652			56	69	18		795
Associates and joint ventures	118	19	46		13	24	-180	40
Property for own use and equipment	1	2			54	298		355
Investment property			755		5	5		765
Financial investments								
Investments from insurance and other activities	7,023	5,520	42,240		1,168	1,585	-1,316	56,220
Banking credit portfolio				13,903				13,903
Deferred tax assets			736	6	24	597	-394	969
Income tax receivable	157		285	22	63		-423	104
Insurance contract assets					6			6
Reinsurance contracts held assets	371	1	34		580	252	-278	960
Receivables and accruals	171	903	948	169	88	146	-223	2,202
Cash and cash equivalents	140	220	445	686	284	100	-12	1,863
Assets classified as 'Held for sale'						36		36
Total assets	**8,633**	**6,665**	**45,489**	**14,842**	**2,354**	**3,061**	**-2,826**	**78,218**
Equity								
Equity attributable to holders of equity instruments of the company	2,113	3,704	3,226	843	339	-1,349		8,876
Non-controlling interest			1			1		2
Total equity	**2,113**	**3,704**	**3,227**	**843**	**339**	**-1,348**		**8,878**
Liabilities								
Insurance contract liabilities								
Insurance contract liabilities Non-Life	5,550				1,068	410	-289	6,739
Insurance contract liabilities Health		2,406			218		-2	2,622
Insurance contract liabilities Life			34,849		340	34	-903	34,320
Other provisions	11			2	15	852		880
Financial liabilities	553	551	3,618	13,588	285	2,747	-813	20,529
Derivatives	10	3	3,795	409		1		4,218
Deferred tax liabilities	396				17		-395	18
Income tax payable		1			72	365	-424	14
Total liabilities	**6,520**	**2,961**	**42,262**	**13,999**	**2,015**	**4,409**	**-2,826**	**69,340**
Total equity and liabilities	**8,633**	**6,665**	**45,489**	**14,842**	**2,354**	**3,061**	**-2,826**	**78,218**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 - REVISED

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets	646			57	65	19		787
Associates and joint ventures	13				23	10		46
Property for own use and equipment	1	2			57	318		378
Investment property			840		5	5		850
Financial investments								
Investments from insurance and other activities	7,035	5,362	42,520	0	1,101	1,377	-1,418	55,977
Banking credit portfolio				12,911				12,911
Deferred tax assets			843	2	19	425	-258	1,031
Income tax receivable	34		184	13	45		-198	78
Insurance contract assets					11			11
Reinsurance contracts held assets	508		51		271	323	-373	780
Receivables and accruals	297	817	787	140	101	91	-221	2,012
Cash and cash equivalents	140	246	180	1,038	238	113	-9	1,946
Assets classified as 'Held for sale'						26		26
Total assets	**8,674**	**6,427**	**45,405**	**14,161**	**1,936**	**2,707**	**-2,477**	**76,833**
Equity								
Equity attributable to holders of equity instruments of the company	2,085	3,560	3,242	851	341	-1,484		8,595
Non-controlling interest			1			1		2
Total equity	**2,085**	**3,560**	**3,243**	**851**	**341**	**-1,483**		**8,597**
Liabilities								
Insurance contract liabilities								
Insurance contract liabilities Non-Life	5,602				711	487	-382	6,418
Insurance contract liabilities Health		2,235			159		-2	2,392
Insurance contract liabilities Life			34,867		339	35	-905	34,336
Other provisions	10		2	2	18	844		876
Financial liabilities	694	627	3,405	12,897	302	2,662	-730	19,857
Derivatives	13	4	3,888	411		1		4,317
Deferred tax liabilities	270				15		-259	26
Income tax payable		1			51	161	-199	14
Total liabilities	**6,589**	**2,867**	**42,162**	**13,310**	**1,595**	**4,190**	**-2,477**	**68,236**
Total equity and liabilities	**8,674**	**6,427**	**45,405**	**14,161**	**1,936**	**2,707**	**-2,477**	**76,833**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS PER SEGMENT FIRST HALF YEAR 2023

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Insurance revenue	1,968	7,868	780		770	155	-104	11,437
Insurance service expenses	-1,726	-7,833	-753		-1,176	-91	40	-11,539
Net insurance service result from reinsurance contracts held	-71	-1	4		397	-60	64	333
Insurance service result	**171**	**34**	**31**		**-9**	**4**		**231**
Investment result from (re)insurance activities	120	80	412		34	13	-13	646
Finance result from insurance contracts	-86	-5	-312		-155	-4		-562
Finance result from reinsurance contracts held	1		1		144	5		151
Net financial result from (re)insurance activities	**35**	**75**	**101**		**23**	**14**	**-13**	**235**
Income from associates and joint ventures	1	-2	6		-4	-5		-4
Investment result from other activities				123		20	7	150
Income from service contracts	9	73		138	20	30	-18	252
Other income	-1	2		2	17	4		24
Total other income	**9**	**73**	**6**	**263**	**33**	**49**	**-11**	**422**
Operating expenses	5	66	1	222	27	71		392
Interest and similar expenses	5		5	28		32	-24	46
Other expenses	4	2	-2	3	20	18		45
Total other expenses	**14**	**68**	**4**	**253**	**47**	**121**	**-24**	**483**
Operational result[1]	**201**	**114**	**134**	**10**		**-54**		**405**
Non-operational result	15	32	-23		10	5		39
Profit before tax	**216**	**146**	**111**	**10**	**10**	**-49**		**444**
Income tax	56		28	3	5	-25		67
Net result	**160**	**146**	**83**	**7**	**5**	**-24**		**377**
Expense ratio[2]	24.8%	2.2%			17.2%			
Claims ratio[2]	66.5%	97.4%			84.6%			
Combined ratio[2]	91.3%	99.6%			101.8%			
Amortisation charges	3	1		1	11	24		40
Impairment losses				2	1			3

1 The operational result consists of the result before tax of € 444 million adjusted for the difference in Net financial result from (re)insurance activities compared to the normalised return of €-43 million and restructuring costs of € 4 million. For a detailed explanation of the operational result, please refer to chapter 1 Accounting Principles.

2 The ratios of the International activities segment relate to both Non-Life and Health Insurance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS PER SEGMENT FIRST HALF YEAR 2022 - REVISED

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL ACTIVITIES	OTHER ACTIVITIES	INTER-SEGMENT ELIMINATIONS	TOTAL
Insurance revenue	1,872	7,342	840		619	152	-146	10,679
Insurance service expenses	-1,780	-7,294	-754		-639	-245	230	-10,482
Net insurance service result from reinsurance contracts held	25	-1	-4		19	91	-84	46
Insurance service result	**117**	**47**	**82**		**-1**	**-2**		**243**
Investment result from (re)insurance activities	11	2	65		7	-1	2	86
Finance result from insurance contracts	39		54		9	23	-17	108
Finance result from reinsurance contracts held	-29		-4		-1	-18	15	-37
Net financial result from (re)insurance activities	**21**	**2**	**115**		**15**	**4**		**157**
Income from associates and joint ventures	1				-1	-6		-6
Investment result from other activities				107	4	-3		108
Income from service contracts	8	64		133	15	12	-16	216
Other income	1				10	1		12
Total other income	**10**	**64**		**240**	**28**	**4**	**-16**	**330**
Operating expenses	5	59		189	34	64		351
Interest and similar expenses	1	2	3	41		28	-16	59
Other expenses	2	5		8	42	23		80
Total other expenses	**8**	**66**	**3**	**238**	**76**	**115**	**-16**	**490**
Operational result[1]	**140**	**47**	**194**	**2**	**-34**	**-109**		**240**
Non-operational result	-124	-165	-1,037	-1	-16	-15		-1,358
Profit before tax	**16**	**-118**	**-843**	**1**	**-50**	**-124**		**-1,118**
Income tax	1		-212		1	-39		-249
Net result	**15**	**-118**	**-631**	**1**	**-51**	**-85**		**-869**
Expense ratio[2]	23.8%	2.4%			18.7%			
Claims ratio[2]	70.0%	97.0%			81.5%			
Combined ratio[2]	93.8%	99.4%			100.2%			
Amortisation charges	1	1		5	11	25		43
Impairment losses				3	8			11

1 The operational result consists of the result before tax of € -1,118 million adjusted for the difference in Net financial result from (re)insurance activities compared to the normalised return of € 1,353 million and restructuring costs of € 5 million. For a detailed explanation of the operational result, please refer to chapter 1 Accounting Principles.

2 The ratios of the International activities segment relate to both Non-Life and Health Insurance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. INVESTMENT PROPERTY

(€ MILLION)

	30 JUNE 2023	31 DECEMBER 2022
Residential	639	696
Retail	14	24
Offices	110	128
Other	2	2
Total	**765**	**850**

The fair value change of investment properties was € -70 million in the first half of 2023 (first half of 2022: € 62 million) due to developments in the property market. This change in value is presented in the Statement of profit and loss as part of Realised and unrealised gains and losses in the Investment result from (re)insurance activities.

5. INVESTMENTS

(€MILLION)

	FAIR VALUE THROUGH PROFIT AND LOSS[1]		AMORTISED COST		TOTAL	
FINANCIAL ASSETS	30 JUNE 2023	REVISED 31 DECEMBER 2022	30 JUNE 2023	REVISED 31 DECEMBER 2022	30 JUNE 2023	REVISED 31 DECEMBER 2022
Investments from insurance and other activities						
Equities & similar investments	9,343	6,114			9,343	6,114
Fixed income investments	36,223	35,727	11	11	36,234	35,738
Derivatives	4,928	5,452			4,928	5,452
Other financial investments	5,715	8,673			5,715	8,673
Banking credit portfolio						
Fixed income investments	663	681	12,693	11,645	13,356	12,326
Derivatives	491	538			491	538
Other financial investments			56	47	56	47
Total investments	**57,363**	**57,185**	**12,760**	**11,703**	**70,123**	**68,888**

1 Investments measured at fair value through profit or loss almost entirely comprise the investments mandatorily measured at fair value through profit or loss

Equity and similar investments and Fixed income Investments have increased mainly due to a reclassification from Other financial investments. This involves a reclassification of investment funds, which were previously presented as funds under Other financial Investments, and from 2023 onwards are included among the various asset classes in which investments are made.

The Banking credit portfolio has increased due to new lending.

Investments from insurance and other activities under Equities and similar investments include € 781 million of investments in property funds at 30 June 2023 (Revised 31 December 2022: € 872 million).

As of 30 june 2023 an amount of € 1 million is reserved for expected credit loss for the Investments from insurance and other activities (31 December 2022: € 1 million). The change in the first half of 2023 amounted € 0 million (first half of 2022: € 0 million). Changes are recognised in the Statement of profit and loss under Investment result from (re)insurance activities.

As of 30 june 2023 an amount of € 24 million is reserved for expected credit loss relating to the Banking credit portfolio (31 December 2022: € 22 million). The change in the first half of 2023 amounted € 2 million (first half of 2022: € 2 million). Changes are recognised in the Statement of profit and loss under Other expenses.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FIXED INCOME INVESTMENTS INSURANCE ACTIVITIES AND OTHER CLASSIFIED BY NATURE

(€MILLION)

	30 JUNE 2023	REVISED 31 DECEMBER 2022
Government and government related guaranteed bonds	11,575	12,042
Securitised bonds[1]	1,715	1,903
Corporate bonds	12,887	12,389
Convertible bonds	397	292
Loans secured by mortgages	7,852	7,657
Loans and deposits with credit institutions	278	179
Other	1,530	1,276
Total	**36,234**	**35,738**

[1] Securitised bonds include € 252 million (Revised 31 December 2022: € 137 million) asset backed securities (collateralised).

See Note 17 Notes on transition to IFRS 9/17 for the accounting policy regarding Investments.

6. INSURANCE CONTRACT ASSETS AND LIABILITIES

ANALYSIS OF ASSETS AND LIABILITIES RELATED TO (RE)INSURANCE CONTRACTS

(€ MILLION)

	30 JUNE 2023			REVISED 31 DECEMBER 2022		
	(RE)INSURANCE ASSETS	(RE)INSURANCE LIABILITIES	TOTAL	(RE)INSURANCE ASSETS	(RE)INSURANCE LIABILITIES	TOTAL
Insurance contracts						
Non-life						
General model		1,077	1,077		1,077	1,077
Premium allocation approach	2	5,662	5,660	4	5,341	5,337
Subtotal	**2**	**6,739**	**6,737**	**4**	**6,418**	**6,414**
Health						
General model		42	42		44	44
Premium allocation approach	1	2,580	2,579	3	2,348	2,345
Subtotal	**1**	**2,622**	**2,621**	**3**	**2,392**	**2,389**
Life						
General model	3	24,615	24,612	4	24,990	24,986
Variable fee approach		9,699	9,699		9,342	9,342
Assets for insurance acquisition cash flows		6	6		4	4
Subtotal	**3**	**34,320**	**34,317**	**4**	**34,336**	**34,332**
Total insurance contracts	**6**	**43,681**	**43,675**	**11**	**43,146**	**43,135**
Outward reinsurance contracts held						
Non-life						
Premium allocation approach	920		920	724		724
Health						
Premium allocation approach	6		6			
Life						
General model	34		34	56		56
Total outward reinsurance contracts held	**960**		**960**	**780**		**780**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The total value of insurance contracts as of 30 June 2023 is € 43,675 million (31 December 2022: € 43,135 million) and remained relatively stable. The total value of reinsurance contracts held as of 30 June 2023 is € 960 million (31 December 2022: € 780 million). The main increase within both insurance and reinsurance contracts held relates to the earthquake in Turkey.

CSM maturity overview

The following tables show the expected release to the statement of profit and loss of the remaining CSM after the statement of financial position date for liabilities related to insurance contracts valued at GMM and VFA.

(€ MILLION)

					30 JUNE 2023
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 15 YEARS	OVER 15 YEARS	TOTAL
Non-life					
Insurance contracts	14	42	54	17	127
Health					
Insurance contracts	1	5	5	2	13
Life					
Insurance contracts	29	194	336	481	1,040
Reinsurance contracts held	1				1

(€ MILLION)

					31 DECEMBER 2022
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 15 YEARS	OVER 15 YEARS	TOTAL
Non-life					
Insurance contracts	15	46	52	18	131
Health					
Insurance contracts	2	5	6	2	15
Life					
Insurance contracts	35	222	363	478	1,098
Reinsurance contracts held	1				1

The CSM for Non-life largely consists of the CSM of disability insurance in the Netherlands. The CSM for Health consists of a dedicated portfolio in Greece made up of combined health and life products with health as the main risk. The CSM for Life mainly relates to the service book portfolio in the Netherlands.

Maturity overview of present value of future cash flows

The following tables show the expected outcome of the present value of future cash flows. These tables do not include the Risk Adjustment and the CSM.

(€ MILLION)

									30 JUNI 2023
	LESS THAN 12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 3 YEARS	BETWEEN 2 AND 3 YEARS	BETWEEN 4 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	BETWEEN 10 AND 15 YEARS	MORE THAN 15 YEARS	TOTAL
Insurance contract liabilities									
Non-life	1,500	1,111	737	554	434	1,177	482	417	6,412
Health	1,768	441	295	60					2,564
Life	1,561	2,599	2,257	2,098	1,948	7,610	5,262	9,243	32,578
Total	**4,829**	**4,151**	**3,289**	**2,712**	**2,382**	**8,787**	**5,744**	**9,660**	**41,554**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(€ MILLION)

									31 DECEMBER 2022
	LESS THAN 12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 3 YEARS	BETWEEN 2 AND 3 YEARS	BETWEEN 4 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	BETWEEN 10 AND 15 YEARS	MORE THAN 15 YEARS	TOTAL
Insurance contract liabilities									
Non-life	1,345	1,005	748	537	423	1,179	487	415	6,139
Health	1,918	341	76	9					2,344
Life	2,816	2,518	2,188	2,071	1,922	7,304	5,051	8,649	32,519
Total	**6,079**	**3,864**	**3,012**	**2,617**	**2,345**	**8,483**	**5,538**	**9,064**	**41,002**

Analysis of movements in insurance contracts by insurance unit

The following tables show how the book value of the insurance contracts change for each insurance business as a result of cash flows and recognition of income and expenses in the statement of profit and loss. For each type of insurance business (Non-life, Health, Life), a table is included showing an abbreviated analysis of the changes in liabilities. This table includes an overview of the cash flows required to meet the liabilities after the statement of financial position date and their reconciliation to the statement of profit and loss. For the portfolios valued according to GMM or VFA, a condensed analysis of the development of expected future cash flows, Risk Adjustment and CSM is also included.

