EUREKO

2010

FINANCIAL STATEMENTS

This publication, the Eureko 2010 Financial Statements
and the separate edition 'Eureko Annual Report 2010'
together form the Annual Report, the Financial Statements
and Other information of Eureko B.V.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF PROFIT)

(€ MILLION)

	NOTES	31 DECEMBER 2010	31 DECEMBER 2009
Assets			
Intangible assets	6	2,066	2,084
Associates	7	149	1,542
Investment property	8	1,416	1,440
Investments	9	39,043	37,675
Investments backing linked liabilities	10	22,637	21,282
Investments related to cash collateral received in securities lending	11	534	1,552
Banking credit portfolio	12	16,828	19,302
Deferred tax assets	13	923	799
Deferred acquisition costs	14	384	437
Income tax receivable			
Amounts ceded to reinsurers	20	937	1,011
Receivables	15	5,176	3,765
Other assets	16	860	915
Cash and cash equivalents	17	1,939	1,385
		92,892	**93,189**
Assets classified as 'held for sale'	5	1,054	
Total assets		**93,946**	**93,189**
Equity			
Equity attributable to holders of equity instruments of the Company	18	10,352	10,121
Non-controlling interest	19	5	6
Total equity		**10,357**	**10,127**
Liabilities			
Insurance liabilities	20	35,623	35,112
Insurance liabilities for policyholders	21	20,305	19,341
Investment contracts	22	2,365	2,315
Liabilities related to cash collateral received in securities lending	23	550	1,584
Employee benefits	24	1,080	1,142
Other provisions	25	324	287
Banking customer accounts	26	4,659	5,050
Loans and borrowings	27	12,600	13,348
Derivatives	28	1,031	1,124
Deferred tax liabilities	13	586	452
Income tax payable		95	198
Other liabilities	29	3,608	3,109
		82,826	**83,062**
Liabilities classified as 'held for sale'	5	763	
Total equity and liabilities		**93,946**	**93,189**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2010	2009
Income			
Gross written premiums Non-Life	33	3,992	4,030
Gross written premiums Health	34	12,289	10,617
Gross written premiums Life	35	3,571	4,998
Gross written premiums		**19,852**	**19,645**
Reinsurance premiums		-713	-638
Change in provision for unearned premiums (net of reinsurance)		20	15
Net earned premiums		**19,159**	**19,022**
Contributions received for health pooling		25	58
Income from associates	36	747	241
Investment income	37	1,387	1,494
Realised and unrealised gains and losses	38	563	-687
Income from investments backing linked liabilities	39	1,836	1,781
Income from investments related to cash collateral received in securities lending	40	10	79
Banking income	41	832	905
Fee and commission income, and income from service contracts	42	481	553
Other income	43	265	1,314
Total income		**25,305**	**24,760**
Expenses			
Claims and movements in insurance liabilities	44	18,366	15,134
Claims and movements in insurance liabilities ceded to reinsurers	44	-346	-425
Profit sharing and bonuses	45	650	-172
Movements in insurance liabilities for policyholders		1,001	4,224
Benefits on investment contracts	46	82	98
Operating expenses	47	3,268	3,226
Interest expenses from liabilities related to cash collateral received in securities lending		2	53
Banking expenses	48	618	746
Interest and similar expenses		99	106
Other expenses	49	339	263
Total expenses		**24,079**	**23,253**
Profit before tax		**1,226**	**1,507**
Income tax expenses	50	6	126
Net profit		**1,220**	**1,381**
Net profit attributable to:			
Holders of equity instruments of the Company		1,220	1,381
Non-controlling interest			
Earnings per share from continuing operations (euros) and diluted earnings per share from continuing operations (euros)	52	2.75	3.36

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTES	2010	2009
Net profit		**1,220**	**1,381**
Net other comprehensive income			
Currency translation differences on subsidiaries, intangible assets and associates		1	-82
Revaluation property for own use			16
Unrealised gains and losses on available for sale instruments		692	447
Share in other comprehensive income of associates		-9	9
Transfer from/to provision for profit sharing and bonuses		-411	-144
Gains and losses on available for sale instruments reclassified to the Income Statement on disposal		-170	18
Impairment charges on available for sale instruments reclassified to the Income Statement		51	131
Unrealised gains and losses on cash flow hedging instruments		-8	2
Comprehensive income	**51**	**1,366**	**1,778**
Comprehensive income attributable to:			
Holders of equity instruments of the Company		1,366	1,778
Non-controlling interest			

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2010	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	FOREIGN EXCHANGE DIFFERENCE	HEDGING RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	OTHER EQUITY INSTRU-MENTS	**EQUITY ATTRIBU-TABLE TO HOLDERS OF EQUITY INSTRU-MENTS OF THE COMPANY**	NON-CONTROLL-ING INTEREST	**TOTAL EQUITY**
Balance at 1 January	**11,861**	**-45**	**1,250**	**758**	**-422**	**2**	**-5,989**	**1,381**	**1,325**	**10,121**	**6**	**10,127**
Comprehensive income				-168	322	-8		1,220		1,366		1,366
Appropriations to reserves			-978	-35			2,394	-1,381				
Dividends and coupon payments	-480						-691			-1,171		-1,171
Other movements				-7	-1		44			36	-1	35
Balance at 31 December	**11,381**	**-45**	**272**	**548**	**-101**	**-6**	**-4,242**	**1,220**	**1,325**	**10,352**	**5**	**10,357**

Share capital includes €10,949 million share premium (2009: €11,429 million).

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2009	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	FOREIGN EXCHANGE DIFFERENCE	HEDGING RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	OTHER EQUITY INSTRU-MENTS	**EQUITY ATTRIBU-TABLE TO HOLDERS OF EQUITY INSTRU-MENTS OF THE COMPANY**	NON-CONTROLL-ING INTEREST	**TOTAL EQUITY**
Balance at 1 January	**10,833**	**-45**	**1,548**	**-2**	**-229**	**-25**	**-3,841**	**-2,119**	**1,325**	**7,445**	**6**	**7,451**
Comprehensive income				484	-89	2		1,381		1,778		1,778
Appropriations to reserves			-298	-43			-1,778	2,119				
Dividends and coupon payments							-106			-106		-106
Issue, repurchase and sale of equity instruments	1,028									1,028		1,028
Other movements				319	-104	25	-264			-24		-24
Balance at 31 December	**11,861**	**-45**	**1,250**	**758**	**-422**	**2**	**-5,989**	**1,381**	**1,325**	**10,121**	**6**	**10,127**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	2010	2009
Cash flow from operating activities		
Profit before tax	1,226	1,507
Adjustments of non-cash items and reclassifications:		
Unrealised results on investments	-1,177	-996
Foreign exchange results	-123	-39
Amortisation and impairment charges on intangible assets, equipment and property for own use	186	217
Amortisation deferred acquisition costs	87	106
Dividend income investments and investments backing linked liabilities	-206	-186
Rental income net of expenses	-132	-147
Interest income	-2,512	-2,645
Investment expenses	118	88
Interest expenses	598	674
Changes in operating assets and liabilities:		
Capitalised deferred acquisition costs	-36	-51
Changes in receivables and other liabilities	-851	622
Changes in insurance liabilities net of reinsurance	1,086	2,030
Changes in banking credit portfolio	2,493	-200
Changes in banking customer accounts and loans and borrowings related to banking activities	-1,143	558
Other changes	-293	-29
Income taxes paid	-1	214
Changes in income tax	-90	-157
	-770	**1,566**
Cash flow from investing activities		
Investments, acquisitions and direct return on investments:		
Investment property	-76	-114
Investments	-57,018	-42,428
Investments backing linked liabilities	-12,480	-10,968
Equipment and property for own use	-94	-85
Dividend income associates	3	1,025
Dividend income investments and investments backing linked liabilities	206	186
Rental income net of expenses	132	147
Interest income	2,163	2,332
Investment expenses	-118	-88
	-67,282	**-49,993**
Divestments and disposals:		
Subsidiaries and associates (net of cash disposed)	1,442	253
Investment property	67	142
Investments	56,460	40,090
Investments backing linked liabilities	12,760	8,684
Equipment and property for own use	10	163
	70,739	**49,332**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	2010	2009
Cash flow related to cash collateral in securities lending		
Investments and acquisitions:		
Cash collateral received in securities lending	4,944	1,041
Investments related to cash collateral received in securities lending	-4,944	-1,256
		-215
Divestments and disposals:		
Repayment of cash collateral received in securities lending	-5,978	-4,744
Investments related to cash collateral received in securities lending	5,979	4,850
	1	**106**
Cash flow from financing activities		
Issue, repurchase and sale of equity instruments		1,028
Dividends and coupon payments on equity instruments	-1,171	-106
Interest paid	-579	-573
Other credit facilities	-384	-529
	-2,134	**-180**
Net cash flow	**554**	**616**
Cash and cash equivalents at 1 January	1,385	769
Net cash and cash equivalents at 31 December	**1,939**	**1,385**
Cash and cash equivalents include the following items:		
Cash	8	31
Bank balances	1,781	1,102
Call deposits	150	252
Net cash and cash equivalents at 31 December	**1,939**	**1,385**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

A BASIS OF PRESENTATION

The Eureko Consolidated Financial Statements, including the 2009 comparative figures, have been prepared in accordance with the International Financial Reporting Standards - including International Accounting Standards (IAS) and Interpretations - as at 31 December 2010 and as adopted by the European Union (hereafter EU and EU-IFRS). Furthermore, the Eureko Consolidated Financial Statements comply with the requirements of Article 362 (9) Book 2, part 9 of the Dutch Civil Code.

The exemption pursuant to Article 402 Book 2, part 9 of the Dutch Civil Code, applies to the Company Income Statement of Eureko B.V.

In certain cases current presentation differs from the previous year presentation. Where applicable comparative figures have been adjusted in the relevant disclosure notes. These adjustments do not have an effect on Total equity or Net profit.

All amounts in the Consolidated Financial Statements are in millions of euros unless stated otherwise.

B CHANGES IN REPORTING

Initial application of accounting policies

IAS 27: Consolidated and Company Financial Statements
Due to a change in IAS 27 'Consolidated and Company Financial Statements' (applicable as of 1 January 2010 for Eureko) Eureko treats the loss of control over a subsidiary as a full disposal with gains and losses recognised in profit or loss. Any remaining interest in the former subsidiary is measured at fair value and will be treated as an associate or an investment depending on Eureko's intentions. The impact of the adjustment to IAS 27 on the financial statements of Eureko is considered not material.

IAS 28: Investments in Associates
Due to a change in IAS 28 'Investments in Associates' (applicable as of 1 January 2010 for Eureko) Eureko treats the loss of significant influence over an associate as a full disposal with gains and losses recognised in profit or loss. Any remaining interest in the former associate is treated as an investment and is measured at fair value. The impact of the adjustment to IAS 28 on the financial statements of Eureko is considered not material (Reference is made to Note 2 Exceptional events).

Amendments and interpretations
In addition to the above mentioned initial application of accounting pronouncements, the following amendments and revisions to standards have been adopted by Eureko as of 1 January 2010. These amendments and revisions have no material impact on Net profit or Total equity of Eureko.

IAS 39 Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items
The amendments in IAS 39 clarify how the existing principles underlying hedge accounting should be applied in two particular situations (i.e. identifying inflation as a hedged risk and hedging with options).

IFRS 2 Share-based Payment — Amendments relating to group cash-settled share-based payment transactions
The amendments in IFRS 2 clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its Company Financial Statements when these arrangements are settled by another group company (including the parent company).

IFRS 3 Business combinations — Amendments resulting from May 2010 Annual Improvements to IFRSs
Eureko has adopted IFRS 3 'Business combinations' as revised in 2008 from 1 January 2010. Revisions to IFRS 3 requires that transaction costs directly attributable to the acquisition are expensed when incurred rather than being included in the cost of the combination. Furthermore the revision, allows Eureko to elect to value any Non-controlling interest of business combinations acquired since the application date, at fair value. Eureko has not entered into a business combination in 2010.

IFRIC 17 Distributions of Non-cash Assets to Owners
The interpretation is to standardise practice in the accounting treatment of distribution of non-cash assets to owners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies not applied

A number of new Standards, amendments to Standards and Interpretations were published by the International Accounting Standard Board (IASB) in 2010 or prior years but are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these Consolidated Financial Statements. These are:

IFRS 7 Financial Instruments: Disclosure (improvement)

The IASB issued an improvement to IFRS 7 at the end of 2010. This improvement has not yet been endorsed by the EU at present and hence has not been applied by Eureko. The improvement in disclosure is applicable to all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Eureko will apply these amendments as of 1 January 2012, if adopted by the EU. These amendments will have no impact on Total equity or Net profit of Eureko.

IFRS 9: Financial Instruments

On 12 November 2010, the IASB issued a new accounting standard on the accounting treatment of Financial Instruments. The standard covers recognition and measurement of financial assets. On 28 October 2010 the IASB issued guidance on recognition and measurement of financial liabilities. The EU has postponed the endorsement of IFRS 9 and hence Eureko has not applied this accounting standard at present. When Eureko adopts IFRS 9 it will have material impact on the presentation of financial assets in the Financial Statements. It could have a significant impact on the measurement and accounting of fair value changes of financial assets of Eureko as the ´Available for sale´- category is eliminated and the standard requires the use of amortised cost in certain cases. IFRS 9 maintains the existing amortised cost measurement for most liabilities. Due to the changes in measurement requirements for the financial instruments of Eureko it is expected that Total equity and Net profit will be materially affected.

Improvements to International Financial Reporting Standards

In May 2010, the IASB issued 'Improvements to IFRSs', a collection of minor amendments to a number of IFRSs. The IASB uses the annual improvements project to make necessary, but non-urgent, amendments to IFRSs. At the end of 2010, the improvements had not been endorsed by the EU and hence not applied by Eureko. These amendments have different application dates (mostly from 1 January 2011) and have no material effect on Eureko. The following new standards and improvement to standards have been endorsed by the EU. Eureko will apply these pronouncements at the official application date.

IAS 32 Financial Instruments: Presentation — Amendments relating to classification of rights issues

The amendment allows Eureko to classify rights issues for a fixed amount of foreign currency as equity. This amendment is applicable as of 1 January 2011. The amendment will have no material impact on Total equity or Net profit of Eureko.

IAS 24 Related Party Disclosures — Revised definition of related parties

The amendments exempt state-controlled entities to disclose certain related party transactions and clarify the definition of a related party and a related party transaction for all entities. This amendment is applicable as of 1 January 2011. The amendment will have no impact on Eureko as Eureko is a non-state-controlled entity.

IAS 19 and IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The amendments correct an unintended consequence of IFRIC 14 that in some circumstances entities are not permitted to recognise certain voluntary prepayments for minimum funding contributions as an asset. Furthermore the definition and recognition criteria of termination benefits have been amended. This amendment is applicable as of 1 January 2011. The amendment will have no material impact on Total equity or Net profit of Eureko.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. This amendment is applicable to Eureko as of 1 January 2011. The amendment will have no material impact on Total equity or Net profit of Eureko.

C CONSOLIDATION FRAMEWORK

The following principles apply to Eureko's Consolidated Financial Statements:

- Operating companies over which Eureko exercises control (directly or indirectly) are considered as subsidiaries and fully consolidated in Eureko's Financial Statements. Generally, control is presumed to exist when the interest in the company's ordinary share capital or voting rights (including potential voting rights) represents more than 50%. Third-party interests in these companies are presented in the Financial Statements as Non-controlling interest within Total equity.
- Operating companies over which Eureko exercises significant influence are accounted for using the equity method. Generally, significant influence is presumed to exist when the participation in ordinary share capital or voting rights (including potential voting rights) is between 20% and 50%. These operating companies are presented as associates.
- Operating companies over which Eureko and other entities share joint control by means of contractual arrangements are considered to be joint ventures. Eureko accounts for joint ventures using the proportionate consolidation method.

All of Eureko's subsidiaries, associates and joint ventures are included in the consolidated financial statements based on Eureko's accounting framework. Legal mergers between companies under common control are accounted for using the merger accounting method. Such mergers do not have impact on Total equity or Net profit of Eureko.

D ACCOUNTING FRAMEWORK

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows has been set up according to the indirect method with a breakdown into cash flows from operating, investing and financing activities and cash flows related to cash collateral received in securities lending.

Foreign currency differences

The consolidated financial statements are presented in euros, which is Eureko's functional and presentation currency. Items included in the company financial statements of Eureko's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

On consolidation, assets and liabilities of foreign subsidiaries, with a functional currency other than the euro, are translated into euros at the exchange rates at reporting date. The income and expenses of such subsidiaries are translated at the weighted average exchange rates for the year. Translation differences arising from the application of year-end exchange rates to the opening balance of the net assets and goodwill of such subsidiaries and to the results for the year are recognised in Total equity and reported as Other comprehensive income.

The net asset value of associates, with functional currency other than the euro, is translated into euros at the exchange rates at reporting date. The results of such associates are translated at the weighted average exchange rates for the year. Translation differences arising from the application of year-end exchange rates to the opening net asset value of such associates and to the results for the year are recognised in Total equity and reported as Other comprehensive income.

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Net profit, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The principal euro exchange rates are summarised in the following table:

		CLOSING RATES		AVERAGE RATES	
		2010	2009	2010	2009
Australian dollar	AUD	1.3150	1.6025	1.3294	1.7732
Canadian dollar	CAD	1.3330	1.5150	1.3315	1.5854
Danish kronar	DKK	7.4530	7.4410	7.4526	7.4461
Japanese yen	JPY	108.8000	133.0000	110.0248	130.4200
Polish zloty	PLN	3.9570	4.1040	3.9934	4.3432
Pound sterling	GBP	0.8616	0.8875	0.8474	0.8909
Russian rouble	RUB	40.7000	43.6478	40.5913	44.1294
Swedish kronar	SEK	8.9700	10.2500	9.0509	10.6190
Swiss franc	CHF	1.2520	1.4835	1.2811	1.5096
Turkish lira	TRY	2.0660	2.1550	2.0121	2.1625
US dollar	USD	1.3375	1.4400	1.3224	1.3948

Impairment

In general, an impairment of assets exists when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Eureko assesses at each reporting date whether there is an indication that an asset could be impaired and whether it is necessary to recognise an impairment loss. Irrespective of whether there is any indication of an event requiring an impairment test, Eureko tests goodwill from business combinations and other intangible assets with an indefinite life for impairment annually.
Impairments on investments are recognised as Realised and unrealised gains and losses in the Income Statement. Impairments on other assets are recognised as Other expenses in the Income Statement. Impairments on investments and other assets that are carried at a revalued amount are reclassified to the Income Statement as Realised and unrealised gains and losses or Other expenses.

Impairment losses recognised for an asset in prior years are reversed if, and only if, the reversal can be objectively attributed to the disappearance or removal of the impairment event since the impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An increase in the carrying amount due to the reversal of the impairment loss will not exceed the carrying amount if no impairment loss would have been recognised in prior periods. The increase is a reversal of an impairment loss and is recognised in the Income Statement (Realised and unrealised gains and losses for fixed-income investments and in Other expenses other assets). Impairment losses on equity instruments classified as 'Available for sale' are not reversed through the Income Statement. Subsequent fair value changes are recognised in the Revaluation reserve, part of Total equity. An impairment loss regarding goodwill and intangible assets with an indefinite life is not reversed.

Held for sale classification

Components of assets and related liabilities of Eureko's business are classified as ´Held for sale´ when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than continuing use.
A sale of an asset or a group of assets is highly probable if:
- Eureko is committed to a plan to sell the component and has an active programme to locate a buyer;
- The component is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as 'Held for sale'.

Assets and liabilities classified as 'Held for sale' are measured at the lower of their carrying amount or fair value less costs to sell and are presented separately in the Statement of Financial Position. If a loss occurs when classifying the Assets and liabilities as 'Held for sale', it is recorded in Other expenses in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Key accounting estimates

For the measurement of certain items of the Statement of Financial Position, Eureko uses assumptions and estimates concerning future results or other developments, including the likelihood, timing or amounts of future transactions or events. Inherent to estimates is that the actual results may differ materially. The accounting estimates that are most critical to Eureko's business operations and to the understanding of its results and which involve complex or subjective decisions or assessments are presented below.

Impairment testing of intangible assets

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, assumptions are required to be made in respect of uncertain matters like timing and amount in projecting cash flows and development of discount rates in the future.
Assumptions regarding goodwill impairment testing are further disclosed in Note 6 'Intangible assets'.

Impairment testing of financial assets

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if an impairment loss exists for investments. For example, Eureko's assessment of an issuer's ability to meet all of its contractual obligations when the credit characteristics of that issuer change are uncertain as is the economic outlook on the issuer.

Eureko applies judgement to establish whether a loss event has occured resulting in an impairment loss for a fixed-income investment. Especially, Eureko assesses an issuers ability to meet both principal and interest payments when the credit characteristics of the issuer change.

Objective evidence of impairment of an equity investment classified as 'Available for sale' includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity investment may not be recovered.
A significant or prolonged decline in the fair value of an equity investment below its cost is also objective evidence for impairment. Equity investments held in an unrealised loss position that are below cost for over twelve months or significantly below cost (20%) at reporting date are impaired. When determining the impairment, qualitative factors are also used to determine if an impairment is required before these thresholds are met.

In the banking credit portfolio, future cash flows are evaluated for impairments for a portfolio of financial assets on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of financial assets determined using valuation techniques

In the absence of an (active) market, the fair value of non-quoted investments in financial assets is estimated by using present value or other valuation techniques. For example, the fair value of non-quoted fixed-interest debt instruments is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics.
Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding the pricing factors. The use of different valuation techniques and assumptions could have an effect on fair value.

Recognition of deferred tax assets

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry-forwards of unused tax losses, carry forwards of unused tax credits and income subject to the Dutch participation exemption when in the judgment of management it is likely that Eureko will receive the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

tax benefits. Since there is no absolute assurance that these assets will ultimately be realised, management reviews Eureko's deferred tax positions periodically to determine if it is likely that the assets will be realised. Furthermore, management considers tax-planning strategies to increase the likelihood that the tax assets will be realised.

Other receivables - Health segment

From 1 January 2005, settlement of medical care costs between Dutch health insurers and hospitals is based on so-called 'Diagnose Behandel Combinaties' (Diagnosis treatment combinations, DBCs) that cover the whole duration of a medical treatment. As a medical treatment on average takes a half year and claims are only settled at the end of the treatment period, Eureko is obliged by law to provide Dutch hospitals with an upfront funding. This upfront funding is included in Other receivables.

The private health insurance system in force in the Netherlands consists of two parts: basic health and supplementary health insurance. Coverage within basic health insurance is influenced by political processes. The basic health system (inherently) comprises of uncertainties due to the calculation methods applied. A system of risk mitigating features is in force to reduce the uncertainties raised by the system. For more details regarding the uncertainties and the risk mitigating factors in health insurance, reference is made to Risk management (Note 53).
As part of the Dutch Health care system an equalisation fund is established to neutralise insurance risk for the branche (macro neutrality). This fund is managed by a separate body, the College voor Zorgverzekeringen (CVZ), and is funded by the government. In respect of Eureko's health insurance portfolio it is expected that Eureko will receive contributions from this equalisation fund. Estimates are made for the years 2006 up to 2010, taking into account (provisionally) settlements.

Some hospitals have been over-financed since the introduction of the DBCs, meaning that hospitals received more income from the health insurers in comparison to what they are entitled to, based on actual DBCs. As hospitals need to reimburse this over-financing, hospital invoices are adjusted for these amounts. The over- or underfinancing position will be settled after the settlement has been determined by the Dutch Healthcare Authority/Nederlandse Zorgautoriteit (NZa).
Presently, NZa is in the process of calculating the total impact as well as the appropriate allocation of amounts to health insurers. (Preliminary settlements have been received from NZa for 2006, 2007 and 2008. For 2009 and 2010 the adjustments to the hospital invoices are based on estimates. Estimates are based on the nature of DBCs (fixed tariff versus variable tariff). Furthermore the macro-neutrality and the final settlement as determined by the College voor Zorgverzekeringen (CVZ) are taken into account.

Insurance liabilities including deferred acquisition costs (DAC) and value of business acquired (VOBA)

The valuation of insurance liabilities, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as changes in laws; social, economic and demographic trends; inflation; investment returns; policyholder behaviour; and other factors, and, in the Life and part of the Non-Life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, foreign currency exchange rates and assumptions used in the liability adequacy test.

The data used to calibrate the system are based on historical information. This may result in a flawed distribution of the equalisation fund among health insurers, for the years until 2008. From 2009 onwards the system is calibrated on information from the basic health insurance.
The insurance liabilities Health are of a short-term nature.

In addition, the adequacy of the provision for Life policies, net of DAC and VOBA, is evaluated regularly. The assumptions used are based on a combination of experience within Eureko and market benchmarks such as those supplied by the statistics department of the Dutch Association of Insurers and the Dutch Society of Actuaries (for example mortality tables) and similar bodies throughout Europe. If possible Eureko uses market observable variables and models / techniques which are commonly used in the sector. The use of different assumptions in this evaluation could lead to a different outcome.

Insurance liabilities also include the impact of minimum guarantees which are included in certain insurance products. The recognition of these guarantees depends on the difference

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions about these factors could have an effect on insurance provisions and underwriting expenses.

Valuation of defined benefit plans

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at reporting date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains and losses, and unrecognised past service costs. The determination of the defined benefit plan liability is based on actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions for discount rates, rates of increase in future salary and benefit levels, mortality rates, health care costs trend rates, consumer price index, and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have an impact on the valuation of defined benefit plans and the level of pension expenses recognised in the future may be affected.

Fair value

All assets and liabilities are measured at fair value unless a different measurement is stated in the accounting policies.

E ASSETS AND LIABILITIES

Intangible assets

Goodwill

Goodwill arising on a business combination represents the excess of the consideration transferred to acquire the business over the fair value of the net identifiable assets (including separately identified intangible assets), liabilities and contingent liabilities acquired at acquisition date. Goodwill is stated at cost less accumulated impairment losses.

Goodwill impairment

Recognised goodwill is subject to an annually applied impairment test as it is perceived to have an indefinite useful economic life. Eureko has allocated the acquired goodwill due to business combinations to cash generating units (CGUs) that are expected to benefit from the business combination. This is done on the basis of synergies expected to be realised by the combination. Goodwill is monitored at business domain level, being an aggregation of products or group of products across divisions with the same risk characteristics (e.g. life operations) and at which level risks are managed and capital is allocated. Any excess of the carrying amount of the domain over its recoverable amount will firstly be allocated to goodwill. Impairment tests are performed at a fixed moment every year, and more frequently if triggering events occur. If an impairment loss occurs, it will be allocated to the CGU involved. An impairment loss recognised for goodwill will not be reversed in a subsequent period.

Internally developed software

Internally developed software is recognised at cost (including borrowing cost incurred) and is capitalised if the following criteria are met:

- Internally developed software is clearly defined and the costs attributable can be separately identified;
- The technical feasibility can be demonstrated;
- Management has indicated the intention to develop and market, or use, the product or process; and,
- There is a clear indication of a future market for the product or process, or its usefulness can be demonstrated.

Capitalised internally developed software is amortised using the straight-line method over a maximum useful life of five years (or up to ten years when related to base system software).

Brand name

When Eureko enters into a business combination it recognises brand names as an intangible asset. The initial value of this intangible asset is based on the application of the 'relief of royalty method´, with the use of market observable variables and management expectations. The valuation techniques used are commonly applied. Eureko will subsequently value these brand names at this initially established cost.
Based on management expectations Eureko assesses whether the useful life is either finite or indefinite. Eureko will decide on a case-by-case basis the appropriate useful life, with a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

maximum of twenty years. The amortisation policy is straight-line unless a different method is more appropriate. When the useful life is indefinite, an annual impairment test is performed to assess the recoverability of the carrying amount.

Value of business acquired

Eureko recognises the value of business acquired (VOBA) as part of the acquisition of a portfolio of (insurance) contracts. VOBA is equal to the present value of estimated future profits of insurance policies ´in force´ related to business acquired using current estimates of relevant assumptions at the time of the business combination. Eureko will subsequently value VOBA at this initially established cost. The VOBA is straight-line amortised over the expected life.

Distribution networks

When Eureko enters into a business combination it recognises distribution networks as an intangible asset. The initial value of this intangible asset is based on the application of ´multi-period excess earnings method´, with the use of market observable variables and management expectations. The valuation techniques used are commonly applied within the industry.

Based on management expectations, Eureko assesses on a case-by-case basis the appropriate useful life generally not exceeding twenty years. The amortisation policy is straight-line unless a different method is more appropriate.

Other intangible assets

Other intangible assets acquired by Eureko are stated at cost less accumulated amortisation and impairment losses.

Based on management expectations Eureko assesses whether the useful life is either finite or indefinite. Eureko will decide on a case-by-case basis the appropriate useful life, generally not exceeding twenty years. The amortisation policy is straight-line unless a different method is more appropriate. When the useful life is indefinite an annual impairment test is performed to assess the recoverability of the carrying amount.

Internally developed intangible assets

Expenditures on internally generated goodwill, brand names and research costs are recognised in the Income Statement as an expense when incurred.

Amortisation charges

Amortisation charges on Intangible assets are recognised as Other expenses in the Income Statement.

Impairments other intangible assets

At each reporting date Eureko assesses for intangible assets with a definite useful economic life whether an indication of an impairment loss exists. Various indicators are used, for such as whether the intangible asset is abandoned, readily obtainable in the market, or the cost to maintain the intangible asset is signficantly higher than expected.