MOVEMENTS IN TOTAL INSURANCE CONTRACTS - NON-LIFE

(€ MILLION)

	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS				
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF PRESENT OF VALUE OF FUTURE CASH FLOWS - GMM OR VFA	ESTIMATES OF PRESENT OF VALUE OF FUTURE CASH FLOWS - PAA	RISK ADJUSTMENT - PAA	FIRST HALF YEAR 2023	YEAR 2022
Insurance contract assets	-8			4		-4	
Insurance contract liabilities	229	45	1,405	4,634	105	6,418	6,760
Balance at 1 January	**221**	**45**	**1,405**	**4,638**	**105**	**6,414**	**6,760**
Insurance revenue	-2,338					-2,338	-4,482
Insurance service expenses	252	2	87	2,132	25	2,498	4,241
Insurance service result	**-2,086**	**2**	**87**	**2,132**	**25**	**160**	**-241**
Financial income and expenses and foreign currency differences	14	4	28	166	-1	211	-757
Effect of changes in exchange rates	-13	-3		1	-5	-20	-55
Total changes in the statement of profit and loss and other comprehensive income	**-2,085**	**3**	**115**	**2,299**	**19**	**351**	**-1,053**
Cash flows	1,888		-28	-1,888		-28	699
Change in composition of the group							8
Balance at 30 June / 31 December	**24**	**48**	**1,492**	**5,049**	**124**	**6,737**	**6,414**
Insurance contract assets	-3			1		-2	-4
Insurance contract liabilities	27	48	1,492	5,048	124	6,739	6,418

The main increase in Liabilities for incurred claims PAA in 2023 relates to the earthquake in Turkey within both Non-life insurance contracts and reinsurance contracts held. The Financial income and expenses and foreign currency differences in 2022 were strongly affected by the financial markets and exchange rate differences.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MOVEMENTS IN INSURANCE CONTRACTS VALUED AT GMM - NON-LIFE

(€ MILLION)

			CONTRACTUAL SERVICE MARGIN					
	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	CONTRACTS UNDER FAIR VALUE APPROACH	OTHER CONTRACTS	**TOTAL CSM**	**FIRST HALF YEAR 2023**	TOTAL CSM YEAR 2022[1]	YEAR 2022
Insurance contract liabilities	873	73	131		131	1,077	132	1,380
Balance at 1 January	**873**	**73**	**131**		**131**	**1,077**	**132**	**1,380**
Changes in the statement of profit or loss and other comprehensive income								
Changes that relate to current services		-4	-8		-8	-12	-14	-22
Changes that relate to future services	-10	4	3	1	4	-2	13	11
Changes that relate to past services	2	-3				-1		27
Insurance service result	**-8**	**-3**	**-5**	**1**	**-4**	**-15**	**-1**	**16**
Financial income and expenses and foreign currency differences	36	5				41		-281
Total changes in the statement of profit and loss and other comprehensive income	**28**	**2**	**-5**	**1**	**-4**	**26**	**-1**	**-265**
Cash flows	-26					-26		-42
Change in composition of the group							4	4
Transfer to other items in the statement of financial position							-4	
Balance at 30 June / 31 December	**875**	**75**	**126**	**1**	**127**	**1,077**	**131**	**1,077**
Insurance contract liabilities	875	75	126	1	127	1,077	131	1,077

[1] The CSM as of 1 January 2022 consist fully of contracts falling under Fair value approach.

MOVEMENTS IN TOTAL INSURANCE CONTRACTS - HEALTH

(€ MILLION)

	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS				
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS - GMM OR VFA	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS - PAA	RISK ADJUSTMENT - PAA	**FIRST HALF YEAR 2023**	YEAR 2022
Insurance contract assets				-3		-3	-2
Insurance contract liabilities	-1,180	5	2	3,534	31	2,392	1,864
Balance at 1 January	**-1,180**	**5**	**2**	**3,531**	**31**	**2,389**	**1,862**
Insurance revenue	-8,266					-8,266	-15,421
Insurance service expenses	25	9	5	8,200	4	8,243	15,227
Insurance service result	**-8,241**	**9**	**5**	**8,200**	**4**	**-23**	**-194**
Financial income and expenses and foreign currency differences	6			1		7	-5
Total changes in the statement of profit and loss and other comprehensive income	**-8,235**	**9**	**5**	**8,201**	**4**	**-16**	**-199**
Cash flows	8,233		-4	-7,981		248	726
Balance at 30 June / 31 December	**-1,182**	**14**	**3**	**3,751**	**35**	**2,621**	**2,389**
Insurance contract assets				-1		-1	-3
Insurance contract liabilities	-1,182	14	3	3,752	35	2,622	2,392

The Liabilities for incurred claims increase due to price inflation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MOVEMENTS IN INSURANCE CONTRACTS VALUED AT GMM - HEALTH

(€ MILLION)

			CONTRACTUAL SERVICE MARGIN					
	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	CONTRACTS UNDER FAIR VALUE APPROACH	OTHER CONTRACTS	TOTAL CSM	FIRST HALF YEAR 2023	TOTAL CSM YEAR 2022[1]	YEAR 2022
Insurance contract liabilities	27	2	15		15	44	1	53
Balance at 1 January	**27**	**2**	**15**		**15**	**44**	**1**	**53**
Changes in the statement of profit or loss and other comprehensive income								
Changes that relate to current services			-1		-1	-1	-1	
Changes that relate to future services	1		-1		-1		14	
Changes that relate to past services	1					1		
Insurance service result	**2**		**-2**		**-2**		**13**	
Financial income and expenses and foreign currency differences							1	-5
Total changes in the statement of profit and loss and other comprehensive income	**2**		**-2**		**-2**		**14**	**-5**
Cash flows	-2					-2		-4
Balance at 30 June / 31 December	**27**	**2**	**13**		**13**	**42**	**15**	**44**
Insurance contract liabilities	27	2	13		13	42	15	44

[1] The CSM as of 1 January 2022 consist fully of contracts falling under Fair value approach.

MOVEMENTS IN TOTAL INSURANCE CONTRACTS - LIFE

(€ MILLION)

	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT		FIRST HALF YEAR 2023	YEAR 2022
Insurance contract assets	-4			-4	-6
Insurance contract liabilities	34,014	16	302	34,332	46,399
Balance at 1 January	**34,010**	**16**	**302**	**34,328**	**46,393**
Insurance revenue	-833			-833	-1,856
Insurance service expenses	-36	75	762	801	1,778
Investment components and premium refunds	-716		716		
Insurance service result	**-1,585**	**75**	**1,478**	**-32**	**-78**
Financial income and expenses and foreign currency differences	903	1		904	-9,860
Total changes in the statement of profit and loss and other comprehensive income	**-682**	**76**	**1,478**	**872**	**-9,938**
Cash flows	606	4	-1,499	-889	-2,127
Balance at 30 June / 31 December	**33,934**	**96**	**281**	**34,311**	**34,328**
Insurance contract assets	-3			-3	-4
Insurance contract liabilities	33,937	96	281	34,314	34,332

The Financial income and expenses and foreign currency differences in 2022 were strongly affected by the financial markets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MOVEMENTS IN INSURANCE CONTRACTS VALUED AT GMM AND VFA - LIFE

(€ MILLION)

			CONTRACTUAL SERVICE MARGIN					
	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	CONTRACTS UNDER FAIR VALUE APPROACH	OTHER CONTRACTS	TOTAL CSM	FIRST HALF YEAR 2023	TOTAL CSM YEAR 2022[1]	YEAR 2022
Insurance contract assets	-4					-4		-7
Insurance contract liabilities	32,519	715	1,059	39	1,098	34,332	1,396	46,399
Balance at 1 January	**32,515**	**715**	**1,059**	**39**	**1,098**	**34,328**	**1,396**	**46,392**
Changes in the statement of profit or loss and other comprehensive income								
Changes that relate to current services		-31	-23	-4	-27	-58	-48	-119
Changes that relate to future services	65	23	-48	15	-33	55	-253	100
Changes that relate to past services	-28					-28		-59
Insurance service result	**37**	**-8**	**-71**	**11**	**-60**	**-31**	**-301**	**-78**
Financial income and expenses and foreign currency differences	907	-5	1	1	2	904	3	-9,860
Total changes in the statement of profit and loss and other comprehensive income	**944**	**-13**	**-70**	**12**	**-58**	**873**	**-298**	**-9,938**
Cash flows	-890					-890		-2,126
Balance at 30 June / 31 December	**32,569**	**702**	**989**	**51**	**1,040**	**34,311**	**1,098**	**34,328**
Insurance contract assets	-3					-3		-4
Insurance contract liabilities	32,572	702	989	51	1,040	34,314	1,098	34,332

1 The CSM as of 1 January 2022 consists of € 1,384 million of contracts falling under the Fair value approach and € 12 million of other contracts.

Analysis of movements in reinsurance contracts held

The following tables show how the book value of the outward reinsurance contracts held change as a result of cash flows and recognition of income and expenses in the statement of profit and loss. At the aggregate level, a table is included with a condensed analysis of the changes in liabilities for cash flows necessary to meet the liabilities after the statement of financial position date and the changes in liabilities for claims that have occurred before the statement of financial position date and their reconciliation to the statement of profit and loss. The table shows the total reinsurance contracts held of Non-life, Health and Life.

For the portfolios valued according to GMM or VFA, a condensed analysis of the development of expected future cash flows, Risk Adjustment and CSM is also included. This table only relates to Life.

For an explanation of the assumptions and estimates and accounting policies for the (Re)insurance contract liabilities, please refer to Note 17 Notes on the transition to IFRS 9/17.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MOVEMENTS OF TOTAL OUTWARD REINSURANCE CONTRACTS HELD ASSETS

(€ MILLION)

	REINSURANCE ASSETS FOR REMAINING COVERAGE		REINSURANCE ASSETS FOR INCURRED CLAIMS				
	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF PRESENT OF VALUE OF FUTURE CASH FLOWS - GMM OR VFA	ESTIMATES OF PRESENT OF VALUE OF FUTURE CASH FLOWS - PAA	RISK ADJUSTMENT - PAA	**FIRST HALF YEAR 2023**	YEAR 2022
Reinsurance contracts held assets	26	3	22	716	13	780	667
Balance at 1 January	**26**	**3**	**22**	**716**	**13**	**780**	**667**
Recoveries of incurred claims and other income from reinsurance services	3	1	14	488	22	528	284
Premiums and other charges from reinsurance services	-195					-195	-347
Net insurance service result from reinsurance contracts held	**-192**	**1**	**14**	**488**	**22**	**333**	**-63**
Financial income and expenses and foreign currency differences	1	1		148	1	151	-23
Effect of changes in exchange rates	-1			19	1	19	-10
Total changes in the statement of profit and loss and other comprehensive income	**-192**	**2**	**14**	**655**	**24**	**503**	**-96**
Cash flows	-44		-23	-256		-323	209
Balance at 30 June / 31 December	**-210**	**5**	**13**	**1,115**	**37**	**960**	**780**
Reinsurance contracts held assets	-210	5	13	1,115	37	960	780

The main increase in Reinsurance assets for incurred claims PAA in 2023 relates to the earthquake in Turkey within both Non-life insurance contracts and reinsurance contracts held. The Financial income and expenses and foreign currency differences in 2023 include a positive foreign currency result on in Turkey concluded contracts.

MOVEMENTS OF CHANGES IN OUTWARD REINSURANCE CONTRACTS HELD ASSETS VALUED AT GMM - LIFE

(€ MILLION)

			CONTRACTUAL SERVICE MARGIN					
	ESTIMATES OF PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	CONTRACTS UNDER FAIR VALUE TRANSITION APPROACH	OTHER CONTRACTS	TOTAL CSM	**FIRST HALF YEAR 2023**	TOTAL CSM YEAR 2022	YEAR 2022
Reinsurance contracts held assets	55			1	1	56		67
Balance at 1 January	**55**			**1**	**1**	**56**		**67**
Changes in the statement of profit or loss and other comprehensive income								
Changes that relate to current services							-1	-9
Changes that relate to future services	-7					-7	2	
Changes that relate to past services	7					7		6
Net insurance service result from reinsurance contracts held	**0**					**0**	**1**	**-3**
Financial income and expenses and foreign currency differences	1					1		-5
Total changes in the statement of profit and loss and other comprehensive income	**1**					**1**	**1**	**-8**
Cash flows	-21					-21		-3
Balance at 30 June / 31 December	**35**			**1**	**1**	**36**	**1**	**56**
Reinsurance contracts held assets	35			1	1	36	1	56

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. FINANCIAL LIABILITIES

(€ MILLION)

	30 JUNE 2023	REVISED 31 DECEMBER 2022
Investment contracts	148	138
Banking customer accounts	8,178	7,406
Loans and borrowings	6,361	6,625
Operational leases	131	137
Other liabilities	5,711	5,551
Total financial liabilities	**20,529**	**19,857**

The Banking customer accounts increased due to growth in the savings portfolio as a result of the increase in the mortgage portfolio and a favorable development of deposit rates for Banking customers.

LOANS AND BORROWINGS CLASSIFIED BY FINANCING ACTIVITY

(€ MILLION)

	30 JUNE 2023	REVISED 31 DECEMBER 2022
Deposits from credit institutions	612	1,139
Secured bank loans	2,727	2,795
Unsecured loans	2,414	1,883
Subordinated loans	547	749
Others	61	59
Total loans and borrowings classified by financing activity	**6,361**	**6,625**

In the first half of 2023, Achmea issued an additional Unsecured loan for an amount of € 500 million with a coupon rate of 3.0%. The placement concerns a loan at subsidiary Achmea Bank N.V. In addition, Achmea redeemed a Subordinated loan of € 500 million. This loan has been replaced by a new Subordinated loan of € 300 million with a coupon rate of 6.75%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. FAIR VALUE HIERARCHY

This note provides an overview of assets and liabilities that are measured subsequently to initial recognition at fair value, grouped into three levels (fair-value hierarchy) based on the significance of the inputs used in making the fair-value measurements. The hierarchy consists of the categories as included in Achmea B.V.'s 2022 consolidated financial statements. Equity and fixed-income investments have increased mainly due to a reclassification from Other Financial Investments. This involves a reclassification of investment funds, which were previously presented as funds under Other Financial Investments, and from 2023 onwards have been included among the various asset classes in which investments are made.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS SINCE 30 JUNE 2023

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Recurring fair value measurement				
Investments				
Equities and similar investments	6,587	1,684	1,072	9,343
Fixed income investments	24,002	4,380	8,501	36,883
Derivatives	3	5,416		5,419
Other financial investments	211	5,504		5,715
Cash and cash equivalents	999	864		1,863
Total financial assets measured at fair value on a recurring basis	**31,802**	**17,848**	**9,573**	**59,223**
Financial liabilities				
Recurring fair value measurement				
Financial liabilities				
Investment contracts		148		148
Loans and borrowings		2		2
Derivatives	27	4,191		4,218
Total financial liabilities measured at fair value on a recurring basis	**27**	**4,341**		**4,368**

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS SINCE 31 DECEMBER 2022 – REVISED

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Recurring fair value measurement				
Investments				
Equities and similar investments	3,958	922	1,234	6,114
Fixed income investments	24,393	3,683	8,331	36,407
Derivatives	271	5,719		5,990
Other financial investments	551	8,122		8,673
Cash and cash equivalents	852	1,094		1,946
Total financial assets measured at fair value on a recurring basis	**30,025**	**19,540**	**9,565**	**59,130**
Financial liabilities				
Recurring fair value measurement				
Financial liabilities				
Investment contracts		138		138
Loans and borrowings		1		1
Derivatives	30	4,287		4,317
Total financial liabilities measured at fair value on a recurring basis	**30**	**4,426**		**4,456**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

No significant changes in the fair value hierarchy in the first half of 2023
At each Statement of financial position date, Achmea assesses the classification of assets and liabilities measured at fair value. The assessment of the classification in the fair value hierarchy requires substantial estimates, for example the importance of (un)observable inputs used in determining the fair value or with respect to activity of the market. In case of inactive markets, judgement is required on the valuation techniques used in order to determine the fair value as well as the interpretation of the level of the market and other data used. As a result, the outcome of the classification process may differ between reporting periods. Achmea's policy is to incorporate transfers into and out of categories within the fair value hierarchy in the Statement of financial position at the beginning of the reporting period. No significant changes were made to the categorisation of financial assets and financial liabilities in the first half of 2023.

Valuation techniques used and valuation processes within Achmea for level 2 and 3 valuations.
Depending on the financial instruments, Achmea has set valuation policies and procedures for determining the fair value. The valuation guidelines and procedures for determining fair value are the same as those used in the preparation of the 2022 Achmea B.V. consolidated financial statements.