At each reporting date Eureko asseses if an impairment loss for intangible assets with a definite useful economic life recognised in a prior period may not longer exist or may have decreased. Eureko considers the various indicators, such as whether the asset's market value has increased significantly during the period; significant changes with a favourable effect on Eureko have taken place during the period (technological, market, economic or legal environment); and market interest rates have decreased and are likely to affect the discount rate used in calculating value in use and increase recoverable amount materially.

Investment property

Investments in real estate are measured at fair value. The fair value is based on current prices in similar properties in the same location and condition or on commonly used valuation models and assumptions. All fair value changes are recognised in the Income Statement. Rental income from Investment property is recognised as Investment income in the Income Statement. Property that is being constructed or developed for future use as Investment property is classified as 'Property in development' and stated at cost until either its fair value can be reliably determined or construction or development is complete.

Financial Instruments

Recognition

When Eureko becomes a party to the contractual provision of a financial instrument (i.e. trade date), Eureko recognises the instrument at fair value including transaction cost (unless it is classified as 'at fair value through profit or loss').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Derecognition

Financial assets (or a part of a financial asset) are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where Eureko has transferred substantially all risks and rewards of ownership. If Eureko neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, Eureko continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Eureko is exposed to changes in the value of the asset.

A financial liability (or a part of a financial liability) is derecognised when, and only when, it is extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expired).

Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement as a realised gain or loss. Any cumulative unrealised gain or loss previously recognised in Total equity is transferred from Total equity to the Income Statement.

Eureko uses the average cost method when derecognising financial assets and financial liabilities.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at the net amount in the Financial Statements when Eureko:
- has a legally enforceable right to offset the recognised amounts; and,
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

Eureko applies fair value hedge accounting for its banking and treasury operations and certain investment portfolios. According to the fair value hedge accounting principles, Eureko recognises a fair value adjustment, to reflect the changes in fair value of the hedged items attributable to the hedged risk in the Income Statement. Eureko assesses the effectiveness of the hedge relationship at each reporting date. Eureko discontinues the hedge relationship when the effectiveness is not in a range of 80%-125% or when the hedge is terminated or revoked. For its banking activities Eureko starts amortising the related fair value adjustment over the remaining duration of the hedged item.

When Eureko applies fair value hedge accounting or accounts for hedging a net investment in a foreign operation, the fair value changes of the hedging instruments, for the effective part of the hedge relationship, are recognised in Total equity into a separate component net of tax (Hedging reserve). The fair value changes due to ineffectiveness are recognised in the Income Statement. Amounts accumulated in Total equity are recycled in the Income Statement in the periods in which the hedged item affects Net profit.

Investments

Investments classified as ´Available for sale´

The classification 'Available for sale' is used for all Eureko's investments backing 'insurance liabilities not measured at fair value or market based interest'. Furthermore, investments related to Total equity are classified as 'Available for sale'.

Equity investments classified as 'Available for sale'

Equity investments are measured at fair value. Unrealised fair value changes are transferred to separate components of Total equity net of deferred taxes. Realised fair value changes are transferred to the Income Statement. When optional dividends are taken up as shares, an amount equal to the cash dividend is included in income. The fair value of venture capital investments which are not listed on an accepted stock exchange is based on models as advised by the European Venture Capital Association.

Fixed-income investments classified as 'Available for sale'

Fixed-income investments (bonds, loans and mortgages and deposits with credit institutions) are measured at fair value. Unrealised fair value changes, except for foreign currency translation, are directly transferred to separate components of Total equity net of deferred taxes. Realised fair value changes are transferred to the Income Statement. Foreign currency results on fixed-income investments are transferred to the Income Statement. Interest income is determined by using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For fixed-income investments related to insurance liabilities of which the cash flows are based on locked assumptions within the Dutch life insurance business, the unrealised fair value changes are subsequently transferred through Profit sharing and bonuses as part of the Insurance liabilities. This transfer is halted whenever Profit sharing and bonuses is negative. Unrealised losses on the fixed-income investments included in the Income Statement, in case the transfer to Profit sharing and bonuses is halted, will be reversed through the Income Statement if the fair value of the investments subsequently increases. When the reversal is complete, the transfer to Profit sharing and bonuses is resumed.

When a decline in the fair value of an ´Available for sale´ financial asset has been recognised in Total equity and there is objective evidence that the asset is impaired, the cumulative net loss that has been recognised shall be transferred from Total equity to the Income Statement.

At each reporting date Eureko assesses whether there is objective evidence which may lead to the recognition of an impairment of a recognised asset. In case of investments in equities classified as 'Available for sale' objective evidence that the cost may not be recovered, can be demonstrated through a significant (20%) or prolonged (twelve consecutive months) decline in the fair value below its cost. Fixed-income investments are impaired if there is objective evidence, as a result of one or more loss events (e.g. financial difficulty at the issuer or breach of contract), that estimated future cash flows are negatively impacted.

Investments classified as ´At fair value through profit or loss´

The classification ´At fair value through profit or loss´ is used for investments that are either designated at initial recognition to be measured at fair value with changes in fair value transferred to the Income Statement, or as ´Held for trading´.

All derivatives are defined as 'Held for trading'. Eureko can designate an investment as ' At fair value through profit or loss' whenever: this designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; financial assets, financial liabilities or both are managed as a group, and their performance is evaluated by management on a fair value basis in accordance with a documented risk management or investment strategy; or financial instruments contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is obvious with little or no analysis that separation is prohibited. Eureko does not invest in financial instruments principally for the purpose of selling or repurchasing them in the near term (i.e. for trading purposes).

Investments classified as ´Loans and receivables´

The classification ´Loans and Receivables´ is used for investments that are backing financial liabilities measured at amortised cost and for savings accounts which are directly linked to insurance liabilities not measured at fair value or market based interest. These investments are stated at amortised cost, less any allowance for uncollectability. If there is objective evidence that an impairment loss on Loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The interest income recognised on an impaired loan is disclosed separately. A new amortised cost schedule is determined which governs the future interest income recognised in the Income Statement. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the impairment loss is recognised in the Income Statement.

Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the Consolidated Statement of Financial Position and are measured in accordance with the accounting policy for assets ´At fair value through profit or loss´ or ´Available for sale´ as appropriate.

Derivatives

Eureko uses derivatives to manage its exposure to foreign exchange rates, interest rates, and commodity price risks arising from operating, investing and/or financing activities. Derivatives embedded in other financial instruments are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

separated if they are not closely related to the host instrument and measured separately.
A convertible bond is separated into a bond part classified as 'Available for sale' and an equity conversion option classified as a derivative. The bond part is measured according to the valuation of a similar bond with the same characteristics.

The fair value of interest rate swaps is the estimated amount that would be received or paid to terminate the swap at reporting date, taking into account current interest rates and creditworthiness of the swap counterparties.
Depending on their value derivatives are either presented as Investments (assets) or as Derivatives (liabilities).

Venture capital investments

Venture capital investments which are part of an investment portfolio managed by asset managers are classified in accordance with the framework as described above either ´At fair value through profit or loss´ or ´Available for sale´ depending on the measurement basis of the related insurance liabilities.

Venture capital investments which are made through the use of a Venture capital organisation, and which are not considered to be a subsidiary are classified as 'At fair value through profit or loss'.

Investments backing linked liabilities

Investments backing linked liabilities are investments where the policyholder bears the investment risk or which are backing ´Investment contracts´. These investments comprise segregated investment contracts, deposits for group life contracts with full profit sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked. These investments are designated as ´At fair value through profit or loss´ to reduce a measurement inconsistency which would arise because related liabilities are measured at fair value and both are managed as a group.

Investments related to cash collateral received in securities lending

Investments related to cash collateral received in securities lending are directly related to invested collateral under securities lending programmes. The investments are not at free disposal. The investments can only be used to repay the collateral provided by the borrower regarding the securities lending transaction. The repayment obligation with respect to the collateral provided is included in the Consolidated Statement of Financial Position as Liabilities related to cash collateral received in securities lending. The investments are measured at fair value. Unrealised fair value changes are, net of taxes, transferred to separate components of Total equity, unless defaults in the investment funds occur which will be treated as an impairment loss.

Banking credit portfolio

The banking assets consist of loans and advances to customers and loans and advances to credit institutions. These assets are either measured at amortised cost and classified as ´Loans and receivables´ or measured at fair value and classified as ´At fair value through profit or loss´. The classification 'At fair value through profit or loss ' is used for assets of Eureko that are either designated at initial recognition to be measured at fair value with changes in fair value transferred to the Income Statement or as 'Held for trading'. Assets are designated as 'At fair value through profit or loss' whenever this designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. Foreign currency results are recognised in the Income Statement.

The Banking credit portfolio, measured at amortised cost, is adjusted by an allowance account to reflect identified incurred losses within the portfolio and incurred but not yet reported losses within the portfolio.
Eureko applies hedge accounting for some of its banking and treasury operations.

Deferred acquisition costs

Acquisition costs are expenses of insurance companies, which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies (including investment contracts). They include commissions paid and expenses for processing of proposals.

Acquisition expenses that are directly or indirectly related to the selling of insurance contracts (or investment contracts), that are not measured at fair value, are deferred to the extent that they are deemed recoverable from future revenues.
Deferred acquisition costs are subject to recoverability testing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at the time of policy issue and included in the liability adequacy test of insurance liabilities at the end of each reporting period. Eureko does not consider anticipated investment income in the determination of the recoverability.

Any unrecoverability of Deferred acquisition costs as a result of liability adequacy testing leads to a subsequent impairment loss. The impairment loss is included in the operating expenses. Deferred acquisition costs are amortised over the lifetime of the insurance contracts.

Deferred acquisition costs related to Greenfield operations are not part of Deferred acquisition costs, but are included within Other intangible assets.

Amounts ceded to reinsurers

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Prepaid reinsurance premiums represent the ceded portion of unearned premiums. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured risk. These amounts are adjusted for the credit risk characteristics associated with the reinsurer. Accordingly, revenues and expenses related to reinsurance agreements are recognised consistently with the underlying risk of the business reinsured.

Receivables

Receivables are measured at nominal value of the receivables less any allowance for uncollectability.

Other assets

Equipment

Equipment is measured at cost (including borrowing costs incurred) less accumulated amortisation and impairment losses. If equipment comprises major components having a different useful life they are accounted for as separate items.

The amortisation method and useful life of equipment is reviewed annually and altered prospectively if circumstances or expectations have changed significantly.
Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life of items of equipment and major components that are accounted for separately. The estimated useful life is: equipment (three to six years), fixtures and fittings (five to ten years) and major components (three to five years).

Property for own use

Property for own use is measured at the revalued amount, being its fair value at the date of the revaluation less any (subsequent) accumulated amortisation and (subsequent) accumulated impairment losses. Changes in the carrying amount resulting from revaluations of the property are recorded in Total equity net of deferred taxes.

Property for own use that is being constructed is stated at cost until construction is complete.

If an item of property for own use comprises major components having a different useful life, they are accounted for as separate items.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful economic life of items of property and the major components separately accounted for. Land is not amortised. For each building the useful economic life is determined separately with a maximum of fifty years. The amortisation method and useful economic life of items of property are reviewed annually and altered if circumstances or expectations have changed significantly.

When an item of Property for own use is revalued, the depreciation charge is eliminated against the gross carrying amount of that item of Property for own use.

A decrease in the carrying amount due to revaluation is recognised as a decrease in the Revaluation reserve with the surplus being recognised in the Income Statement. A revaluation decrease will be reversed in the Income Statement in subsequent years if the fair value is higher than the carrying amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and call deposits. For the purpose of the Consolidated Statement of Cash Flows, bank overdrafts that are repayable on demand and form an integral part of Eureko's cash management are included as a component of Cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Own shares

Parent company (treasury) shares are accounted for by a reduction of Total equity at the moment of purchase by Eureko or its subsidiaries on the basis of purchase price paid at the time of acquisition. Any results upon the subsequent sale of such treasury shares are directly recognised within Total equity.

Insurance liabilities

General measurement principles

Gross written premiums for Life insurance contracts are generally recognised as premium income when due. Premiums for Non-Life and Health insurance contracts are generally recognised in proportion to the period of insurance coverage provided.

A loading for expenses is included in premiums. When the premiums are recognised, the loadings emerge and are included in Insurance liabilities and subsequently released in future periods to offset actual expenses, including operating expenses, non-deferrable acquisition costs and amortisation of deferred acquisition costs.

When premiums are recognised, liabilities for future contract benefits are recorded, resulting in benefits and expenses being matched with the revenues and profits being recognised over the lifetime of the contracts. The assumptions used in the calculation of the provisions are based on objective externally published data or, when not available, internal data.

For participations in underwriting pools, co-insurance or guarantee fund agreements, an amount equal to the proportionate share in these agreements is recognised under the respective liability. The information used is received from management of these agreements.

Options, guarantees and other derivatives embedded in an insurance contract that do not bear any insurance risk and that are not clearly and closely related to the host insurance contract are separately recognised as a derivative. Options and guarantees that are closely related to the insurance contract are included in the measurement of Insurance liabilities.

Eureko tests the adequacy of the recognised insurance liabilities and related assets always at reporting date and more often if deemed necessary. The test applies to value of business acquired, deferred acquisition costs and insurance liabilities. The test considers current estimates of all contractual cash flows of the insurance liabilities including expected cost for claim handling and guarantees and embedded options. If the test shows that the insurance liabilities are inadequate, Eureko will recognise a loss by first reducing any recognised value of business acquired. Any remaining deficit is either compensated by reductions of deferred acquisition costs or by increasing the related insurance liabilities.

Profit sharing and bonuses (Life and Non-Life)

A provision is made for any profit share that the policyholder or beneficiary is entitled to. Vested rights that have not yet been credited to policyholder accounts are reported separately as Provision for profit sharing and bonuses. Other vested rights are included in the provision for life policy liabilities. The calculation of the provision depends on the extent to which policyholders benefit from any surpluses earned on insurance policies.

The provision includes amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders.

The provision also includes amounts arising from the valuation of certain fixed-income investments at market value and derivatives held to mitigate the interest rate risk inherent in the related insurance liabilities. Unrealised gains and losses in connection with the valuation of these investments are recognised in Total equity and subsequently transferred to profit sharing and bonuses to the extent that the policyholder will participate in such gains and losses on the basis of statutory or contractual regulations.

Provision for unearned premiums (Health and Non-Life)

Premiums written, attributable to income of future years are accrued in unearned premiums. The provision for unearned premiums is determined in proportion to the duration of the contract.

Provision for premium deficiency (Health and Non-Life)

The provision for premium deficiency is calculated individually for each insurance portfolio on the basis of estimates of future claims, costs, premium earned and proportionate investment income. For insurance policies covering a risk which increases

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision.

Outstanding claims provision including incurred but not reported claims (Health and Non-Life)

The outstanding claims provision relates to insurance claims that have not been settled at reporting date. These claims are determined either case-by-case or statistically. The provision includes also estimated amounts for incurred but not reported claims. In determining the provisions, reliable estimates of costs still to be incurred for claims handling are taken into account.

The outstanding claims provision is based on estimates of expected losses and unexpired risks for all lines of business. This takes into consideration management's judgement on the anticipated level of inflation, regulatory risks and trends in claims. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience, other known trends and developments, and local regulatory requirements. No deductions are made for salvage, subrogation and other expected recoveries from third parties. These are accounted for under non-insurance assets acquired by exercising rights to recoveries, as part of Other assets.

The outstanding claims provision is undiscounted except for disability insurance policies. For this type of insurance contracts the provision reflects the present value of the expected claim payments, calculated on the basis of a fixed interest rate (3%). Waiting periods are taken into account when determining the provision. The average term has been estimated taking into account the probability of rehabilitation.

For some risk exposures no adequate statistical data are available, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Provisions have been made for such claims following an analysis of the portfolio in which such risks occur.

Provision for life policy liabilities

Insurance liabilities for traditional life insurance contracts are established by the net-level premium method, and based on the actuarial and economic assumptions used in pricing the contracts. The assumptions on which the calculations are based vary, particularly with regard to mortality, morbidity and interest rates. These assumptions are initially based on best estimates of future experience at policy inception date, in some cases taking into account a margin for the risk of adverse deviation. The assumptions used are regularly reviewed, compared to actual experience and, if necessary, depending on the type of products, updated. The Provision for unearned premiums, Provision for premium deficiency and unexpired risks and Provision for outstanding claims are included to the extent that these relate to the life insurance business.

Mortality and morbidity rate assumptions are based on most recent observations as published by relevant bodies, which are adjusted to reflect Eureko's own experience and to allow for the trend in the mortality risk over the coming years. Persistency assumptions are based on historical experience.

Based on the matching characteristics between (financial) assets and the life policy liabilities and the specific nature of the portfolios, profit sharing features and embedded options, different accounting principles are used to measure the life policy liabilities.

- Insurance liabilities measured at fair value. All assumptions used are based on actual assumptions and current market interest rates. Fair value changes are recognised in the Income Statement. The related financial investments are classified as ´At fair value through profit or loss´.
- Insurance liabilities of which the cash flows are discounted using market based interest rates. The related financial investments are classified as 'At fair value through profit or loss'. All fair value changes are transferred to the Income Statement.
- Insurance liabilities of which the cash flows are based on locked assumptions are discounted at fixed discount rates (3% or 4% depending on their starting date). The fair value changes of related interest sensitive financial instruments, classified as 'Available for sale', are transferred through Total equity to ´Profit sharing and bonuses´. Profit sharing and bonuses may not be negative.
- Insurance liabilities of which the cash flows are directly influenced by profit sharing features are adjusted through the application of shadow accounting. Unrealised fair value changes of investments (classified as 'Available for sale') backing these insurance liabilities are transferred to Total equity. The related change in the value of the insurance liabilities is also transferred to Total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred interest surplus rebates

The deferred interest surplus rebates in the Dutch life insurance industry are netted with the Provision for life policy liabilities. These rebates are granted in any year on regular or single premiums for pension and life insurance, which are based on the expectation that actual investment yields will exceed the discount rate applied in the pricing of the policies. The rebates are amortised over a ten year period on the basis of annually rising amounts, which is consistent with the manner in which the interest surplus is realised.

Insurance liabilities for policyholders

The insurance liabilities for unit-linked policies and insurance products where the policyholder bears the investment risk, are accounted for at the value of the associated investments.

The insurance liabilities for segregated investment contracts are generally calculated on the same basis as the provision for life policy liabilities.

Investment contracts

Insurance contracts with insignificant insurance risk are recognised as Investment contracts. Investment contracts are measured at fair value with changes through the Income Statement.

The fair value of investment contracts is the higher of the fair value of the financial instruments linked to the investment contracts, the surrender value (adjusted for any surrender penalties) and the discounted maturity value (against a risk-free interest rate). The fair value for non-linked investment contracts is the higher of the discounted maturity value using a risk-free interest rate or the surrender value (adjusted for surrender penalties).

Liabilities related to cash collateral received in securities lending

Cash collateral received from borrowers is recognised as a financial liability, as there is an obligation to repay the cash received by the lending agent. These liabilities are measured at amortised cost. As no premiums or discounts are received on the collateral, the amortised cost equals the nominal value.

Employee benefits

Contributions payable to a defined contribution pension plan are recognised as an expense in the Income Statement when incurred.

The net obligation in respect of defined benefit plans is calculated separately for each defined benefit plan using the ´projected unit credit method´. In accordance with this method, the future benefits that employees have earned in return for their service in the current period and prior periods are estimated. The rates used for salary developments, interest discount factors, and other pension adjustments reflect the specific country conditions. The liability is then discounted to determine the present value, and the fair value of any qualifying plan assets is deducted.

When the benefits of a plan improved, the portion of the increased benefit relating to past service by employees is recognised as an operating expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately as operating expense in the Income Statement.

The actuarial gains and losses related to the differences between the actuarial and financial assumptions used in the calculations and the actual amounts obtained, are recognised following the 10%-corridor method.

Eureko's net obligation in respect of other long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current period and prior periods. The obligation is calculated using the 'projected unit credit method' and is discounted to its present value and the fair value of any related assets is deducted.

The present value of defined benefit assets at the reporting date is recognised to the amount of the economic benefit that will be available to Eureko in the form of refund from the plan of reduction in future contributions.

Other provisions

Other provisions are recognised when a legal or constructive obligation, which can be reliably estimated, exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the provision is to be used over a period longer than a year, cash flows are discounted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced prior to reporting date to the parties concerned. Costs relating to the ongoing activities of Eureko are not provided for.

Until 2009, employees of Eureko could participate in an equity participation plan. This plan is classified as a cash-settled share-based payment. The liability is measured at an estimation of the fair value.

Banking customer accounts and Loans and borrowings

Deposits and other funds entrusted are recognised under Banking customer accounts. These liabilities are measured at amortised cost.
Loans and borrowings include all loans from external parties to Eureko, financial lease liabilities and financial reinsurance liabilities. These are measured at amortised cost.
Fair value hedge accounting is applied to some loans when this is in accordance with the financial risk management policy. Some financial liabilities are measured at fair value when these liabilities are recognised due to the termination of insurance contracts and the future sale of related financial assets.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in Total equity, in which case these items are recognised in Total equity net of taxes.

Expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to current tax in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2 EXCEPTIONAL EVENTS

During 2010, some exceptional events occured that have major impact on Eureko's financial position and the 2010 Financial Statements. These are described below and an analysis is given on how these events are incorporated in the 2010 Financial Statements.

PZU - Initial Public Offering (IPO) and subsequent sale

On 2 October 2009 the State Treasury of the Republic of Poland and Eureko B.V. closed an agreement (the PZU settlement) to establish the outline for amicably ending the arbitration dispute between the Republic of Poland and Eureko B.V. The execution of the agreement was completed in 2010. The completion of the settlement was reached with the Initial Public Offering (IPO) of PZU S.A. (PZU) on 6 May 2010 (first trading day 12 May 2010). At that date Eureko, through the IPO, divested a stake of 20% half of which directly and half of which through a special-purpose vehicle established in 2009 in cooperation with the State Treasury of the Republic of Poland.

Recoginition and measurement of Eureko's stake in PZU S.A.

Eureko held a 33% stake in PZU S.A. which was reported as an associate. As a consequence of the IPO, Eureko's stake in PZU S.A. declined to 13%. Furthermore, as part of the PZU-settlement, Eureko gave up its seats in PZU's Supervisory Board and therefore lost significant influence. As from the date of the IPO, Eureko's stake of 13% in PZU S.A. was reclassified from Associates to Investments. Besides the gain on the IPO, the reclassification resulted in a capital gain of €260 million, which is included in Income from associates. On 18 November 2010 Eureko's remaining stake of 13% in PZU S.A. was sold through an accelerated bookbuild offering to institutional investors. This sale resulted in a gain of €153 million, which is included in Realised and unrealised gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INCOME AND EXPENSES RELATED TO PZU S.A.

(€ MILLION)

	2010	2009
Income from associates	**750**	**264**
Net income PZU on Eureko IFRS	88	285
Adjustment related to preliminary reported PZU income	6	-21
Capital gain on divestment PZU shares	656	
Investment income	**88**	
Dividend income related to 13% share prior to sale	31	
Total return swap on PZU shares	57	
Realised and unrealised gains and losses	**153**	**107**
Dividend income related to a total return swap PZU shares	10	
Gain on sale of remaining 13% share in PZU	153	
Fair value changes on a total return swap on PZU shares	-10	107
Other income	**-9**	**1,145**
Fixed amount on the 4.9% stake and usufruct right PZU shares		1,145
Net foreign currency differences (PLN-EUR)	-9	
Operating expenses	**-12**	**-14**
Staff and other expenses related to PZU settlement	-12	-14
Impact on Profit before tax	**970**	**1,502**
Impact on Income tax expenses	-1	-174
Impact on Net profit	**969**	**1,328**
Share in PZU's results until IPO	94	
Dividend income	41	
Result related to IPO, sale of remaining 13% share and other results	834	
Total impact on Net profit	**969**	

Dutch unit-linked policies

In 2010 all relevant components of the provision related to Dutch individual unit-linked life insurances were recalculated to reflect the compensation agreement made in 2010 with parties representing policyholders. The total provision for the compensation of policyholders as per 31 December amounts to €254 million (31 December 2009: €99 million). The provision covers compensation for expired and active Dutch individual unit-linked life insurances.

Longevity

At the end of 2009, the Dutch Statistics Netherlands (in Dutch: CBS) published adjusted life expectancy information based on 2007 and 2008 actual mortality experience. Compared to earlier CBS publications, these show a substantial improvement in life expectancy in the Netherlands. Based on the CBS figures, both the Actuarial Association (in Dutch: AG) and the Dutch Association of Insurers (in Dutch: Verbond van Verzekeraars, VvV) published new mortality tables during 2010. The new mortality tables reflect new mortality experience and new projections on future life expectancy, resulting in significant increase of expected future policyholder benefits. Eureko has long based its accounting policies for insurance liabilities in the Netherlands on mortality tables provided by VvV. This policy was pursued in 2010 and the insurance liabilities were updated to reflect the actual mortality experience of the years 2007 and 2008 with a net impact on the result for the year of €45 million. The amount is relatively limited as provisions on longevity have already been taken in the past. Due to uncertainties in the future development of life expectancy the adjusted projections for future improvements have up to now not been taken into account in determining insurance liabilities. The impact of the new projections of the future life expectancy as issued by the VvV has been taken into account

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

to the full extent in the Liability Adequacy Test (LAT). The LAT is for all assumptions set at best estimate, including some margins for uncertainty. The outcome of the LAT showed that, despite of the expected increase of life expectancy, insurance liabilities are still more than adequate.

3 SEGMENT REPORTING

Eureko Group's operating segments relate to the internal segmentation by business lines. Business lines are components of Eureko that are regularly reviewed by the Executive Board in order to allocate resources to the segment and to assess its performance. Eureko recognises the business lines Non-Life, Health, Life, Banking and Other.

Non-Life

Eureko's Non-Life business operates in the Netherlands, Turkey, Greece, Russia, Belgium, Slovakia, Romania and Bulgaria. The Non-Life segment provides private and corporate customers insurance for risks associated mainly with motor vehicles, property, general liability, occupational health and accident. Occupational health services in the Netherlands include disability prevention, and absenteeism prevention. The Non-Life segment also comprises reinsurance operations in Ireland and until 30 December 2010 Luxembourg.

Health

Eureko's Health segment covers private health insurance and health services in the Netherlands, Greece, Romania, Turkey, Russia and Slovakia.

Life

Eureko's Life business operates in the Netherlands, Ireland, Greece, France, Slovakia and Romania. The principal activities are life and pension insurance, unit-linked insurance, pension services, asset management and annuity business. Business outside the Netherlands also include investment contracts containing no or limited insurance risk.

Banking

Eureko is active in banking in the Netherlands through Achmea Bank (Achmea Hypotheekbank and Achmea Retail bank) Staalbankiers and in Ireland with consumer finance operations through Friends First Finance. The principal activities of this segment are providing private mortgage loans and life cycle products and private and retail banking.

Other

Other mainly consists of associates, investments not related to the business lines, shared service centres and staff departments, net of their recharges to the other business lines.

In December 2010, Eureko signed an agreement to sell its subsidiary Império France, which is included in the Life segment. On 6 January 2011, Eureko closed the sale of Avéro Schade Benelux N.V., which was mainly operating in Belgium and was included in the Non-Life segment.

Eureko's Executive Board sets goals and targets for the business lines throughout the company. The business lines formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board.

All segment revenues reported relate to external customers. Because Eureko's business mainly relates to retail customers, no customers with a contribution of 10% or more of revenues (Gross written premiums, Banking income and Fee and commission income) are identified. Eureko's activities are mainly located in the Netherlands.

Transfer prices for intersegment transactions are set at 'cost-price-plus' basis. Segment results represent revenues earned by each segment minus operational and other expenses allocated to the segment. Expenses for shared service centres are allocated to business lines based on fixed amounts. These expenses are determined at 'cost-price-plus' basis and represent i.e. expected time spent by personnel, expected activities performed and expected transactions processed.