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

FINANCIAL ASSETS / FINANCIAL LIABILITIES 2023 (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL	DERIVATIVES	LIABILITIES TOTAL
Balance at 1 January	**1,234**	**8,331**	**9,565**		
Investments and loans granted	186	566	752		
Divestments and disposals	-11	-418	-429		
Fair value changes included in Statement of profit and loss	-44	26	-18		
Changes in fair value hierarchy (transfers from Level 3)	-293	-4	-297		
Balance as at 30 June	**1,072**	**8,501**	**9,573**		

FINANCIAL ASSETS / FINANCIAL LIABILITIES 2022 – REVISED (€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	ASSETS TOTAL	DERIVATIVES	LIABILITIES TOTAL
Balance at 1 January	**852**	**9,677**	**10,529**		
Investments and loans granted	474	1,706	2,180		
Divestments and disposals	-98	-1,016	-1,114		
Fair value changes included in Statement of profit and loss	4	-2,044	-2,040		
Changes due to reclassification	2		2		
Changes in fair value hierarchy (transfers to Level 3)		8	8		
Balance as at 31 December	**1,234**	**8,331**	**9,565**		

The changes in the fair value hierarchy from category 3 to categories 1 and 2 in the first half year of 2023 are mainly due to the reclassification of investment funds from 2023. Changes in fair value relating to Equities and similar investments and Fixed income investments recognised in the Statement of profit and loss are presented as part of the Investment result from (re)insurance activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIGNIFICANT UNOBSERVABLE INPUTS FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE CLASSIFIED AS CATEGORY 3 ON 30 JUNE 2023

DESCRIPTION	FAIR VALUE IN MILLIONS	VALUATION TECHNIQUE USED	UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	1,072	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Investments insurance and other	8,501	Discounted cashflows	Total spread	8 – 150 (bps)	An increase has direct impact in the Statement of profit and loss.

SIGNIFICANT UNOBSERVABLE INPUTS FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE CLASSIFIED AS CATEGORY 3 ON 31 DECEMBER 2022 – REVISED

DESCRIPTION	FAIR VALUE IN MILLIONS	VALUATION TECHNIQUE USED	UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investments					
Equities and similar investments	1,234	Net Asset Value	N/A	N/A	N/A
Fixed income investments					
Investments insurance and other	8,331	Discounted cashflows	Total spread	124 – 166 (bps)	An increase has direct impact in the Statement of profit and loss.

Equities and similar investments mainly consist of investments in private equity, amounting to € 218 million (31 December 2022 (revised): € 238 million), real estate funds amounting to € 669 million (31 December 2022 (revised): € 829 million) and Infrastructure funds amounting to € 152 million (31 December 2022 (revised): € 133 million). The private equity investments are of a highly diversified nature in terms of sector, geographical region and type of investment. Because for the majority of these investments, the fair value is determined using the intrinsic value (net asset value) as reported by the fund manager or the general partner, there is no significant unobservable input or combination of inputs that can be used to conduct a sensitivity analysis for this portfolio.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The following table provides an overview of all financial instruments that are not measured at fair value, the fair value of which is disclosed in the notes.

FAIR VALUE (HIERARCHY) ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

(€ MILLION)

	CARRYING AMOUNT AS AT 30 JUNE 2023	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 30 JUNE 2023
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Fixed income investments	12,707	488	390	11,826	12,704
Other financial investments	56		56		56
Receivables	2,112		2,190	12	2,202
Liabilities					
Banking customer accounts	8,178		8,178		8,178
Loans and borrowings	6,359	5,116	1,243		6,359
Other liabilities	3,014		5,711		5,711

FAIR VALUE (HIERARCHY) ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

(€ MILLION)

	REVISED CARRYING AMOUNT AS AT 31 DECEMBER 2022	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	REVISED FAIR VALUE AS AT 31 DECEMBER 2022
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
Investments					
Fixed income investments	11,657		10	11,647	11,657
Other financial investments			47		47
Receivables	1,201		2,009	3	2,012
Liabilities					
Banking customer accounts	6,790		7,406		7,406
Loans and borrowings	5,186	1,992	4,632		6,624
Other liabilities	3,690		5,551		5,551

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. INSURANCE SERVICE RESULT

(€ MILLION)

	NON-LIFE	HEALTH	LIFE	FIRST HALF YEAR 2023 TOTAL
Insurance revenue	2,338	8,266	833	11,437
Insurance service expenses	-2,498	-8,243	-801	-11,542
Net insurance service result from reinsurance contracts held				
Total expenses, ceded premiums for reinsurance contracts held	-171	-11	-13	-195
Total income, claims received from reinsurance contracts held	509	6	13	528
Total Insurance service result	**178**	**18**	**32**	**228**

(€ MILLION)

	NON-LIFE	HEALTH	LIFE	REVISED FIRST HALF YEAR 2022 TOTAL
Insurance revenue	2,168	7,669	842	10,679
Insurance service expenses	-2,080	-7,636	-770	-10,486
Net insurance service result from reinsurance contracts held				
Total expenses, ceded premiums for reinsurance contracts held	-157	-3	-11	-171
Total income, claims received from reinsurance contracts held	201	4	12	217
Total Insurance service result	**132**	**34**	**73**	**239**

10. INSURANCE REVENUE

(€ MILLION)

	NON-LIFE	HEALTH	LIFE	FIRST HALF YEAR 2023 TOTAL
Contracts under the GMM or VFA				
Insurance liabilities for contracts for which coverage is yet to be provided				
CSM relating to services provided for contracts	8	1	26	35
Change Risk Adjustment for the period	5		31	36
Release from provision for expected benefits, claims and other costs relating to insurance services	86	4	784	874
Adjustments to premiums and sales and insurance acquisition cash flows ("experience adjustment")			-14	-14
Amortisation of insurance acquisition costs from premiums			6	6
Contracts under GMM or VFA	**99**	**5**	**833**	**937**
Contracts under the PAA	**2,239**	**8,261**		**10,500**
Total insurance revenue	**2,338**	**8,266**	**833**	**11,437**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(€ MILLION)

				REVISED FIRST HALF YEAR 2022
	NON-LIFE	HEALTH	LIFE	TOTAL
Contracts under the GMM or VFA				
Insurance liabilities for contracts for which coverage is yet to be provided				
CSM relating to services provided for contracts	7	1	48	56
Change Risk Adjustment for the period	3		45	48
Release from provision for expected benefits, claims and other costs relating to insurance services	57	4	786	847
Adjustments to premiums and sales and insurance acquisition cash flows ("experience adjustment")			-42	-42
Amortisation of insurance acquisition costs from premiums			5	5
Contracts under GMM or VFA	**67**	**5**	**842**	**914**
Contracts under the PAA	**2,101**	**7,664**		**9,765**
Total insurance revenue	**2,168**	**7,669**	**842**	**10,679**

The increase at Health is caused by increase in premiums and higher government contribution due to price inflation. The increase at Non-Life is mainly caused by portfolio growth in the Netherlands.

11. INSURANCE SERVICE EXPENSES

(€ MILLION)

				FIRST HALF YEAR 2023
	NON-LIFE	HEALTH	LIFE	TOTAL
Claims and related costs incurred in the previous and current periods	2,477	8,217	761	11,455
Amortisation of acquisition costs	29	15	5	49
Change in provision for onerous contracts	-8	11	35	38
Total insurance service expenses	**2,498**	**8,243**	**801**	**11,542**

(€ MILLION)

				REVISED FIRST HALF YEAR 2022
	NON-LIFE	HEALTH	LIFE	TOTAL
Claims and related costs incurred in the previous and current periods	2,060	7,635	774	10,469
Amortisation of acquisition costs	15	11	3	29
Change from provision for onerous contracts	5	-10	-7	-12
Total insurance service expenses	**2,080**	**7,636**	**770**	**10,486**

Claims in Non-life increased mainly due to earthquake damage and inflation effects in Turkey. In the Netherlands, claims decreased as no major storm damage occurred in the first half of 2023. Due to increase in traffic intensity, personal injury claims are increasing. There are also higher claims due to inflation.

The increase in claims in Health is mainly caused by healthcare cost inflation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. NET FINANCIAL RESULT FROM (RE)INSURANCE ACTIVITIES

NET FINANCIAL RESULT FROM (RE)INSURANCE ACTIVITIES

(€ MILLION)

				FIRST HALFYEAR 2023
	NON-LIFE	HEALTH	LIFE	TOTAL
Investment result from (re)insurance activities				
Interest income / expenses on financial assets not measured at FVTPL	3	1	-8	-4
(Un)realised results on investments measured at FVTPL[1]	154	110	1,001	1,265
Investment expenses financial assets	-4	-1	-17	-22
Investment expenses property			-5	-5
Impairment losses				
Total investment result from (re)insurance activities	**153**	**110**	**971**	**1,234**
Finance result from insurance contracts				
Changes in fair value of financial investments of insurance contracts where policyholders bear the investment risk			-47	-47
Interest accreted on insurance contracts	-13	-6	-225	-244
Effect of changes in discount curve and other financial assumptions[2]	-53	-1	-632	-686
Foreign exchange loss	-145			-145
Total finance result from insurance contracts	**-211**	**-7**	**-904**	**-1,122**
Finance result from reinsurance contracts held				
Interest accreted on reinsurance contracts held	6			6
Other	146		1	147
Effect of changes in non-performance risk of reinsurers	-2			-2
Total finance result from reinsurance contracts held	**150**		**1**	**151**
Net financial result from (re)insurance activities				
Recognised in statement of profit or loss	-58	103	67	112
Net finance result from reinsurance contracts held				
Recognised in statement of profit or loss	150		1	151
Net financial result from (re)insurance activities	**92**	**103**	**68**	**263**

1 The (un)realised results on investments measured at FVTPL relates almost entirely to investments that are mandatorily FVTPL. The (un)realised results on investments measured at FVTPL also include investment income from investment properties.
2 In the Effect of changes in discount rate and other financial assumptions also includes the effect of risk mitigation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NET FINANCIAL RESULT FROM (RE)INSURANCE ACTIVITIES

(€ MILLION)

				FIRST HALFYEAR 2022
	NON-LIFE	HEALTH	LIFE	TOTAL
Investment result from (re)insurance activities				
Interest income / expenses on financial assets not measured at FVTPL	3	-1	8	10
(Un)realised results on investments measured at FVTPL[1]	-632	-158	-8,919	-9,709
Investment expenses financial assets	-4	-1	16	11
Investment expenses property			-7	-7
Impairment losses				
Total investment result from (re)insurance activities	**-633**	**-160**	**-8,902**	**-9,695**
Finance result from insurance contracts				
Changes in fair value of financial investments of insurance contracts where policyholders bear the investment risk			-70	-70
Interest accreted on insurance contracts	-5	1	129	125
Effect of changes in discount rate and other financial assumptions[2]	553	4	7,935	8,492
Foreign exchange loss	-11			-11
Total finance result from insurance contracts	**537**	**5**	**7,994**	**8,536**
Finance result from reinsurance contracts held				
Interest accreted on reinsurance contracts held	1			1
Other	-34		-4	-38
Effect of changes in non-performance risk of reinsurers				
Total finance result from reinsurance contracts held	**-33**		**-4**	**-37**
Net financial result from (re)insurance activities				
Recognised in statement of profit or loss	-96	-155	-908	-1,159
Net finance result from reinsurance contracts held				
Recognised in statement of profit or loss	-33		-4	-37
Net financial result from (re)insurance activities	**-129**	**-155**	**-912**	**-1,196**

1 The (un)realised results on investments measured at FVTPL relates almost entirely to investments that are mandatorily FVTPL. The (un)realised results on investments measured at FVTPL also include investment income from investment properties.
2 In the Effect of changes in discount rate and other financial assumptions also includes the effect of risk mitigation.

The difference in the Total investment result from (re)insurance activities for the first half of 2023 versus 2022 is € 10.9 billion. The first half of 2022 was particularly affected by sharp increases in interest rates in maturities up to 20 years and the widening of the spreads. This resulted in a negative result of € 9.7 billion. The Total finance result from insurance contracts for the first half of 2022 is € 8.5 billion positive as a result of these developments. These opposite effects do not fully offset each other because interest rate riskmanagement is primarily aimed at limiting the impact of interest rate and spread movements on the Solvency II ratio.

The first half of 2023 was characterised by an increase in equity markets and swap rates rising within the short-term segment, while swap rates fell slightly within the long-term segment. This resulted in a positive result of € 1.2 billion. The Total finance result from insurance contracts for the first half of 2023 is € 1.1 billion negative due to these developments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. INVESTMENT RESULT FROM OTHER ACTIVITIES

INVESTMENT RESULT FROM OTHER ACTIVITIES

	INVESTMENTS RELATED TO:			2023	INVESTMENTS RELATED TO:			2022
	BANKING ACTIVITIES	INVESTMENT CONTRACTS	OTHER NON-INSURANCE ACTIVITES	TOTAL	BANKING ACTIVITIES	INVESTMENT CONTRACTS	OTHER NON-INSURANCE ACTIVITES	TOTAL
Investment property								
Rental income			1	1			1	1
Financial investments mandatorily valued at FVPL								
Dividend on equities			1	1			1	1
Interest on fixed-income securities	-46		9	-37	13	-5		8
Value changes in the result	-39	-4	13	-30		10		10
Financial investments measured at amortized cost								
Interest income calculated using the effective interest method	157			157	96	-14		82
Effect of applying hedge accounting	58			58	6			6
Total Investment result from other activities	**130**	**-4**	**24**	**150**	**115**	**-9**	**2**	**108**

14. CONTINGENCIES

Achmea provides mortgage loans for its own account and for the risk and account of its clients (pension funds). In this capacity, Achmea has commitments arising from offers for mortgage loans. If the clients accept the offers, Achmea is obliged to provide € 1.1 billion (31 December 2022: € 1.1 billion) in mortgage loans. These loans are valued at amortised cost. This liability corresponds with a received guarantee of € 143 million (31 December 2022: € 146 million).

Moreover, the Contingencies as at 30 June 2023 have not changed significantly compared to 31 December 2022.

15. RELATED PARTY TRANSACTIONS

In the first half of 2023, the nature of related party transactions was similar to related party transactions in 2022. For an overview of transactions with related parties in 2022, please refer to Note 33 Related party transactions in the Achmea B.V. Consolidated Financial Statements for 2022.

16. SUBSEQUENT EVENTS

There are no events after the Statement of financial position date to be reported in the Interim Financial Statements.

17. NOTES ON TRANSITION TO IFRS 9/17

INITIAL APPLICATION OF IFRS 9 AND IFRS 17 ACCOUNTING POLICIES, PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

Starting from 1 January 2023, IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts standards have been applied. The initial application of these standards will have a significant impact on Achmea B.V.'s half year consolidated financial statements, because the measurement, presentation and revenue recognition for both insurance contracts and financial instruments will be substantially different than in previous years.

IFRS 17 INSURANCE CONTRACTS

IFRS 17 establishes uniform principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features. The goal of this new standard is to offer a more useful and transparent presentation of the financial position, performance and cash flows in the financial statements of companies issuing insurance contracts, as well as for the purpose of international comparability.

The interpretation of the term 'insurance contract' under IFRS 17 has remained almost the same as the definition under IFRS 4, the classification of contracts and of insurance risks has not undergone any material changes. The main change concerns the measurement of insurance liabilities under IFRS 17.

When measuring insurance contracts under IFRS 17, Achmea no longer uses tariff principles for the measurement of life and pension insurance liabilities, for the measurement of the liabilities for claims at nominal value and or to the methodology of the Provision for discounting of Insurance Liabilities within the Dutch business line life.

IFRS 17 introduces a model in which groups of insurance contracts are measured based on estimates of the present value of future cash flows that are expected to arise as Achmea fulfills the contractual obligations. In addition, the model includes a risk adjustment for non-financial risk and a contractual service margin.

IFRS 17 is applied to all insurance activities of Achmea. These include life and pension insurance, property & casualty insurance, health insurance and insurance contracts concerning the reinsurance business. In addition, contrary to the reporting under IFRS 4, insurance-related receivables and payables are included in the measurement of insurance liabilities.

Measurement model

The life and pension (re)insurance contracts, as well as the disability insurance policies (AOV) in the non-life business, are long-term in nature and therefore the General Measurement Model (GMM) or the Variable Fee Approach (VFA) is applied. Under the VFA, investments covering insurance liabilities are measured at fair value with changes in fair value recognised in profit or loss. The VFA is applied to life and pension insurance contracts where policyholders bear the investment risk.