As from 2010 the Segment Consolidated Income Statement and several notes have been adjusted to reflect the ratio's that are relevant for the insurance activities. For this reason the Technical and Non-Technical accounts related to insurance activities are no longer included in Eureko's Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2010

(€ MILLION)

2010	NON-LIFE	HEALTH	LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL
Assets							
Intangible assets	1,069	106	856		35		2,066
Associates		9			140		149
Investment property	5		1,301	73	37		1,416
Investments	7,487	3,538	27,315	1,029	873	-1,199	39,043
Investments backing linked liabilities			22,637				22,637
Investments related to cash collateral received in securities lending	166	104	264				534
Banking credit portfolio				16,828			16,828
Deferred tax assets		8	21	3	891		923
Deferred acquisition costs	148	10	226				384
Amounts ceded to reinsurers	408	44	485				937
Receivables	1,073	3,448	143		689	-177	5,176
Other assets	120	37	111	117	479	-4	860
Cash and cash equivalents	330	256	982	925		-554	1,939
	10,806	**7,560**	**54,341**	**18,975**	**3,144**	**-1,934**	**92,892**
Assets classified as 'held for sale'	251		599	209	-5		1,054
Total assets	**11,057**	**7,560**	**54,940**	**19,184**	**3,139**	**-1,934**	**93,946**
Equity							
Equity attributable to holders of equity instruments of the Company	3,194	1,992	4,307	835	24		10,352
Non-controlling interest	3	1	1				5
Total equity	**3,197**	**1,993**	**4,308**	**835**	**24**		**10,357**
Liabilities							
Insurance liabilities	6,675	4,395	25,213			-660	35,623
Insurance liabilities for policyholders	10		20,295				20,305
Investment contracts			2,365				2,365
Liabilities related to cash collateral received in securities lending	171	107	272				550
Employee benefits	4	1			415	660	1,080
Other provisions	42	25	31	23	203		324
Banking customer accounts				5,495		-836	4,659
Loans and borrowings	20	29	26	11,830	1,154	-459	12,600
Derivatives			150	812	69		1,031
Deferred tax liabilities	27		61	2	496		586
Income tax payable	12	2	17	-26	90		95
Other liabilities	694	1,008	1,644	213	688	-639	3,608
	7,655	**5,567**	**50,074**	**18,349**	**3,115**	**-1,934**	**82,826**
Liabilities classified as 'held for sale'	205		558				763
Total equity and liabilities	**11,057**	**7,560**	**54,940**	**19,184**	**3,139**	**-1,934**	**93,946**

The intersegment adjustments consist primarily of the elimination of intersegment finance activities.
The following capital expenditures are included in segments: Non-Life €10 million (2009: €9 million), Health €9 million (2009: €31 million), Life €25 million (2009: €119 million), Banking €66 million (2009: €0 million) and Other activities including intersegment adjustments €59 million (2009: €43 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2009

(€ MILLION)

2009	NON-LIFE	HEALTH	LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL
Assets							
Intangible assets	987	128	914		55		2,084
Associates	6	2	48		1,486		1,542
Investment property	4		1,367	9	60		1,440
Investments	6,689	4,025	26,367	629	2,037	-2,072	37,675
Investments backing linked liabilities	21		21,261				21,282
Investments related to cash collateral received in securities lending	453	220	879				1,552
Banking credit portfolio				19,302			19,302
Deferred tax assets	-11	7	14	15	774		799
Deferred acquisition costs	141	16	280				437
Income tax receivable	2	1	3	6	-12		
Amounts ceded to reinsurers	360	60	591				1,011
Receivables	1,085	1,717	572	6	773	-388	3,765
Other assets	90	69	216	87	464	-11	915
Cash and cash equivalents	489	630	1,090	183	120	-1,127	1,385
Total assets	**10,316**	**6,875**	**53,602**	**20,237**	**5,757**	**-3,598**	**93,189**
Equity							
Equity attributable to holders of equity instruments of the Company	1,873	1,788	4,392	614	1,454		10,121
Non-controlling interest	5		1				6
Total equity	**1,878**	**1,788**	**4,393**	**614**	**1,454**		**10,127**
Liabilities							
Insurance liabilities	6,611	4,023	25,090			-612	35,112
Insurance liabilities for policyholders	11		19,330				19,341
Investment contracts			2,315				2,315
Liabilities related to cash collateral received in securities lending	462	224	898				1,584
Employee benefits	3	5	9		513	612	1,142
Other provisions	16	67	42	24	138		287
Banking customer accounts				5,846		-796	5,050
Loans and borrowings	17	15	14	12,660	2,292	-1,650	13,348
Derivatives	42		244	720	118		1,124
Deferred tax liabilities	51		47		354		452
Income tax payable	9	3	6	20	160		198
Other liabilities	1,216	750	1,214	353	728	-1,152	3,109
	8,438	**5,087**	**49,209**	**19,623**	**4,303**	**-3,598**	**83,062**
Total equity and liabilities	**10,316**	**6,875**	**53,602**	**20,237**	**5,757**	**-3,598**	**93,189**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2010

(€ MILLION)

2010	NON-LIFE	HEALTH	LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL
Income							
Gross written premiums	3,992	12,289	3,571				19,852
Reinsurance premiums	-250	-256	-207				-713
Change in provision for unearned premiums (net)	32	-13	1				20
Net earned premiums	**3,774**	**12,020**	**3,365**				**19,159**
Contributions received for health pooling		25					25
Income from associates					747		747
Investment income	212	85	1,009	1	151	-71	1,387
Realised and unrealised gains and losses	90	-1	370	-4	108		563
Income from investments backing linked liabilities			1,836				1,836
Income from investments related to cash collateral received in securities lending	3	1	6				10
Banking income				832			832
Fee and commission income, and income from service contracts	119	52	305		11	-6	481
Other income	27	91	45	1	110	-9	265
Total income	**4,225**	**12,273**	**6,936**	**830**	**1,127**	**-86**	**25,305**
Expenses							
Net claims and movements in insurance liabilities	2,570	11,293	4,157				18,020
Profit sharing and bonuses	22		628				650
Movements in insurance liabilities for policyholders	-1		1,002				1,001
Benefits on investment contracts			82				82
Operating expenses related to insurance activities	1,041	580	496				2,117
Other operating expenses	117	11	303	106	614		1,151
Interest expenses from liabilities related to cash collateral received in securities lending	1		1				2
Banking expenses				675		-57	618
Interest and similar expenses	1	16	18		91	-27	99
Other expenses	73	111	142		15	-2	339
Total expenses	**3,824**	**12,011**	**6,829**	**781**	**720**	**-86**	**24,079**
Profit before tax	**401**	**262**	**107**	**49**	**407**		**1,226**
Income tax expenses							6
Net profit							**1,220**
Expense ratio	27.6%	4.8%					
Claims ratio	68.1%	94.0%					
Combined ratio	95.7%	98.8%					
Amortisation charges	20	28	70		11		**129**
Impairment losses	1		51	30	17		**99**
Reversal of impairment losses					8		**8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2009

(€ MILLION)

2009	NON-LIFE	HEALTH	LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL
Income							
Gross written premiums	4,030	10,617	4,998				19,645
Reinsurance premiums	-291	-191	-156				-638
Change in provision for unearned premiums (net)	-3	18					15
Net earned premiums	**3,736**	**10,444**	**4,842**				**19,022**
Contributions received for health pooling		58					58
Income from associates					241		241
Investment income	211	189	1,171		41	-118	1,494
Realised and unrealised gains and losses	-42	-22	-704	4	77		-687
Income from investments backing linked liabilities	3		1,778				1,781
Income from investments related to cash collateral received in securities lending	17	5	57				79
Banking income				905			905
Fee and commission income, and income from service contracts	153	51	344		13	-8	553
Other income	31	80	30	2	1,200	-29	1,314
Total income	**4,109**	**10,805**	**7,518**	**911**	**1,572**	**-155**	**24,760**
Expenses							
Net claims and movements in insurance liabilities	2,533	9,746	2,432			-2	14,709
Profit sharing and bonuses	40		-212				-172
Movements in insurance liabilities for policyholders			4,224				4,224
Benefits on investment contracts			98				98
Operating expenses related to insurance activities	1,051	570	591				2,212
Other operating expenses	159	16	310	132	352	45	1,014
Interest expenses from liabilities related to cash collateral received in securities lending	11	4	38				53
Banking expenses				824		-78	746
Interest and similar expenses	1	15	10		121	-41	106
Other expenses	55	112	135	2	38	-79	263
Total expenses	**3,850**	**10,463**	**7,626**	**958**	**511**	**-155**	**23,253**
Profit before tax	**259**	**342**	**-108**	**-47**	**1,061**		**1,507**
Income tax expenses							126
Net profit							**1,381**
Expense ratio	28.1%	5.5%					
Claims ratio	67.8%	93.3%					
Combined ratio	95.9%	98.8%					
Amortisation charges	15	5	48	4	9		**81**
Impairment losses	10	11	145	29	53		**248**
Reversal of impairment losses					15		**15**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS

(€ MILLION)

	BENELUX	TURKEY	RUSSIA	GREECE	IRELAND	SLOVAKIA	OTHER	**TOTAL 2010**	TOTAL 2009
Gross written premiums Non-Life	3,381	289	59	216		28	19	3,992	4,030
Gross written premiums Health	11,942	21	12	115		197	2	12,289	10,617
Gross written premiums Life	3,180			103	212	12	64	3,571	4,998
Total gross written premiums	**18,503**	**310**	**71**	**434**	**212**	**237**	**85**	**19,852**	**19,645**
Banking income	803				29			832	905
Fee and commission income, and income from service contracts	451			25	5			481	553
Total assets	86,022	577	102	1,680	4,686	161	718	93,946	93,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table provides an analysis of financial instruments that are measured subsequent 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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument´s valuation, such as venture capital investments, private equity investments, private sector loans and advances which are part of the Banking credit portfolio.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(€ MILLION)

				2010				2009
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Investments								
equities and similar investments	958	544	535	2,037	1,165	491	370	2,026
bonds	18,910	9,528		28,438	19,363	7,185		26,548
loans and mortgages	8	366		374	7	561		568
deposits with credit institutions	2,328	2		2,330	3,816	8		3,824
derivatives	121	1,850		1,971	1	1,276		1,277
other financial investments	184	12		196	265	12		277
Investments backing linked liabilities								
equities and similar investments	10,239	592		10,831	9,591	498	41	10,130
bonds and other fixed-income investments	7,974	675	2	8,651	7,512	612		8,124
derivatives	19	290		309	13	98		111
cash and other financial investments	1,875	151	3	2,029	1,790	204		1,994
Investments related to cash collateral received in securities lending	527	7		534	791	761		1,552
Banking credit portfolio			414	414			453	453
Cash and cash equivalents	1,939			1,939	1,385			1,385
Total financial assets measured at fair value	**45,082**	**14,017**	**954**	**60,053**	**45,699**	**11,706**	**864**	**58,269**
Liabilities								
Investment contracts	229	2,136		2,365	285	2,030		2,315
Loans and borrowings		3		3		3		3
Derivatives		1,031		1,031		1,124		1,124
Total financial liabilities measured at fair value	**229**	**3,170**		**3,399**	**285**	**3,157**		**3,442**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial instruments measured at fair value based on Level 3

The Level 3 Investments comprise mainly of alternatives and private equity investments, which are classified as 'Available for sale' Investments.
The Level 3 valued Banking credit portfolio comprises mainly of private sector loans and advances, which are classified as 'At Fair value through profit or loss'.

The movements of Level 3 financial instruments are as follows:

ASSETS (€ MILLION)

	2010	2009
Balance at 1 January	864	978
Investments and loans granted	562	24
Divestments and disposals	-560	-90
Fair value changes	65	-11
Changes in fair value hierarchy	23	-37
Balance at 31 December	**954**	**864**

The total amount of gains and losses accounted for in 2010 of financial instruments with a level 3 fair value still held at the end of 2010 amounted to €65 million (2009: €-11 million), of which €8 million (2009: €-18 million) was included in the Income Statement and €57 million (2009: €7 million) in Comprehensive income. The amounts related to financial instruments still held at the end of 2010 included in the Income Statement are presented as Realised and unrealised gains and losses for an amount of €6 million (2009: €-16 million) and as Banking income for an amount of €2 million (2009: €-2 million). The amounts included in Total equity are included in the Revaluation reserve.

Sensitivity analysis of Financial instruments measured at fair value based on Level 3

As the fair value of Level 3 investments is calculated using non-observable inputs, Eureko performs a sensitivity analysis on the key assumptions to increase robustness of its fair value methodology. The impact of the change in key assumption is calculated as the difference between the fair value using the reported assumptions and the fair value using the alternative assumptions.

The impact on the fair value of Equities and similar investments calculated, using different estimates of the cash flows for the last quarter of 2010 for the related investments, amounts to €9 million 2009: €18 million).

The impact on the fair value of Banking credit portfolio, calculated using different assumptions relating to prepayment risk (+1%) and the default rate of our counterparties (increase of 10 base points) is not material. It should be noted that in case the actual prepayment ratio and the default rate differs from the estimate, this will also have an impact on the interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 ASSETS AND LIABILITIES HELD FOR SALE AND DIVESTMENTS

Cyprus

On 12 May 2010, Eureko completed the sale of 98.9% of shares in the Interlife Insurance Co. Ltd. and 100% of the shares in Interamerican Assistance Ltd. Interlife was Eureko's operating company in Cyprus. In 2009, both companies together reported Gross written premiums of €34 million, Net profit of €-4 million and Total assets of €82 million. The gain on the sale was €9 million and is included in Other income (Note 43).

Romanian hospitals

On 23 December 2010, Eureko completed the sale of Euroclinic Hospital and Euroclinic Medical Centers in Romania, which was included in the Health segment. For the full year 2010, the companies reported revenues of €10 million and a Net profit of €-2 million. Total assets amounted to €9 million. The gain on the sale was €8 million and is included in Other income (Note 43).

Achmea Re Luxembourg S.A.

On 30 December 2010, Eureko completed the sale of Achmea Re in Luxembourg. The contribution to Net profit 2010 amounts to €10 million and Total assets amounted to €127 million. The gain on the sale was €26 million and is included in Other income (Note 43).

Avéro Schade Benelux N.V.

On 6 January 2011, Eureko completed the sale of Avéro Schade Benelux N.V., which was mainly operating in Belgium and was included in the Non-Life segment. For the full year 2010, the company reported Gross written premiums of €121 million and Net profit of €-2 million. As at 31 December 2010 Total assets amounted to €251 million. Assets and liabilities have been reclassified to 'Assets held for sale' and 'Liabilities held for sale'. The gain on the sale will be included in Net profit 2011.

Império France S.A.

In December 2010, Eureko signed an agreement to sell its life insurance activities in France. For the full year 2010, the company reported Gross written premiums of €55 million and Net profit of €1 million. As at 31 December 2010 Total assets amounted to €598 million. Assets and liabilities have been measured at fair value and subsequently been reclassified to 'Assets held for sale' and 'Liabilities held for sale'.

Sale of a consumer credit portfolio of Achmea Retail Bank

On 1 March 2011, Eureko completed the sale of a part of Achmea Retail Bank's consumer credit portfolio. As a consequence, this portfolio, amounting to €209 million has been reclassified to Assets classified as 'held for sale'.

The sale of the above mentioned operations do not represent major lines of business or geographical areas of operations and thus are of no material impact to Eureko. As a consequence, they are not presented as discontinued operations in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	INTERNALLY DEVELOPED SOFTWARE	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	OTHER INTANGIBLE ASSETS	**TOTAL 2010**	TOTAL 2009
Cost								
Balance at 1 January	1,328	280	116	740	290	100	2,854	2,890
Acquisitions								4
Disposals								
Adjustment intangible assets								-18
Change in composition of the Group								**-14**
Internally developed		1					1	19
Sale, disposals and decommissioning		-71					-71	
Other movements	32	-1	-3	-1		-3	24	-1
Foreign currency differences	62				11		73	-40
Balance at 31 December	**1,422**	**209**	**113**	**739**	**301**	**97**	**2,881**	**2,854**
Amortisation and impairment losses								
Balance at 1 January	3	236	44	380	84	23	770	624
Sale, disposals and decommissioning		-71					-71	
Amortisation charge for the year		18	12	59	23	5	117	128
Impairment loss recognised in profit or loss								18
Other movements	1		-3			-3	-5	
Foreign currency differences					4		4	
Balance at 31 December	**4**	**183**	**53**	**439**	**111**	**25**	**815**	**770**
Carrying amount								
At 1 January	1,325	44	72	360	206	77	2,084	2,266
At 31 December	**1,418**	**26**	**60**	**300**	**190**	**72**	**2,066**	**2,084**

GOODWILL BY BUSINESS DOMAIN:

(€ MILLION)

	2010	2009
Health	28	28
Non-Life and Occupational Health	580	580
Life and Pensions	279	279
Pension Services	213	213
Eureko Sigorta	243	154
Oranta Russia	75	71
	1,418	**1,325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recognised goodwill is tested annually for impairment. As of 2010, goodwill is managed at business domain level instead of division level. As a consequence goodwill impairment testing is performed at business domain level. This adjustment has no impact on the outcome of 2009 goodwill impairment testing. An impairment loss is recognised when the recoverable amount of a business domain is lower than the carrying amount of the domain. The recoverable amount is the higher of the 'fair value less cost to sell' and the 'value-in-use'. The assumptions are assessed at each reporting date and adjusted when appropriate. Besides Eureko Sigorta and Oranta Russia goodwill is related to Eureko's Dutch operations. The movement in goodwill in 2010 is caused by currency fluctuations on the goodwill related to Eureko Sigorta and Oranta.

The 'value-in-use' is determined using an appraisal based model for the Life and Pensions domain. A Discounted Dividend Model (DDM) is used for the other domains. Cash flow projections for the first three years are based on budgeting and forecasting models endorsed by Eureko's Executive Board. Eureko extrapolates the cash flows up to five years. To reflect the business-specific circumstances a forecast period is sometimes extended. Eureko uses the leveraged cost of capital as the basis for the applied discount rate. Within the DDM techniques the terminal value is determined by applying a perpetual growth rate to the perpetual dividend. The most sensitive key assumptions are:

BUSINESS DOMAIN (%)

	2010 DISCOUNT RATE	2010 GROWTH RATE	2009 DISCOUNT RATE	2009 GROWTH RATE
Health	8.7	3.0	9.28	3.0
Non-Life and Occupational Health	8.7	3.0	9.28	3.0
Life and Pensions	8.7	3.0	9.28	3.0
Pension Services	8.7	3.0	9.19	3.0
Eureko Sigorta	11.9	3.8	14.3	3.5
Oranta Russia	12.4	4.8	16.1	4.5

Where possible the assumptions are calibrated using external sources. The discount rates are common in the industry. The growth rates applied are on a gross basis (not adjusted for inflation) and reflect either expected industry averages or expectations of management. Eureko has performed a sensitivity analysis on its key assumptions to calculate the 'value-in-use'. From this analysis it was concluded that Domain Pension Services was most sensitive for changes in assumptions. Changing the discount rate by one-percentage point would result in an impairment loss of €32 million for Domain Pension Services. Changing the terminal growth rate by one-percentage point would result in an impairment loss of €5 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 ASSOCIATES

(€ MILLION)

	TOTAL 2010	TOTAL 2009
Associates	149	1,442
Participating interests		100
	149	**1,542**

ASSOCIATES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION	% OWNERSHIP 2010	NET ASSET VALUE 2010	BOOK VALUE 2010	BOOK VALUE 2009
PZU S.A.	Poland	Insurance	1999–2006				1,301
F&C Asset Management plc	United Kingdom	Asset management	2004	9.61%	50	50	44
Garanti Emeklilik ve Hayat A.S.	Turkey	Insurance	2007	15.00%	12	93	74
Hippokrates B.V.	Greece	Healthcare	2008	25.00%	3	3	19
Other						3	4
						149	**1,442**

Eureko measures its interest in F&C Asset Management plc at the recoverable amount based on quoted prices. At year-end 2010 the book value contains unreversed impairment losses of €80 million (2009: €88 million).

Although Eureko holds less than 20% of the shares of Garanti Emeklilik ve Hayat A.S. and F&C Asset Management plc, Eureko exercises significant influence by virtue of its strategic interest and contractual rights to appoint Executive Board members and Executive Board attendees. Furthermore, Eureko has a call option on 35% of the shares of Garanti Emeklilik ve Hayat A.S. (to be exercised before 21 June 2012) which will lead to joint control with the current majority shareholder if exercised.

MOVEMENTS IN ASSOCIATES

(€ MILLION)

	2010	2009
Balance at 1 January	1,442	2,135
Divestments and disposals	-1,390	
Annual results	83	266
Revaluations	-9	22
Dividend received	-3	-1,025
Foreign currency differences	18	54
Reversal of impairment losses recognised in profit or loss	8	15
Changes due to reclassifications		-25
Balance at 31 December	**149**	**1,442**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Regarding the associates, the summarised financial statements are included in the table below. As the 2010 financial statements are not yet publicly available, values are based on published financial statements of the associates for the financial year 2009 and calculated in accordance with the accounting principles of the associates. The amounts are translated into euros at the exchange rate ruling at reporting date. Total revenue and Total profit are translated using the weighted average exchange rate for the year.

(€ MILLION)

2009	ASSETS	LIABILITIES	TOTAL REVENUE	TOTAL PROFIT
F&C Asset Management plc	2,035	1,372	253	18
Garanti Emeklilik ve Hayat A.S.	808	701	89	35
Hippokrates B.V.		Data not available		

INVESTMENTS IN PARTICIPATING INTERESTS

(€ MILLION)

	2010	2009
Balance at 1 January	100	382
Divestments and disposals		-253
Fair value changes		-29
Changes due to reclassification	-100	
Balance at 31 December		**100**

Eureko's stake in MillenniumBCP, amounting to €100 million, has been reclassified from Participating interests to Investments. Although Eureko and MillenniumBCP have the intention to develop joint business initiatives, up to now such initiatives have not been developed due to current economic and market conditions. A continued classification as a Participating interest would for that reason not be appropriate. This reclassification has no impact on Net profit or Total equity of Eureko.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INVESTMENT PROPERTY

(€ MILLION)

	2010	2009
Balance at 1 January	1,440	1,529
Purchases	76	114
Disposals	-67	-142
Fair value changes recognised in profit or loss	-30	-99
Accrued rent	-1	1
Other movements	-2	3
Transfer from/to property for own use		34
Balance at 31 December	**1,416**	**1,440**

The carrying amount of investment property is fair value. The fair value of investment property, is fully based on appraisals by independent qualified valuators.

9 INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

2010	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equities and similar investments	1,601	436		2,037
Bonds	23,998	4,440		28,438
Loans and mortgages	372	2	3,057	3,431
Deposits with reinsurers			640	640
Deposits with credit institutions	2,282	48		2,330
Derivatives		1,971		1,971
Other financial investments	196			196
	28,449	**6,897**	**3,697**	**39,043**

2009	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equities and similar investments	1,702	324		2,026
Bonds	22,019	4,529		26,548
Loans and mortgages	542	26	3,155	3,723
Deposits with credit institutions	3,773	51		3,824
Derivatives		1,277		1,277
Other financial investments	277			277
	28,313	**6,207**	**3,155**	**37,675**

The investments designated as At fair value through profit or loss amount to €4,926 million (2009: €4,930 million). Derivatives are used for hedging purposes. Eureko does not hold financial instruments for trading purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying value of securities lent amounts to €737million (2009: €1,970 million). Eureko has a variety of collateral policies in place. Collateral requirements vary depending on the type of facility. The minimum level varies by collateral type, more risky facility types demanding a higher degree of collateralisation. Reference is further made to Note 11 (Investments related to cash collateral received in securities lending) and to Note 23 (Liabilities related to cash collateral received in securities lending).

INVESTMENTS MEASURED AT FAIR VALUE

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	DERIVATIVES	OTHER FINANCIAL INVESTMENTS	**TOTAL 2010**	TOTAL 2009
Balance at 1 January	2,026	26,548	568	3,824	1,277	277	34,520	31,487
Acquisitions								
Disposals	-52	-1		-10			-63	
Change in composition of the Group	**-52**	**-1**		**-10**			**-63**	
Investments and loans granted	2,081	20,275	126	23,396	10,856	376	57,110	46,073
Divestments and disposals	-2,368	-18,296	-298	-24,880	-10,179	-465	-56,486	-43,566
Fair value changes	265	402	-25	-24	-4		614	-56
Foreign currency differences	77	74		7	-32		126	9
Accrued interest		36	3	17	49		105	93
Changes due to reclassification	8	-595					-587	495
Other movements		-5			4	8	7	-15
Balance at 31 December	**2,037**	**28,438**	**374**	**2,330**	**1,971**	**196**	**35,346**	**34,520**

Changes due to reclassification in 2010 are mainly related to the reclassification of Assets classified as 'held for sale'. Furthermore it comprises the reclassification of Eureko's stake in MillenniumBCP from Participating interests (reference is made to Note 7).

The fair value of bonds and loans and mortgages measured 'at fair value through profit or loss' is amongst others subject to changes in creditworthiness of the counterparty. The impact of changes in the creditworthiness on the fair values of the investments is €-100 million (2009: €92 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EQUITIES AND SIMILAR INVESTMENTS

(€ MILLION)

	2010	2009
Equity investments	1,670	1,781
Venture capital investments	110	108
Commodities	257	137
	2,037	**2,026**

BONDS

(€ MILLION)

	2010	2009
Government and government related bonds	19,409	18,788
Corporate bonds	6,077	4,746
Covered bonds	1,635	1,967
Convertible bonds	310	312
Asset backed securities	1,007	735
	28,438	**26,548**

LOANS AND MORTGAGES

(€ MILLION)

	2010	2009
Investment loans	230	433
Loans and mortgages to policyholders	143	131
Other loans and mortgages	1	4
	374	**568**

DEPOSITS WITH CREDIT INSTITUTIONS

(€ MILLION)

	2010	2009
Deposits within the European Union	2,152	3,690
Other	178	134
	2,330	**3,824**

DERIVATIVES

(€ MILLION)

	2010	2009
Interest rate derivatives	1,225	799
Currency derivatives	563	386
Equity derivatives	183	92
	1,971	**1,277**

Details of the nature of the derivative instruments outstanding at reporting date are set out in Note 53 (Risk Management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANALYSIS OF FIXED-INCOME INVESTMENTS CARRIED AT FAIR VALUE BY EXPECTED REMAINING TIME TO MATURITY

(€ MILLION)

2010	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	OTHER FINANCIAL INVESTMENTS	TOTAL
Under 3 months	569	173	2,103	177	3,022
3–12 months	829	11	213	1	1,054
1–2 years	3,504	33	14		3,551
2–3 years	2,260	13			2,273
3–4 years	2,627	25			2,652
4–5 years	3,079	8			3,087
Over 5 years	15,570	111		18	15,699
Balance at 31 December	**28,438**	**374**	**2,330**	**196**	**31,338**

2009	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	OTHER FINANCIAL INVESTMENTS	TOTAL
Under 3 months	78	227	3,621	254	4,180
3–12 months	518	34	187	5	744
1–2 years	2,291	6	12		2,309
2–3 years	3,954	33			3,987
3–4 years	1,777	1			1,778
4–5 years	3,111	19			3,130
Over 5 years	14,819	248	4	18	15,089
Balance at 31 December	**26,548**	**568**	**3,824**	**277**	**31,217**

IMPAIRMENTS

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	OTHERS	2010	2009
Impairment losses during the year	-32	-12	-2	-46	-161

Impairment losses for 2010 are mainly related to the decrease on the stock exchange rate of specific investments in the first half of the year. The nominal value of the impaired Bonds amounts to €55 million (2009: €35 million). No interest income was recognised on the impaired part of Bonds and Loans and mortgages. Impairment losses are included in Realised and unrealised gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INVESTMENTS MEASURED AT AMORTISED COST

(€ MILLION)

	2010	2009
Balance at 1 January	3,155	3,235
Investments and loans granted	269	294
Divestments and disposals	-370	-357
Foreign currency differences	3	-17
Changes due to reclassification	640	
Balance at 31 December	**3,697**	**3,155**

Investments measured at amortised cost are mainly savings accounts held at Rabobank Group, related to life insurance policies in force. Based on the creditworthiness of counterparties the reduction of amortised cost is considered not material and therefore the allowance account is not presented separately.
Changes due to reclassification are related to changes in the conditions in a specific contract, which after these changes qualifies as an insurance contract. This contract was previously accounted for as a financial instrument.

ANALYSIS OF FIXED-INCOME INVESTMENTS BY REMAINING TIME TO MATURITY

(€ MILLION)

	2010	2009
Under 3 months	667	30
3–12 months	221	161
1–2 years	396	546
2–3 years	237	349
3–4 years	221	202
4–5 years	212	190
Over 5 years	1,743	1,677
Balance at 31 December	**3,697**	**3,155**

10 INVESTMENTS BACKING LINKED LIABILITIES

Investments backing linked liabilities comprise segregated investment contracts, deposits for group life contracts with full profit sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked.

Investments backing linked liabilities are separated from other investments and are invested in accordance with the requirements towards the policyholders. Investments are held on account for the life insurance policyholders and holders of investment contracts. Therefore policyholders and holders of investment contracts are entitled to all gains recorded and to the total amount of the investments shown under this heading, but they also have to carry any losses. For this reason insurance liabilities on behalf of policyholders and investment contracts are related to this account. These investments are classified as 'At fair value through profit or loss'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INVESTMENTS BACKING LINKED LIABILITIES

(€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	BONDS AND OTHER FIXED-INCOME INVESTMENTS	DERIVATIVES	CASH AND OTHER FINANCIAL INVESTMENTS	**TOTAL 2010**	TOTAL 2009
Balance at 1 January	923	10,130	8,124	111	1,994	21,282	17,416
Investments and loans granted	8	5,400	5,461	1,043	568	12,480	10,968
Divestments and disposals	-42	-5,800	-5,300	-1,109	-509	-12,760	-8,684
Fair value changes recognised in profit or loss	-18	946	66	179	-4	1,169	1,295
Foreign currency differences		25			-1	24	10
Accrued interest and rent			235	11	-1	245	222
Changes due to reclassification	-54	130	65	74	-253	-38	55
Cash movements					235	235	
Balance at 31 December	**817**	**10,831**	**8,651**	**309**	**2,029**	**22,637**	**21,282**

11 INVESTMENTS RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

Based on a securities lending programme, Eureko lends securities to borrowers, who in turn pay cash collateral. This cash collateral is invested in shares of money market funds. These funds have been established for the reinvestments of such cash collateral. The investment objective of the funds is to provide investors with as high a level of income as is consistent with the preservation of capital and the maintenance of adequate liquidity to meet the anticipated needs of the investor. Eureko bears the full economic risks and rewards of the investments in these funds. The investments in the money market funds are subject to a risk of change in value. The funds' investments have a S&P rating of AAA.

No new business is conducted under this securities lending programme because of Eureko's de-risking programme initiated in 2009. The remaining securities in the money market fund are expected to expire in 2018 and accordingly the programme will end at that stage.

The investments in the money market funds are not at free disposal of Eureko. The investments in these funds can only be used to repay the collateral provided by the borrower regarding the securities lending transactions. The repayment obligation with respect to the collateral provided is included in Liabilities related to cash collateral received in securities lending. The fair value of the accepted collateral related to securities which were lent amounted to €550 million as at 31 December 2010 (2009: €1,584 million).

(€ MILLION)

	2010	2009
Balance at 1 January	1,552	5,057
Investments	4,944	1,256
Divestments	-5,979	-4,850
Fair value changes	17	89
Balance at 31 December	**534**	**1,552**

The investments in money market funds are measured using the net asset value based on the underlying investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 BANKING CREDIT PORTFOLIO

BANKING CREDIT PORTFOLIO CLASSIFIED BY NATURE

(€ MILLION)

2010	LOANS AND RECEIVABLES	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions	921		921
Loans	15,493	414	15,907
	16,414	**414**	**16,828**

2009	LOANS AND RECEIVABLES	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions	1,437		1,437
Loans	17,412	453	17,865
	18,849	**453**	**19,302**

(€ MILLION)

	2010	2009
Credit institutions		
Loans and advances to banks	873	1,418
Treasury bills and other bills eligible for rediscounting with Central Banks		19
Cash advances, overdrafts and other balances due on demand	48	
	921	**1,437**
Loans		
Secured by mortgages	14,646	15,389
Other loans and advances to private sector	995	1,182
Other corporate loans	245	1,326
Non-performing	153	126
	16,039	**18,023**
Total (excluding Allowance account)	**16,960**	**19,460**
Allowance account	132	158
	16,828	**19,302**

Mandatory reserve deposits at Central Banks amounting to €495 million (2009: €820 million), as included in loans and advances to banks, are not available for use in day to day banking operations. Balances with Central Banks are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANKING CREDIT PORTFOLIO MEASURED AT AMORTISED COST

(€ MILLION)

	CREDIT INSTITUTIONS	LOANS	**TOTAL 2010**	TOTAL 2009
Balance at 1 January (excluding Allowance account)	1,437	17,570	19,007	18,512
Investments and loans granted	18	376	394	3,232
Divestments and disposals	-534	-2,333	-2,867	-2,912
Amortisation				-2
Change in value due to fair value hedge accounting		226	226	185
Changes due to reclassification		-209	-209	
Other movements		-5	-5	-8
Balance at 31 December (excluding Allowance account)	**921**	**15,625**	**16,546**	**19,007**
Balance at 1 January (Allowance account)		158	158	80
Additional allowances		30	30	122
Allowances used		-75	-75	-51
Amounts released		-5	-5	
Recoveries		6	6	6
Effect of changes in assumptions		18	18	1
Balance at 31 December (Allowance account)		**132**	**132**	**158**
Carrying amount				
At 1 January	1,437	17,412	18,849	18,432
At 31 December	**921**	**15,493**	**16,414**	**18,849**

The fair value of the banking credit portfolio measured at amortised cost at year-end is €17,618 million (2009: €18,659 million). Changes due to reclassification are related to the intended sale of part of Achmea Retail Bank's consumer portfolio.

RESULTS ON HEDGE ACCOUNTING

Eureko applies fair value hedge accounting on the banking credit portfolio that is measured at amortised cost. The results on fair value hedge accounting are as follows:

(€ MILLION)

	GAINS	LOSSES	**NET 2010**	NET 2009
Fair value hedges				
Fair value changes of the hedged item attributable to the hedged risk	574	486	88	185
Fair value changes of the related derivatives (including discontinuation)	520	592	-72	-98

The risk being hedged is the interest rate risk. In applying hedge accounting, Eureko designates derivatives to hedge the interest rate risk. The fair value of the derivatives designated as hedging instruments amounts to €-538 million (2009: €-448 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with hedge accounting policies, Eureko designates the hedge relationship per month. The change in fair value of the banking credit portfolio that is determined to be the hedged item is recognised as part of the banking credit portfolio is subsequently amortised to profit or loss over the remaining life of the hedging instrument. Amortisation is based on the effective interest rate method.

As at 31 December 2010, the carrying amount of the loans is affected by impairment losses amounting to €108 million (2009: €176 million). The carrying amount is reduced through use of an allowance account. The impairment loss is mainly a result of individual assessments of the expected cash flows in relation to the loans. For 2010 the interest income related to impaired financial instruments was €7 million (2009: €5 million).

BANKING CREDIT PORTFOLIO MEASURED AT FAIR VALUE

(€ MILLION)

	2010	2009
Balance at 1 January	453	489
Divestments and disposals	-41	-34
Fair value changes	2	-2
Balance at 31 December	**414**	**453**

The fair value of the banking portfolio measured at fair value is subject to changes in creditworthiness of the issuer. The impact on the fair values of the banking credit portfolio is as follows:

FAIR VALUE CHANGE RELATED TO CHANGES IN CREDIT RISK COUNTERPARTY

(€ MILLION)

	2010	2009
Current period		3
Cumulatively	19	19

ANALYSIS OF BANKING CREDIT PORTFOLIO (EXCLUDING ALLOWANCE ACCOUNT) BY EXPECTED REMAINING TIME TO MATURITY

(€ MILLION)

	CREDIT INSTITUTIONS 2010	LOANS 2010	**TOTAL 2010**	CREDIT INSTITUTIONS 2009	LOANS 2009	TOTAL 2009
On demand	435	192	627	330	1,285	1,615
Under 3 months		692	692	271	565	836
3–12 months		814	814	414	840	1,254
1–2 years		805	805		912	912
2–3 years		791	791		909	909
3–4 years		1,346	1,346		848	848
4–5 years		667	667		813	813
Over 5 years	486	10,732	11,218	422	11,851	12,273
	921	**16,039**	**16,960**	**1,437**	**18,023**	**19,460**

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2010 €12,447 million (2009: €13,004 million) of the government-guaranteed and/or mortgage backed loans was not freely disposable because of money market and capital market pledges.
These pledges can be analysed as follows:

(€ MILLION)

	2010	2009
Pledge by means of trust arrangements	2,038	2,158
Pledge by means of securitisation	4,244	5,713
Third-party pledge	6,165	5,133
	12,447	**13,004**

13 DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year can be specified as follows:

(€ MILLION)

	BALANCE AT 1 JANUARY 2010	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2010
Intangible assets	20			-12	8
Investments	-428	13	-2	-148	-565
Investments backing linked liabilities	1			-1	
Banking credit portfolio	3		-3	-1	-1
Deferred acquisition costs	51	-10		-6	35
Other assets	3	-8	-4	1	-8
Insurance liabilities	383	-12		172	543
Employee benefits	139	-22		-7	110
Other provisions	10	19		34	63
Amortisation	1				1
Impairments				1	1
Other liabilities	-17	-11	10	7	-11
Securities lending	-7		-4	16	5
Loss carry-forwards	188			-32	156
	347	**-31**	**-3**	**24**	**337**
Comprising:					
Deferred tax assets					923
Deferred tax liablities					586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The movements in deferred tax assets and liabilities during 2009 can be specified as follows:

(€ MILLION)

	BALANCE AT 1 JANUARY 2009	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2009
Intangible assets	40			-20	20
Investments	-326	-28	-116	42	-428
Investments backing linked liabilities				1	1
Banking credit portfolio	3				3
Deferred acquisition costs	126	-7		-68	51
Other assets	-112	-33		148	3
Insurance liabilities	346	-8		45	383
Employee benefits	151	-5		-7	139
Other provisions	15	-1		-4	10
Amortisation	2	-1			1
Impairments	28	-1		-27	
Other liabilities	-79	1		61	-17
Securities lending	33	-2	-28	-10	-7
Loss carry-forwards	515	-97	12	-242	188
	742	**-182**	**-132**	**-81**	**347**
Comprising:					
Deferred tax assets					799
Deferred tax liablities					452

The tax rates used in calculating Eureko's deferred tax assets and liabilities are the applicable national rates, which in 2010 and 2009 ranged from 10.0% to 34.0%. Changes in tax rates already enacted as at 31 December 2010 are taken into account. This mainly concerns the tax rate in the Netherlands that has been decreased from 25.5% to 25.0% as of 1 January 2011.

The other movements are primarily related to changes from deferred to current tax positions.

UNRECOGNISED DEFERRED TAX ASSETS

(€ MILLION)

	2010	2009
Tax losses	32	26
	32	**26**

The unrecognised deferred tax assets do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available, against which the temporary difference can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DEFERRED ACQUISITION COSTS

(€ MILLION)

2010	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	394	43	437
Addition of deferred acquisition costs	28	8	36
Amortisation	-76	-11	-87
Foreign currency differences	1		1
Changes due to reclassification	-3		-3
Balance at 31 December	**344**	**40**	**384**

2009	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	440	46	486
Addition of deferred acquisition costs	46	5	51
Amortisation	-98	-8	-106
Foreign currency differences	1		1
Other movements	5		5
Balance at 31 December	**394**	**43**	**437**

15 RECEIVABLES

(€ MILLION)

	2010	2009
Receivables from direct insurance:		
Policyholders	1,217	1,026
Agents	166	188
Other	47	99
	1,430	**1,313**
Receivables on reinsurance	9	19
Investment receivables	59	75
Contribution from Dutch Health insurance fund	1,756	
Prepayments to Dutch hospitals	824	851
Payments related to Dutch short-term mental care (GGZ)	294	303
Other receivables	804	1,204
	5,176	**3,765**

The receivables are due within one year except for receivables related to the Dutch Healthcare system which may have a longer duration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 OTHER ASSETS

(€ MILLION)

	2010	2009
Equipment	219	231
Property for own use	359	341
Other prepayments and accrued income	167	252
Non-insurance assets acquired by exercising rights to recoveries	44	34
Other assets	71	57
	860	**915**

EQUIPMENT

(€ MILLION)

	SOFTWARE	HARDWARE	OFFICE FURNITURE	OTHER	TOTAL 2010	TOTAL 2009
Cost						
Balance at 1 January	116	222	167	194	699	736
Acquisitions						
Disposals		-1	-1	-6	-8	
Change in composition of the Group		**-1**	**-1**	**-6**	**-8**	
Purchases and acquisitions	14	15	13	13	55	57
Sale, disposals and decommissioning	-19	-39	-14	-12	-84	-93
Changes due to reclassification	-1	-1	-1		-3	
Other movements						-1
Balance at 31 December	**110**	**196**	**164**	**189**	**659**	**699**
Amortisation and impairment losses						
Balance at 1 January	80	209	103	76	468	472
Acquisitions						
Disposals		-1	-1	-2	-4	
Change in composition of the Group		-1	-1	-2	-4	
Sale, disposals and decommissioning	-17	-43	-10	-7	-77	-59
Amortisation	17	14	17	8	56	52
Changes due to reclassification	-1	-1	-1		-3	
Other movements						3
Balance at 31 December	**79**	**178**	**108**	**75**	**440**	**468**
Carrying amount						
At 1 January	36	13	64	118	231	264
Balance at 31 December	**31**	**18**	**56**	**114**	**219**	**231**

Other equipment includes assets in relation to operational lease activities by WagenPlan B.V. amounting to €83 million (2009: €81 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROPERTY FOR OWN USE

(€ MILLION)

	IN DEVELOPMENT	IN USE	TOTAL 2010	TOTAL 2009
Revalued amount				
Balance at 1 January		432	432	558
Acquisitions				
Disposals		-5	-5	
Change in composition of the Group		**-5**	**-5**	
Purchases and acquisitions	36	2	38	28
Sale, disposals and decommissioning		-42	-42	-129
Capitalised subsequent expenditures	1		1	
Revaluation recognised in equity		-1	-1	14
Amortisation eliminated against the gross carrying amount due to revaluation				-1
Foreign currency differences				-1
Transfer to investment property				-34
Other movements				-3
Balance at 31 December	**37**	**386**	**423**	**432**
Amortisation and impairment losses				
Balance at 1 January		91	91	73
Acquisitions				
Disposals		-1	-1	
Change in composition of the Group		**-1**	**-1**	
Sale, disposals and decommissioning		-39	-39	
Impairment losses recognised in profit or loss				2
Amortisation charge for the period		13	13	17
Amortisation eliminated against the gross carrying amount due to revaluation				-1
Balance at 31 December		**64**	**64**	**91**
Carrying amount				
At 1 January		341	341	485
At 31 December	**37**	**322**	**359**	**341**

The carrying amount of property for own use is fair value. The fair value of property for own use, is fully based on appraisals by independent qualified valuators. The valuation was determined by reference to both observations in the market and various calculation methods such as the discounted cash flow method. These methods establish the fair value using the rental income of the property. The valuator uses a market based discount rate adjusted for age, location and remaining rental contract period as at 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 CASH AND CASH EQUIVALENTS

(€ MILLION)

	2010	2009
Cash	8	31
Call deposits	150	252
Bank balances	1,781	1,102
	1,939	**1,385**

The majority of cash and cash equivalents is not subject to any restrictions.

18 EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

The movements in Equity attributable to holders of equity instruments of the company are specified in the Consolidated Statement of Changes in Total equity.

SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF ORDINARY SHARES (PAR VALUE €1 PER SHARE)	NOMINAL VALUE ORDINARY SHARES	NUMBER OF PREFERENCE SHARES (PAR VALUE €1 PER SHARE)	NOMINAL VALUE PREFERENCE SHARES	NUMBER OF M SHARES (PAR VALUE €1 PER SHARE)	NOMINAL VALUE M SHARES	NUMBER OF A SHARES (PAR VALUE €1 PER SHARE)	NOMINAL VALUE A SHARES
Authorised	1,499,999,999	1,500	60,000,000	60	10,000,000	10	1	
Issued	408,884,541	409	23,904,060	24			1	
Available for issuance	**1,091,115,458**	**1,091**	**36,095,940**	**36**	**10,000,000**	**10**		
Shares issued 1 January 2009	333,418,540	333	23,904,060	24			1	
Shares issued in 2009	75,466,001	76						
Shares issued 31 December 2009	**408,884,541**	**409**	**23,904,060**	**24**			**1**	
Shares issued 1 January 2010	408,884,541	409	23,904,060	24			1	
Shares issued in 2010								
Shares issued 31 December 2010	**408,884,541**	**409**	**23,904,060**	**24**			**1**	

Share rights, preferences and restrictions
Stichting Administratiekantoor Achmea is the holder of the A share. There are special rights entitled to the A share. The majority of the decisions of Eureko's General Meeting of Shareholders can only be made after the approval of the holder of the A share.

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at Eureko's General Meeting of Shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The holders of preference shares are entitled to cumulative dividend and one vote per share at the General Meeting of Shareholders. Dividends paid are 7.15% per year on the share capital and share premium paid for those shares, but payment is subject to the approval of the General Meeting of Shareholders. Terms on the percentage will be reviewed every ten years. The first review will take place before 1 January 2014.

The preference shares have been issued to Eureko Tussenholding B.V. which exercises the voting rights attached to the preference shares. Eureko Tussenholding B.V. through Stichting Administratiekantoor Eureko Tussenholding has issued certificates of the preference shares to the ultimate investors. Certificates of preference shares, amounting to €45 million, held by Eureko B.V. are presented as Own shares within Total equity.

Legal reserve

According to legal requirements in the Netherlands a legal reserve has been set up for the non-distributable profits in associates, recognised internally developed software and Health subsidiaries that are subject to regulatory requirements.

An amount of €242 million (2009: €248 million) of Total equity contributed by subsidiaries at year-end 2010, was subject to claims under provisions in the articles of association of a number of subsidiaries, stipulating that, in the event of liquidation, the equity of these companies must be used for the benefit of public health. In as far as this amount is not included in the revaluation reserve it has been included in the legal reserve.

Revaluation reserve

Based on the accounting principles used by Eureko, a revaluation reserve is formed as appropriate. Furthermore, based on Dutch regulations, Eureko should form a legal reserve for all positive fair value changes of non-financial assets (e.g. investment property). This part of the reserve may not be negative. This reserve is formed by transferring the required amounts from Retained earnings to the Revaluation reserve. In 2010 an amount of €35 million (2009: €43 million) is transferred from the Revaluation reserve to the Retained earnings.

Part of the Revalution reserve is related to property for own use. The revaluation surplus for property for own use at the beginning and the end of the year was €47 million. The majority of the remainder of the revaluation reserve is related to available for sale investments.

The amounts presented within the revaluation reserve cannot be distributed to shareholders.

Hedging reserve

Eureko applies net investment hedge accounting to a portion of the investment in Eureko Sigorta A.S. The risk that is being hedged is the foreign currency risk (i.e. the risk of changes in the value of the carrying amount of the portion of Eureko Sigorta A.S. translated to Eureko's reporting currency due to changes in the spot exchange rate). Eureko has designated the put-option liability on 20% of the shares of Eureko Sigorta A.S. as the hedging instrument. The effective part of the hedge relationship is recognised in Total equity in the Hedging reserve. Ineffective parts of the hedge relationship are recognised in the Income Statement and amount to nil (2009: nil).

During the year 2010 the cashflow hedge on equities denominated in foreign currency has been revoked; hence the reserve has been reduced accordingly.

Retained earnings

Results within the Dutch Health Insurance business are reported as non- taxable results, based on the current tax laws. The tax exemption is applicable in as far as these results are not distributed. If results are fully or partly distributed the annual results of the Dutch Health Insurance business will no longer be tax exempted. The annual results will then be taxable against a tax rate of 25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other equity instruments

In May 2008, Eureko B.V. issued €225 million of Perpetual Capital Securities ('Capital Securities'), with a coupon of 8.375% per annum. The coupon (in the amount of €83.75 per Capital Security of €1,000 par) will be paid annually on 23 May. Eureko B.V. has the right to call the issue at par on 23 May 2013 or annually thereafter. The Capital Securities can also be called earlier by Eureko B.V. in specific circumstances as mentioned in the Base Prospectus. The Capital Securities qualify as hybrid Tier-1 capital for regulatory solvency purposes.

On 1 November 2006, Eureko B.V. issued €600 million of Perpetual Capital Securities with a coupon of 6.0%, payable annually in arrears. Eureko has the option to redeem the Perpetual Capital Securities annually on the coupon payment date, starting on 1 November 2012. The terms are designed to allow the issue to be part of Eureko's regulatory capital under anticipated Dutch regulatory rules, with a 'Tier 1' equivalent treatment.

On 24 June 2005, Eureko B.V. issued €500 million of Perpetual Capital Securities with an initial coupon of 5.125%, payable annually in arrears until the first call date in June 2015. If the issue is not called in 2015, the coupon will reset quarterly at an annual margin of 280 base points over the 3-month EURIBOR. The terms are designed to allow the issue to be part of Eureko's regulatory capital under anticipated Dutch regulatory rules, with a 'Tier 1' equivalent treatment.

Coupon payments on Other equity instruments are at the discretion of Eureko and subject to other limitations as described in the prospectus and will be charged to Retained earnings, part of Total equity.

19 NON-CONTROLLING INTEREST

The non-controlling interest in the Statement of Financial Position can be specified as follows:

(€ MILLION)

	2010	2009
WagenPlan B.V.	6	5
Inshared Holding B.V.	-2	
Other	1	1
	5	**6**

Due to rounding Net profit attributable to the non-controlling interest is zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INSURANCE LIABILITIES

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Non-Life insurance				
Unearned premiums	1,311	74	1,352	69
Provision for premium deficiency	61	3	74	
Provision for unexpired risks (including ageing provision)	13		15	
Outstanding claims (including IBNR)	5,179	330	5,075	291
Profit sharing and bonuses	110		95	
Total Non-Life insurance	**6,674**	**407**	**6,611**	**360**
Health insurance				
Unearned premiums	38	1	31	1
Provision for premium deficiency	3		13	
Provision for unexpired risks (including ageing provision)	20			
Outstanding claims (including IBNR)	4,334	44	3,979	59
Total Health insurance	**4,395**	**45**	**4,023**	**60**
Life insurance				
Provision for life policy liabilities	23,416	485	24,007	591
Less: Deferred interest surplus rebates	87		122	
Net provision for life policy liabilities	**23,329**	**485**	**23,885**	**591**
Profit sharing and bonuses	1,225		593	
Total Life insurance	**24,554**	**485**	**24,478**	**591**
Total Insurance liabilities	**35,623**	**937**	**35,112**	**1,011**

Insurance liabilities are essentially of a long-term nature, with the exception of the provision for unearned premiums and insurance liabilities related to Health insurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE PROVISION FOR UNEARNED PREMIUMS NON-LIFE

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Balance at 1 January	1,352	69	1,322	73
Acquisitions				
Disposals	-5			
Change in composition of the Group	**-5**			
Added during the year	3,992	250	4,030	291
Released to the Income Statement	-3,994	-245	-3,996	-295
Foreign currency differences	7		-4	
Changes due to reclassification	-41			
Balance at 31 December	**1,311**	**74**	**1,352**	**69**

PROVISION FOR PREMIUM DEFICIENCY NON-LIFE

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Balance at 1 January	74		71	
Increase charged to the Income Statement	5	3	3	
Released to the Income Statement	-31			
Changes due to reclassification	13			
Balance at 31 December	**61**	**3**	**74**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE OF OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Balance at 1 January	5,075	291	5,058	403
Acquisitions				
Disposals	-7			
Change in composition of the Group	**-7**			
Current period claims reported	2,848	129	2,825	93
Previous period claims reported/released	-144	-32	-126	36
Plus claims reported	**2,704**	**97**	**2,699**	**129**
Current period claims paid	1,386	44	1,524	102
Previous period claims paid	1,126	45	1,176	139
Less claims paid	**2,512**	**89**	**2,700**	**241**
Foreign currency differences	8	6	-2	
Unwinding of discount	24	1	20	
Changes due to reclassification	-156	-27		
Other movements	43	51		
Balance at 31 December	**5,179**	**330**	**5,075**	**291**

The changes due to reclassification are mainly related to the Held for sale classification related to Avéro Schade Benelux N.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE INSURANCE

(€ MILLION)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,848	2,825	2,828	2,709	2,235	3,289	1,213	1,097	950	959	
One year later		2,857	2,827	2,596	2,215	3,193	1,189	1,125	1,028	964	
Two years later			2,709	2,564	2,155	3,211	1,128	1,123	1,000	966	
Three years later				2,448	2,129	3,169	1,078	1,033	1,035	1,023	
Four years later					2,000	3,158	1,050	1,005	987	1,027	
Five years later						3,027	1,056	994	947	972	
Six years later							1,069	975	917	981	
Seven years later								997	878	955	
Eight years later									953	951	
Nine years later										1,016	
Estimate of cumulative claims:	**2,848**	**2,857**	**2,709**	**2,448**	**2,000**	**3,027**	**1,069**	**997**	**953**	**1,016**	**19,924**
Cumulative payments	-1,386	-2,032	-2,044	-1,824	-1,663	-1,952	-930	-889	-859	-891	-14,470
	1,462	**825**	**665**	**624**	**337**	**1,075**	**139**	**108**	**94**	**125**	**5,454**
Insurance liabilities claims prior years (<2001)											323
Effect of discounting											-444
Changes due to reclassification											-154
Value recognised at 31 December 2010											**5,179**

PROFIT SHARING AND BONUSES

(€ MILLION)

	2010	2009
Balance at 1 January	95	58
Effect of changes in assumptions		4
Net movements during the period	15	33
Balance at 31 December	**110**	**95**

MOVEMENT TABLE FOR PROVISION FOR UNEARNED PREMIUMS HEALTH

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Balance at 1 January	31	1	34	-12
Added during the year	12,289	-256	10,617	-190
Released to the Income Statement	-12,287	256	-10,620	203
Other movements	5			
Balance at 31 December	**38**	**1**	**31**	**1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROVISION FOR PREMIUM DEFICIENCY HEALTH

(€ MILLION)

	2010	2009
Balance at 1 January	13	26
Released to the Income Statement	-10	-13
Balance at 31 December	**3**	**13**

MOVEMENT TABLE OF OUTSTANDING CLAIMS (INCLUDING IBNR) HEALTH

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Balance at 1 January	3,979	59	4,158	27
Current period claims reported	11,101	767	10,368	650
Previous period claims reported/released	498	-67	-1,388	-52
Plus claims reported	**11,599**	**700**	**8,980**	**598**
HKC premiums related to current period claims reported		-742		-631
HKC premiums related to previous period claims reported		55		41
HKC premiums related to claims reported		**-687**		**-590**
Current period claims paid	7,053		6,547	-31
Previous period claims paid	4,191	509	2,612	410
Less claims paid	**11,244**	**509**	**9,159**	**379**
HKC premiums related to previous period claims paid		-481		-403
Less HKC premiums related to claims paid		**-481**		**-403**
Balance at 31 December	**4,334**	**44**	**3,979**	**59**

Reinsurance is mainly related to High Cost Compensation (HKC: Hoge Kosten Compensatie) which is related to the Dutch health insurance system. The balance of €44 million consists of a receivable on CVZ amounting to €2,183 million and a liability to CVZ amounting to €2,139 million. The composition of the receivable and liability is based on premiums, claims and other movements by underwriting year.

As of 1 January 2006, a new private health insurance system is in force in the Netherlands. This system consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is influenced by political processes. Furthermore, within basic health insurance a system of risk mitigation features is in force which also introduces additional uncertainty related to the final settlements.

Settlement of medical care costs between health insurers and Dutch hospitals has been based on the so-called 'Diagnose Behandel Combinaties' (DBCs) since 2005. This settlement method covers a whole medical treatment period in which the claim compensation for separate treatments is specified. The final settlement with the health insurer is at the end of the treatment period. Presently, Nederlandse Zorgautoriteit (NZa) is in the process of the calculation of the total impact and the allocation of the amount to the health insurers. Eureko follows the settlements received from NZa.For more details regarding the uncertainties in health insurance, reference is made to Note 53 (Risk management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CLAIMS DEVELOPMENT TABLE FOR HEALTH INSURANCE

(€ MILLION)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	11,101	10,368	10,466	10,755	7,504	2,057	1,550	1,159	1,031	785	
One year later		10,672	10,699	10,532	6,936	2,087	1,479	1,135	1,029	770	
Two years later			10,656	10,522	6,904	2,119	1,442	1,129	1,024	761	
Three years later				10,836	6,329	2,073	1,480	1,151	1,020	759	
Four years later					6,330	1,867	1,481	1,125	994	754	
Five years later						1,858	1,336	1,175	1,066	843	
Six years later							1,268	1,075	1,025	853	
Seven years later								1,075	972	887	
Eight years later									972	897	
Nine years later										896	
Estimate of cumulative claims	**11,101**	**10,672**	**10,656**	**10,836**	**6,330**	**1,858**	**1,268**	**1,075**	**972**	**896**	**55,664**
Cumulative payments	-7,053	-10,567	-10,586	-10,825	-6,260	-1,848	-1,248	-1,075	-972	-896	-51,330
Value recognised at 31 December 2010	4,048	105	70	11	70	10	20				**4,334**

The data used to calibrate the outstanding claims provision is based on historical information. The results on the equalisation fund (including standard nominal premium) and claims level are preliminary and will probably shift between insurers for some years. Eureko reassesses provisions for the underwriting year on an annual basis based on the latest information on claims level and macro-neutrality and settlements with the Dutch government (equalisation fund allocation for the underwriting year in question). When appropriate, Eureko has made additional provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE FOR PROVISION FOR LIFE POLICY LIABILITIES

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Non-participating benefits				
Balance at 1 January	7,002	165	7,017	232
Benefits paid	-1,739	-75	-1,442	-68
Net premiums received	1,249	183	1,171	126
Technical result	-426	-134	-650	-125
Foreign currency differences	5		-1	
Unwinding of discount	420		389	
Effect of changes in assumptions	-10		-2	
Changes due to reclassification	620		485	
Effect of fair value changes	70		35	
Balance at 31 December	**7,191**	**139**	**7,002**	**165**
Participating benefits				
Balance at 1 January	17,005	426	18,218	458
Benefits paid	-1,149	-35	-1,303	-68
Net premiums received	633	24	859	27
Technical result	-240	-69	-120	-14
Effect of merger pension funds			-1,244	
Unwinding of discount	475		496	
Effect of changes in assumptions	-39		-4	
Changes due to reclassification	-460		103	23
Balance at 31 December	**16,225**	**346**	**17,005**	**426**
Life policy liabilities	**23,416**	**485**	**24,007**	**591**

The discount rate used in determining the life policy liabilities related to Dutch activities ranges between 3% and 4%. The life policy liabilities for foreign operating companies are calculated in accordance with local statutory requirements, generally based on discounting at the interest rate guaranteed for the product.

The provision for non-participating life policy liabilities includes an amount of €3.6 billion (2009: €3.7 billion) that is calculated with actual discount rates.

Changes due to reclassification are mainly related to presentation changes between insurance liabilities for policyholders and insurance liabilities classified as held for sale, to product and presentation changes between insurance liabilities, insurance liabilities for policyholders and investment contracts and to changes in the conditions in a specific contract (reference is made to Note 9 Investments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DEFERRED INTEREST SURPLUS REBATES (€ MILLION)

	2010	2009
Balance at 1 January	122	160
Rebates granted	7	13
Foreign currency differences	1	
Amortisation	-43	-51
Balance at 31 December	**87**	**122**

PROFIT SHARING AND BONUSES (€ MILLION)

	2010	2009
Balance at 1 January	593	626
Net movements during the period	657	-33
Changes due to reclassification	-25	
Balance at 31 December	**1,225**	**593**

Net movements mainly relate to vested rights that have not yet been credited to policyholder accounts related to fair value changes in investments.