For the other (re)insurance contracts within the non-life business as well as all insurance contracts within the healthcare business, where the insurance coverage is mostly one year or shorter, or where the simplified measurement model does not lead to a materially different measurement than under application of the general measurement model GMM, Achmea applies the Premium Allocation Approach (PAA). When applying this simplified measurement model, the liability for the remaining coverage is equal to the premiums received less capitalised insurance acquisition cash flows and less the allocation of premiums to insurance revenues based on the services provided.

Insurance portfolio grouping

To the extent appropriate within IFRS 17, the aggregation of the insurance contracts follows the classification under Solvency II as much as possible, with a further subdivision of insurance portfolios under IFRS 17 according to the way these contracts are managed and contracts with a similar risk profile. In addition, these portfolios are split into cohorts based on the year in which these insurance contracts are taken out or are expected to be issued. The period of a cohort lasts a maximum of one year.

Achmea has divided its portfolios into the following groups:
- Contracts which are onerous at initial recognition;
- Contracts for which there is no significant expectation at initial recognition that they will become onerous;
- Other contracts.

In measurement of insurance contracts under IFRS 17, Achmea applies actuarial assumptions and judgements existing and already applied based on Solvency II principles. This includes assumptions used for determining cash flows and for contract boundaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Risk Adjustment

IFRS 17 introduces an adjustment for non-financial risk when determining insurance liabilities. This Risk Adjustment is the allowance for uncertainty regarding the amount and timing of future cash flows arising from non-financial risks. A Cost of Capital methodology is used to calculate the Risk Adjustment. For transition purposes, the fair value approach a rate of 6% is applied. For the measurement of insurance liabilities under IFRS 17, Achmea uses a rate of 4.5%. This differs from the Cost of Capital rate of 6% prescribed under the Solvency II methodology for determining the Risk Margin. Based on the requirements of IFRS 17, the percentage of 4.5% is more suitable to Achmea's risk profile.

In the absence of unexpected events, the Risk Adjustment is released to profit or loss over the remaining life of the insurance contracts in proportion to the decrease in the size of the insurance portfolio.

Discount rate

The discount rate to be applied for the measurement of the insurance cash flows is composed bottom-up, consisting of a risk-free rate plus an illiquidity premium that is specific for each product group and is based on the investment portfolio of the life and pension business. For insurance contracts with a remaining maturity less than 30 years, the risk-free rate is based on the swap curve, from which a Credit Risk Adjustment is deducted. For maturities of 30 years and longer, the risk-free curve for cash flows longer than 30 years is determined by extrapolating to an Ultimate Forward Rate from which a Credit Risk Adjustment is deducted.

Contractual Service Margin

IFRS 17 introduces a Contractual Service Margin (CSM) in the measurement of insurance liabilities under the GMM and VFA. CSM represents the expected profitability of a group of insurance contracts. For groups of profitable contracts, this margin is recognised as a component of the insurance liabilities and credited to the profit or loss in future periods when the insurance services are provided, taking into account the specific characteristics of the product.

Acquisition cost accounting

In previous years, all acquisition costs within the Pension and Life business and were recognised presented as separate assets from the related insurance contracts (deferred acquisition costs) and recognised as expenses in statement of profit and loss and statement of comprehensive income over the term of the related contracts. Within the Property & Casualty and Healthcare business, all acquisition costs were recognised directly in profit or loss of the relevant financial year.

Under IFRS 17, only cash flows arising from sales and acquisitions prior to recognition of related insurance contracts are presented for all companies as separate assets. The recoverability of these assets is assessed periodically. These assets are presented in the carrying value of the related portfolio of contracts and are recognised in the profit or loss over the coverage period in line with insurance proceeds of the related contracts. The exception are acquisition costs related to short-term contracts in Greece for which the PAA is applied, which are charged directly to profit or loss.

Insurance service result

Under IFRS 17, revenue from insurance-related services includes compensation for insurance services provided during the reporting period. The earned insurance premiums are released from the liabilities for the remaining coverage. Expenses from insurance-related services are recognised claims and benefits and related expenses as well as the amortization of acquisition costs included in the carrying amount of insurance liabilities.

Net (re)insurance finance result

Financial components in insurance contracts are recognised together with investment results from insurance operations under the net finance result from (re)insurance contracts (held) and are no longer included in insurance revenue and insurance expenses.

Achmea chooses to recognise changes in financial assumptions in the measurement of insurance contracts in statement of profit and loss to avoid a mismatch with the recognition of investments in the statement of profit and loss, to the maximum extent possible.

Insurance results from reinsurance contracts held other than Financial income and expenses are presented as a single net amount in the consolidated statement of profit and loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TRANSITION TO IFRS 17

Full retrospective method
Depending on the availability and reproducibility of the necessary (actuarial) data, the full retrospective method will be used to determine the value of the insurance liabilities and therefore the CSM at transition date to determine the comparative figures for financial year 2022 under IFRS 17. This means that the comparative figures are restated as if IFRS 17 had always been applied. For some specific portfolios and reporting years within the Pension and Life business and the Non-Life business (disability portfolio), the required information was not sufficiently available and reproducible due to system and data conversions, therefore the value of the related insurance liabilities in the statement of financial position was determined using the fair value method. This is explained below under section ‘Fair value method’.

The full retrospective method has therefore been applied to the following insurance portfolios:
- All insurance portfolios within the Healthcare business;
- All insurance portfolios within the Reinsurance business (with the exception of a few life insurance portfolios signed before 1 January 2020);
- Insurance contracts in the open book portfolio within the Pension and Life business signed after 1 January 2020;
- All insurance portfolios within the Property & Casualty business except the disability portfolio signed before 1 January 2022.

Upon retrospective application of IFRS 17 as of 1 January 2022:
- insurance and reinsurance contracts held by group are identified, recognised and measured as if IFRS 17 had always been applied;
- all assets for insurance acquisition cash flows are identified, recognised and measured as if IFRS 17 had always been applied, except for the assessment of the recoverable amount of sales and acquisition costs before 1 January 2023;
- items in the statement of financial position that would not have existed if IFRS 17 had always been applied are no longer recognised. It concerns prepaid acquisition costs for insurance contracts, intangible assets related to acquired insurance portfolios, insurance receivables and payables and provisions for charges attributable to existing insurance contracts. Under IFRS 17, these items are included in the measurement of insurance contracts.

Regardless of the transition method applied, the following item has not been determined retrospectively:
- Derivatives and reinsurance contracts held used by Achmea to mitigate the risk of interest rate guarantees in the service book portfolio and equity guarantees in variable annuity contracts, for which, the risk mitigation option has been applied from 1 January 2022. These contracts were measured at fair value at transition.

Achmea applied the transitional provisions in IFRS 17 and therefore did not disclose the impact of the transition to IFRS 17 on each item and earnings per share. The impact of the transition to IFRS 17 for the consolidated financial statements as of 1 January 2023 is shown in the consolidated statement of changes in equity.

Fair value method
When applying the fair value method, Achmea determined the CSM or loss component as at the transition date as the difference between the fair value of a group of insurance contracts as at transition date and the cash flows and Risk Adjustment for non-financial risks for the relevant group of insurance contracts valued based on IFRS 17 at that date. If the fair value was found to be higher, a CSM is recognised and if it was found to be lower, a loss component is recognised directly in profit or loss.

For the following insurance contracts, Achmea applied the fair value method due to limitations in the availability and depth of information:
- Insurance contracts in the service book portfolio within the Pension and Life business;
- Insurance contracts in the open book portfolio within the Pension and Life business signed before 1 January 2020;
- Insurance contracts in the Non-Life disability portfolio signed before 1 January 2022;
- Reinsurance contracts held, only a few life insurance portfolios signed before 1 January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

IFRS 9 FINANCIAL INSTRUMENTS

Achmea restated comparative figures for IFRS 9 and also applied the classification overlay approach from IFRS 17 to the comparative figures of financial assets sold over the course of 2022. As a result IFRS 9, like IFRS 17, is applied retrospectively as of 1 January 2022 in the 2023 financial statements. This increases the comparability between the figures in reporting year 2023 with the corresponding figures of reporting year 2022 for the combined impact of IFRS 9 and IFRS 17.

Classification and measurement of financial assets

IFRS 9 applies a modified model for the classification and measurement of financial assets. This model is driven by the cash flow characteristics of an asset and the business model within which an asset is held. IFRS 9 replaces the categories of IAS 39: investment “held to maturity”, loans and receivables and investments “Available for sale”. Even after the introduction of IFRS 9, Achmea continues to maintain the same measurement at amortised cost and fair value in the statement of financial position for the majority of its investment portfolio (as under IAS 39). A relatively limited portion of the investment portfolio that was measured previously at amortised cost is measured at fair value under IFRS 9. No adjustments will be made to the measurement of financial liabilities.

For all financial assets, initial measurement is made at fair value (excluding transaction costs for fair value through profit or loss and including transaction costs for amortised cost and fair value with changes in fair value recognised through other comprehensive income). Subsequent measurement depends on the nature of the instrument and specific criteria (business model, SPPI test and accounting policy choices of Achmea).

The classification of financial instruments under IFRS 9 is based on a double assessment: the business model with which the financial asset is managed (business model test) and the characteristics of the contractual cash flows (SPP– test - solely payment for principal and interest).

- measurement at amortised cost is mandatory if a financial asset is held to collect contractual cash flows and meets the SPPI test;
- If a financial asset is held both to collect contractual cash flows and to be sold and if the financial asset meets the SPPI test, measurement at fair value with changes in fair value recognised in other comprehensive income is mandatory;
- In other cases (if an asset does not satisfy the SPPI test or is held for other purposes), a financial asset will be measured at fair value through profit or loss.

To avoid an accounting mismatch, financial assets under IFRS 9 can be voluntarily designated as an instrument measured at fair value with changes in fair value recognised profit or loss. With this designated fair value option, an accounting mismatch can be avoided for movements in insurance liabilities.

Impairment of financial assets

To determine impairment losses, IFRS 9 applies a model for expected credit losses. With this model, expected credit losses are taken into account when financial instruments are initially recognised. A credit loss or provision for credit loss on these financial assets (such as a loan) are required to be recognised immediately based on an expected loss that will occur in the next 12 months. In case of a significant increase in credit risk of the financial instrument, expected credit losses must be taken into account for the full lifetime. If there is an evidence of deteriorated credit quality the carrying amount will be reduced by the provision for credit risk and the interest income will be calculated on this lower carrying amount.

It leads to earlier recognition of credit losses under IFRS 9 compared to IAS 39 where only credit losses that have already occurred are recognised. The new impairment model will be applied for financial assets measured at amortised cost and at fair value with changes in fair value recognised in other comprehensive income. Achmea applies this model primarily to the investments relating to banking activities.

Hedge accounting

Finally, IFRS 9 introduces a model for hedge accounting that aligns the accounting treatment with risk management activities. Achmea Bank applies hedge accounting for mortgage loans and funding transactions. The main adjustment to the existing hedge relationships is the removal of the 80-125% effectiveness bandwidth.

Achmea uses the option provided by IFRS 9 to continue to apply macro hedge accounting requirements of IAS 39 when transitioning to IFRS 9 (as an accounting policy choice) and apply only the micro hedge accounting requirements of IFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Transition to IFRS 9
Achmea has adjusted the comparative figures for IFRS 9 applying the classification overlay approach under IFRS 17 to the financial assets that were derecognised in 2022. As a result, in the financial statement for the reporting year 2023 both IFRS 9 and IFRS 17 are applied retrospectively. This increases the comparability between the figures in financial year 2023 with the corresponding figures of reporting year 2022 for the combined impact of IFRS 9 and IFRS 17.

Unless described otherwise below, changes due to IFRS 9 have been applied retrospectively as of 1 January 2022.

The following assessments have been made based on the facts and circumstances present on 1 January 2022:
- The determination of the business model in which a financial asset is held;
- The designation and termination of previous designation of financial assets and financial liabilities as measured at fair value with changes in fair value recognised in profit or loss;
- The designation of certain investments not held for sale, as fair value with changes in fair value recognised in profit or loss;
- If the financial asset had a low credit risk as of 1 January 2023, Achmea's assumption is that the credit risk of the asset has not significantly increased since initial recognition.

A quantitative explanation of the changes and impact of the transition to IFRS 9 is provided in the transition tables below.

The IFRS 9 classification and accounting policies for classification of financial instruments are explained below.

Classification and measurement of financial assets
The application of IFRS 9 resulted in a classification and measurement of financial assets as explained below.

Measurement of investments of insurance contracts under IFRS 9
At initial recognition investments are classified as amortised cost, fair value with changes through other comprehensive income or fair value with changes through profit or loss. This classification determines subsequent measurement and is based on the business model of the investment portfolio and the SPPI test.

Under IAS 39, certain underlying investments of insurance contracts with participation features were designated to be measured at fair value with changes in fair value recognised in profit or loss. This is because Achmea measures and assesses the performance of these investments in line with its fair value investment strategy. In applying IFRS 9, these investments are required to be measured at fair value with changes in fair value recognised in profit or loss because the business model is not collecting contractual cash flows (hold to collect) nor to collect both contractual cash flows and sell the investments (hold to collect and sell).

Measurement of Bonds under IFRS 9
Almost the entire portfolio of bonds is managed to achieve the highest return by actively monitoring and managing the returns and fair value of the portfolio's. Applying IFRS 9 these investments are mandatorily measured at fair value with changes in fair value recognised in profit or loss because the business model is not to collect contractual cash flows.

Under IAS 39, these bonds were designated for measurement at fair value with changes in fair value recognised in profit or loss, because Achmea held derivatives at fair value through profit or loss. Under IFRS 9, these bonds are also measured at fair value with changes in fair value recognised in profit or loss.

Measurement of Investments in securities under IFRS 9
Under IAS 39, investments in equity instruments (securities) that were not designated to be measured at fair value with changes in fair value recognised in profit or loss, were classified as available-for-sale financial assets and measured at fair value with changes in fair value recognised in other comprehensive income.

Under IFRS 9, equity investments do not meet the SPPI test and are measured at fair value with changes in fair value recognised in profit or loss.

Notes on measurement under IFRS 9
The transition to IFRS 9 is described in detail in transition tables below. IFRS 9 has had no impact on the measurement of financial liabilities given the unchanged accounting policies of amortised cost for bank funds entrusted, loans and borrowings and other liabilities and of fair value through the profit and loss for investment contracts. IFRS 9 also had no impact on the measurement of cash and cash equivalents.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

I. NOTES ON THE TRANSITION TO IFRS 9/17 PRINCIPLES BY ITEM IN THE STATEMENT OF FINANCIAL POSITION ON 1 JANUARY 2022

The following table provides an explanation of the transition from IFRS 4 and IAS 39 policies to IFRS 9/17 policies for each item in the statement of financial position as at the transition date 1 January 2022.