21 INSURANCE LIABILITIES FOR POLICYHOLDERS

The insurance liabilities for policyholders are linked to the Investments backing linked liabilities.

MOVEMENT TABLE INSURANCE LIABILITIES FOR POLICYHOLDERS (€ MILLION)

	2010	2009
Balance at 1 January	19,341	15,452
Benefits paid	-1,997	-1,514
Net premiums received	1,689	2,968
Technical result	-178	-68
Effect of merger pension funds		1,244
Unwinding of discount	240	167
Effect of changes in other assumptions	4	-14
Effect of fair value changes related to financial assets	1,248	1,079
Changes due to reclassification	-42	27
Balance at 31 December	**20,305**	**19,341**

Changes due to reclassification are related to presentation changes between insurance liabilities for policyholders and liabilities classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INVESTMENT CONTRACTS

Financial contracts with insignificant insurance risk are presented as investment contracts. The linked investments are presented as part of Investments backing linked liabilities. These liabilities are essentially of a long-term nature.

MOVEMENT TABLE INVESTMENT CONTRACTS (€ MILLION)

	2010	2009
Balance at 1 January	2,315	2,207
(Net) consideration received	372	353
Consideration paid	-407	-346
Effect of fair value changes related to financial assets	83	99
Changes due to reclassification	2	2
Balance at 31 December	**2,365**	**2,315**

23 LIABILITIES RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

Under securities lending programmes, Eureko lends securities to borrowers, who in turn pay cash collateral. The liability reflects the amount Eureko owes to the borrowers related to the cash collateral paid by the borrowers and which collateral is invested in investment funds held by a lending agent on behalf of Eureko. The cash collateral is invested in money market funds. The investments in these funds are included in Investments related to cash collateral received in securities lending (see Note 11).

(€ MILLION)

	2010	2009
Balance at 1 January	1,584	5,287
Money deposited	4,944	1,041
Money withdrawn	-5,978	-4,744
Balance at 31 December	**550**	**1,584**

The fair value of the liabilities measured at amortised cost at year-end is €534 million (2009: €1,552 million). The liabilities are generally payable on demand however due to contractual provisions with the lending agent, Eureko is not directly liable for repayments of the deposits if requested by the borrower. If all borrowers terminated their current securities lending contracts simultaneously then Eureko would possibly be liable for the shortfall in the investment fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 EMPLOYEE BENEFITS

The pension liability for the Group companies as at 31 December, based on an actuarial valuation of the projected benefits, is as follows:

(€ MILLION)

2010	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	4,287	71	4,358
Fair value of total plan assets	-4,060	-54	-4,114
Fair value of non-qualifying plan assets	660		660
Unfunded status	**887**	**17**	**904**
Unrecognised actuarial gains and losses	197	-21	176
Recognised net liability for defined benefit obligations	**1,084**	**-4**	**1,080**

2009	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	3,559	85	3,644
Fair value of total plan assets	-3,490	-51	-3,541
Fair value of non-qualifying plan assets	612		612
Unfunded status	**681**	**34**	**715**
Unrecognised actuarial gains and losses	448	-21	427
Recognised net liability for defined benefit obligations	**1,129**	**13**	**1,142**

The non-qualifying plan assets consist of insurance policies issued by Eureko group companies.

From 1 January 2009 the pension plan for Dutch employees is executed by Stichting Pensioenfonds Achmea (Achmea Pension fund Foundation). The pension fund entered into a reinsurance contract (guarantee contract) combined with a segregated investment contract with one of Eureko's Dutch life insurance companies. The investments and insurance liability of the reinsurance contract are recorded as investments backing linked liabilities and insurance liabilities for policyholders. Eureko does not have control over Achmea Pension fund Foundation.

Eureko maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement.

Annual contributions are paid to the plans at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans comply with applicable local regulations concerning investments and funding levels.

Certain group companies sponsor defined contribution pension plans. The assets of all Eureko's defined contribution plans are held in independently managed funds. Contributions are generally determined as a percentage of pay. The amount incurred in 2010 was €13 million (2009: €13 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE EMPLOYEE BENEFITS

(€ MILLION)

	THE NETHERLANDS	OTHER COUNTRIES	TOTAL 2010	TOTAL 2009
Net liability at 1 January	1,129	13	1,142	1,194
Contributions paid	-220	-6	-226	-252
Net expense recognised in the Income Statement	127	-11	116	185
Fair value changes of non-qualifying plan assets	48		48	15
Net liability at 31 December	**1,084**	**-4**	**1,080**	**1,142**

EXPENSE RECOGNISED IN THE INCOME STATEMENT

(€ MILLION)

	THE NETHERLANDS	OTHER COUNTRIES	TOTAL 2010	TOTAL 2009
Current service costs	109	4	113	141
Interest on benefit obligation	207	4	211	199
Expected return on plan assets	-170	-3	-173	-154
Amortisation of actuarial gains and losses	-19	1	-18	-1
Past service cost		-17	-17	
Total, included in Operating expenses	**127**	**-11**	**116**	**185**

MOVEMENT TABLE QUALIFYING PLAN ASSETS

(€ MILLION)

	2010	2009
Balance at 1 January	2,929	2,743
Contributions into plan by employer	208	231
Benefits paid by the plan	-65	-64
Expected return on plan assets	150	132
Unrecognised actuarial gains and losses	225	-100
Changes due to reclassification		-13
Other movements	7	
Balance at 31 December	**3,454**	**2,929**

QUALIFYING PLAN ASSETS

The qualifying plan assets comprise the following investment categories:

(%)

	2010	2009
Equity instruments	23	17
Fixed-income investments	74	79
Alternatives	3	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACTUAL RETURN ON PLAN ASSETS

(%)

	THE NETHERLANDS	OTHER COUNTRIES
2010		
Qualifying plan assets	11.86	6.10
Non-qualifying plan assets	8.88	
2009		
Qualifying plan assets	0.89	n.m.
Non-qualifying plan assets	3.43	

MOVEMENT TABLE DEFINED BENEFIT OBLIGATION

(€ MILLION)

	2010	2009
Balance at 1 January	3,644	3,702
Benefits paid by the plan	-91	-86
Interest on benefit obligation	211	191
Current service costs	113	149
Unrecognised actuarial gains and losses	492	-318
Past service cost, curtailment and settlements	-17	-1
Other movements	6	7
Balance at 31 December	**4,358**	**3,644**

The mortality table applied to determine the employee benefit liabilities is AG prognosetafel 2010-2060 (2009: AG prognosetafel 2005-2050).

Determination of expected return on assets

An important element in determining the employee benefit liability is the assumption for returns on plan assets. These returns are updated at least annually, taking into consideration the pension funds asset allocation, the historical returns and the current economic environment. Based on these components, an annual average return is calculated for a long term. These estimates take into account a reduction for administrative and investment expenses. Furthermore, it is assumed that the target asset allocation of the pension funds will be consistent over a long term. Changes in the asset allocation could impact pension expenses recognised in the Income Statement, the funded status of the plans and the need for future cash contributions.

For the year ended 31 December 2010, the weighted expected long-term return on plan assets was derived from the following target allocation and expected long-term rate of return for each asset category:

(%)

	TARGET ALLOCATION	WEIGHTED EXPECTED LONG TERM RATE OF RETURN
Equity investments	23	1.70
Fixed-income investments	74	2.97
Alternatives	3	0.21
Total	**100**	**4.88**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPAL ACTUARIAL ASSUMPTIONS AT REPORTING DATE (EXPRESSED AS WEIGHTED AVERAGE ASSUMPTIONS)

(%)

2010	THE NETHERLANDS	OTHER COUNTRIES
Discount rate at 31 December	5.10	5.80
Expected return on qualifying plan assets	4.88	5.03
Expected return on non-qualifying plan assets	3.62	
Future salary increases	2.50	3.00-3.50
Future pension increase for in-payment benefits	1.70	

2009	THE NETHERLANDS	OTHER COUNTRIES
Discount rate at 31 December	5.70	5.70
Expected return on qualifying plan assets	3.72-5.61	3.00-6.00
Expected return on non-qualifying plan assets	3.72	
Future salary increases	2.50	3.00-3.50
Future pension increase for in-payment benefits	2.00	2.00

HISTORICAL INFORMATION

(€ MILLION)

	2010	2009	2008	2007	2006
Present value of the defined benefit obligations	4,358	3,644	3,702	3,479	3,452
Fair value of qualifying plan assets	3,454	2,929	2,743	1,636	1,327
Deficit in the plan	**904**	**715**	**959**	**1,843**	**2,125**
Experience adjustments arising on plan liabilities	413	905	587	570	82
Percentage of scheme liabilities	9.5%	24.9%	15.9%	16.4%	2.4%
Experience adjustments arising on plan assets	-105	-330	-229	-99	-14
Percentage of scheme assets	-3.0%	-11.4%	-8.3%	-6.1%	-1.1%

Eureko expects to pay €231 million in contributions to defined benefit plans in 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 OTHER PROVISIONS

(€ MILLION)

2010	RESTRUCTURING	EQUITY PARTICIPATION PLAN	OTHER	TOTAL
Balance at 1 January	94	9	184	287
Additions	17	9	176	202
Usage	-45	-8	-65	-118
Released	-1		-46	-47
Changes due to reclassification	-17		17	
Balance at 31 December	**48**	**10**	**266**	**324**
Non-current	9		86	95
Current	39	10	180	229
Balance at 31 December	**48**	**10**	**266**	**324**

2009	RESTRUCTURING	EQUITY PARTICIPATION PLAN	OTHER	TOTAL
Balance at 1 January	98	10	214	322
Additions	43		60	103
Usage	-47		-52	-99
Released		-1	-23	-24
Changes due to reclassification			-15	-15
Balance at 31 December	**94**	**9**	**184**	**287**
Non-current	25		41	66
Current	69	9	143	221
Balance at 31 December	**94**	**9**	**184**	**287**

Restructuring

In 2010, provisions were made due to the restructuring costs arising from business process redesign programmes.

Equity participation plan

Employees (including directors) of Achmea Holding N.V. could up to 2009 be granted the right to acquire depository receipts for shares of Eureko B.V. The right to acquire depository receipts for shares can be exercised for the first time after three years, but not later than 10 years from the date on which the right was granted to the employee. The rules include some exceptions to this. If an option right is exercised, Vereniging Achmea will deliver depository receipts for shares to Eureko B.V. and Eureko B.V. will simultaneously pay the selling price to Vereniging Achmea. Eureko B.V. will deliver the depository receipts to the employee in return for the payment of the exercise price by the employee to Eureko B.V. The employee must, within one year, sell the depository receipts acquired to Vereniging Achmea. The value of the depository receipts associated with the option rights depends on the valuation of Eureko shares performed by an independent expert. The independent expert performs the valuation on the basis of the valuation rules agreed for Eureko. The valuation model leads to an approximate market value of the Eureko shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As the depository receipts associated with the option rights are based on the approximate market value there is no discrepancy between the weighted average exercise price and weighted average share-price.

The option scheme is considered to be a cash-settled share-based payment and therefore Eureko assumes a corresponding liability. During 2010, Eureko has decided to terminate its equity participation plan as it no longer reflects Eureko's strategic choices. Hence Eureko will no longer grant new options to its employees. Eureko continues to recognise a liability for the remaining outstanding options.

The tables below show the changes in 2010 and 2009 and the details of the options outstanding at the end of 2010.

MOVEMENTS IN OPTIONS GRANTED UNDER THE EQUITY PARTICIPATION PLAN

	NUMBER OF OPTIONS 2010	WEIGHTED AVERAGE EXERCISE PRICE (IN €) 2010	NUMBER OF OPTIONS 2009	WEIGHTED AVERAGE EXERCISE PRICE (IN €) 2009
Outstanding, at the beginning of the year	2,342,634	37.10	2,486,962	37.03
Granted during the year				
Exercised during the year	-3,052	17.54	-1,111	17.54
Expired during the year	-275,116	34.24	-143,217	36.04
Outstanding, at the end of the year	**2,064,466**	**37.51**	**2,342,634**	**37.10**
Exercisable, at the end of the year	**1,416,560**	**35.42**	**1,102,627**	**31.91**

YEAR	ORIGINAL NUMBER OF OPTIONS GRANTED	OPTIONS OUTSTANDING AS AT 1-1-2010	OPTIONS OUTSTANDING AS AT 31-12-2010	EXERCISE PRICE (IN €)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS
2003	637,090	25,321	22,269	17.54	2.09
2004	716,770	122,155	116,436	23.87	3.06
2005	680,745	309,814	229,744	30.90	3.69
2006	843,122	645,337	494,485	34.48	3.88
2007	666,821	568,962	553,626	41.28	6.25
2008	850,174	671,045	647,906	42.08	7.25
		2,342,634	**2,064,466**		**5.49**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value of options granted was determined using an option pricing model, substantially similar to the Black-Scholes model, with the following assumptions:

	2010	2009
Expected volatility (in %)	26.80	56.00
Option life (contractual in years)	5.49	5.97
Option life (expected in years)	2.58	2.85
Average risk-free interest rate (in %)	2.15	2.64
Underlying price (in €)	21.75	20.69

The valuation model includes the human behaviour factors through an adjustment to the expected average life of the options.

The basic factors affecting the valuation of share-based payments are:
- Underlying number of options on Eureko shares granted;
- Underlying price which is determined by the annual Eureko valuation process, as Eureko is not a listed company;
- Exercise price;
- Maturity of the options;
- Expected volatility;
- Risk-free interest rate derived from zero-coupon Dutch government issues.

Expected volatility is a measure of the amount by which the share price is expected to fluctuate during a period. As there is no trading in Eureko shares, Eureko uses an implied volatility of similar entities.

Share-based payment expense

The total expense recognised for the year arising from share-based payment transactions and recorded in the Income Statement amounts to €1 million (2009: €-1 million).

Other

Other provisions include provisions for short-term employee benefits and indemnities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BANKING CUSTOMER ACCOUNTS

CLASSIFIED BY NATURE

(€ MILLION)

2010	DEPOSITS FROM CREDIT INSTITUTIONS	OTHER FUNDS ENTRUSTED	TOTAL
Balance at 1 January	521	4,529	5,050
Money deposited	45	839	884
Money withdrawn	-165	-1,110	-1,275
Balance at 31 December	**401**	**4,258**	**4,659**

2009	DEPOSITS FROM CREDIT INSTITUTIONS	OTHER FUNDS ENTRUSTED	TOTAL
Balance at 1 January	179	4,909	5,088
Money deposited	368	146	514
Money withdrawn	-26	-526	-552
Balance at 31 December	**521**	**4,529**	**5,050**

The fair value of Banking customer accounts measured at 'Amortised cost' at year-end is €4,682 million (2009: €5,060 million). The fair value measurement is based mainly on inputs from observable market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY (INCLUDING ACCRUED INTEREST)

(€ MILLION)

2010	DEPOSITS FROM CREDIT INSTITUTIONS	INTEREST PAYMENTS	OTHER FUNDS ENTRUSTED	INTEREST PAYMENTS	TOTAL
On demand	2		2,329		2,331
Less than 3 months		2	653	70	725
3–12 months	5	2	342	12	361
1–2 years		2	214	14	230
2–3 years		2	213	10	225
3–4 years		1	145	6	152
4–5 years		1	115	6	122
Over 5 years	394	2	247	37	680
	401	**12**	**4,258**	**155**	**4,826**

2009	DEPOSITS FROM CREDIT INSTITUTIONS	INTEREST PAYMENTS	OTHER FUNDS ENTRUSTED	INTEREST PAYMENTS	TOTAL
On demand	3		2,624	1	2,628
Less than 3 months			422	15	437
3–12 months	505	8	597	13	1,123
1–2 years	6	1	337	21	365
2–3 years	7		72	13	92
3–4 years			144	11	155
4–5 years			87	9	96
Over 5 years			246	53	299
	521	**9**	**4,529**	**136**	**5,195**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 LOANS AND BORROWINGS

CLASSIFIED BY NATURE

(€ MILLION)

2010	LOANS AT FAIR VALUE	LOANS AT AMORTISED COST	**TOTAL**
Secured bank loans		8,966	8,966
Unsecured loans		3,400	3,400
Subordinated loans		119	119
Others	3	112	115
	3	**12,597**	**12,600**

2009	LOANS AT FAIR VALUE	LOANS AT AMORTISED COST	TOTAL
Secured bank loans		9,643	9,643
Unsecured loans		3,346	3,346
Subordinated loans		114	114
Others	3	242	245
	3	**13,345**	**13,348**

The fair value of loans and borrowings measured at amortised cost at year-end is €14,417 million (2009: €12,688 million). The nominal amount of loans measured at fair value is €4 million (2009: €4 million).

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	**TOTAL 2010**	TOTAL 2009
Balance at 1 January	9,643	3,346	114	245	13,348	13,413
Acquisitions						
Disposals				-7	-7	
Change in composition of the Group				**-7**	**-7**	
Money deposited	1,123	176	2	569	1,870	4,053
Money withdrawn	-2,155	-122	-37	-692	-3,006	-3,967
Amortisation	-20				-20	88
Foreign currency differences	180		1		181	-18
Change in value due to fair value hedge accounting	195				195	-234
Accrued interest			39		39	13
Balance at 31 December	**8,966**	**3,400**	**119**	**115**	**12,600**	**13,348**

As at 31 December 2010, total loans outstanding to finance the banking activities were €11,787 million (2009: €12,539 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 2010	LOANS AND BORROWINGS	INTEREST	TOTAL 2009
On demand	1		1	4		4
Less than 3 months	116	128	244	316	84	400
3–12 months	754	292	1,046	2,446	269	2,715
1–2 years	2,466	236	2,702	709	256	965
2–3 years	1,461	235	1,696	2,562	252	2,814
3–4 years	4,851	235	5,086	1,577	158	1,735
4–5 years	1,797	235	2,032	5,448	916	6,364
Over 5 years	1,154	303	1,457	286	44	330
	12,600	**1,664**	**14,624**	**13,348**	**1,979**	**15,327**

Secured bank loans

Secured bank loans include debentures issued by Achmea Hypotheekbank N.V. under its €10 billion Secured Debt Issuance Programme, its €10 billion Covered Bond Programme, and various Residential Mortgage Backed Securities issued by special purpose entities controlled by Achmea Hypotheekbank N.V. These debentures are in various base currencies and are collateralized by residential mortgage loans. The carrying amount of these residential mortgage loans is €12.4 billion (2009: €12.9 billion).

UNSECURED LOANS AND BORROWINGS

(€ MILLION)

	2010	2009
Syndicated Revolving Credit Facility issued by Friends First Finance Ltd.	190	309
Guaranteed debt instrument Achmea Hypotheekbank N.V.	2,430	2,257
Debt instruments Eureko B.V.	780	780
	3,400	**3,346**

Unsecured loans and borrowings

The syndicated revolving credit facility of Friends First Finance Ltd. had an original maximum size of €350 million and matures in November 2011. The syndicated credit facility of Eureko B.V. has a maximum size of €750 million of which €70 million matures in June 2012 and €680 million in June 2013. At the end of 2010 Eureko B.V. has not used this credit facility. In June 2009, Eureko B.V. issued €750 million notes (at 7.375%) under its €2.5 billion programme for the issuance of debt instruments. These notes will mature in June 2014.

Guaranteed debt instrument

The unsecured loans and borrowings include a five-year liability of $3.25 billion (€2.4 billion) maturing in November 2014, which was raised with support of the 2008 Credit Guarantee Scheme of the Dutch government. Eureko used the scheme because of the weak liquidity on the capital markets. Participation in the scheme is contingent upon meeting a few standard requirements related to strategy, liquidity profile and capitalisation. Eureko's subsidiary Achmea Hypotheekbank N.V. is required to pay a guarantee fee. For the fixed part of the loan the fee has been included in the amortised cost of the liability whilst for the variable part is expensed when incurred. Furthermore Eureko B.V. has provided the Dutch government with indemnity for amounts due to it by Achmea Hypotheekbank N.V. as a result of this scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Subordinated loans

The subordinated loans are subordinated to all other current and future liabilities and they are all equal in rank. The average interest rate for 2010 was 4.7% (2009: 3.9%).

28 DERIVATIVES

(€ MILLION)

2010	INTEREST RATE	CURRENCY	TOTAL
Balance at 1 January	708	416	1,124
Consideration received	341	26	367
Consideration paid	-45	-351	-396
Fair value changes	-80	28	-52
Change in benchmark	-6		-6
Foreign currency differences		-6	-6
Balance at 31 December	**918**	**113**	**1,031**

2009	INTEREST RATE	CURRENCY	TOTAL
Balance at 1 January	770	89	859
Consideration received		4,003	4,003
Consideration paid	-68	-3,833	-3,901
Change in benchmark	6		6
Foreign currency differences		159	159
Accrued interest		-2	-2
Balance at 31 December	**708**	**416**	**1,124**

Details of the nature of the derivative instruments outstanding are set out in Note 53 (Risk management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 OTHER LIABILITIES

(€ MILLION)

	2010	2009
Liabilities out of direct insurance:		
Policyholders	1,458	1,020
Agents	103	151
Prepaid premiums	151	21
Other investment liabilities	285	85
Reinsurance liabilities	56	63
Taxes and social security premiums	136	125
Creditors	113	154
Employee benefits	52	41
Accruals and deferred income	301	556
Other	953	893
	3,608	**3,109**

The Other liabilities are of a short-time nature.

30 OPERATING LEASES

The future rental commitments linked to operational lease contracts on 31 December are as follows:

OPERATING LEASES AND RENTAL CONTRACTS (€ MILLION)

	2010	2009
Less than one year	52	76
Between one and five years	210	238
More than five years	281	274
	543	**588**

In 2010, €3 million was recognised as an expense in the Income Statement in respect of operating leases (2009: €3 million), whereas €1 million was recognised as income in respect of subleases (2009: €2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CONTINGENT LIABILITIES

Legal procedures

Eureko B.V. and companies forming part of Eureko are involved in lawsuits and arbitration proceedings. These actions relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurers, credit providers, employers, investors and tax payers. Although it is not possible to predict or define the outcome of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcome of the actions will have a material, negative impact on the financial position of Eureko B.V.

CONTINGENT LIABILITIES (€ MILLION)

	2010	2009
Guarantees	640	543
Irrevocable letters of credit	255	217
Other commitments	9	2
	904	**762**

The Netherlands-based insurance companies of Eureko have given guarantees to Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. to a maximum of €87 million (2009: €88 million). Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks related to terrorism.

Contingencies related to shares subject to repurchase agreement

Pursuant to certain share repurchase agreements, several shareholders of Eureko B.V. have the right to sell their shares on market-based conditions during a certain timeframe to certain third parties which are not related to Eureko B.V. When an option is exercised, Eureko B.V. has the subsequent right to purchase these shares or to enter into a derivative transaction with the purchasing third party. Pursuant to this transaction Eureko B.V. will pay the purchaser an upfront premium equal to the settlement amount due by the purchaser to the selling shareholder under the related option. During the life of the derivative transaction, which has no fixed maturity, Eureko B.V. will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Eureko B.V. will receive from the purchaser the upfront premium paid plus part of the change in value of the Eureko B.V. shares held by the third party during the life of the derivative transaction.

NUMBER OF OUTSTANDING OPTIONS

	OUTSTANDING AS AT 31 DECEMBER 2010	OUTSTANDING AS AT 31 DECEMBER 2009
Länsförsäkringar Liv Försäkringsab (publ)	1,761,294	1,761,294
Länsförsäkringar SAK Försäkringsab (publ)	1,761,294	1,761,294
Schweizerische Mobiliar Holding AG	2,769,246	2,769,246
Gothaer Allgemeine Versicherung AG	1,849,108	1,849,108
Gothaer Finanz Holding AG	2,206,482	2,206,482
	10,347,424	**10,347,424**

The exercise price of the options is Eureko's share price as determined by the Eureko Valuation Model. As of 31 December 2010 Eureko's share price was determined at €21.75 (2009: €20.69). The option plan has been maximised to €270 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS

Identity of related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. In the normal course of the business, Eureko maintains various types of ordinary business course relations (particularly in the area of insurance, banking and asset management) with related companies and parties. Besides this, the related party transactions comprise associates, joint ventures, key management personnel and close family members of related parties. The transactions with those parties are not considered material to Eureko, either individually or in the aggregate.

Remuneration of the Executive Board and the Supervisory Board

In addition to their salaries, Eureko makes contributions to defined benefit plans that provide pension benefits for members of the Executive Board upon retirement. The plans are based upon final salary. For the determination of the defined benefit liability Eureko uses similar assumptions and methods as used for the other defined benefit plans as disclosed in Note 24 (Employee benefits).

TOTAL REMUNERATION OF THE EXECUTIVE BOARD

(€ MILLION)

	2010	2009
Fixed remuneration	3.2	3.0
Short-term employee benefits in 2010	1.4	
Short-term employee benefits (provided for with claw back)	1.3	
Post-employment benefits active board members	1.1	0.9
Post-employment benefits former board members	1.3	1.5
	8.3	**5.4**

During 2010, the Executive Board members exercised no options. The exercising period of the options was from 30 March 2010 until 2 May 2010. Current and former Executive Board members could up to 2009 participate in Eureko's equity participation plan. This plan was terminated in 2010.

Short-term employee benefits: The results in 2008 were such that no variable remuneration was awarded in 2009 following a voluntary waiver by the Executive Board and senior management. Considerable adjustments have been made to Eureko's remuneration policy. The short-term employee benefits changed in 2010 from a stock-option-plan into a variable remuneration of no more than 100% of fixed income. A portion of these short-term benefits is reserved and will be paid in future years (with a claw back clause).

Loans provided to Executive Board members amounted to €4 million (2009: €4 million). The average interest rate of these loans is 4.6% (2009: 4.6%). These loans are recorded as part of Banking credit portfolio (Note 12) and Receivables (Note 15).

The Supervisory Board members received a total remuneration of €1.0 million (2009: €0.9 million). The Supervisory Board members are not entitled to any bonuses or stock options. No loans have been provided to members of the Supervisory Board.

NUMBER OF EXECUTIVE BOARD MEMBERS

	2010	2009
Number of Executive Board members in active service	5.0	5.0
Average number of Executive Board members during the year	5.0	5.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AVERAGE REMUNERATION OF AN EXECUTIVE BOARD MEMBER (EXCLUDING TERMINATION BENEFITS): (€ MILLION)

	2010	2009
Fixed remuneration	0.64	0.60
Short-term employee benefits	0.28	
Short-term employee benefits (provided for with claw back)	0.26	
Post-employment benefits	0.22	0.18
	1.40	**0.78**

Rabobank

For its operations, Eureko uses various regular banking services of the Rabobank Group. All services and transactions with Rabobank are based on regular market rates.

Distribution channel

Local Rabobanks are a major distribution channel for Eureko's Dutch insurance products. For the distribution of insurance products Eureko has paid commissions of €296 million to local Rabobanks over 2010 (2009: €313 million). Affiliated members ('aangesloten leden') of the Rabobank are granted a 10% discount on the basic health insurance premiums and premiums for the supplementary health insurance.

Asset management

Management of Eureko's Dutch investments is partly outsourced to Robeco, an asset manager within the Rabobank Group. For the rendering of these services Eureko has paid fees in 2010 amounting to €9 million (2009: €7 million).

Facility services

Amongst others, Eureko in The Netherlands obtains ICT services from Rabofacet, the facility service unit within the Rabobank Group. For these services Eureko paid fees in 2010 amounting to €3 million (2009: €2 million).

Insurance services delivered to Rabobank

Rabobank has insured several risks with Eureko, including a group Health insurance contract with Zilveren Kruis Achmea. The premiums related to this insurance coverage over 2010 are €74 million (2009: €72 million).

Balances as of 31 December 2010 with Rabobank Group

Balances with Rabobank Group comprise savings accounts that are backing liabilities for policyholders and a credit facility that is reported as Loans and borrowings.

F&C Asset Management plc

In 2004, Eureko merged its fully owned F&C Asset Management activities with ISIS Asset Management plc, a fully consolidated listed subsidiary of Friends Provident plc. Eureko, owns 9.61% of the shares as at 31 December 2010. As part of the transaction, agreements have been made between parties about the continuation of the Asset Management activities for Eureko by the new combination for a ten-year period. For these activities Eureko paid fees over 2010 amounting to €29 million (2009: €30 million). The fees are based on regular market rates.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INCOME STATEMENT

33 GROSS WRITTEN PREMIUMS NON-LIFE

(€ MILLION)

	2010	2009
Accident	820	767
Motor liability	698	704
Motor other	839	827
Transport/aviation	86	88
Property	1,086	1,122
General liability	250	246
Legal assistance	187	181
Other	26	95
	3,992	**4,030**

34 GROSS WRITTEN PREMIUMS HEALTH

(€ MILLION)

	2010	2009
Basic health insurance	4,028	3,682
Contribution from ZvF*	6,641	5,400
Supplementary health insurance	1,274	1,237
Other health insurance	346	298
	12,289	**10,617**

** Health insurance fund (ZvF: Zorgverzekeringsfonds)*

35 GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	2010	2009
Individual	1,447	1,315
Group	435	1,804
Account policyholder	1,689	1,879
	3,571	**4,998**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	SINGLE PREMIUM	ANNUAL PREMIUM	TOTAL 2010	TOTAL 2009
Individual life insurance				
Participating	90	199	289	234
Non-participating	318	840	1,158	1,081
For account policyholders	68	1,056	1,124	1,167
	476	**2,095**	**2,571**	**2,482**
Group life insurance				
Participating	99	245	344	1,714
Non-participating	1	90	91	90
For account policyholders	169	396	565	712
	269	**731**	**1,000**	**2,516**
	745	**2,826**	**3,571**	**4,998**

In 2009, Gross written premiums Life were positively impacted by a one-off of €1.1 billion as a result of the merger of Eureko's Dutch pension funds into Stichting Pensioenfonds Achmea.