TRANSITION TO IFRS 9/17 ACCOUNTS BY ITEM IN THE STATEMENT OF FINANCIAL POSITION - ASSETS

		IFRS 9		IFRS 17			
ITEM STATEMENT OF FINANCIAL POSITION IFRS 4 / IAS 39	31 DECEMBER 2021	REVAL-UATION	RECLASS-IFICATION	REVAL-UATION	RECLASS-IFICATION	REVISED 31 DECEMBER 2021	ITEM STATEMENT FINANCIAL OF POSITION IFRS 9 / IFRS 17
Assets							**Assets**
Intangible assets	748				-3	745	Intangible assets
Associates and joint ventures	41					41	Associates and joint ventures
Property for own use and equipment	473					473	Property for own use and equipment
Investment property	1,028					1,028	Investment property
Investments							Investments
Investments own risk and for account and risk of policyholders	66,200	110	-21			66,289	Investments insurance activities and other
Banking credit portfolio	11,932	118	45			12,095	Banking credit portfolio
Deferred tax assets	610	-59		368	17	936	Deferred tax assets
(new item under IFRS 17)					9	9	Insurance contract assets
Amounts ceded to reinsurers							Reinsurance contracts held assets
Non-life	657			6	-66	597	Non-life
Health	1				1	2	Health
Life	79			-7	-4	68	Life
Receivables and accruals	6,211				-5,072	1,139	Receivables and accruals
Cash and cash equivalents	1,569		-36			1,533	Cash and cash equivalents
Assets classified as 'Held for sale'	7					7	Assets classified as 'Held for sale'
Total Assets	**89,556**	**169**	**-12**	**367**	**-5,118**	**84,962**	**Total activa**

The main change in assets as of 1 January 2022 as a result of the transition is the reclassification of Receivables and accruals related to insurance contracts (€ -5 billion) to Liabilities related to Insurance contracts liabilities. For example Receivables from direct insurance and Contribution from Dutch Health Insurance (“Nederlands Zorgverzekeringsfonds”), see the Consolidated financial statements 2022 of Achmea B.V. note 16 Receivables and accruals.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TRANSITION TO IFRS 9/17 ACCOUNTS BY ITEM IN THE STATEMENT OF FINANCIAL POSITION - LIABILITIES

		IFRS 9		IFRS 17			
ITEM STATEMENT OF FINANCIAL POSITION IFRS 4 / IAS 39	31 DECEMBER 2021	REVALUATION	RECLASSIFICATION	REVALUATION	RECLASSIFICATION	REVISED 31 DECEMBER 2021	ITEM STATEMENT OF FINANCIAL POSITION IFRS 9 / IFRS 17
Equity							**Equity**
Equity attributable to holders of equity instruments of the company	10,476	169		-1,168		9,477	Equity attributable to holders of equity instruments of the company
Non-controlling interest	9					9	Non-controlling interest
Total equity	**10,485**	**169**		**-1,168**		**9,486**	**Total equity**
Liabilities							**Liabilities**
Liabilities related to insurance contracts							Insurance contract liabilities
Non-Life	8,241			-291	-1,212	6,738	Non-Life
Health	4,383			-15	-2,505	1,863	Health
Life	43,544			1,833	1,044	46,421	Life
Other provisions	1,205				-50	1,155	Other provisions
Financial liabilities	20,083		-12		-2,412	17,659	Financial liabilities
Derivatives	1,427					1,427	Derivatives
Deferred tax liabilities	32				17	49	Deferred tax liabilities
Income tax payable	156			8		164	Income tax payable
Liabilities classified as 'Held for sale'							Liabilities classified as 'Held for sale'
Total liabilities	**79,071**		**-12**	**1,535**	**-5,118**	**75,476**	**Total liabilities**
Total equity and liabilities	**89,556**	**169**	**-12**	**367**	**-5,118**	**84,962**	**Total equity and liabilities**

The main changes in liabilities as of 1 January 2022 as a result of the transition are:

- Revaluations in Insurance contracts liabilities (total € 1.5 billion) mainly due to the reversal of prudential provisions, changes in actuarial assumptions and methodologies, and the recognition of a Contractual Service Margin (CSM) and Risk Adjustment (RA).
- Reclassifications of Receivables and accruals (€ -5 billion, see previous page) and Financial Liabilities (€ 2.4 billion) related to insurance contracts, to Insurance contracts liabilities (total € -2.7 billion).

The effects of the revaluations are included (including tax effect) in Equity attributable to holders of equity instruments in the company.

Net result in Equity for the first half of 2022 compared to the half-yearly accounts for 2022
The net result for the first half of 2022 was € 94 million under IFRS 4/IAS 39 and € 869 million negative under IFRS 9/17. The main change as a result of the transition concerns the inclusion of market value developments of investments and insurance contract liabilities in the net result. Under IFRS 9/17, these effects are recognized in the Net result, while under IAS 39/IFRS 4 a large part was recognized directly in the Equity attributable to holders of equity instruments in the company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

II. NOTES ON THE TRANSITION TO IFRS 9 ON 1 JANUARY 2023

The following transition tables present a reconciliation between the value of Investments under IAS 39 and under IFRS 9 as at 1 January 2023.

TRANSITION INVESTMENTS FROM IAS 39 TO IFRS 9 AS OF 1 JANUARY 2023

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments Insurance activities and other						
Equities and similar investments	6,046	68				6,114
Fixed income investments	35,781	33		-76		35,738
Derivatives	6,021	-569				5,452
Other financial investments	8,755	-70		-12		8,673
Banking credit portfolio						
Fixed income investments	12,329		-14	1	10	12,326
Derivatives		538				538
Other financial investments		47				47
Total	**68,932**	**47**	**-14**	**-87**	**10**	**68,888**

Reclassifications
The main changes in the transition from IAS 39 to IFRS 9 concerns the reclassification of Investments - available for sale to the category Investments – with value changes through the statement of profit and loss. The total amount of this reclassification amounts to € 35 billion, of which € 3.5 billion relates to Equities and similar investments, € 29 billion to Fixed income investments, and € 2.5 billion to Other financial investments. The balance of the total reclassification amounts to € 47 million and relates to a reclassification within Achmea Bank with Receivables and accruals.

Expected Credit Losses (ECL)
The difference with IAS 39 is mainly due to the fact that under IFRS 9 a lifelong provision is formed on certain items and the determination takes into account macroeconomic factors such as house prices and inflation.

IFRS 9 value adjustments
This refers to the value adjustments that take place following the implementation of IFRS 9 with respect to financial instruments, such as loans and bonds.

Other value adjustments
This amount of € 10 million relates to adjustments as a result of valuation differences of bonds (savings accounts) between Achmea Bank and Achmea Pensioen & Leven.

EQUITIES AND SIMILAR INVESTMENTS

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss						
From FVTPL (IAS 39)	2,502	54				2,556
From available for sale (IAS 39)		3,558				3,558
Total FVTPL	**2,502**	**3,612**				**6,114**
Investments – Available for sale						
From available for sale (IAS 39)	3,544					3,544
To FVTPL (IFRS 9)		-3,544				-3,544
Total FVOCI	**3,544**	**-3,544**				
Total equities and similar investments	**6,046**	**68**				**6,114**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FIXED INCOME INVESTMENTS

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss						
From FVTPL (IAS 39)	6,334	33		-70		6,297
From available for sale (IAS 39)		29,435				29,435
To amortised cost (IFRS 9)		-6				-6
Total FVTPL	**6,334**	**29,462**		**-70**		**35,726**
Investments – Available for sale						
To available for sale (IAS 39)	29,445			-6		29,439
To FVTPL (IFRS 9)		-29,435				-29,435
To amortised cost (IFRS 9)		-4				-4
Total FVOCI	**29,445**	**-29,439**		**-6**		
Investments – Loans and receivables						
From amortised cost (IAS 39)	2					2
From available for sale (IAS 39)		4				4
From FVTPL (IFRS 9)		6				6
Total amortised cost	**2**	**10**				**12**
Total fixed income investments	**35,781**	**33**		**-76**		**35,738**

DERIVATIVES

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss						
To FVTPL (IAS 39)	6,021	-569				5,452
Total FVTPL	**6,021**	**-569**				**5,452**
Total derivatives	**6,021**	**-569**				**5,452**

OTHER FINANCIAL INVESTMENTS

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss						
To FVTPL (IAS 39)	5,251	-56				5,195
From available for sale (IAS 39)		2,528				2,528
From amortised cost (IAS 39)		950				950
Total FVTPL	**5,251**	**3,422**				**8,673**
Investments – Available for sale						
From available for sale (IAS 39)	2,542					2,542
To FVTPL (IFRS 9)		-2,542				-2,542
Total FVOCI	**2,542**	**-2,542**				
Investments – Loans and receivables						
To amortised cost (IAS 39)	962			-12		950
To FVTPL (IFRS 9)		-950				-950
Total amortised cost	**962**	**-950**		**-12**		
Total other financial investments	**8,755**	**-70**		**-12**		**8,673**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TOTAL INVESTMENTS INSURANCE ACTIVITIES AND OTHER

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss[1]	20,108	35,927		-70		55,965
Investments – Available for sale	35,531	-35,525		-6		
Investments – Loans and receivables	964	-940		-12		12
Total Investments Insurance company and other	**56,603**	**-538**		**-88**		**55,977**

[1] Investments measured at fair value through profit or loss amounting to € 56 billion, almost entirely comprise the investments mandatorily measured at fair value at fair value through profit or loss.

BANKING CREDIT PORTFOLIO AS OF 1 JANUARI 2023

FIXED INCOME INVESTMENTS

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments - Fair value through at fair value through profit or loss						
To FVTPL (IAS 39)	113	-113				
Total FVTPL	**113**	**-113**				
Investments - Loans and borrowings						
To amortised cost (IAS 39)	12,216	-558	-14	1		11,645
From FVTPL (IAS 39)		671			10	681
Total amortised cost	**12,216**	**113**	**-14**	**1**	**10**	**12,326**
Total fixed income investments	**12,329**		**-14**	**1**	**10**	**12,326**

DERIVATIVES

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss						
From FVTPL (IAS 39)		538				538
Total FVTPL		**538**				**538**
Total derivatives		**538**				**538**

OTHER FINANCIAL INVESTMENTS

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – Loans and receivables						
From amortised cost (IAS 39)		47				47
Total amortised cost		**47**				**47**
Total other financial investments		**47**				**47**

TOTAL BANKING CREDIT PORTFOLIO

(€ MILLION)

	IAS 39 VALUE	RECLASSIFICATION	EXPECTED CREDIT LOSS	IFRS 9 VALUE ADJUSTMENTS	OTHER VALUE ADJUSTMENTS	IFRS 9 VALUE
Investments – at fair value through profit or loss	113	425			10	548
Investments – loans and receivables	12,216	160	-14	1		12,363
Total Banking credit portfolio	**12,329**	**585**	**-14**	**1**	**10**	**12,911**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

RECONCILIATION OF TOTAL BAD DEBT PROVISION UNDER IAS 39 AND THE EXPECTED CREDIT LOSSES (ECL) OF IFRS 9

(€ MILLION)

	NOTE	BAD DEBT PROVISION UNDER IAS 39 AS OF 31 DECEMBER 2022	VALUATION ADJUSTMENT	EXPECTED CREDIT LOSSES UNDER IFRS 9 AS OF 1 JANUARY 2023
Banking credit portfolio				
Fixed income investments classified as Loans and receivables under IAS 39 and under IFRS 9		-8	-14	-22
Total		**-8**	**-14**	**-22**

EXPLANATORY NOTES TO THE ACCOUNTING POLICIES FOR INVESTMENTS

KEY ASSUMPTIONS AND ESTIMATES WHEN ASSESSING THE MEASUREMENT OF INVESTMENTS

Assessment of expected credit losses on financial assets
Upon recognition in the statement of financial position and at each reporting date, Achmea assesses expected credit losses on investments - fixed income securities. This assessment is further explained under the accounting policies investments – impairments.

Fair value of investments determined using valuation techniques
In the absence of an (active) market, the fair value of non-quoted investments is estimated by using present value of cash flows or other valuation techniques. Reference is made to Note 8, Fair value hierarchy, for a detailed description of the methods used.

ACCOUNTING POLICIES FOR INVESTMENTS

Initial recognition

Initial measurement of investments takes place at the moment when Achmea becomes a party to a financial instrument, i.e. on transaction date. Initial measurement is at fair value excluding transaction costs for investments measured at fair value with changes in fair value recognised in profit or loss and including transaction costs for investments measured at amortised cost or at fair value with changes in fair value recognised in other comprehensive income. Subsequent measurement depends on the classification of the investment.

Classification and follow-up measurement

Classification
Upon initial recognition, an investment is classified as measured at amortised cost, fair value with changes in fair value recognised in other comprehensive income or fair value with changes in fair value recognised in profit or loss. The classification that determines subsequent measurement is based on the investment portfolio business model and the SPPI test.

Investments are not reclassified subsequently to their initial recognition unless Achmea changes its business model for managing these investments. In that case, all affected investments are accounted for according to the new classification in the reporting period in which the business model changed.

An investment is measured at amortised cost if it meets the following conditions:
- The investment is held within a business model whose objective is to receive contractual cash flows from the investments; and
- The contractual features lead to predetermined dates when cash flows are received. The SPPI test is described in more detail in paragraph SPPI test for contractual cash flows.

An investment is measured at fair value with changes in fair value recognised in other comprehensive income when it meets the following conditions:
- The investment is held within a business model whose objective is to receive and/or to sell contractual cash flows with the investments; and
- The contractual features lead to predetermined dates when cash flows are received.

Equities and derivatives do not meet the SPPI test and are therefore mandatory measured at fair value with changes in fair value recognised in the statement of profit and loss.

A part of the insurance investment portfolios do not meet the business model and/or SPPI test and are mandatorily measured at fair value with changes in fair value recognised in the statement of profit and loss (see business model below).

Almost the entire portfolio of investments related to the insurance business does not meet the requirements of the business model and/or SPPI test and is mandatorily measured at fair value with changes in fair value recognised in profit or loss. The business model is described in more detail in paragraph Business model.

Fixed-income investments of the banking business and a small portion of the investments of the insurance business meet the requirements for measurement at amortised costs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Business model assessment
For each investment portfolio, Achmea determines the purpose of the business model that represents how the portfolio is managed and reported to management. The business model is based on the formal terms and objectives of the investment portfolio, how the returns and risks of the portfolios that determine the performance of the business model are managed, how management is assessed and the volume of sales in the portfolio.

Almost the entire portfolio of the insurance business is managed and its performance is evaluated on a fair value basis. Within the business model underlying investments are actively traded to achieve a highest return. These investment portfolio's do not meet the requirements for the business model test whose objective is to receive contractual cash flows or to sell some investments and are therefore mandatorily measured at fair value with value changes recognised in the statement of profit and loss.

SPPI test for contractual cash flows
The SPPI test determines whether the contractual cash flows represent only the repayment of principal and interest on the outstanding balance of the loan ("Solely Payment of Principle and Interest"). It means testing whether there are any contractual provisions of the loan that could change the timing and size of the contractual cash flow that would result in the investment no longer meeting the conditions of the SPPI test. Achmea takes the following into account:
- future events that may change the timing and size of the cash flow;
- leverage features;
- early redemption and renewal options;
- provisions that limit the cash flows of certain investments for Achmea;
- and characteristics that may change the level of interest payments over time (e.g. periodic interest rates adjustments).

An early repayment option meets the SPPI conditions if it consists primarily of repayment of principal and interest on that principal as well as reasonable compensation for early termination of the contract.

Subsequent measurement and recognition of gains and losses
Investments measured at fair value with changes in fair value recognised in the statement of profit and loss
Investments at fair value with changes in fair value recognised in profit or loss (FVTPL or "Fair value through profit or loss") are measured at fair value. This measurement applies to almost all investments within the insurance business. Changes in fair value, along with interest or dividend income and currency translation differences are recognised in profit or loss, unless they are changes from derivatives used to hedge investments to which hedge accounting is applied.

Interest income from fixed-income investments not measured at FVTPL is determined by using the effective interest rate method. Foreign exchange differences, impairment losses and other fair value changes are recognised in investment income (insurance activities or non-insurance activities).

Investments at amortised cost
Investments at amortised cost are measured at amortised cost based on the effective interest method. This measurement applies to almost all investments within the banking business. Interest income, currency translation differences and impairment losses are recognised in profit or loss. Realised gains and losses are recognised in the profit or loss.

The paragraphs below on expected credit losses (ECL) and impairments apply to investments measured at amortized cost. This applies mostly to loans on Achmea Bank's statement of financial position.

Non-impaired investments at initial recognition
If an investment is not credit impaired (stage 3 ECL), then interest income is calculated by applying the effective interest rate to the gross carrying amount of that investment. To determine the interest rate, Achmea takes into account all future cash flows subject to the contract terms of the investment, excluding ECL.

If an investment is credit impaired subsequently to initial recognition, then interest income is calculated by applying the effective interest rate to the amortised cost (gross amortized cost adjusted for impairment). If the impairment no longer applies, then the calculation of interest income reverts to the carrying value of the investment.

Investment credit impaired at initial recognition
Interest income is calculated on the amortised cost of the investment by applying the effective interest rate adjusted for creditworthiness. The adjusted effective interest rate is calculated using future cash flows including ECL. If the creditworthiness of the investment improves, the interest calculation will not be adjusted.

Derivatives, including those forming part of other financial liabilities

Derivatives, including those forming part of other financial liabilities that are separated from the main contract, are classified as held for trading unless they are part of a hedge relationship. These are measured at fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Impairments
Achmea recognises ECL (expected credit losses) on investments and loans measured at amortised cost using a "three-stage" model:

- Stage 1 (12-month ECL) for expected defaults on loans arising within 12 months after reporting date. This relates to loans with low credit risk and exposure to banks with an investment-grade credit rating.
- Stage 2 (total maturity ECL) for expected default during the total lifetime in the event of a significant increase in credit risk since initial recognition but for which there is no indication of impairment. If there is a payment delay of at least 30 days, there is a presumption of a deterioration in creditworthiness. This presumption can be deviated from if qualitatively substantiated.
- Stage 3 (total maturity ECL) for loans for which there is an indication of impaired creditworthiness. This involves a credit impairment.