36 INCOME FROM ASSOCIATES

(€ MILLION)

	2010	2009
Income from investments in associates	747	281
Income from investments in participating interests		-40
	747	**241**

INCOME FROM ASSOCIATES

(€ MILLION)

	2010	2009
PZU S.A.	94	264
F&C Asset Management plc	1	1
Garanti Emeklilik ve Hayat A.S.	4	2
Hippokrates B.V.	-16	-1
Income from associates	**83**	**266**
Reversal of impairment loss	8	15
Capital gain from the sale of associates	656	
	747	**281**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 INVESTMENT INCOME

INCOME FROM INVESTMENTS BASED ON THE ACCOUNTING TREATMENT OF INVESTMENTS

(€ MILLION)

	2010	2009
Investment property	101	108
Investments 'Available for sale'	948	1,125
Investments 'At fair value through profit or loss'	266	176
'Loans and receivables'	178	185
	1,493	**1,594**
Investment expenses	-76	-72
Direct operating expenses investment property	-30	-28
	1,387	**1,494**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF INVESTMENTS

(€ MILLION)

	2010	2009
Investment property	101	108
Direct income from investments:		
Equities and similar investments	84	43
Bonds	935	1,038
Loans and mortgages	207	266
Deposits from credit institutions	55	69
Derivatives	79	-32
Other financial investments	32	102
	1,493	**1,594**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF THE INCOME

(€ MILLION)

	2010	2009
Interest:		
'Available for sale'	864	1,082
'At fair value through profit or loss'	266	176
'Loans and receivables'	178	185
Rental income	101	108
Dividends	84	43
	1,493	**1,594**

Interest income is excluding accrued interest on impaired loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 REALISED AND UNREALISED GAINS AND LOSSES

(€ MILLION)

	2010	2009
Realised and unrealised gains and losses on financial assets:		
Investment property	-30	-99
Investments 'Available for sale'	528	-79
Investments 'At fair value through profit or loss'	39	-383
Impairment losses on investments	-46	-161
Foreign currency differences	78	61
	569	**-661**
Realised and unrealised gains and losses on financial liabilities:		
Foreign currency differences	-6	-26
	563	**-687**

Realised and unrealised gains and losses arising from financial assets and financial liabilities, which are attributable to banking operations are presented under Banking income (Note 41).

A total of €-46 million (2009: €-436) of the unrealised results from fair value changes is related to investments which are measured using a valuation technique. These are mainly related to investment property, unlisted derivatives and equities.

39 INCOME FROM INVESTMENTS BACKING LINKED LIABILITIES

(€ MILLION)

	2010	2009
Direct income from:		
Investment property	31	39
Equities and similar investments	122	143
Bonds and other fixed-income investments	410	326
Derivatives	84	-7
Cash and Other financial investments	39	32
	686	**533**
Net foreign currency differences	23	-31
Realised and unrealised gains and losses:		
Investment property	-18	-149
Equities and similar investments	946	1,548
Bonds and other fixed-income investments	66	42
Derivatives	179	-142
Cash and Other financial investments	-4	-4
	1,878	**1,797**
Investment expenses	-42	-16
	1,836	**1,781**

Direct income from Bonds and Other fixed-income investments includes interest income related to savings accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 INCOME FROM INVESTMENTS RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

(€ MILLION)

	2010	2009
Direct investment income	11	82
Investment expenses	-1	-3
	10	**79**

41 BANKING INCOME

(€ MILLION)

	2010	2009
Interest income	794	876
Realised and unrealised gains and losses	19	13
Commission income	15	14
Other	4	2
	832	**905**

42 FEE AND COMMISSION INCOME, AND INCOME FROM SERVICE CONTRACTS

(€ MILLION)

	2010	2009
Fee income from trusts and other fiduciary activities	368	407
Income from service contracts	113	146
	481	**553**

43 OTHER INCOME

(€ MILLION)

	2010	2009
Net foreign currency differences	28	35
Gain on sale of subsidiaries	43	
Income related to Dutch personal budgets (PGB's)	694	602
Expenses related to Dutch personal budgets (PGB's)	-694	-602
Other income	194	1,279
	265	**1,314**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 CLAIMS AND MOVEMENTS IN INSURANCE LIABILITIES

(€ MILLION)

	2010 GROSS	2010 REINSURANCE	2009 GROSS	2009 REINSURANCE
Non-Life				
Claims paid	2,512	89	2,700	241
Changes in insurance liabilities	216	9	12	-115
Claim handling expenses	144		163	
Recoveries	-204		-196	
	2,668	**98**	**2,679**	**126**
Health				
Claims paid	11,244	509	9,827	379
Premiums paid related to HKC		-481		-403
Changes in insurance liabilities	235	225	13	214
Claim handling expenses	84		84	
Recoveries	-18		-10	
	11,545	**253**	**9,914**	**190**
Life				
Benefits paid	4,885	108	4,259	133
Changes in insurance liabilities	-732	-113	-1,718	-24
	4,153	**-5**	**2,541**	**109**
Total claims and movements in insurance liabilities	**18,366**	**346**	**15,134**	**425**

45 PROFIT SHARING AND BONUSES

(€ MILLION)

	2010	2009
Amortisation interest surplus rebates	43	51
Profit sharing	327	-302
Benefits policyholders	280	79
	650	**-172**

46 BENEFITS ON INVESTMENT CONTRACTS

(€ MILLION)

	2010	2009
Fair value changes investment contracts	83	99
Other benefits on investment contracts	-1	-1
	82	**98**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 OPERATING EXPENSES

(€ MILLION)

	2010	2009
Salaries	1,036	1,004
Social security charges	93	92
Pensions	143	172
Other	653	635
Staff costs	**1,925**	**1,903**
Amortisation charges Other assets	69	69
General expenses	835	923
Gross operating expenses	**2,829**	**2,895**
Commissions paid and accrued	737	644
Reinsurance profit sharing and commission	-71	-58
	3,495	**3,481**
Less: Allocated Claims handling expenses	220	239
Less: Allocated Investment expenses	7	16
	3,268	**3,226**

NUMBER OF EMPLOYEES (AT THE END OF THE YEAR, BASED ON FTE)

ACHMEA	EUREKO SIGORTA	ORANTA	INTERAMERICAN	FRIENDS FIRST	OTHER	TOTAL 2010	TOTAL 2009
17,806	587	1,001	1,378	385	1,240	**22,397**	23,676

The number of employees mentioned above also includes employees with temporary contracts.
An FTE is based on a labour week of 38 hours.

Included in General expenses are expenses related to audit firms performing the audit of the annual accounts of Eureko B.V. and its subsidiaries which are summarised as follows:

EXPENSES RELATED TO AUDIT FIRMS

(€ MILLION)

	2010	2009
Audit annual accounts	9	9
Audit related services	3	2
Other services	3	4
	15	**15**

The above mentioned expenses include VAT. Expenses related to audit firms other than KPMG Accountants N.V. are as follows: audit annual accounts €1 million (2009: €1 million), other services €1 million (2009: €2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 BANKING EXPENSES

(€ MILLION)

	2010	2009
Interest expenses	596	621
Other fee and commission expenses	5	3
Other banking expenses	17	122
	618	**746**

Staff costs and other operating expenses related to banking activities are included in Operating expenses (Note 47).

49 OTHER EXPENSES

(€ MILLION)

	2010	2009
Amortisation charges on intangible assets	117	128
Impairment charges on intangible assets		18
Other expenses	222	117
	339	**263**

50 INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2010	2009
Profit before tax	1,226	1,507
Domestic corporation tax rate	25.5%	25.5%
Income tax using the domestic corporation tax rate	313	384
Effect of tax rates in foreign jurisdictions	3	14
Tax effect on:		
Non-deductible expenses	28	38
Tax exempt revenues	-76	-93
Participation exemption	-275	-213
Non-deductible losses	9	21
Tax losses utilised		-1
Change in tax rate	3	
Other	7	4
Under/(over) provided in prior years	-6	-28
Effective tax amount	**6**	**126**

The effective tax rate in 2010 amounts to 0.5% (2009: 8.4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INCOME TAX EXPENSES

(€ MILLION)

	2010	2009
Current tax expense		
Current year	-19	-28
Under /(over) provided in prior years	-6	-28
	-25	**-56**
Deferred tax expense		
Origination and reversal of timing differences	31	182
	31	**182**
Total income tax expense in Income Statement	**6**	**126**

51 OTHER COMPREHENSIVE INCOME

(€ MILLION)

	2010			2009		
	COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	**COMPREHENSIVE INCOME**	COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	COMPREHENSIVE INCOME
Currency translation differences on intangible assets and associates	1		1	-82		-82
Revaluation on property for own use				21	-5	16
Unrealised gains and losses on available for sale investments	871	-179	692	599	-152	447
Share in other comprehensive income of associates	-9		-9	9		9
Transfer from provision for profit sharing and bonuses	-549	138	-411	-193	49	-144
Gains and losses on available for sale investments reclassified to the Income Statement on disposal	-224	54	-170	23	-5	18
Impairment charges on available for sale investments reclassified to the Income Statement	56	-5	51	172	-41	131
Unrealised gains and losses on cash flow hedging instruments	-8		-8	3	-1	2
Total other comprehensive income for the period	**138**	**8**	**146**	**552**	**-155**	**397**

52 EARNINGS PER SHARE

Basic earnings per share

NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

(€ MILLION)

	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	**TOTAL 2010**	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL 2009
Net profit	1,220		1,220	1,381		1,381
Dividends on non-redeemable cumulative preference shares	-36		-36	-26		-26
Coupon payments on other equity instruments	-80		-80	-80		-80
Tax on coupon payments on other equity instruments	20		20	20		20
Net profit attributable to ordinary shareholders	**1,124**		**1,124**	**1,295**		**1,295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2010	2009
Issued ordinary shares at 1 January	408,884,542	333,418,541
Effect of shares issued in April 2009		52,245,693
Weighted average number of ordinary shares	**408,884,542**	**385,664,234**

EARNINGS PER SHARE

(€)

	2010	2009
Earnings per share continuing operations	2.75	3.36
Earnings per share discontinued operations	0.00	0.00
Basic earnings per share	**2.75**	**3.36**

Earnings per share are calulated as the quotient of Net profit attributable to ordinary shareholders and the weighted average number of ordinary shares.
The diluted earnings per share equal the earnings per share from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

53 RISK MANAGEMENT

INTRODUCTION

Taking and managing risks is the basis for generating sustainable business. Risk management for Eureko implies the ability to identify, assess, mitigate and control them. The focus of risk management is not solely on the risks as such, but also on value creation by optimising the balance between risk and return and active selection of profitable risks. In the long term, sound risk management secures Eureko's continuity and solvency. In the following sections Eureko's approach to risk management is outlined. Starting with the main developments in 2010 and followed with the Eureko's risk management framework where the risk governance of Eureko is described. Thereafter the risk profile of Eureko is explained by risk category, starting with the sources of main risks and followed up with measures to mitigate or limit these risks. The risk categories elaborated are insurance risk, market risk, counterparty default risk and liquidity risk within insurance activities, Banking activities and Operational risk. In the tables presented in the Risk Management sections, assets and liabilities classified as "Held for sale" are included when applicable.

Main Developments Risk Management 2010

Eureko continued in 2010 with the strengthening of its risk management, where the focus is on Solvency II compliancy and the establishment of a full integrated risk management framework. Risk management requires a more integrated approach not only between types of risk but also within the business cycle. The integrated risk management framework developed will ensure that all risks are managed consistently and effectively and will support the business in achieving their objectives.

Eureko's risk management has been designed to identify, assess, mitigate and control all our risk categories. These are not static. Depending on market environment or other external factors, specific risks may require specific attention. One example in 2010 is Eureko's exposure to the so-called GIIPS countries (Greece, Italy, Ireland, Portugal and Spain). Additional Finance and Risk Committee meetings were convened to monitor and discuss developments. Consequently, more stringent governance principles were initiated and approved for our international operating companies on investment decisions whereby the Group can intervene. Action was taken early in the year to further reduce certain exposures in the GIIPS countries and these are now considered tolerable.

Another example is the new Dutch longevity tables which were published in 2010 and conclude that life expectancy is rising more rapidly than forecasted. As a result at the end of 2010 our Life insurance liabilities have been increased to take account of the new insights. Also the low interest rates (the 10-year government rate averages 2.30%) have led us to temporarily stop offering guaranteed pension products that usually have a guaranteed 3% return to customers. In 2010, we revised our methodology and policy on interest-rate risk management. In the new methodology we take into account larger potential interest-rate shocks and that is a first step towards a more comprehensive approach in line with the Solvency II requirements.

Eureko's risk profile changed significantly in 2010 because Eureko sold 20% of the stake in Poland's PZU in May 2010 and the remaining 13%-holding in November 2010, thereby significantly reducing concentration risk. During 2010 the majority of Eureko's Zloty exposure related to PZU's investment was hedged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUREKO'S RISK GOVERNANCE FRAMEWORK

Risk governance

Three lines of defence

Eureko's risk governance is organised along three lines of defence. This structure ensures risk management processes are embedded at every relevant level of the organisation.

The first line of defence comprises management of Group, Divisions and Operating companies and refers to the controls embedded in the business. The second line of defence comprises our risk and compliance oficers and actuaries working in the Divisions and Operating Companies. They are supported and overseen by Group Risk Management department (GRM) and Group Compliance and Integrity (GC&I). Group Internal Audit Services (GIAS) represents the third line of defence.

	First Line	Second Line	Third Line
Key elements and main roles and responsibilities	- Finance & Risk Committee - Line Management Achmea Divisions and OpCo's, Finance and Risk Committees	- Group Risk Management, Group Compliance and Integrity - Divisions / business level: Risk, compliance officers and actuaries Divisions and OpCo's	- Group Internal Audit Services
Risk management capabilities such as: - Roles and responsibilities - Risk polices - Risk classification - Tools and techniques	- Approval - Implementation	- Development and maintenance - Model validation	- Verification
Risk appetite	- Set Group Risk appetite and Risk tolerances	- Support	- Verification
Monitoring and reporting	- Monitor and report on key risk and controls	- Monitor and report on key risk and controls on consolidated level	- Verification

GRM is responsible for the development and maintenance of Eureko's integrated risk management framework including the development and maintenance of the Eureko risk classification, risk policies and tools and techniques that are applicable for Eureko and the monitoring of the risk profile and risk management activities of the operating business. In addition GRM is responsible for monitoring the second line of defence in Divisions and Operating Companies and arranging alignment in their activities.

GC&I monitors whether developments are in accordance with laws, regulations, rules and specific organisational standards and initiates actions to restore possible deviations.

GIAS provides independent assurance on the effectiveness and efficiency of the overall internal control infrastructure. Audits include the assessment of Internal Control Statements and Operational and Compliance Audits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the highest level of the organisation the Executive Board and the Supervisory Board including the Audit and Risk Committee have an important role in risk management. The Executive Board is responsible for ensuring that effective internal risk management and control systems are in place. The Supervisory Board discusses the risk of the business and the structure and operation of the internal risk management and control systems. More specifically, the Audit and Risk Committee discusses in its meetings the appropriateness of Eureko's risk structure and internal controls. Specifically for risk appetite, the Executive Board has responsibility for setting the risk appetite and submitting these for endorsement to the Supervisory Board.

The Executive Board is supported by the Finance and Risk Committee. The CFO chairs this Committee and two other Executive Board members participate to guarantee top-level commitment, shortening lines of communication and increasing decision-making power. Other participants are directors from Eureko's Finance and Risk departments and Eureko Re. Directors of GC&I and GIAS are present when their reports are discussed. Each meeting begins with a review of the market environment ensuring that risks are beeing evaluated from both an external and internal business perspective. The Committee prepares advice on risk appetite and the Group risk budget for evaluation and decision making by the Executive Board. Periodically, risk policies, including limit setting on specific risk areas, risk models and the Group's risk profile are monitored, evaluated and approved.

Eureko's banking operations have several committees in place with specific risk management responsibilities, such as the Asset and Liability Committee, the Credit Committee, the Pricing Committee and the Operational Risk Committee.

Risk appetite

We are in the process of defining more integrated risk appetite statements on group level. We have brought together existing risk appetite practises into risk appetite statements.

With respect to capital Eureko wants to maintain:
- A minimum capital level that meets our regulatory capital requirements;
- Available capital that will at least be equal to a 99.95% economic capital level (over a one-year time horizon);
- Sufficient capital in order to maintain at least Eureko's ambition of an S&P A rating. This implies that Eureko aims at a capital adequacy equivalent to S&P AA rating.

We are in the process of elaborating these capital statements with statements on earnings, liquidity and operational /reputational risk.

On regulatory requirements, Eureko maintains two internal guidelines for solvency, one at Dutch legal entity and one at business line level (including foreign Operating Companies). The solvency requirements for legal entity level is currently set at 150% for Eureko's Dutch legal entities (125% for Basic Health insurance) of required Solvency I capital. The solvency requirement at business line level is currently set at a minimum coverage ratios equal to 170% and 160% for Life and Non-Life businesses (for basic Health insurance 125% and for supplementary Health insurance150%) of required Solvency I capital.

The statements have been used in the business planning for investment plans and for setting reinsurance cover. Given the risk appetite statements, our Asset & Liability Management determines the risk budget for our investments. In this study an optimal asset allocation is determined taking into account the impact on all risk areas Eureko is exposed to. Subsequently, an optimalisation of this risk budget results in the final investment plan.

Our objective is that the Group risk appetite statements will give clear guidance to every part of the business. The next step is to implement the statements at Group level into all business areas by setting risk limits and returns for all business levels within Eureko. Furthermore, we will ensure comprehensive communication as this is seen as a key component in further embedding the statements in decision making.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Risk control and mitigation

To control Eureko's risk position, several policies and procedures are in place, including risk limits, for a broad range of applications, both financial and non-financial, such as product development, interest-rate risk management, counterparty exposures, reinsurance, fraud and business continuity. These are described in the relevant sections on the risk types. Policies and procedures are reviewed on a regular basis and updated where appropriate.

To limit certain risk exposures, Eureko applies a number of risk mitigation instruments. The main instruments are underwriting procedures, reinsurance and the use of derivatives. The latter include traditional hedge instruments, such as interest-rate and equity derivatives, but also other instruments like catastrophe bonds and alternative risk transfer.

Risk monitoring and reporting

Eureko's risk position is reviewed and evaluated through regular monitoring and reporting. Risk monitoring and reporting indicates whether Eureko's risk profile is within predefined risk limits and action is taken when necessary. Regular reporting includes reports on specific risk types such as the interest-rate risk, which is reported quarterly. Further on, specific reports per specific areas are provided regularly such as reports on product development, underwriting and on compliance themes. The audit function reports through its audit report and management letters. The Eureko Risk Dashboard provides an overview of all risk areas and is reported quarterly to the Finance and Risk Committee, the Executive Board and the Audit and Risk Committee.

Risk overview

Risk classification

Eureko's risk classification on group level is displayed in the figure below.

Risk type	Subscription
Insurance risk	- The risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments - This risk encompasses Life risk, Non-Life risk, Disability risk and Health risk. - Catastrophe risk and concentration risk, if present, are included separately in the risk types mentioned.
Market risk	- The risk of loss, i.e. decrease in the market value of the Net Assets, due to unexpected changes in the financial markets. - This risk encompasses interest-rate risk, equity risk, spread risk, property risk and foreign-exchange rate risk
Counterparty default risk	- The risk of loss due to unexpected default, or deterioration in the credit standing (i.e. migration), of the counterparties and debtors of insurance and reinsurance undertakings. - Eureko is exposed to counterparty default risk in the area of investments, treasury, banking, reinsurance, healthcare institutions, brokers and policyholders.
Liquidity risk	- The risk that actual and potential payments and collateral obligation can not be met when due. - Eureko makes a distinction between market liquidity risk and funding liquidity risk.
Operational risk	- The risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risk encompasses a wide variety of risks like: processing risk, business continuity risk, financial crime, legal risk and information risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A detailed description of these risk types consisting of the risk position and the management of those risks can be found in the separate risk sections.

Tools and techniques

The risk position is periodically assessed using several tools and techniques including our economic capital model. Risk assessment provides insight into Eureko's risk position; it is the common factor in Eureko's decision-making and risk control and comprises establishing risk policies and monitoring through risk reporting. The tools and techniques used for each risk type are described in the relevant sections on the risk types.

The economic capital model has been developed to provide an overall view of Eureko's risk profile. Economic capital information allows the Executive Board to make consistent and informed strategic choices on capital allocation, performance management, asset mix, product pricing, reinsurance strategy, business mix, merger and acquisition prospects and dividend strategy.

Economic capital at Group level is defined as the maximum loss over a one-year period at a 99.95% confidence level. This confidence level is the amount of economic capital adequate to cover any loss in 99.95% of cases and is consistent with Eureko's AA target for capital adequacy. Eureko takes into account the effect of diversification between the business lines when calculating Economic capital.

Economic capital is calculated using Value-at-Risk techniques in accordance with an internally developed model. In this model all potential losses over the next twelve months, including adverse revaluation of assets and liabilities, are assessed. Risks per business line are determined using internal, often stochastic, models. For operational risks, Eureko uses a link with the qualitative Internal Control Statement. The control level reported in the Internal Control Statement is translated into a reduction or surcharge on economic capital for operational risk.

Linked to the preparation on Solvency II legislation that is expected to be applicable as from 1 January 2013 Eureko is further improving the current economic capital model towards a model that meets the requirements of Solvency II. Eureko will develop and use an internal model for at least the main risks in the Netherlands for which the standard formula is not considered an adequate reflection of Eureko's real risk. From July 2010 Eureko participates in the pre-application process on internal models in which internally validated parts of the Eureko's internal model are presented to the supervisor for approval.

EUREKO'S RISK PROFILE

Eureko is exposed to insurance risk, market risk, counterparty default risk, liquidity risk and operational risk. In terms of economic capital, Eureko's largest exposures are related to market risk and insurance risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INSURANCE RISK

Insurance is the main business activity of Eureko. Insurance risk at Eureko is defined as the risk of a change in value due to a deviation of the actual claims payments from the expected claims payments and encompasses Life risk, Non-Life risk, Disability risk and Health risk. Catastrophe risk and concentration risk, if present, are included separately in the risk types mentioned.

Insurance risk	Description
Main drivers	- Mortality rates for our life, disability and health business - Incidence and recovery rates for our disability business - Health rates for our health business - Catastrophes
Risk control and mitigation	- Underwriting procedures - Reinsurance - Product development policy - Liability adequacy testing

Eureko manages the insurance risk position primarily through underwriting procedures and reinsurance. Furthermore liability adequacy testing is used as a monitoring tool.

Underwriting

Underwriting procedures rely on regular review procedures by actuarial personnel in which actual loss occurrence is examined. Statistical analysis is systematically employed in each business line to refine underwriting procedures and improve loss occurrence. By offering a range of different products, insurance risks are balanced across the portfolio. In larger life and disability contracts, medical selection is included in Eureko's underwriting procedures, with premium levels reflecting the health of the applicant.

A product development policy is in place for the introduction of new insurance products. This procedure includes requirements that must be adhered to during the development process, including profit testing and explicit approvals.

Liability adequacy

Insurance liabilities for Life, Non-Life and Health are tested for adequacy at least quarterly and more often if considered necessary. The liability adequacy test is cash-flow based and uses actual yield curve for discounting. Non-economic assumptions are based on a mix of industry and company experience.

Within Life (individual and group) the liability adequacy test is monitored on a monthly basis based on the actual yield curve. On a quarterly basis a new liability test is performed. The mortality tables used in the Netherlands and Ireland take into account longevity risk. Elsewhere the standard tables are adjusted in different ways to ensure adequacy.

Liability adequacy testing within Non-Life takes into account outstanding claims that may be exposed to claims inflation from prior year losses in business lines with long claim development patterns. Liabilities in Non-Life insurance include statistical and non-statistical prudence margins above best estimates. The non-statistical prudence margin covers upward shifts on known events that are not yet statistically quantifiable, such as changes in legislation. The levels of these required margins are reviewed at least annually. The prudence margin for all lines combined in the Netherlands is calculated at a 98.5% confidence level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reinsurance

In general, catastrophe risks and large individual risks are covered in reinsurance treaties. Risks that exceed the treaty limit are covered on a facultative basis. In 2010, the highest catastrophe retention was €160 million (2009: €140 million) and the highest retention per risk was €20 million with an extra protection underneath for multiple large losses (unchanged compared to 2009).

Within Life, reinsurance is used to limit the risk assumed on individual lives or groups of lives that may present a concentration or catastrophe risk.

The purchase of reinsurance is governed by Eureko guidelines. The type of reinsurance used within Eureko is mainly on an excess-of-loss basis. Eureko uses a multi-layered reinsurance structure, focusing on Group-wide retention levels aiming at reducing overall costs by leveraging increased risk-carrying capacity and combined purchasing power.

Risk of losses due to terrorism

The Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. (NHT) covers all claims on Dutch policies related to terrorism attacks up to €1 billion. Terrorism claims above this maximum are excluded in Eureko's Dutch policies. Like all insurance companies, Eureko pays premiums to the NHT proportional to its market share. The NHT losses are also divided over all the insurance companies based on market shares. The NHT has reinsured claims that exceed €400 million. The maximum exposure for Eureko is €87 million (2009: €88 million).

Sensitivity analyses

In the following sections on the insurance risk types, that is, Life risk, Non-Life risk, Disability risk and Health risk sensitivities, for each of the main drivers Eureko is exposed to are given. These sensitivities present the one year impact from possible variation of key factors on Profit before tax and Total equity, based on the portfolio which was present at year-end. Taking into account that in most cases the effect of the shock can be mitigated in the following years, the sensitivities presented show the effect of an one year shock. An increase or decrease of the shock percentage presented in the sensitivity tables, if not specified otherwise, will in general result in a proportional increase or decrease effect in Profit before tax and Total equity.

Life risk

Eureko has a full range of life insurance products, covering both mortality risk and longevity risk. This includes traditional products where the minimum investment return is generally guaranteed by Eureko and unit-linked policies where the investment risk is borne by the policyholder.

In individual life insurance, several traditional savings products with guaranteed investment returns are offered, such as endowments and whole life policies. Term assurance policies only covering mortality risk are also offered. Mortgages can be linked to traditional savings or unit-linked policies. In the Netherlands, policies are offered with a guaranteed investment return equal to the interest that is paid for the mortgage loan. In group life insurance, a distinction is made between segregated investment contracts (where the investment risk is borne by the policyholder) and regular insurance contracts.

In traditional life insurance, premiums are agreed at the start of the contract and usually cannot be adjusted thereafter. In individual contracts written in the Netherlands there is an 'en bloc'-clause allowing the insurer to increase premiums in the last resort. There are no other mitigating terms and conditions that can reduce the mortality or longevity risk. In life insurance mitigation is achieved by setting premium bases for a fixed term only, generally five years, and by reducing profit sharing.

For pension contracts and annuities reserves are held for longevity risk. These reserves are tested regularly against the latest mortality / longevity information available. At the end of 2010 the insurance liabilities have been adjusted to reflect the impact of developments in longevity risk.
For unit-linked insurances written in the Netherlands, monthly risk premiums are drawn from the policyholder balance for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

mortality risk. These contracts generally give the insurer the right to change the basis on which these premiums are calculated, allowing the insurer to respond to adverse changes.

In Greece, medical expenses insurance is written as a rider to life insurances. There is a closed block of business with guaranteed premium rates and these insurances are being converted into a more flexible form allowing Eureko to vary terms and conditions if required.

The surrender value is generally fixed, at least in the short-term, except in Ireland where a more dynamic approach is used. Insurance liabilities are set on the assumption that no surrenders take place. In general, this is a prudent assumption as the surrender value will be lower than the insurance liabilities. Liability adequacy tests include assumptions on the likely surrender rates.

In 2008 Eureko analysed the pandemic risk in Eureko's largest life portfolios, i.e. Achmea, Friends First and Interamerican Greece, supported by Risk Management Solutions (RMS) and Swiss Re. Based on those results, Eureko decided not to reinsure pandemic risk.

In 2010 Achmea, Friends First and Interamerican Greece were all protected by reinsurance for large sums insured. The reinsurance covers of the Achmea portfolios are integrated into one programme with a priority of €2 million for 2010 and for 2011.

A part of the Achmea portfolio is reinsured through quota share contracts on reciprocal basis. These contracts reduce the solvency requirements of the life entities and diversify mortality risk across the group.

The following table provides an overview of the impact of Life sensitivities. It quantifies the effect of a 5% increase in insurance mortality and a 5% decrease in annuitant mortality for the years 2009 and 2010. It should be noted that the percentages mentioned do not reflect an increase in life expectancy but solely an increase and decrease in mortality in 2009 and 2010.