A transition to Stage 3 applies if there are payment delays of at least 90 days. In addition, indicators such as loan restructuring, debtor bankruptcy, fraud, insufficient income and special asset management are relevant. The effects of the triggers will be adopted unless Achmea deviates (qualitatively substantiated).

Purchased or original credit loss assets
Stage 3 also includes loans purchased or measured at credit loss at initial recognition. Purchased credit impaired loans are loans whose risk is very high on first withdrawal and loans obtained with a high discount. If material, this specific category of assets will be analysed separately from the other assets in Stage 3l.

Determining the ECL
Credit losses are determined based on the present value of all contractual cash flows that Achmea no longer expects to receive. ECL is determined by three underlying models generally used within banking: Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD).

The PD represents the probability that debtor cannot meet their financial obligations. EAD represents the outstanding amount of the loan. LGD is the amount Achmea expects to lose if the debtor no longer meet its obligations involving mitigation through collateral obtained.

Presentation of loss allowances in the statement of financial position
Loss allowances for ECL, on financial assets measured at amortised cost, is deducted from the gross carrying amount of the asset.

Write-off
The carrying value of a financial asset is reduced when Achmea expects that all or part of the financial asset may not be recovered. This is normally the case when Achmea determines that the borrower has insufficient assets or income sources that generate cash flows to make (full) repayments. This assessment is carried out at the individual asset level. Although Achmea does not expect significant receipts of amounts written off, written-off financial assets may be subject to Achmea's regular recovery procedures.

Derecognition and Offsetting
Derecognition and Offsetting of financial assets and liabilities and netting of income and expenses is explained in I. Reporting framework in the 2022 consolidated financial statements of Achmea B.V.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTING POLICIES FOR LIABILITIES AND ASSETS RELATED TO (RE)INSURANCE CONTRACTS

KEY ASSUMPTIONS AND ESTIMATES IN ASSESSING THE MEASUREMENT OF LIABILITIES AND ASSETS RELATED TO REINSURANCE CONTRACTS HELD

Insurance contracts are measured based on the following building blocks which are explained below in the following sections:
I Estimates of future cash flows.
II Discount rate for present value calculation
III Risk Adjustment
IV Contractual Service Margin (CSM).

The fulfilment cash flows consist of building blocks I through III and represent the settlement of the obligations from the insurance contract with the policyholder. Building block IV, the CSM represents Achmea's future service fee from the insurance contract. Refer to accounting policies liabilities and assets related to (re)insurance contracts.

I Estimates of future cash flows

General
When estimating future cash flows at reporting date, Achmea uses all information available without excessive cost or effort at the reporting date. The information includes both internal and external historical claims data and other experiences to determine expectations about future events.

Achmea primarily uses deterministic modelling techniques, which are applied to cash flows with limited complexity without embedded options or guarantees or not-linear interdependencies.

Achmea uses stochastic modelling techniques to estimate the expected value of insurance liabilities. A large number of scenarios as inputs with different market variables, such as interest rates and investment returns, and underwriting variables such as cash flows and cash flow interdependencies. Cash flows associated with each scenario are discounted and weighted by estimated probability.

Cash flows within insurance contract boundaries relate directly to the settlement of insurance contracts, including cash flows where Achmea can determine the amount or timing. These directly attributable cash flows are allocated to the groups of insurance contracts to which they relate. If cash flows are not directly attributable to groups of insurance contracts, they are allocated to the relevant groups using activity-based costing and scaling techniques.

In general, Achmea allocates cash flows for sales and acquisitions to groups of contracts based on the total premiums for each group. Claims handling costs are allocated based on the number of claims for each group. Maintenance and administration costs are allocated based on the number of current contracts within each group.

Achmea assesses the amount and completeness of recognised claim liabilities and claims from reinsurance and recourse using a range of loss reserving techniques – for example, the chain ladder and Bornhuetter-Ferguson methods. These techniques assume that Achmea’s own claims experience is indicative for future claims development patterns and thus ultimate claims costs.

Insurance contracts boundaries
For most non-life insurance contracts, Achmea can reset premiums each year based on the risks of the specific insurance contracts or insurance portfolios at contract renewal based on assessment of claims experience and expectations for the relevant risks.

For disability insurance, premiums cannot be unilaterally adjusted nor can the contract be terminated by Achmea. These contracts are considered long-term. Achmea has the practical ability to reassess the risks of the portfolio containing the particular contract policyholder and, as a result, can adjust a price level or the contract terms. The risks that relate to periods after the reassessment date are not taken into account.

Several Life Insurance contracts contain a guaranteed annuity option, where Achmea does not have the right to reset a price for the start of the annuity with associated risks when the annuity takes effect. This option gives the policyholder the right to receive an annuity at a predetermined rate on the due date of the specified term. Achmea sets the boundary of these contracts at the total term of the contract, including the term of the option on the annuity. As a result, the cash flows from the guaranteed annuity option fall within the boundary of the current contract.

Reinsurance contracts held
Achmea enters into both outbound and inbound reinsurance contracts held. For inbound reinsurance contracts held, the general assumptions for estimating cash flows for insurance contracts apply. This section only explains the assumptions for outbound reinsurance contracts held.

For outbound reinsurance contracts held, reinsurance cash flows are determined based on modelling of the expected cash flows from the underlying insurance contracts based on coverages issued during the coverage period of the reinsurance contract. The renewal of the majority of primarily nonproportional outbound reinsurance contracts held, occurs annually. During this renewal, new reinsurance contracts held are drawn up (which are separate from the previous contract), with new terms for reinsurance programmes, premiums and clauses.

Life
Expected cash flows include estimates of expected premium income and claims, morbidity and mortality, policyholder behaviour, lapse, expenses, inflation and interest.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Mortality tables
In determining fulfilment cash flows, Achmea uses the most recent population mortality tables (AG2022), adjusted for the specific nature and composition of Achmea's insurance base. For products with longevity risk, a percentage adjustment is made to population mortality that is gender- and age-dependent. Separate tables are used for pensions and annuities. For products with mortality risk, maturity dependent selection factors are used. For term life insurance a distinction is made between smokers and nonsmokers.

Costs and inflation
Cost assumptions are based on expected salary increases and available internal budget information. For periods for which budgets are not yet available, costs are extrapolated. The inflation curve is based on an European price inflation curve adjusted for the difference with Dutch price inflation and expected labor productivity growth. For the period from 10 to 20 years, conversion is made to the ECB's long-term target (2%).

Surrender rates Life business
Policyholder behaviour, including surrender and premium release, is an important assumption in measurement of life insurance products. The following table shows the minimum and maximum surrender rates used in the surrender assumptions.

	REDEMPTION RATE % MINIMUM - MAXIMUM
2023	
Life - GMA	0,0 - 6,0
Life - VFA	0,0 - 3,0
2022	
Life - GMA	0,0 - 6,0
Life - VFA	0,0 - 3,0

Policyholder behaviour, including surrender and premium release, is an important assumption when measuring life insurance products. The following table shows the minimum and maximum surrender rates used in the surrender assumptions.

Non-Life
Achmea determines the liability for incurred claims based on estimates of expected claims payments.

The expected cash flows for disability insurance include estimates of expected premiums and claims, morbidity and mortality, policyholder behavior, lapse, costs, inflation and interest. When determining disability insurance liabilities the probability of recovery based on averages are taken into account and waiting periods are included.

Adequate statistics are not available for some risks, such as environmental and asbestos claims and large-scale individual claims, as some aspects of these types of claims are still evolving. Liabilities included in the statement of financial position for these types of claims have been determined based on portfolio analysis. When determining the liability for incurred claims , the claim handling expenses and proceeds from expected recovery rights are taken into account.

Health
Achmea estimates the liability for incurred claims based on expected claims payments. Based on the most recent information the liability for each insurance year is assessed annually at the level of claims, macro-neutrality and equalisations with the Dutch government (allocation Health Insurance Equalisation Fund for the corresponding insurance year). The determination of the liability for incurred claims also takes into account the claim handling expenses and proceeds from expected recourse.

<u>II Discount rate for present value calculation</u>

With the exception of the short-term liabilities for the cash flows of Health Netherlands and the short-term liabilities of Non-Life Netherlands, all cash flows are discounted.

Achmea's discount rate is composed bottom-up, consisting of a risk-free interest rate (swap curve as published by EIOPA) plus an illiquidity premium specific for product group of insurance contracts and is based on the investment portfolio of the life and pension business. Insurance illiquidity premiums are derived from the spreads that can be earned on Achmea's illiquid, fixed income investments. For insurance contracts (in Euros) with a remaining term of less than 30 years, the risk-free rate is based on the risk-free swap curve from which a Credit Risk Adjustment of 10 bps is deducted from the total curve in accordance with Solvency II, in line with EIOPA's publications. For maturities of 30 years and longer, the risk-free curve is determined by extrapolating to an Ultimate Forward Rate (UFR), which as of 30 June 2023 is 2.4% (31 December 2022: 2,8% and 31 December 2021: 3.1%), from which a Credit Risk Adjustment is deducted.

The UFR reflects long-term real interest rate and inflation expectations and is based on historical data. In addition, it takes into account the ECB's target inflation rate of 2%. The UFR is reviewed periodically, and it is expected to decrease further if the interest rates and the inflation are stable. The table below shows the minimum and maximum of the discount rate used to discount cash flows in the currencies most important to Achmea.

For discount rates related to foreign currencies, the EIOPA curve is input for the bottom-up determination of the IFRS 17 curve. For Turkey the Turkish lira swap curve is used.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MINIMUM AND MAXIMUM YIELD CURVE USED FOR DISCOUNTING THE CASH FLOWS OF THE MAIN CURRENCIES

2023							SPOT RATES (%)
	1 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR	30 YEAR	50 YEAR
Life Netherlands - General model							
Euro	3,98 - 4,35	3,14 - 3,49	2,89 - 3,21	2,82 - 3,10	2,66 - 2,93	2,32 - 2,56	2,14 - 2,37
Life Netherlands - Variable Fee Approach							
Euro	3,98 - 4,35	3,14 - 3,49	2,89 - 3,21	2,82 - 3,10	2,66 - 2,93	2,32 - 2,56	2,14 - 2,37
Non-life[1]							
Euro, Non-life Netherlands	3,61 - 4,28	3,42 - 3,55	3,14 - 3,15	3,04 - 3,06	2,88 - 2,91	-	-
Turkish Lira	16,50 - 25,65	22,06 - 25,82	18,73 - 22,00	16,56 - 18,68	9,50 - 16,53	-	-

[1] Due to the shorter maturities of non-life insurance contracts accounted for under the PAA, the minimum and maximum yield curve has been included up to 20 years.

2022							SPOT RATES (%)
	1 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR	30 YEAR	50 YEAR
Life Netherlands - General model							
Euro	3,17 - 3,53	3,13 - 3,47	3,10 - 3,40	3,01 - 3,29	2,75 - 3,01	2,26 - 2,50	2,11 - 2,34
Life Netherlands - Variable Fee Approach							
Euro	3,17 - 3,53	3,13 - 3,47	3,10 - 3,40	3,01 - 3,29	2,75 - 3,01	2,26 - 2,50	2,11 - 2,34
Non-life[1]							
Euro, Non-life Netherlands	2,10 - 3,47	3,40 - 3,42	3,32 - 3,35	2,23 - 3,26	2,96 - 3,02	-	-
Turkish Lira	12,32 - 12,32	8,46 - 12,22	8,47 - 10,21	10,24 - 10,77	7,88 - 10,77	-	-

[1] Due to the shorter maturities of non-life insurance contracts accounted for under the PAA, the minimum and maximum yield curve has been included up to 20 years.

Cash flows based on the proceeds of the underlying financial instruments are adjusted to reflect these fluctuations of those instruments. This involves using risk-neutral valuation techniques and discounted at a risk-free discount rate increased with an illiquidity premium. When a cash flow is estimated with a stochastic model, that cash flow is discounted at discount rates associated with the scenarios computed in the model. Those resulting discount rates are on average equal to interest rates of the risk-free yield plus the illiquidity premium.

III Risk Adjustment

The risk adjustment is the compensation for non-financial risk arising from insurance contracts issued. This compensation for uncertainty about the size and timing of the non-financial cash flows is determined separately for each (re)insurance entity.

The Risk Adjustment of issued insurance contracts is determined both gross before and net after reinsurance based on the cost of capital method. Time diversification is also taken into account. Time diversification is a factor applied in the calculation of the Risk Adjustment to ensure that the weight of the risks arising further in the future is smaller. This takes into consideration that the risks in different years are independent of each other. Time diversification is primarily applied to life and pension insurances.

The risk adjustment of outbound reinsurance contracts held is equal to the difference between the calculated gross Risk Adjustment of the issued insurance contracts before reinsurance and net after reinsurance. Under the cost of capital method, Achmea determines a cost of capital percentage over the capital required over each reporting period, adjusted for discounting and illiquidity premium.

The required capital is calculated by determining the probability distribution of the present value of the cashflows from insurance contracts at each reporting date and by calculating the capital required for Achmea to meet with a 99.5% reliability its obligations from insurance contracts with a one-year horizon. The cost of capital reflects the additional compensation for non-financial risks. The cost of capital applied is 4.5%.

The risk adjustment for non-financial risk is allocated to the groups of (re)insurance contracts based on an analysis of the risk profiles of the groups.

In determining Risk Adjustment for non-financial risk, diversification benefits from issuing different insurance contracts are taken into account in a manner consistent with the compensation required, the risk appetite. The effects of these benefits are determined by using a correlation matrix technique.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

IV Contractual Service Margin (CSM)

The CSM recognised in the statement of financial position represents the deferred income realised with future services from groups of insurance contracts. The CSM is recognised in the statement of profit and loss during the coverage period of the insurance contracts, based on the defined coverage units representing the quantity of service provided. Coverage units are assessed and revised annually.

Achmea determines the coverage units as follows:

PRODUCT	BASIS ON WHICH THE QUANTITY OF SERVICES RENDERED IS DETERMINED
Insurances:	
Term life insurance	Insured risk capital
Immediate annuities	Insured benefit
Pensions	Insured claims
Traditional savings- and life insurance	Insured capital
Group pension contracts	Insured claims
Disability insurance	Insured claims
Reinsurances:	
Endowment life insurance	Insured benefit
Quota share	Insured risk capital

Fair value of liabilities related to insurance contracts in the transition to IFRS 17
The fair value of insurance contracts takes into account the consideration required by market participants to assume the liabilities of the insurance contract.

The fair value in the transition to IFRS 17 differs from the regular measurement of liabilities related to insurance contracts (see also VIII Transition Provisions on adoption of IFRS 17).

Achmea determined the fair value of insurance contracts as the sum of the present value of the net cash flows expected to be generated by the contracts using a discounted cash flow model. The discounted cash flow projections in this model correspond to the cash flows and contract boundaries applied in the regular measurement of insurance liabilities under IFRS 17. In determining the fair value, the cash flow projections take into account a higher cost level from the perspective of a market participant.

In determining the fair value, Achmea has included a risk premium required by market participants for the uncertainty inherent to the cash flows and profit margin. This premium is reflected in a different cost of capital rate of 6% compared to a rate of 4.5% applied in the measurement of fulfillment cash flows under IFRS 17. In determining the risk premium for fair value, Achmea also considers a number of risks, such as general operating risk, that are not taken into account in measurement of the fulfillment cash flows under IFRS 17. Additionally, time diversification is not taken into account in determining the fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING POLICIES LIABILITIES AND ASSETS RELATED TO (RE)INSURANCE CONTRACTS

Insurance risk (re)insurance contracts
Insurance contracts are defined as contracts that transfer significant insurance risk, where the policyholder is compensated for the loss suffered as a result of an insured event. An insurance contract transfers significant insurance risk (which existed prior to the contract being issued) from the policyholder. Surrender and expense risks associated with insurance contracts do not constitute insurance risk. An insurance risk exists if a scenario with commercial substance exists in which, based on an insured event, additional payments must be made.

In Life, insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur. In Non-Life and Health, the insurance risk is considered significant if it can be determined with a probability of 2.5% that the outgoing cash flow from claims is twice larger than the incoming cash flow from premiums.

Investment contracts
Some contracts entered into by Achmea have the legal form of (re)insurance contracts, but do not carry significant insurance risk. With these contracts, Achmea only accepts a financial risk. These contracts are classified as financial liabilities and presented as 'investment contracts'.