LIFE INSURANCE SENSITIVITIES, IMPACT ON PROFIT BEFORE TAX (€ MILLION)

	MAINTENANCE EXPENSES +10%	INSURANCE MORTALITY +5%	ANNUITANT MORTALITY -5%
Non-linked insurance liabilities 2010	-17	-4	-6
Non-linked insurance liabilities 2009	-21	-4	-6

Non-Life risk

Non-Life insurance products cover the most prevalent risks, such as fire, hail, windstorm, motor and accident. The classes targeted by the commercial property portfolio are small and medium sized entity risks with mainly a maximum line size of €40 million on a maximum possible loss basis. Eureko has no exposure to large commercial or industrial risks with insured sums in excess of €225 million.

The property and motor hull insurance lines in the Netherlands are exposed to fire, windstorm and hail risk. Furthermore, motor hull insurance in the Netherlands is also exposed to flood risk. Some European subsidiaries, such as Interamerican Greece and Eureko Sigorta in Turkey, are exposed to earthquake risk. Exposure to natural disasters is limited by the use of catastrophe excess-of-loss reinsurance. Insured risks with long claim development patterns are generally correlated and to a large extent exposed to future claim inflation and changes in legislation.

The following table provides an overview of the effect of concentration risk in certain business lines on profit before tax, based on the insurance portfolio, reinsurance and price level at year-end. The figures in the table are based on models and on historical data. The derived loss probabilities resulting from natural disasters are based on external catastrophe models. The historical claims are indexed on portfolio growth or price inflation. Model results or historical claims data are not factual and do not predict any future events. Actual loss experience can differ significantly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONCENTRATION RISK

(€ MILLION)

	MOTOR OTHER	PROPERTY RESIDENTIAL/ INDUSTRIAL	PROPERTY GREENHOUSES	TOTAL 2010	TOTAL 2009
Gross losses					
Results from meteorological models					
Windstorm that occurs with a 0.5% probability (2009: 2% probability)	36	1,244	222	1,502	704
Hail event that occurs with a 0.5% probability (2009: 2% probability)	133		88	221	116
Historical windstorm and hail events in the Netherlands					
Impact of heavy windstorm in 1990 (Daria)	14	414	94	522	534
Impact of heavy hail event in 2008	36		3	39	39
Historical large fires and explosions					
Largest fire over past 10 years		29	7	n.m	n.m
Enschede fireworks explosion		71		n.m	n.m
Reinsurance cover					
Results from meteorological models					
Windstorm that occurs with a 0.5% probability (2009: 2% probability)	21	1,084	197	1,302	526
Hail event that occurs with a 0.5% probability (2009: 2% probability)	118		63	181	76
Historical windstorm and hail events in the Netherlands					
Impact of heavy windstorm in 1990 (Daria)		254	69	323	354
Impact of heavy hail event in 2008	21			21	21
Historical large fires and explosions					
Largest fire over past 10 years		9	2	n.m	n.m
Enschede fireworks explosion		34		n.m	n.m
Net losses					
Results from meteorological models					
Windstorm that occurs with a 0.5% probability (2009: 2% probability)	15	160	25	200	178
Hail event that occurs with a 0.5% probability (2009: 2% probability)	15		25	40	40
Historical windstorm and hail events in the Netherlands					
Impact of heavy windstorm in 1990 (Daria)	14	160	25	199	180
Impact of heavy hail event in 2008	15		3	18	18
Historical large fires and explosions					
Largest fire over past 10 years		20	5	n.m	n.m
Enschede fireworks explosion		37		n.m	n.m

In 2010 the calculation of concentration risk has been modified from a 2% probability into a 0.5% probability. Due to this modification gross losses related to concentration risk increased by €798 million for windstorm and €105 million for hail. The effect of this modification on net losses is not meaningful.

Reinsurance's primary application is to manage exposure to weather-related events, natural disasters, events involving multiple victims, major fires and general and motor third-party liability. It has significant effects driven by type of reinsurance chosen, retention and limits agreed. General catastrophe reinsurance cover for property in the Netherlands is based on a weighted average of different models. For 2010 and 2011 the reinsurance upper limit is based on a 0,5% probability for property and greenhouses. To optimise the placement of the catastrophe programmes, the top layers of the property, greenhouses and motor

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

hull programmes are for 2010 integrated in one umbrella layer with a cover of €200 million per event. For 2011 a larger part of the cover has been added to the existing umbrella layer and a new additional umbrella layer has been added. The total limit of the umbrella layers is €300 million (2010: €200 million). The upper limits of the three different catastrophe programmes below the umbrella layers are €1,120 million (2010: €1,220 million) for property and €100 million (2010: €140 million) for greenhouses. For 2011 the motor hull risk is directly covered by the umbrella layers (2010: separate motor hull programme below the umbrella layer with an upper limit of €60 million).

For 2010 and 2011, the retentions of the Dutch catastrophe programme are €160 million for property, €25 million for greenhouses and €15 million for motor hull. In case of an event with a 0.5% probability in 2011 Eureko's retained loss including reinstatement premium is €263 million (2010: €269 million).

The retention in the Netherlands on both the property catastrophe programme and the property per risk programme is protected for multiple large losses through layers with an annual aggregate deductible.

Eureko Sigorta, Eureko's Turkish Operating Company, has reinsured the earthquake risk partly through the Turkish Catastrophe Insurance Pool and proportional treaties. The retention is covered through a catastrophe excess of loss programme. The upper limit is based on a 0.5% probability, based on a weighted average of different models. Interamerican Greece has reinsured the earthquake risk through a catastrophe excess of loss programme. The upper limit is based on a 0.33% probability based on a weighted average of different models. In case of an event with a 0.5% probability in 2011 Eureko's retained loss including reinstatement premium is €27 million (2010: €24 million) for Turkish earthquake risk and €9 million (2010: €8 million) for Greek earthquake risk.

LARGEST PROGRAMMES 2010

(€ MILLION)

	PRIORITY (RETENTION BELOW COVER)	UPPER LIMIT
Property catastrophe Netherlands	160	1,320
Greenhouses catastrophe Netherlands	25	240
Motor hull catastrophe Netherlands	15	140
Property and motor hull catastrophe Belgium	5	80
Earthquake Greece	5	155
Earthquake Turkey	22	165
Property per risk Netherlands	20	50

Larger risks in excess of the treaty limits are placed on a facultative basis. The number of facultative risks is an indication of the exposure of the portfolio. It is Eureko's strategy to judge the development of the facultative portfolio in order to monitor the growth and to optimize the reinsurance structure. The number of facultative risks at 1 January 2011 in the Netherlands is as follows: commercial and agricultural property: 235 (1 January 2010: 200); greenhouses: 60 (1 January 2010: 130); engineering: 24 (unchanged); general liability: 50 (unchanged); other lines of business: 3 (unchanged).

The following table provides an overview of the impact of Non-Life sensitivities:

NON-LIFE INSURANCE SENSITIVITIES, IMPACT ON PROFIT BEFORE TAX

(€ MILLION)

	MAINTENANCE EXPENSES +10%	GROSS CLAIM RATIOS +5%
2010	-110	-51
2009	-79	-68

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Disability risk

Occupational Health products (part of Non-Life) cover the risk of a reduction in income resulting from inability to work due to illness or disability. Eureko offers these products based on local regulatory requirements; disability products sold in Ireland (PHI) are also offered as part of Life insurance products.

Insurance liabilities related to Occupational Health insurance are sensitive to changes in legislation, changes in medical cost levels, the level of absenteeism due to illness, the frequency and extent to which people are considered to be disabled, the rate of recoveries from disability, and the level of minimum and actual interest rates. To mitigate these risks part of the portfolio has a contract term of one year. For the majority of contracts with a term longer than one year, Eureko has the ability to adjust premiums. The possibility of high claims per single risk for disability is mitigated by limiting the insured income and, in some cases, the use of reinsurance.

In Ireland, disability insurance is an important business line written on a standalone basis, but these products are also offered as part of Life insurance products (PHI). The PHI contracts guarantee the premium rates for the duration of the contract for individual policyholders and for a limited period in the case of group contracts.

The following table provides an overview of the impact of Occupational Health sensitivities:

OCCUPATIONAL HEALTH INSURANCE SENSITIVITIES, IMPACT ON PROFIT BEFORE TAX (€ MILLION)

	MAINTENANCE EXPENSES +10%	GROSS CLAIM RATIOS +5%
2010	-21	-5
2009	-25	-6

Health risk

Eureko's Health insurance business is primarily situated in the Netherlands. On one hand, the insurance system in the Netherlands limits the risk from non-average losses from claims. On the other hand the uncertainties related to the health care segment are relatively high. Uncertainties are related to the complexity of the financing method of the health care system and the methods for determining the price of the health care services. These uncertainties are rooted in the Dutch health care system and translate into uncertainty of determining the health insurance liabilities of the Health insurers. These uncertainties will be described in more detail further on. Firstly the Dutch Health insurance system is explained.

The health insurance system in the Netherlands consists of two components: a basic and a supplementary Health insurance. Eureko offers both basic and supplementary insurance to individual and group policyholders.

Basic Health insurance

The cover and pricing of the basic Health insurance is strongly influenced by the Dutch government and as such part of a political process. This concerns:

- the cover provided by the basic Health insurance;
- the conditions that apply to the basic Health insurance, including mandatory acceptance and the maximum discount that can be offered on group contracts (currently 10%);
- equalisation-fund payments to health insurers; and
- the standard nominal premium that should be adequate to cover total costs. On top of this risk premium, insurers calculate additions for other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Besides the premiums received from customers for Health insurance Eureko also receives compensation from the equalisation fund that is financed by employers and the Dutch government. Payments by this fund depend on the risk profile of the portfolio of insured customers. In combination with the standard nominal premium, payments from this fund are expected to equalise the claims level for all insurers (macro-neutrality). Therefore, in such a system with risk-compensation measures the risk of a non-average portfolio of insured customers is limited. These risks cover age, gender, medical status, type of employment, socio-economic status and geographic location.

Supplementary Health insurance
Supplementary Health insurance offers policyholders an opportunity to expand the cover provided by the basic Health insurance. This insurance is non-mandatory and in nature comparable to Non-Life insurance. The cover provided by these insurances is not tied to government stipulations and the insurer has the opportunity to differentiate the premium. Eureko offers a variety of general and dedicated supplementary Health insurance packages. Premiums for supplementary Health insurance are tailored to the cover offered.

Uncertainties related to Health insurance

Uncertainties on the scale of health costs
In general the uncertainty of health-related costs is due to both timeliness of invoice processing by health insurers, revenue settlement and the availability of reliable historical data. However, as several years have passed since the introduction of the new Health insurances system more data is becoming available on macro-incurred losses. This data is sourced from bodies representative of the health sector.

Furthermore, specific uncertainties play a role for each individual health insurer. Cost of care levels at each separate care institution differs per health insurer. Eureko has taken a number of measures to mitigate the uncertainties on cost of care. Claim estimates are generated periodically by both care procurement and actuaries in order to gain insight into relevant developments and the adequacy of insurance obligations. The results are reported quarterly to the management team of Eureko's health division.

Uncertainties on amount of income
Besides uncertainties on health costs, there are also uncertainties on the amount of income received by the health insurer. Uncertainty arises because standard amounts per insurance item in the budget provision are based on incomplete data. Furthermore, a number of budget parameters can be determined only partially because the information needed has to be collected by the health insurer before it can be analysed. Also, national healthcare costs can only be determined after they have incurred and therefore the combined budget provision for all insurers can only be determined at a later date.

Measures have been taken to mitigate the uncertainties on the amount of income stated above. Information on the 2006 and 2007 basic insurance claims is available for study and to determine standard amounts in the ex-ante risk equalisation model. Some portion of uncertainties is reduced through provisional information made available by the Healthcare Insurance Body (College voor Zorgverzekeringen, CVZ) on budget parameters.

Managing the uncertainties
In order to manage the above mentioned uncertainties embedded in Health insurance Eureko carries out its own impact analysis. The analysis consists of calculating three scenarios per insurance uncertainty showing the impact of each scenario on the net technical result. These are a worst case, a best estimate and a best case scenario. The impact analysis is carried out per underwriting year (from 2006) and per scenario for the 2008 and 2009 reporting years. Where necessary, the potential dependencies between uncertainties are also taken into account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The scenarios are compiled based on internal insight and are dependent on the various health portfolios of Eureko. The internal insights are built on historical (equalisation) results, portfolio developments and macro results. Actuarial points of departures and assumptions used in the actuarial models are tested on the basis of internal and external data. The actuarial model used for the impact analysis represents an integral model for all Eureko Health activities. Mutual dependencies, such as High Cost Compensation are taken into account.

MARKET RISK

Market risk is the risk of loss, i.e. decrease in the market value of the assets and financial liabilities, due to unexpected changes in the financial markets. It encompasses interest-rate risk, equity risk, spread risk, property risk and currency risk.

Market risk	Description
Main drivers	- Changes in investments, intangible assets and embedded options in insurance products due to unexpected changes in the financial markets - Unexpected changes can be caused by changes in among others equity prices, interest-rate levels, credit spreads, real estate prices and exchange rates.
Risk control and mitigation	- Asset and Liability Management Framework which consists of setting the strategic investment mix and policy setting and periodic monitoring. - Interest-rate risk of the insurance entities is managed on an economic basis using different scenarios for shifts in the interest rate curves. - Interest-rate risk of banking products is measured and controlled by Value at Risk and Income at Risk measures. - The currency-risk of the investment portfolio is fully hedged. In general, Eureko does not hedge the net investment in, or the income streams from its non-euro operations.

Besides the market risk that results from Eureko's investment portfolios and intangible assets, market risks arise due to embedded options in insurance products.

Embedded options
Eureko sells products that contain embedded options like minimum guarantees and profit sharing. The total amount of related Dutch traditional Life insurance liabilities subject to embedded options is €14.1 billion (2009: €14.2 billion). Less than 15% of the Occupational Health insurance liabilities in the Netherlands, are related to products with profit sharing on technical results and furthermore, two insurance contracts, reflecting 10% of the Occupational Health liabilities include the option of crediting investment return if it exceeds a specific ceiling.

In Ireland, there is a significant amount of with-profit business where generated profits are distributed to policyholders as reversionary or terminal bonuses. Irish with-profit business is based on the 'United Kingdom-model', where discretionary regular and terminal bonuses are given that depend on returns on the Participating Fund. The total amount of the related insurance liabilities is €1.4 billion (2009: €1.6 billion). In general, profit sharing in Greece and Slovakia is a percentage of the excess investment return above the guaranteed rate. The related insurance liabilities are considered small at group level.

Investments of cash collateral received in securities lending
Eureko lends securities to borrowers, who in turn pay cash collateral, see Note 11. The received cash collateral at 31 December 2010 amounted to €0.5 billion (2009: €1.6 billion) which is invested in shares of money market funds. As part of Eureko's de-risking strategy this programme is in run-off and is expected to expire in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The investments in the money market funds are subject to a risk of change in value. More than 99% of the funds' investments have an S&P rating of AAA. Eureko has no exposure to exchange rate risk, as amounts received in foreign currencies are invested in funds with the same currency.

Asset and Liability Management Framework
Eureko manages market risk positions within an Asset and Liabilitiy Management (ALM) framework developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The ALM's key objective is to maximise expected returns on assets within the overall risk position.

The main aspects of the ALM framework are determining policies and setting the strategic investment mix. This is determined on the basis of Eureko's risk appetite which sets limits in terms of the relation of available capital to required capital. The required capital covers both statutory solvency requirements and internal economic capital (Value at Risk) requirements. Periodic monitoring is in place, focussing on deviations from the strategic mix, and within that, managing the interest-rate exposure.

Setting the strategic investment mix
Different asset mixes are tested for their effect on expected profit (measured using market values), risk of loss (again, using market values), regulatory solvency position and credit rating. The risk-return effect is leading and the other dimensions impose limits. Decisions are taken at Group level but the limits have to be adhered by each distinct regulated entity for which a separate portfolio of assets is maintained. Economic capital models provide the basis for this analysis. This research is executed at least annually or more frequently when appropriate.

Policy setting and periodic monitoring
Policies take into account the impact of adverse developments on profitability and solvency. Specific mitigation policies are in place, such as for interest-rate risk and currency-risk exposure. The market risk position and the risk of regulatory insolvency are monitored at least quarterly or more often when appropriate.

Eureko monitors developments in GIIPS countries on a continuous basis. Considering risk of losses, exposures in those countries have been lowered gradually. Eureko's sovereign exposure in GIIPS countries is €740 million (2009: €1.1 billion). The developments in GIIPS countries are an important point of attention in Finance and Risk Committee meetings.

Interest-rate risk

Interest rate risk relates to the interest sensitivity of the difference in market value between the Insurance liabilities and the related Investments.

Interest-rate policy
Eureko's interest-rate policy for the Dutch entities is to manage the interest-rate risk of investments and liabilities on an economic basis using different scenarios for shifts in the interest-rate curves. During 2010 these scenarios were based on parallel shifts. In the course of 2011 this will be improved by implementing an economic scenario generator that besides parallel shifts takes into account non-parallel shifts. The negative change in the difference between assets and liabilities must remain within an allowed bandwidth; changes in the composition of the investment portfolio are implemented to correct mismatches. Furthermore, interest-rate derivatives are used to improve matching of Insurance liabilities and related Investments. The interest-rate sensitivity of the net position is assessed quarterly, both on regulated entity and at Eureko level. For this assessment replicating portfolios are used to translate the Insurance liabilities to tradable financial instruments.

Sensitivities are measured for shocks with 10% and 0.5% probability, in line with Eureko's risk appetite. The sensitivity for a shock of 40 basis points and 100 basis points has to be within certain bandwidths for both Life and Non-Life. These are respectively -3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and -8% of available capital for Life and -1% and -3% of available capital for Non-Life. In terms of Group totals, the actual sensitivities are within the bandwidth of the policy. The impact of an increase in interest rates of up to 1% on Total equity calculated on an economic basis at year-end 2010 is negligible. The impact of a decrease is approximately €-5 million per 10 basis points. Sensitivities only relate to parallel shifts in the interest-rate curves. Non-parallel shifts may have a different impact.

Eureko has entered into a number of long-term interest-rate derivative contracts within its Life business. These derivatives are supplementary to the conventional fixed-income investments and aim to decrease interest-rate risk. The total value of the interest-rate derivative position is €840 million (2009: €565 million) with a notional amount of €20.3 billion (2009: €20.4 billion).

DURATION

(YEARS)

	INVESTMENTS	INSURANCE LIABILITIES	MATCHING DURATIONS
Life	8.8	9.9	9.3
Non-Life and Health	2.5	2.5	1.9
Total insurance operations	6.3	7.3	6.4

The matching duration is the duration that would create a zero duration mismatch between the Investments and the linked Insurance liabilities. Duration calculations are based on market values of Investments and insurance liabilities. In terms of Group totals, the actual duration (6.3 years) of Investments is almost equal to the matching duration (6.4 years). This duration mismatch at year-end 2010 is within the agreed range.

The following table provides an overview of the impact of interest-rate sensitivity on Profit before tax and Total equity, taking into account the impact on both Investments and Insurance liabilities. In this sensitivity table changes in interest-rate do not have proportional effect on Profit before tax and Total equity:

INTEREST RATE SENSITIVITY

(€ MILLION)

	TOTAL EQUITY 2010	PROFIT BEFORE TAX 2010	TOTAL EQUITY 2009	PROFIT BEFORE TAX 2009
Interest-rate +1%	-393	-80	-718	-71
Interest-rate -1%	429	64	190	20

The sensitivities above include the effect of any shortfall which may arise in Insurance liabilities, through the liability adequacy test. The results shown reflect the extent of the accounting mismatch between Investments and Insurance liabilities. However, the majority of the Insurance liabilities is measured taking into account fixed-interest-rates and hence the impact on Total equity is different from Total equity calculated on an economic basis. For the greater part of the Dutch life insurance portfolio, fair value changes in fixed-income investments are accounted for in Profit sharing and bonuses included in Insurance liabilities and therefore have no impact on Total equity unless the provision has a zero value. A negative balance is not allowed and in that case any negative fair value changes of Investments are suspended and remain part of Total equity.

Eureko's foreign operations apply a duration matching approach within bandwidths which is monitored locally via committees. On an annual basis a full ALM study is carried out, which includes, in addition to duration matching, sensitivities on an economic basis for different scenarios for shifts in the interest-rate curves. This is discussed at both local and group level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Equity risk

Eureko's decisions on investments in equities and similar investments are based on ALM studies. Sensitivity of equities and similar investments for a change in market value of +10% is €185 million (2009: €196 million) and -10% is €-185 million (2009: €-196 million). As Eureko's equity investments are classified as 'Available for sale' this will in general only affect Total equity as besides impairment losses changes in market values are only reflected in Total equity and not in Net profit. Total equity will be 1.3% lower if equity investments decline by 10%, and solvency will be 3.5% points lower.

Property risk

As part of our diversification strategy, Eureko also invests directly and indirectly in property. At year-end total Investment property amounted to €1.4 billion (4% of the total investment portfolio). The greater part is invested in direct real estate in the Netherlands. The impact of a 10% decrease in the value of real estate would result in a 1.0% decrease in Total equity and a 2.7% points decrease in the solvency ratio.

Currency risk

Eureko is exposed to currency risk as part of the regular investment portfolio (equities, fixed-income investments and listed real estate) is denominated in foreign currency, specifically in US dollars. Other significant long-term exposures are the Turkish lira, through the investments in Eureko Sigorta and Garanti Emeklilik and the Russian rouble, through the investment in Oranta.

In 2010, the investment portfolio, denominated in US dollars, was hedged to a large extent. Eureko's policies on foreign currencies and hedging strategies do not aim to fully hedge foreign currency exposure. In general, Eureko does not hedge the net investment in, or the income streams from its non-euro subsidiaries, because the operations of these subsidiaries are regarded as part of our long-term strategy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The exchange rate risk table below shows the total exposure to the major currencies at year-end.

CURRENCY RISK

(€ MILLION)

	2010			2009		
	TOTAL EXPOSURE	NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	NET EXPOSURE	TOTAL EXPOSURE	NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	NET EXPOSURE
Assets						
US dollar	2,153	1,854	299	1,593	1,314	279
Pound sterling	145	70	75	132	55	77
Polish zloty	191		191	1,831	-225	2,056
Swiss frank	638	616	22	548	556	-8
Turkish lira	612		612	455		455
Russian rouble	113		113	92		92
Other	226	134	92	222	101	121
	4,078	**2,674**	**1,404**	**4,873**	**1,801**	**3,072**
Liabilities						
US dollar	2,448	2,473	-25	2,381	2,306	75
Pound sterling	7	1	6	20		20
Polish zloty	4	4		21		21
Swiss frank	208	208		176	175	1
Turkish lira	191	56	135	29	49	-20
Other	50	51	-1	71	44	27
	2,908	**2,793**	**115**	**2,698**	**2,574**	**124**
Net position						
US dollar	-295	-619	324	-788	-992	204
Pound sterling	138	69	69	112	55	57
Polish zloty	187	-4	191	1,810	-225	2,035
Swiss frank	430	408	22	372	381	-9
Turkish lira	421	-56	477	426	-49	475
Russian rouble	113		113	92		92
Other	176	83	93	151	57	94
	1,170	**-119**	**1,289**	**2,175**	**-773**	**2,948**

Investments related to cash collateral received in securities lending are not included in this table as they are not exposed to foreign exchange-rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below summarises the notional amounts of Eureko's currency derivatives, with details of the remaining periods to maturity and fair values.

CURRENCY DERIVATIVES

(€ MILLION)

2010	NOTIONAL AMOUNT BY TIME TO MATURITY: LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	**TOTAL**	FAIR VALUES: ASSETS	LIABILITIES
OTC-products:						
Forward exchange contracts	1,977	6		1,983	100	75
Currency/cross currency swaps	543	-6	-2,639	-2,102	463	38
Total currency derivatives	**2,520**		**-2,639**	**-119**	**563**	**113**

2009	NOTIONAL AMOUNT BY TIME TO MATURITY: LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	TOTAL	FAIR VALUES: ASSETS	LIABILITIES
OTC-products:						
Forward exchange contracts	4	5		9	70	117
Currency/cross currency swaps	1,704	-52	-2,434	-782	316	299
Total currency derivatives	**1,708**	**-47**	**-2,434**	**-773**	**386**	**416**

Eureko uses scenario analysis to assess the effect of changes in foreign currency exchange rates against the euro on Total equity and Profit before tax. The table below shows the impact of a change in foreign exchange rates on Total equity and Profit before tax based on the situation at year-end:

EURO VERSUS ALL OTHER FOREIGN CURRENCIES +10%

(€ MILLION)

	TOTAL EQUITY 2010	PROFIT BEFORE TAX 2010	TOTAL EQUITY 2009	PROFIT BEFORE TAX 2009
Financial instruments	-63	-55	-100	-99
Associates	-15		-142	-28
Subsidiaries	-21	-5	-11	2
	-99	**-60**	**-253**	**-125**

On the basis that all other variables remain stable, a 10-percent decrease of the euro against all other foreign currencies at 31 December 2010, would have had the opposite effect on the amounts shown in the table above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COUNTERPARTY DEFAULT RISK

Counterparty default risk is the risk of loss due to unexpected default, or deterioration in the credit standing (i.e. migration), of the counterparties and debtors of insurance and reinsurance undertakings. Eureko is exposed to counterparty default risk in the area of investments, treasury, banking, reinsurance, healthcare providers, brokers and policyholders.

Counterparty default risk	Subscription
Main drivers	- Failure of a counterparty or debtor to fulfil its contractual obligations. - Detoriation in the credit standing of the counterparties or debtors of Eureko.
Risk control and mitigation	- Group-level counterparty policy consisting of a rating-based system of exposure limits per counterparty - Diversification of portfolios and collateralization is used for mitigating the risk - Recovery process and capital surplus in case of negative credit-events

The main 'prevention' objective in managing counterparty default is to ensure that risks are sufficiently mitigated and that portfolios are well diversified. Alternatively, the main 'contingency' objective in managing counterparty default risk is to ensure that recovery processes are well organized and capital surplus is sufficient to withstand credit-events. For this purpose a comprehensive group-level counterparty policy has been developed during 2010. At the heart of this policy is a rating-based system of exposure limits per counterparty. Furthermore, this policy explicitely describes the proces for initiating transactions with new counterparties, the limit distribution, limit control and limit revision within Eureko.

Eureko manages its counterparty default risk by diversification across counterparties and by collateralisation. ISDA master agreements are in place between Eureko's subsidiaries and their counterparties. Derivative transactions are only initiated with counterparties that meet Eureko's rating requirements. Over The Counter (OTC) derivative transactions are fully collateralised except for currency hedges with a maturity less than three months. Collateral requirements are part of the individually negotiated Credit Support Annexes. Only government bonds issued by highly rated countries and cash collateral in euros are accepted as collateral. Independent valuation of derivatives, for the majority of the portfolio daily settlement of collateral and haircuts of approximately 105% further reduce the counterparty default risk. Furthermore, Eureko has entered into an index-based counterparty default swap with a notional amount of €500 million to further mitigate counterparty default risk.

The credit crisis of recent years and new regulations (Solvency II) increased the awareness within Eureko to have complete, correct and timely high quality counterparty default risk data at hand. Therefore Eureko makes increased efforts to continuously improve the data processes and systems. Various tools can be used to outline Eureko's counterparty default risk, for example geographical distribution, granular distribution over rating buckets, sectors, exposure buckets, financial instruments, etc. Several of the most frequently used ones are presented below. Counterparty default risk on securities lending is mitigated through cash collateral provided by the lender.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Investments related to cash collateral received in securities lending are not included in the tables below. The following table provides information on the aggregated counterparty default risk exposure for the financial investments with external credit ratings:

CREDIT RATING

(€ MILLION)

	2010 FAIR VALUE AT REPORTING DATE	2009 FAIR VALUE AT REPORTING DATE
AAA	26,893	25,981
AA/A	4,417	5,158
BBB	1,789	1,635
<BBB/Not rated	1,100	1,321
Total	**34,199**	**34,095**

The following table provides information related to impairment charges for bonds with external credit ratings.

IMPAIRMENT CHARGES BONDS RECOGNISED IN INCOME STATEMENT

(€ MILLION)

	2010 IMPAIRMENT	2009 IMPAIRMENT
AA/A	1	
BBB	2	
<BBB/Not rated	9	23
Total impairment charges recognised in the Consolidated Income Statement	**12**	**23**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table provides an overview of the carrying amounts of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

FINANCIAL ASSETS THAT ARE PAST DUE OR IMPAIRED

(€ MILLION)

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED					IMPAIRED ASSETS	TOTAL CARRYING AMOUNT
			AMOUNTS PAST DUE					
2010	CARRYING AMOUNT	CARRYING AMOUNT PRINCIPAL	0-3 MONTHS	3 MONTHS – 1 YEAR	MORE THAN 1 YEAR	TOTAL AMOUNTS PAST DUE	CARRYING AMOUNT AFTER IMPAIRMENT	
Bonds	28,428	6					4	28,438
Loans	3,430	1						3,431
Other investments	6,777						397	7,174
Banking credit portfolio	16,574	143	2	1		3	108	16,828
Reinsurance assets	937							937
Receivables	4,217		310	216	358	884	75	5,176

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED					IMPAIRED ASSETS	TOTAL CARRYING AMOUNT
			AMOUNTS PAST DUE					
2009	CARRYING AMOUNT	CARRYING AMOUNT PRINCIPAL	0-3 MONTHS	3 MONTHS – 1 YEAR	MORE THAN 1 YEAR	TOTAL AMOUNTS PAST DUE	CARRYING AMOUNT AFTER IMPAIRMENT	
Bonds	26,528						20	26,548
Loans	3,718							3,718
Other investments	6,660						749	7,409
Banking credit portfolio	19,121	139	2	1	1	4	38	19,302
Reinsurance assets	1,011							1,011
Receivables	2,850		384	263	268	915		3,765

Receivables include €824 million (2009: €851 million) payments to hospitals regarding the delayed invoicing caused by the implementation of the DBC's, see Note 15 (Receivables).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RISK

Liquidity risk is the risk that actual and potential payments and collateral obligations can not be met when due. Eureko distinguishes between market liquidity risk and funding liquidity risk. Market liquidity risk includes two related components, financial instrument liquidity, the ease with which it can be exchanged for money without loss of value and market liquidity defined as the market's ability to trade a given value of assets or securities without significantly affecting the prices. Funding liquidity risk is defined as the ease with which external funding can be obtained.