Applied measurement model (re) insurance contracts
Insurance contracts are divided into Life, Health, Non-life and reinsurance contracts held (outbound). Within these product categories, a further subdivision is made according to the applied measurement model:
- General measurement model (GMM), or general measurement model;
- Variable fee approach (VFA), application of general measurement model for contracts with direct participating elements;
- Premium allocation approach (PAA), or simplified measurement model.

The variable fee approach is applied to contracts that meet the following conditions upon initial recognition:
- the contractual terms stipulate that the policyholder participates in a clearly identified pool of underlying items;
- Achmea expects to pay the policyholder an amount equal to a substantial part of the fair value of the proceeds of the underlying items;
- Achmea expects that a substantial part of any change in the amounts payable to policyholders will vary according to the change in underlying items.

See further IV Measurement of contracts according to GMM and VFA.

The simplified measurement model (Premium allocation approach) is applied for the insurance contracts where:
- the coverage period of the contract is one year or less or;
- application of the simplified measurement model (PAA), does not result in a materially different measurement than under application of the general measurement model.

See further V Measurement - contracts measured under the PAA.

INSURANCE AND REINSURANCE CONTRACTS HELD

<u>I Separation of components of insurance and reinsurance contracts held</u>

Upon initial recognition of an insurance or reinsurance contract, Achmea separates the following components and recognises these as separate financial instruments under IFRS 9:
- embedded derivatives whose economic characteristics and risks are not closely related to those of the host insurance contract and whose contract terms would not meet the definition of an insurance or reinsurance contract if it was a stand-alone instrument; and
- distinct investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms can be sold separately in the same market.

In addition, Achmea separates all obligations to transfer separate goods or services to policyholders that are not related to insurance coverage and accounts for them as separate service contracts to which IFRS 15 applies. The obligation to deliver a good or service is separated if the cash flows and risks associated with the delivery of the good or service are not related to the cash flows and risks associated with the insurance component.

Non-distinct investment components
Non-distinct investment components cannot be recognised separately from the underlying insurance contract and therefore are in scope of IFRS 17. This investment component is the amount that is (re)paid to the policyholder according to the insurance contract under all circumstances and is independent of the occurrence of an insured event. It applies for instance to certain unit-linked products, insurance guarantees and funeral insurance policies. The non-distinct investment component is included in the measurement of the insurance contract but will not be recognised in profit or loss. The investment component is determined as the contractual surrender value, less expenses that can be offset and any surrender charges. In traditional pension and life insurance contracts, with and without participation features, Achmea identifies an investment component by determining the amount to be repaid to the policyholder in all scenarios. It includes all scenarios in which an insured event occurs, the contract expires or is terminated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

II Aggregation of insurance and reinsurance contracts held

Insurance contracts
Insurance contracts are aggregated at initial recognition into portfolios of insurance contracts that are subject to similar risks and which are managed together. Grouping of insurance contracts is based on the Lines of business applied in Solvency II. Each portfolio is divided into annual cohorts (i.e., by year of being issued), each annual cohort is divided into the following three groups based on profitability that are not adjusted after the initial allocation of the insurance contracts to the group:

- contracts that are onerous at initial recognition;
- contracts that have no significant probability of becoming onerous at initial recognition; and
- any remaining contracts in the annual cohort.

Contracts for basic health insurance Netherlands are included in the same group. Laws and regulations limit Achmea's practical ability to set premiums or other terms.

An insurance contract will be recognised from the earliest of the following moments:

- at the beginning of the coverage period of the group of contracts (i.e. the period during which Achmea provides services in exchange for premiums within the contract boundary);
- when the first payment from the policyholder becomes due or, if there is no contractual due date when the premium is received from the policyholder; and
- when facts and circumstances indicate that the agreement is onerous and Achmea is bound by a contract.

Groups of contracts are determined at initial recognition and their composition is not revised once contracts have been added to the group.

(Re)Insurance contracts, acquired as part of a business combination of entities or business under common control (hereinafter referred to as business combination) are recognised at the date on which control was acquired (see Chapter 1 General Accounting Policies, Chapter H Consolidation in Achmea B.V.'s 2022 consolidated financial statements). It also applies to insurance contracts acquired as part of a transfer of contracts.

Reinsurance contracts held
Groups of outbound reinsurance contracts held are also based on the Lines of business applied in Solvency II. Some reinsurance contracts held provide coverage for underlying insurance contracts included in different groups. In that situation a group can comprise of only one contract.

A group of reinsurance contracts held is recognised from the earliest of the following moments:

- Reinsurance contracts held providing proportionate coverage: the date on which an underlying insurance contract is first recognised in the statement of financial position. This applies to quota share reinsurance held contracts.
- Other outbound reinsurance contract held: the beginning of the coverage period of the reinsurance contract held.

If Achmea identifies an onerous group of underlying insurance contracts at an earlier date and the related reinsurance contract has already been entered into before that earlier date, the reinsurance contract is recognised at that earlier date (see section Reinsurance of underlying onerous insurance contracts under section IV Measurement of contracts according to GMM and VFA) and section V Measurement - contracts measured under the PAA.

III Contract boundary

The boundaries within which future cash flows will fall are determined as follows:

Insurance contracts
Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Achmea can compel the policyholder to pay premiums or in which Achmea has a substantive obligation to provide services under insurance contracts to the policyholder (insurance coverage including non-distinct investment components).

A substantive obligation to provide services ends when:

- Achmea has the practical ability to reassess the risks of the particular policyholder and can set a premium or level of benefits that fully reflects those reassessed risks; or
- Achmea has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risk of that portfolio. This does not take into account risks relating to periods after the reassessment date.

A contract modification may result in termination of the existing insurance contract and accounting for a new contract (see Section VI Derecognition and Changes in (Re)Insurance Contract).

Reinsurance contracts held
Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Achmea is required to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects the reassessment risks; or
- has the right to terminate the coverage.

In the case of contract changes in reinsurance contracts held, an assessment is made as to whether there is a new contract (see Section VI Derecognition and changes in the (re)insurance contract).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

IV Measurement of contracts according to GMM and VFA

Insurance contracts – Measurement at initial recognition
At initial recognition, Achmea measures a group of insurance contracts as the total of:
- the fulfilment cash flows or the expected value of insurance liabilities determined as the present value of expected future cash flows required to settle an insurance contract increased with a Risk Adjustment for non-financial risks; and
- the CSM or unearned compensation for insurance services.

The risk adjustment for non-financial risk is determined separately. It represents compensation for uncertainty regarding the amount and timing of estimated cash flows arising from non-financial risk.

For a profitable contract, the CSM of a group of insurance contracts represents the deferred income Achmea realizes providing the future services according to the contract. At initial recognition of a group of insurance contracts, the CSM represents the positive balance of fulfilment cash flows resulting in net cash inflows. The fulfilment cash flows are adjusted for any cash flows arising at the date of initial recognition of the group and the amounts recognized in the statement of financial position prior the initial recognition of the group, including prepaid acquisition costs. The locked-in discount rate of the CSM remains fixed after the year cohort is closed.

For groups of insurance contracts acquired in a transfer of contracts or business combination, the consideration received for the contracts is included in fulfilment cash flows as premiums received at the acquisition date. In a business combination, the consideration received is the fair value of the contracts at that date.

Onerous contract
If the total fulfilment cash flows at initial recognition is a net outgoing cash flow, then the group of insurance contracts is onerous. In this case, the amount of net outgoing cash flow is recognised as a loss in profit or loss. This also applies if the contracts were acquired in a business combination as an adjustment to goodwill or in the profit or loss when there is negative goodwill. The loss component is presented separately as part of insurance liabilities. The loss component is then credited to the profit or loss over the life of the contract as part of the insurance expense.

Insurance contracts - Subsequent measurement
The carrying amount of a group of insurance contracts is determined at each reporting date and is the sum of the insurance liabilities for contracts for which insurance coverage is yet to be provided (Liability for Remaining Coverage (LFRC)) and Liability for incurred claims (LFIC). The LFRC includes (a) the fulfilment cash flows related to insurance services to be provided under the insurance contracts in future periods and (b) any remaining CSM as of that date. The LFIC includes cash flows for incurred claims and expenses not yet paid, including claims that have been incurred but have not yet been reported (IBN(E)R claims).

The measurement of the LFRC cash flows of a group of insurance contracts at the reporting date is based on current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. For the CSM of GMM contracts, the historical discount rate (locked-in) is applied per group of insurance contracts.

Changes in fulfilment cash flows (excluding Risk Adjustment) are recognised as follows:
- changes in cash flows related to future services are adjusted to the credit or debit of the CSM in the statement of financial position (or recognised in insurance service result if the group of insurance contracts is onerous);
- changes related to current service or service from previous years are included in insurance service result in the statement of profit or loss;
- effects of discounting or changes in the discount rate on estimated future cash flows are recognised as insurance finance income and expenses in the statement of profit or loss.

The methodology of calculating the CSM by type of insurance contracts is detailed below.

Insurance contracts without direct participation features
The carrying amount of the CSM at each reporting date is the carrying amount at the beginning of the year, adjusted for:
- the CSM of new insurance contracts that are added to the group of insurance contracts in the year;
- interest accreted on the carrying value of the CSM during the year, at the fixed discount rate per group as determined on initial recognition;
- changes in fulfilment cash flows that relate to future services (see below), except to the extent that:
  a) increases in the fulfilment cash flows exceed the CSM. In this case the excess is recognised as a loss component charged to profit or loss or
  b) decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in the statement of profit and loss;
- the effect of any exchange rate differences on the CSM; and
- the amount recognised as insurance revenue in the profit or loss for insurance services provided during the year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Changes in fulfilment cash flows related to future services and accordingly adjust the CSM are:

- experience adjustments arising from premiums received in the year that relate to cash flows of future services , discounted at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LFRC discounted at the discount rates determined at initial recognition of the CSM;
- interest accreted to the LFRC and changes in discount rates and other financial risk are not recognized in the CSM but in profit or loss as part of Net finance result from (re)insurance contracts (held);
- changes in the effect of the time value of money of future financial options and guarantees;
- differences between a non-distinct investment component expected to be payable in the year and the actual amount payable in the year;
- differences between a loan to a policyholder expected become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the Risk Adjustment for non-financial risks related to future services. Achmea does not disaggregate the discounting effect and changes in the Risk Adjustment.

Changes in cash flows associated with changes in discretionary commitments are considered to be related to future service and adjust the CSM accordingly:

- interest accreted to the LFRC, changes in discount rate and other financial risks and changes in the time value of money of future financial options and guarantees are not recognized in the CSM but in the profit or loss as part of Net financial result from (re)insurance contracts.

Insurance contracts with direct participation features (Variable fee approach);
Insurance contracts with direct participation features are contracts for which Achmea's obligation to the policyholder is the balance of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying investment portfolio; and
- a variable fee compensation to Achmea in exchange for future services according to the contracts included in CSM. Variable fee compensation includes the amount of Achmea's share of the fair value of the underlying investment portfolio less fulfilment cash flows that do not vary based on returns from the underlying investment portfolio, such as options and guarantees issued by Achmea. The fee for services relates to both insurance coverage and a fee for investment portfolio management or options and guarantees issued where an investment return is agreed based on underlying investment portfolio.

When measuring a group of insurance contracts with direct participation features, Achmea adjusts the fulfilment cash flows for changes in the obligation to pay policyholders an amount equal to the fair value of the underlying investment portfolio. These changes do not relate to future services and are recognised in the statement of profit and loss under Net financial result from (re)insurance contracts. Achmea then adjusts the CSM for any change in Achmea's share of the fair value of the underlying investment portfolio less costs for to meet options and guarantees issued that relate to future service .
The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of new contracts added to the group in the year;
- the change in the amount of Achmea's share of the fair value of the underlying investment portfolio and changes in the fulfilment cash flows that relate to future services, except to the extent that:
  a) Achmea has applied the risk mitigation option in which changes in the effect of financial risk on the amount of its share of the underlying investment portfolio or fulfilment cash flows are not adjusted on the CSM (see risk mitigation below);
  b) a decrease in Achmea's share of the fair value of the underlying investment portfolio, or an increase in fulfilment cash flows that relate to future services, exceeds the carrying value of the CSM, resulting in a loss in the profit or loss (recognised as a loss component charged to insurance service expenses (see VII Presentation);
  c) an increase in the amount of the group's share of the fair value of the underlying investment portfolio, or a decrease in cash flows in the fulfilment cash flows that relates to future services, is allocated to the loss component, reversing losses previously recognised in the profit or loss (included in insurance service expense) (see VII Presentation);
  d) the effect of any exchange rate differences on the CSM; and
  e) the amount recognised as insurance revenue for the services provided during the year (see VII Presentation).

Risk mitigation
Achmea uses derivatives to mitigate interest rate risk arising from interest rate guarantees in its life and pension products. This mitigation aligns the arising interest rate risk with the interest rate risk mitigation objective described in Note 2 Capital and risk management – Market risk in the consolidated financial statements 2022 of Achmea B.V. A hedging relationship exists between the insurance contracts and the risk-mitigating instruments. For the insurance contracts under the Variable fee approach where the interest rate risk is mitigated with interest rate derivatives, the changes in the value of the CSM due to Achmea's share of the change in fair value of the underlying items are recognised in profit or loss.

Reinsurance contracts held
For the measurement of reinsurance contracts held, Achmea applies the same accounting policies as applied to insurance contracts without participation features with the adjustments as described below.

The carrying amount of a group of reinsurance contracts held at each reporting date is the total of the Assets for Remaining Coverage (AFRC) and Assets for Incurred Claims (AFIC). The AFRC includes the reinsurer's share presented under (a) the fulfilment cash flows related to services to be received in future periods and (b) any remaining CSM at that date.

Achmea measures the estimates of the present value of future cash flows based on assumptions consistent with the estimates used to determine the present value of future cash flows of the underlying insurance contracts, with an adjustment for the risk of the reinsurer not fulfilling its obligations (hereafter referred to as non-performance risk). The effect of the reinsurer's non-performance risk and the effect of changes to it are recognised in the statement of profit and loss at each reporting date under insurance technical result. The Risk Adjustment represents the extent of non-financial risk transferred by Achmea to the reinsurer.

At initial recognition, the CSM of a group of reinsurance contracts held is equal to the net cost or net income on the reinsurance purchased (if the underlying insurance contracts are not onerous). It is measured as the total of;

- the fulfilment cash flows;
- any amount arising from the derecognition of all assets and liabilities previously recognised that relate to the group of reinsurance contracts held;
- any cash flows generated at that date and;
- any income recognised in profit or loss as a result of underlying onerous contracts recognised at that date (see "Reinsurance of underlying onerous insurance contracts").

However, if the net costs of acquiring the reinsurance coverage relates to an insured event that occurred prior to the acquisition of the group of reinsurance contracts held, Achmea recognises the cost immediately in profit or loss as insurance service expense unless the reinsurance contract covers the uncertainty regarding the financial settlement of a previously occurred event.

The carrying value of the CSM at each reporting date is the carrying value at the beginning of the year adjusted for:

- the CSM of any new contracts added to the group in the year;
- interest added to the carrying value of the CSM during the year, discounted at the discount rates on nominal cash flows determined at initial recognition;
- income recognised in the year in profit or loss on initial recognition of underlying onerous contracts (see below);
- reversals of the loss recovery component to the extent that there are no changes in the fulfilment cash flows of the group of reinsurance contracts held (see section Net cost from reinsurance contracts held in Chapter VII Presentation);
- changes in the fulfilment cash flows relating to future services, discounted at the discount rates determined at initial recognition. Unless they result from changes in the fulfilment cash flows of underlying onerous contracts (which do not adjust the CSM), in which case they are recognised in profit or loss and create or adjust a loss recovery component;
- the effect of any exchange rate differences on the CSM; and
- the amount recognised in the profit or loss for the services received in the year.

Reinsurance of underlying onerous insurance contracts
Achmea adjusts the CSM of a reinsurance contract and recognises a (re)insurance service income when it recognises a loss on initial recognition of underlying onerous contracts. The condition is that the reinsurance contract is entered into no later than the time when the underlying onerous insurance contracts are recognised in the statement of the financial position. The adjustment of the CSM is determined by multiplying the following elements:

- the loss relating to the underlying insurance contracts; and
- the percentage of the claims or benefits of the underlying insurance contracts that Achmea expects to recover from the reinsurer.

If a reinsurance contract covers only part of the insurance contracts included in an onerous group of contracts, Achmea uses a systematic and rational method to determine the portion of losses recognised on the onerous group that relates to underlying contracts covered by the reinsurance contract.

For the group of reinsurance contracts held, based on the measurement of underlying groups of onerous insurance contracts, a loss-recovery component is recognised and adjusted for subsequent measurement. This loss-recovery component is presented in the statement of profit and loss as the recovery of losses through reinsurance contracts held and which is not included in the allocation to premiums paid (see "Net cost from reinsurance contracts held" under VII Presentation).

<u>V Measurement - Contracts measured under the PAA</u>

For Health and Non-Life insurance (excluding disability insurance), Achmea applies the PAA method to simplify the measurement of groups of insurance contracts since the following criteria are met upon recognition in the statement of financial position.

For insurance contracts:

- the coverage period of the contract is one year or less, or;
- application of the simplified measurement model (PAA) does not result in a materially different measurement than under application of the general measurement model.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the reinsurance contracts held:
- loss-occurring reinsurance (LOR): The coverage period of each contract is one year or less;
- risk attaching reinsurance contracts held: Application of the simplified measurement model does not result in a materially different measurement than under application of the general measurement model. When comparing different measurement methods, Achmea considers the impact of the different AFRC release patterns and the impact of discounting. If significant variability is expected in fulfilment cash flows before a claim is filed, this criterion is not met.

Initial recognition and subsequent measurement
On initial recognition of each group of insurance contracts, the carrying amount of the Liability for remaining coverage (LFRC) is equal to the premiums received on initial recognition less any cash flows from acquisition costs and adjusted for (acquisition) cash flows that occurred in prior periods and are attributable to that group.

The carrying amount of the LFRC is then increased with all premiums received and the amortisation of insurance acquisition cash flows recognised as expenses. This amortization and any additional cash flows for insurance acquisition allocated after initial recognition reduce the amount recognized as insurance revenue for services rendered (see VII Presentation).

If at any time during the coverage period, facts and circumstances show that a group of insurance contracts is onerous then a loss component is formed which increases the LFRC to the level of estimate of the fulfilment cash flows of the LFRC.

Achmea measures the Liability for incurred claims (LFIC) from a group of insurance contracts at the fulfilment cash flows related to incurred claims. The liability relates to the estimates of the future cash flows arising from the reported claims. In addition, at the reporting date, an estimate is made for claims incurred that have not yet been reported (IBNR). For Non-Life insurance, future cash flows are discounted at the discount rate at the end of the reporting period. For the Health component, the fulfilment cash flows of claims incurred are not discounted due to the short settlement period.

Reinsurance contracts held
Achmea applies the same accounting policies for the measurement of groups of reinsurance contracts held, adjusted where necessary for the differences with insurance contracts and for the credit risk of the reinsurer.

If a loss-recovery component is recognised for a group of reinsurance contracts held measured under PAA, Achmea adjusts the carrying amount of the AFRC (see Reinsurance of loss-making underlying insurance contracts section under Chapter IV Measurement of contracts under GMM and VFA).

<u>VI Derecognition and changes in the (re)insurance contract</u>

Achmea derecognises a contract when the contract expires, all obligations have been fulfilled or when the contract has been terminated, i.e. when the specified obligations in the contract expire or have been fulfilled or terminated.

Achmea also derecognises a contract if the terms are modified in such a way that recognition in the statements of financial position and profit or loss would have been significantly different compared to the new terms always existing. In this case a new contract based on the changed contract terms is recognised in the statement of financial position. Significant changes include a change in scope, separation into components of a (re)insurance contract, change in the contract boundary or grouping of insurance contracts. If a contract change does not result in derecognition, Achmea accounts for the change in cash flows as a change in estimates of fulfilment cash flows.

On derecognition of a contract from within in a group of contracts measured at GMM or VFA:
- the fulfilment cash flows allocated to the contracts are adjusted to eliminate the cash flows of the derecognised rights and obligations;
- the CSM of the group of insurance contracts is adjusted to reflect the change in fulfilment cash flows, except when the changes are allocated to a loss component; and
- the number of coverage units for the expected remaining insurance services is adjusted for the coverage units that are no longer included in the group of insurance contracts (see VII Presentation).

If a contract is derecognised because it is transferred to a third party, the CSM is also adjusted for the premium charged by the third party, unless the group of insurance contracts is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged if Achmea had entered into a contract with the new terms on the date of modification, less any additional premium for the modification. The new contract is measured assuming that on the date of modification Achmea received the premium it would have charged less any additional premium for the modification.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

VII Presentation

Portfolios of insurance contracts and reinsurance contracts held, which are assets and liabilities, are presented separately in the statement of financial position.

Achmea splits amounts recognised in the statement of profit and loss into:
- Insurance result, consisting of revenues and expenses from insurance-related services and the insurance result from reinsurance contracts held and
- Net finance result from (re)insurance contracts (held), consisting of the Investment result from (re)insurance activities and the Finance result from (re)insurance contracts (held).

Income and expenses from reinsurance contracts held, with the exception of financial income from reinsurance contracts held, are presented as Insurance result from reinsurance contracts held under insurance result. Achmea does not disaggregate the changes in the Risk Adjustment for non-financial risk into Insurance result and Net finance result from (re)insurance contracts (held). All changes in the Risk Adjustment for non-financial risk are recognised as Insurance result.

Insurance revenue and expenses from insurance-related services exclude investment components and are recognised as described below.

Insurance revenue – Contracts not valued under the PAA
Achmea realises insurance revenue as it meets its performance obligations arising from insurance contracts, i.e. when it provides services in accordance with the insurance contracts. For contracts not measured under PAA, insurance revenue from insurance services rendered represent the total of the change in the LFRC.

This includes:
- a release of CSM, measured based on coverage units provided (see "Release of the CSM");
- changes in the Risk Adjustment for non-financial risk related to services delivered in the current period;
- the release of claims, benefits and other insurance costs expected at the beginning of the year from the LFRC;
- in addition, to each period Achmea allocates, systematically based on the passage of time, a portion of premiums to cover acquisition costs allocated to the LFRC. Achmea recognizes the allocated amount, discounted on initial recognition of the group of contracts, as insurance revenue and an equal amount as insurance-related amortisation expense.

Release of CSM
The CSM of a group of insurance contracts is recognised in profit or loss as insurance revenue during the coverage period of the insurance contracts. The allocation to each period is based on the defined coverage units representing the quantity of service. The systematics are explained in detail under Important Assumptions and Estimates IV Contractual Service Margin (CSM).

The number of coverage units comprises the quantity of services provided by Achmea according to the contract. This is determined by accounting the quantity of benefits provided and its expected coverage period for each contract. Coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts, include insurance coverage and, for policies with participation features, investment services to manage the underlying investment portfolio on behalf of policyholders. In addition, life contracts without direct participation features may also provide investment services generating an investment return for the policyholder, but only if:
- there is a non-distinct investment component or the policyholder has the right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);
- the investment component or withdrawal amount is expected to include an investment return; and
- Achmea expects to carry out investment activities to generate that investment return.

The expected coverage period reflects expectations of contract lapses and cancellations, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders in respect of those services are paid.

Insurance revenue – Contracts measured at the PAA
For contracts measured at the PAA, insurance revenue for each period is the amount of expected premium receipts for providing services in the period. Achmea allocates expected premium income to each period based on the following principles:
- certain property insurance contracts: the expected realisation of incurred insurance service expenses; and
- other contracts: the passage of time.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Loss components
For contracts that are measured according to the general measurement model, Achmea establishes a loss component for onerous groups of insurance contracts. The change in the loss component is then presented in the statement of profit and loss as reversals of losses on onerous contracts. When the fulfilment cash flows are incurred, they are allocated between the loss component and the LFRC on a systematic basis. For this purpose, the proportion of the loss component relative to the total estimate of the present value of future cash outflows increased with the Risk Adjustment for non-financial risk (or at initial recognition if a group of contracts is recognised for the first time in the year) is determined on a systematic basis at the beginning of each year.

For contracts with direct participation features, changes in the fulfilment cash flows relating to future services and changes in Achmea's share in the fair value of the underlying investment portfolio are allocated solely to the loss component.

If the loss component is reduced to zero, than any excess over the amount allocated to the loss component within the general measurement model creates a CSM for the group of contracts.

Within the PAA model, the loss component is included as the component of LFRC. If the loss component is reduced to zero, the movement is recognised within the LFRC.

Insurance-related costs
Insurance service expenses arising from insurance contracts are generally recognised in profit or loss as they are incurred. Repayments of investment components are not recognised as insurance-related expenses. Insurance service expenses include:
- incurred claims and other insurance service expenses: for some life contracts, incurred claims also include premiums waived as a result of disability;
- amortisation of insurance acquisition cash flows: this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows;
- losses on onerous contracts and reversals of such losses;
- adjustments to the liabilities for incurred claims that do not result from the effects of discounting and changes in discount rates;
- impairment losses on assets from insurance acquisition cash flows and reversals of such impairment losses.

Net insurance service result from reinsurance contracts
The net insurance service result from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

Achmea recognizes an allocation of reinsurance premiums in profit and loss in proportion to the receipt of services under reinsurance contracts held.

For a group of reinsurance contracts held covering underlying insurance contracts, Achmea establishes a loss component that reflects the AFRC arising from the compensation Achmea receives from the reinsurer to cover the recognised losses:
- on initial recognition of the underlying contract, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognized; and
- for changes in the fulfilment cash flows of the group of reinsurance contracts held relating to future services, that result from changes in the fulfilment cash flows of the underlying onerous contracts.

Net finance result from (re)insurance contracts (held)
The Net financial result from (re)insurance contracts includes changes in the carrying amount of groups of insurance and reinsurance contracts held, arising from the effects of discounting and changes in discount rates, unless for groups of insurance contracts with direct participation features these changes are allocated to a loss component and included in insurance service expenses. The net financial result from (re)insurance contracts also includes changes in the measurement of groups of contracts due to changes in the value of the investment portfolio (excluding additions and withdrawals).

The Net finance result from (re)insurance contracts (held) is presented in the statement of profit and loss.

<u>VIII Transition provisions on adoption of IFRS 17</u>

Depending on the availability and reproducibility of required actuarial data, the full retrospective method has been used to determine the value of the insurance liabilities and therefore the CSM at transition date to determine the comparative figures for reporting year 2022 under IFRS 17. This means that the comparative figures have been restated as if IFRS 17 had always been applied. For some specific portfolios and reporting years within the Pension and Life business and the Non-Life business (disability portfolio), the required information was not sufficiently available or reproducible due to system and data conversions. Therefore, the value of the related insurance liabilities on the transition statement of financial position was determined using the fair value method. These are explained in the section 'Fair value method'.

The full retrospective method has therefore been applied to the following insurance portfolios:
- All insurance portfolios within the Healthcare business;
- All insurance portfolios within the Reinsurance business (with the exception of a few life insurance portfolios signed before 1 January 2020);
- Insurance contracts in the open book portfolio within the Pension and Life business taken out after 1 January 2020;
- All insurance portfolios within the Property & Casualty business, excluding the disability portfolio closed before 1 January 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Insurance and reinsurance contracts held – Fair value approach
Under the fair value approach, the CSM (or loss component) at 1 January 2022 was determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date for the contracts as mentioned above.

For all contracts measured under the fair value approach, Achmea used historical information and reasonable and supportable information available at 1 January 2022 to determine:

- the groups of contracts;
- whether an agreement meets the definition of a contract with direct participation features; and
- how to identify discretionary cash flows for contracts without direct participation features.

All groups of contracts measured under the fair value approach include contracts issued at intervals of more than one year. For these groups, the discount rates at initial recognition were determined at 1 January 2022 instead of the date of initial recognition.

For groups of reinsurance contracts held covering underlying onerous contracts, Achmea established a loss coverage component at 1 January 2022. Achmea determined this component by multiplying:

- the amount of the loss component relating to the LFRC under the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that Achmea expected to recover under the reinsurance contracts held.

When applying the fair value method, determining the fair value Achmea has included a premium that represents a risk premium demanded by market participants for the uncertainty inherent in cash flows and profit margin. This premium is reflected in a different Cost of Capital used in determining the Risk Adjustment. For transition purposes, a rate of 6% is used in determining fair value. For the measurement of insurance liabilities under IFRS 17, Achmea uses a rate of 4.5%. In determining the Risk Adjustment, Achmea also includes a number of risks that are not included in the determination of the cash flows required to fulfil the group’s contractual obligations, for example, with regard to general operational risk.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AUTHORISATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Zeist, 23 August 2023

Executive Board

B.E.M. (Bianca) Tetteroo, Chair

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

M.G. (Michiel) Delfos, CRO

D.C. (Daphne) de Kluis

R. (Robert) Otto

L.T. (Lidwien) Suur

Supervisory Board

J. (Jan) van den Berg, Chair

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

T.R. (Tjahny) Bercx

M.R. (Miriam) van Dongen

P.H.M. (Petri) Hofsté

A.M. (Lex) Kloosterman

E.C. (Nienke) Meijer

R.Th. (Roel) Wijmenga

Independent auditor's review report

To: the shareholders and supervisory board of Achmea B.V.

Our conclusion

We have reviewed the condensed interim financial information included in the half year report of Achmea B.V. based in Zeist for the period from 1 January 2023 to 30 June 2023.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of Achmea B.V. for the period from 1 January 2023 to 30 June 2023, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed interim financial information comprises:

- The consolidated statement of financial position as at 30 June 2023
- The following statements for the period from 1 January 2023 to 30 June 2023: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in total equity and the condensed consolidated statement of cash flows
- The notes comprising of a summary of the significant accounting policies and selected explanatory information.

Basis for our conclusion

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

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

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

Responsibilities of management and the supervisory board for the condensed interim financial information

Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

INDEPENDENT AUDITOR'S REVIEW REPORT

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing Achmea's financial reporting process.

Our responsibilities for the review of the condensed interim financial information

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

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

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.
Our review included among others:

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

Amsterdam, 23 August 2023

Ernst & Young Accountants LLP

W.J. Smit

SUPPLEMENT

SUPPLEMENT – GLOSSARY

Glossary	Explanation
AFRC	Assets For Remaining Coverage. The AFRC includes the reinsurer's share of the fulfilment cash flows related to services to be received in future periods and potential CSM at that date.
AFIC	Assets For Incurred Claims. AFIC includes the reinsurer's share of the fulfilment cash flows of claims incurred.
Investment result from (re)insurance activities	Investment result from (re)insurance activities includes interest income and -expensens, (un)realized results on investments measured at FVTPL, investment expenses and impairment losses.
Net financial result from (re)insurance activities	The Net financial result from (re)insurance activities = Investment result from (re)insurance activities + Finance result from insurance contracts + Finance result from reinsurance contracts held.
CSM	Contractual Service Margin. A component of the book value of the asset or liability for a group of insurance contracts that represents the unearned profit that Achmea will recognise when providing insurance contract services under the insurance contracts that are part of the group.
ECL	Expected credit losses. The weighted average of credit losses using the respective default risks as weighting factors.
FRA	Full retrospective approach. Full retrospective transition method at initial adoption of IFRS 17 on the transition date.
Fulfilment cash flows	An explicit, unbiased and probability-weighted estimate (i.e. expected value) of the present value of future cash outflows minus the present value of future cash inflows that will occur when Achmea services insurance contracts, including a risk adjustment for non-financial risk.
FVA	Fair value approach. Alternative method to the FRA for transition used on transition date.
FVOCI	Fair value through other comprehensive income. Valuation in the statement of financial position at fair value with changes in fair value recognised in other comprehensive income.
FVTPL	Fair value through profit and loss. Valuation in the statement of financial position at fair value with changes in fair value recognised in the Statement of profit and loss.
General model	General valuation model used within IFRS 17 for valuing (re)insurance contracts. Other valuation models are the PAA and the VFA.
LFIC	Liability for incurred claims. This concerns: (a) valid claims for insured events that have already occurred, including events that have occurred but for which claims have not yet been made (Incurred But Not Reported), and other incurred insurance-related expenses incurred, and (b) payment amounts not included under (a) that relate to: (i) services under an insurance contract already provided; or (ii) investment components or other amounts not related to services under an insurance contract and are not part of the residual coverage obligation.
Locked-in discount rate	First-time discount rate at which the CSM is discounted in the General model.
PAA (Premium Allocation Approach)	One of the valuation models within IFRS 17 that can be applied under certain conditions.
Risk adjustment (RA)	Risk adjustment for non-financial risk. The compensation required by an entity for bearing the uncertainty arising from non-financial risk regarding the amount and timing of cash flows when Achmea fulfills insurance contracts.
SPPI	Solely payments of principal and interest. Financial instrument consisting solely of principal repayment and interest payments. Contractual cash flows consisting solely of principal repayments and interest payments on the outstanding principal amount.
VFA (Variable Fee Approach)	One of the valuation models within IFRS 17 that can be applied under certain conditions.