Liquidity risk	Description
Main drivers	- Market liquidity - Funding liquidity
Risk control and mitigation	- Linked to the business plan, liquidity planning takes place at both subsidiary and Holding level. - Liquidity barometer - Liquidity contingency plan

Eureko's funding strategy is based on assuring access to international capital and credit markets at low cost, underpinned by credit ratings in line with its peers. In general, each operation is responsible for funding its own activities. Access to capital and credit markets are arranged at Holding level. The Holding may be involved in financing the operations of certain subsidiaries, via capital increases or (subordinated) loans. Funding at Holding level could come from dividends from subsidiaries, issuance of debt and committed and uncommitted credit lines with a number of international banks.

Insurance specific liquidity risk is managed by Divisions and Operating Companies. In their liquidity planning cash inflows and outflows from insurance activities are taken into account. Huge distortions could arise in the case of a catastrophe, when payments have to be made, while corresponding payments are not yet received from reinsurers, and for payments from health pooling organisations in the Netherlands. Liquidity risk within Eureko's insurance operations is mitigated through the availability of cash and cash equivalents and investments in liquid assets.

Linked to the business plan, liquidity planning takes place at both subsidiary and Holding level. Those plans are updated on a monthly basis and more often when necessary. Reporting to the Audit and Risk Committee on the liquidity position takes place on a quarterly basis. A liquidity contingency plan is drafted describing the procedures and options to arrange liquidity in times of stress. This plan describes possible actions and sources of funds taking into account the behaviour of other counterparties.

A "liquidity barometer" for the group is in place to calculate all assets, liabilities and off balance sheet exposures under stress scenarios. The maximum cash outflow is calculated with scenario based stress tests over the short term (30 – 90 days). Important metrics regard the Liquidity Coverage Ratio, defined as the stock of high quality liquid assets divided by the net cash outflow over a 30 day period, and the Net Stable Funding Ratio, defined as the available amount of stable funding divided by the required amount of stable funding. Both indicators should be above 100%.

In 2010 sufficient funding was available as a result of the PZU settlement in November 2009, the IPO of PZU in May 2010 and the sale of the remaining share in PZU at the end of 2010. At the end of 2010 the committed credit lines (€750 million) were undrawn.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows the gross liability for Eureko's insurance activities at the reporting date analysed by the estimated timing of net cash flows:

LIQUIDITY RISK WITHIN INSURANCE OPERATIONS (€ MILLION)

2010	TOTAL	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS
Non-life					
Income protection	2,490	301	842	975	372
Property & Casualty	4,184	1,810	1,762	555	57
Health	4,395	4,395			
Life					
Non-linked insurance	24,554	1,319	4,604	10,116	8,515

2009	TOTAL	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS
Non-Life					
Income Protection	2,327	380	702	779	466
Property & Casualty	4,284	1,783	1,596	807	98
Health	4,023	4,023			
Life					
Non-linked insurance	24,478	513	3,144	9,352	11,469

Cash flows for Life insurance are derived from the modelling of the characteristics of the individual policies. For Non-Life policies the cash flows are derived from company run-off experience.

BANKING ACTIVITIES

The main financial risk types within our banking activities are interest-rate risk, counterparty default risk and liquidity risk. Operational and compliance risk for the banking activities of Eureko are part of the general operational and compliance risk management and are disclosed in separate paragraphs later in the risk management paragraph.

Interest-rate risk

Fluctuations in interest rates can affect Eureko's banking operations both economically (market value of assets and liabilities) and in terms of earnings. Risk taking and managing risk as a source of profitability is a core business activity for a bank. However, excessive interest-rate risk can pose a significant threat to a bank's capital and earnings. Accordingly, an effective risk management process that maintains interest-rate risk within prudent levels is essential to the safety and soundness of the bank.

The focus of the banking activities is on retail banking products (mortgages, consumer loans, deposits, savings and current accounts). The majority of these products or services generate interest-rate risk. This risk is mitigated by using derivatives (interest rate swaps and Forward Rate Agreements). Limited use is made of more complex derivatives, like swaptions, caps and floors.

The following methods are used to measure and control interest-rate risk:

- Value at Risk measures the sensitivity in market value of equity due to a one-basis point shift in interest-rates;
- Income at Risk measures the sensitivity of the net interest margin due to a one-basis point shift in interest-rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For both methods limits are set and several scenarios are analysed regularly:

SENSITIVITIES BANKING OPERATIONS

(€ MILLION)

	2010	2009
Income at risk +100 basis points	31	5
Value at risk	83	29
Stress test -100 basis points	42	25
Stress test +100 basis points	-44	-29

Within the banking credit portfolio and derivates the following interest-rate derivatives for financial instruments related to banking operations (including investment contracts and funding activities) are recognised:

INTEREST RATE DERIVATIVES

(€ MILLION)

	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2010	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	TOTAL	ASSETS	LIABILITIES
OTC-Interest rate swaps	2,365	12,118	4,123	**18,606**	234	772
Future interest cash flow of the liability interest derivatives	67	245	1,461	**1,773**		
	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2009	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	TOTAL	ASSETS	LIABILITIES
OTC-Interest rate swaps	179	5,078	17,496	**22,753**	259	707
Future interest cash flow of the liability interest derivatives	92	269	1,708	**2,069**		

COUNTERPARTY DEFAULT RISK

Eureko's counterparty default risk in banking operations is concentrated in mortgage lending activities and counterparty exposures in the money market and capital market for Achmea Hypotheekbank, Staalbankiers and Friends First Finance. The counterparty default risk in mortgage lending is managed by applying credit approval criteria and subsequently monitoring of repayment criteria. Any non-standard conditions imposed on borrowers require the approval of the Credit Committee. Procedures have been laid down for monitoring interest and repayment arrears. Eureko is actively pursuing a policy of enhancing the risk profile of the Banking credit portfolio by improving risk assessment and by securitisation of existing credit portfolios.

As participants in financial markets, Eureko's banking operations are also subject to counterparty risk. The major source of this risk is related to management of the liquidity position and for Achmea Bank the use of interest-rate derivatives to hedge the interest exposure of its mortgage business. Since the recent turmoil in the financial markets Eureko's banking operations revised their counterparty risk policy to adapt to changes in the environment. Currently, only a limited number of explicitly authorised counterparties are allowed. To date, this policy has been successful, as no counterparty losses have occurred.

Quantitative information about credit rating, impairment charges as well as assets and liabilities past due or impaired from banking activities are presented in the section 'Counterparty default risk' of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RISK

Eureko's banking entities have access to a diversified funding base. Funds are raised using a broad range of instruments, such as securitisations, covered bonds, bank lines, central bank funding, retail funding (deposits, current and savings accounts) and intragroup funding from Eureko's insurance entities. In the current market circumstances, some funding sources are more appropriate than others. Eureko strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Eureko continually assesses liquidity risk by identifying and monitoring changes in funding required to meet overall strategic business goals and targets.

The financial markets in 2010 showed a fragile recovery compared to 2009 when Achmea Hypotheekbank N.V. arranged a $3.25 billion (€2.3 billion) funding transaction under the Dutch Government guarantee funding scheme. The currency exposure risk of this portfolio is fully hedged. In 2010 Achmea Hypotheekbank N.V. has successfully placed two RMBS-transactions. In August 2010 DMPL VI raised €653 million and in November 2010 DMPL VIII collected €1.2 billion. To diversify its funding base Achmea Hypotheek Bank N.V. started in the second half of 2010 a campaign to raise savings. The first results of this campaign were very promising in this competitive market. In the last four months of 2010 Achmea Hypotheek Bank N.V. raised €852 million meaning a 439% growth of its savings volume.

For its banking activities Eureko manages its liquidity risk at different levels:
- In the short-term (overnight to one month), the bank's cash position is managed on a daily basis.
- In the medium-term (one month to two years), Eureko measures the net funding requirement (NFR) against different scenarios to control its liquidity risk. The NFR measures the amount of funding needed to fulfill obligations, including any refinancing requirement in the capital market and net increase in assets of the retail business (e.g. mortgages).
- For the long-term, the bank strives for a well-diversified funding base both in terms of maturity and diversification.

In addition, Eureko frequently performs stress tests to investigate liquidity positions in times of severe market disruption and have adequate contingency planning available.

LIQUIDITY RISK BANKING (€ MILLION)

2010	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Financial investments	34	58	238	5	335
Banking credit portfolio	2,458	1,068	4,244	11,016	18,786
Cash and cash equivalents	17				17
Other assets	1		3		4
Total assets	**2,510**	**1,126**	**4,485**	**11,021**	**19,142**
Liabilities					
Banking customer accounts	3,772	552	1,586	1,108	7,018
Loans and borrowings	30	721	10,471	351	11,573
Derivatives	41	2	3	1	47
Other liabilities	3	1	1	1	6
Total liabilities	**3,846**	**1,276**	**12,061**	**1,461**	**18,644**
Net liquidity gap	**-1,336**	**-150**	**-7,576**	**9,560**	**498**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OPERATIONAL RISK

Eureko defines operational risk as the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

Operational risk	Description
Main drivers	- Internal fraud - External fraud - Execution, delivery and proces management - Clients, products and business practices - Employment practices and workplace safety - Damage to physical assets
Risk control and mitigation	- Risk Self Assessment policies - Internal Control Statement - Risk sensitive capital steering - Key risks and key controls

In 2010 Eureko has continued to align its activities to the Solvency II requirements. The Basel II approach for operational risk was used as basis for developing the risk classification for the operational risks. With this risk classification the different risk management activities can be aligned more effectively and the process of constructing a uniform risk view is more efficient.

Eureko distinguishes Risk Self Assessment policies prepared for strategic choices, year goals, operational management and programmes and projects. These policies give a framework and practical guidelines for implementation of risk self assessments. As a result the risk self assessment is firmly embedded in the businesses, with the first line of defence taking the responsibility for the execution and the risk manager providing support. In 2010 the Risk Self Assessment policies were further strengthened.

In general for each process, key risks and key controls are defined. The effectiveness of these key controls is evaluated and tested during the year. Furthermore, for operational risk a risk sensitive capital steering is being developed based on internal and external loss data, operational risk scenario's and key risk indicators.

Business critical processes have been identified, where possible in end-to-end customer chains. For these processes the appropriateness of measures for risk reduction and recovery has been analysed, delivering a clear view on the gaps for ensuring business continuity. Trials with different crisis teams are part of this.

During 2010 the steering on risks within the information processing chain has been improved. Eureko's further improvement is towards further integrating information risks with processes, applications and IT facilities, in order to create an effective and efficient steering on these risks. To achieve this goal, the critical chains have been established and related risks are made more transparent.

An Internal Control Statement (ICS) is compiled providing a fair view of Eureko's operational risk exposure and level of control. By performing the self assessments necessary to provide this fair view, the organisation is obliged to continually reassess its risk and risk exposure, thereby maintaining and further raising risk awareness. At least twice a year, the Executive Board and the operations management teams discuss strategy and compatibility with the organisation's strategic goals, the related risks and available capacity for implementation of mitigating actions. All operations within the Group are required to complete the ICS process and demonstrate that the outcome is a true representation of risk exposure and level of risk control. The ICS results are subject to review by Group Internal Audit Services and are discussed by management and the Executive Board. The Executive Board also performs its own self assessment of total risk exposure and risk control level. A consolidated ICS report is submitted by the Executive Board to the Audit and Risk Committee. The outcome of the ICS process shows that the operations are able to address the most important risk issues and continuously improve their control level. Based on these insights, key issues are identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPLIANCE RISK

Eureko defines compliance risk as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation suffered as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities. Compliance risk is not considered to be a separate event because it can materialise in several ways (events) as a result of several causes. Group Compliance and Integrity is responsible for managing compliance risk in cooperation with Group Risk Management.

Eureko has to demonstrate that it operates complying with the demands of the market and supervisors. We started paying additional attention to compliance in 2009 when complying measures were imposed to the important operational processes. This was further developed in 2010 with the setting of a (monitoring) system (CoTheSys) in which different parts of the group register the development status of the compliance of their processes. This contributes towards more transparent compliance of Eureko as a group. This system is based on compliance themes and a related set of norms. Its structure was improved in 2010 and a base for implementing key controls as efficient method of demonstrating compliance was set.

Eureko aims for a transparent relationship with all regulators and supervisory bodies. This means that, besides required reporting, all developments and trends can be discussed in a timely manner. The intensity of the supervision is also increasing as a result of the decreased trust of the consumers. Supervision also spreads through different fields of interest, such as administration, internal control or transparency and providing of information. Eureko has regularly contact with supervisory bodies.

Due to the turmoil in the financial markets and the resulting consequences for insurers, the consumers trust in the insurance industry has significantly decreased. From this perspective the Dutch Association of Insurers (in Dutch: Verbond van Verzekeraars) initiated a specific programme towards regaining the consumer's lost trust named "Keurmerk Klantgericht verzekeren". The programme is open for all insurers to apply and confirm that their brand is compliant with the requirements for a trusted brand. Eureko has had six brands confirmed as trustworthy by this programme (Avéro Achmea, Centraal Beheer Achmea, FBTO, Interpolis, Zilveren Kruis Achmea and DVZ Zorgverzekeringen).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54 CAPITAL MANAGEMENT

According to regulations on the supervision of financial conglomerates (based on European Union directives), Eureko's available capital should at least be equal to the sum of required capital of the regulated entities. Different sector rules apply for insurance activities and banking activities. In addition, Eureko has set internal requirements, well above the regulatory requirements. The solvency ratio increased to 220% (2009: 216%).

(€ MILLION)

	2010	2009
Total equity	10,357	10,127
Deductions	-1,796	-1,541
Subordinated loans	119	114
Available capital	**8,680**	**8,700**
Required capital insurance activities	3,521	3,546
Required capital banking activities	432	490
Required capital	**3,953**	**4,036**
Surplus capital	4,727	4,664
Ratio available/required capital	**220%**	**216%**

Insurance activities

European Union directives have been issued on capital requirements of insurance companies in order to protect the interests of policyholders. Eureko measures its capital position based on these requirements and applies more stringent requirements for internal purposes. The internal requirements are set at minimum coverage ratios equal to 170% and 160% of the minimum regulatory solvency requirements for its Life and Non-Life businesses, respectively. For Health insurance, the minimum coverage ratio is 125% for basic health insurance and 150% for supplementary insurance coverage.

(€ MILLION)

	2010	2009
Available capital	8,008	8,913
Required capital	3,521	3,546
Surplus capital	**4,487**	**5,367**
Ratio available/required capital	227%	251%

Banking activities

The European Union has issued directives on capital requirements of banks based on the Guidelines developed by the Basel Committee on banking supervision. Based on these directives, the Dutch Central Bank has issued minimum capital requirements. As of 1 January 2008 banking capital requirements are governed by the Capital Requirements Directive (Basel II). Eureko uses the Standardised Model to determine its credit risk. The BIS ratio based on Basel II increased to 15.8% compared to 14.2% in 2009, primarily due to the decrease in the risk weighted assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(€ MILLION)

	2010	2009
Core Capital – Tier 1	724	695
Supplementary capital – Tier 2	136	174
Qualifying capital	**860**	**869**
Risk-weighted assets	5,666	6,129
Tier 1 ratio	12.8%	11.3%
BIS ratio	15.2%	14.2%

55 SUBSEQUENT EVENTS

January 2011

Sale of Avéro Schade Benelux N.V.

On 6 January 2011, Eureko completed the sale of Avéro Schade Benelux N.V., which was mainly operating in Belgium and was included in the Non-Life segment. For the full year 2010, the company reported Gross written premiums of €121 million and Net profit of €-2 million. As at 31 December 2010 Total assets amounted to €251 million.

Business Combination – De Friesland Zorgverzekeraar

De Friesland Zorgverzekeraar and Achmea intend to merge in 2011. Joining forces strengthens the position of the two insurers, both with backgrounds as mutual societies, in the province of Friesland. The intended merger with De Friesland Zorgverzekeraar is subject to approval by the Netherlands Competition Authority (NMa). The request for approval was submitted to the NMa on 11 January 2011.

March 2011

Sale of a consumer credit portfolio of Achmea Retail Bank

On 1 March 2011, Eureko completed the sale of a part of Achmea Retail Bank's consumer credit portfolio, amounting to € 209 million, to the Lage Landen, part of Rabobank Group. Eureko will use the revenues from this transaction to part fund the repurchase of shares from Rabobank, subject to regular solvency conditions.

Transfer Eureko shares

On 1 March 2011, the Dutch Central Bank approved the transfer of 33.292.914 shares Eureko B.V. from Coöperatieve Centrale Raiffeisenboerenleenbank B.A. to Vereniging Achmea as per 31 December 2010. On 2 March 2011 the legal transfer of these shares was effected.

Adjustments to the company's Articles of Association

On 2 March 2011 the authorised share capital of the company was increased from €1,570,000,000 to €2,163,943,010 through an adjustment in the company's Articles of Association. Authorised share capital of the company as from that date is divided in 1 A share, 2,103,943,009 ordinary shares and 60,000,000 preference shares.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF PROFIT)

(€ MILLION)

	NOTES	31 DECEMBER 2010	31 DECEMBER 2009
Assets			
Intangible assets	2	1,839	1,836
Investments in:	3		
Subsidiaries		7,062	5,972
Associates		145	1,440
Participating interests			100
Other investments	4	575	1,452
Income tax receivable		126	
Receivables	5	1,674	730
Cash and cash equivalents	6	22	8
Total assets		**11,443**	**11,538**
Equity			
Share capital		432	432
Share premium		10,949	11,429
Own shares		-45	-45
Legal Reserve		272	1,250
Revaluation reserve		548	758
Net Foreign exchange difference		-101	-422
Hedging Reserve		-6	2
Other equity instruments		1,325	1,325
Retained earnings		-4,242	-5,989
Profit for the year		1,220	1,381
Equity attributable to holders of equity instruments of the Company	7	**10,352**	**10,121**
Liabilities			
Provisions	8	40	24
Loans and borrowings	9	780	780
Derivatives			50
Deferred tax liabilities	10	114	127
Income tax payable			146
Other liabilities	11	157	290
Total liabilities		**1,091**	**1,417**
Total equity and liabilities		**11,443**	**11,538**

COMPANY FINANCIAL STATEMENTS

COMPANY INCOME STATEMENT

(€ MILLION)

	NOTES	2010	2009
Investments in:	12		
Subsidiaries		322	203
Associates		747	281
Participating interests			-40
Other results	13	87	1,103
Income tax expenses	14	64	-166
Net profit		**1,220**	**1,381**

COMPANY STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	2010	2009
Net profit	**1,220**	**1,381**
Other comprehensive income		
Currency translation differences on intangible assets and associates	2	-91
Share in other comprehensive income of subsidiaries	144	488
Comprehensive income	**1,366**	**1,778**

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS

(€ MILLION)

	2010	2009
Cash flow from operating activities		
Interest received	22	37
Interest paid	-113	-119
Service fees and other income received	1	1
Income taxes paid	-210	146
Payments to suppliers	-15	-51
	-315	**14**
Cash flow from investing activities		
Dividends received	37	1,154
Investments in subsidiaries and associates	-704	-728
PZU sale and settlement	2,657	973
Other investments	-95	-1,932
Proceeds from sale of investments	21	83
	1,916	**-450**
Cash flow from financing activities		
Dividends paid	-1,171	-106
Issue and sale of shares		1,028
Repurchase of own shares	-45	
Loans and borrowings		-357
Intercompany financing (net)	-371	-131
	-1,587	**434**
Net cash flow	**14**	**-2**
Movements in Cash and cash equivalents		
Cash and cash equivalents at 1 January	8	10
Net cash flow	14	-2
Cash and cash equivalents at 31 December	**22**	**8**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Introduction

General

With reference to the Company Income Statement of Eureko B.V., use has been made of the exemption pursuant to Section 402 Book 2, part 9 of the Dutch Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result

Eureko B.V. makes use of the option provided in section 362 (8) Book 2, part 9 of the Dutch Civil Code. By making use of this option the Equity attributable to holders of equity instruments is equal in both the Consolidated and Company Statement of Financial Position. This means that the principles for the recognition and measurement of assets and liabilities and determination of Net profit of the Company Financial Statements of Eureko B.V. are the same as those applied for the Consolidated Financial Statements. In all other aspects the Company Financial Statements have been prepared in accordance with Book 2, part 9 of the Dutch Civil Code.

The cash flow statement in the Company Financial Statements is presented according to the direct method.

All amounts in the Company Financial Statements are in millions of euros unless stated otherwise.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2 INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	INTERNALLY DEVELOPED SOFTWARE	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	OTHER INTANGIBLE ASSETS FINITE	**TOTAL 2010**	TOTAL 2009
Cost								
Balance at 1 January	1,217	83	116	635	282	94	2,427	2,465
Other movements	32						32	-10
Foreign currency differences	54				11		65	-28
Balance at 31 December	**1,303**	**83**	**116**	**635**	**293**	**94**	**2,524**	**2,427**
Amortisation and impairment losses								
Balance at 1 January	4	74	43	367	82	21	591	473
Amortisation charge for the year		9	12	44	22	3	90	104
Impairment loss								14
Foreign currency differences					4		4	
Balance at 31 December	**4**	**83**	**55**	**411**	**108**	**24**	**685**	**591**
Carrying amount								
At 1 January	1,213	9	73	268	200	73	1,836	1,992
At 31 December	**1,299**		**61**	**224**	**185**	**70**	**1,839**	**1,836**

3 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND PARTICIPATING INTERESTS

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES	PARTICIPATING INTERESTS	**TOTAL 2010**	SUBSIDIARIES	ASSOCIATES	PARTICIPATING INTERESTS	TOTAL 2009
Balance at 1 January	5,972	1,440	100	7,512	4,807	2,066	285	7,158
Investments and loans granted	704			704	728			728
Divestments and disposals	-7	-1,390		-1,397			-157	-157
Annual Results	305	83		388	203	266		469
Revaluations	67	-9		58	451	23	-29	445
Dividend received		-3		-3	-123	-1,025		-1,148
Foreign currency differences	21	16		37		55		55
Reversal of impairments		8		8		15		15
Changes due to reclassification			-100	-100				
Other movements					-94	40	1	-53
Balance at 31 December	**7,062**	**145**		**7,207**	**5,972**	**1,440**	**100**	**7,512**

Eureko's stake in MillenniumBCP, amounting to €100 million, has been reclassified from Participating interests to Investments. Although Eureko and MillenniumBCP have the intention to develop joint business initiatives, up to now such initiatives have not been developed due to current economic and market conditions. A continued classification as a Participating interest would for that reason not be appropriate. This reclassification has no impact on Net profit or Total equity of Eureko.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

4 OTHER INVESTMENTS

The movements of the other investments can be specified as follows:

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	DEPOSITS WITH CREDIT INSTITUTIONS	DERIVATIVES	**TOTAL 2010**	TOTAL 2009
Balance at 1 January		1,427	25	1,452	287
Investments and loans granted	861	5,285	9,809	15,955	2,475
Divestments and disposals	-1,022	-6,276	-9,716	-17,014	-1,287
Fair value changes	98		-52	46	-1
Foreign currency differences	32	2		34	5
Accrued interest		2		2	2
Changes due to reclassification	100			100	-29
Balance at 31 December	**69**	**440**	**66**	**575**	**1,452**

Changes due to reclassification refer to the reclassification of MillenniumBCP.

Besides changes due to reclassifications and part of the fair value changes, the movements in Equities and similar investments are related to the 13% share in PZU S.A. that has been reclassified after the IPO in May 2010. In November 2010 this 13% share in PZU S.A. has been sold.

The majority of Deposits with credit institutions is not subject to any restrictions. The average interest rate is less than 1% and the average time to maturity is less than three months.

5 RECEIVABLES

(€ MILLION)

	2010	2009
Subsidiaries	1,644	433
Other receivables	30	297
	1,674	**730**

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of bank balances.

7 EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

Reference is made to Note 18 Equity attributable to holders of equity instruments of the company in the Consolidated Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

8 PROVISIONS

(€ MILLION)

	2010	2009
Balance at 1 January	24	42
Additions	34	9
Usage	-15	-6
Released	-3	-21
Balance at 31 December	**40**	**24**

9 LOANS AND BORROWINGS

In June 2009, Eureko B.V. issued €750 million notes (at 7.375%) under its €2.5 billion programme for the issuance of debt instruments. These notes will mature in June 2014.

10 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following items:

(€ MILLION)

	BALANCE AT 1 JANUARY 2010	RECOGNISED IN EQUITY	OTHER MOVEMENT	BALANCE AT 31 DECEMBER 2010	BALANCE AT 1 JANUARY 2009	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2009
Intangible assets	132			132	146	-14	132
Investments	-5	-7	-2	-14	-6	1	-5
Other provisions		-4		-4			
	127	**-11**	**-2**	**114**	**140**	**-13**	**127**

Eureko B.V. and the majority of its Dutch subsidiaries together form a fiscal unity for corporate income tax and VAT. As a consequence the company is liable for all deferred and current liabilities relating to corporate income tax and VAT.

11 OTHER LIABILITIES

(€ MILLION)

	2010	2009
Subsidiaries	2	172
Other	155	118
	157	**290**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

12 INCOME FROM SUBSIDIARIES AND ASSOCIATES

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES	TOTAL 2010	SUBSIDIARIES	ASSOCIATES	PARTICIPATING INTERESTS	TOTAL 2009
Income from subsidiaries and associates	305	83	388	203	266		469
Dividend						2	2
Impairment loss						-11	-11
Reversal of impairment loss		8	8		15		15
Capital gain on sale of subsidiaries and associates	17	656	673				
Loss on sale of participating interests						-31	-31
	322	**747**	**1,069**	**203**	**281**	**-40**	**444**

13 OTHER RESULTS

(€ MILLION)

	2010	2009
Other income	313	1,289
Other expenses	226	186
	87	**1,103**

14 INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX RATE

(€ MILLION)

	2010	2009
Other result before tax	87	1,103
Income tax using the domestic corporation tax rate	22	281
Participation exemption	-71	-145
Non-deductible expenses	20	29
Other	3	
Under/(over) provided in prior years	-38	1
Effective tax amount	**-64**	**166**

15 CONTINGENT LIABILITIES

Eureko B.V. has provided the Dutch state with indemnity for amounts due to the Dutch state by Achmea Hypotheekbank N.V. as a result of its participation in the 2008 Credit Guarantee Scheme. Total exposure of this indemnity related to principal, interest and costs of the guaranteed debt at 31 December 2010 is €2.4 billion (2009: €2.3 billion) and is payable either in US dollars or euros. Total exposure of this indemnity related to the guarantee fee and any other costs at 31 December 2010 is €68 million (2009:€82 million) and is payable in euros. No material losses are expected in respect of these guarantees and indemnities.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

16 REGISTERED SEAT

Eureko B.V. is seated in Amsterdam, the Netherlands, and registered at the Chamber of Commerce, trade register Amsterdam 33235189.

Zeist, 21 March 2011

The Supervisory Board	**The Executive Board**
A.H.C.M. (Arnold) Walravens, Chairman	W.A.J. (Willem) van Duin, Chairman
M. (Marinus) Minderhoud, Vice-Chairman	G. (Gerard) van Olphen, Vice-Chairman and CFO
U. (Urs) Berger	J.A.S. (Jeroen) van Breda Vriesman
B. (Bernard) Bijvoet	D. (Danny) van der Eijk
F.J.F. (Flip) Buurmeijer	T.C.A.M. (Thomas) van Rijckevorsel
E.A.J. (Erik) van de Merwe	
P.F.M. (Paul) Overmars	
H.J. (Henk) Slijkhuis	
A.W. (Aad) Veenman	
A.J.A.M. (Antoon) Vermeer	
B.J. (Bé) van der Weg	

OTHER INFORMATION

STATUTORY REQUIREMENTS FOR APPROPRIATION OF RESULTS

The company's Articles of Association contain the following requirements regarding appropriation of results:

The profit will be distributed pursuant to Article 34 of the Articles of Association of Eureko B.V. The provisions can be summarized as follows:
- The profits shall be at the free disposal of the General Meeting of Shareholders.
- The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.
- If the General Meeting of Shareholders decides on the distribution of dividends, first of all, if possible, a dividend equal to 7.15% of the nominal amount shall be paid to preference shareholders.
  Subject to the approval of the Supervisory Board, the Executive Board shall be authorised to increase the above mentioned percentage determined at the time of issue each year with a maximum of 1.8%.
- If no dividend in cash is distributed, a dividend in the form of preference shares can be resolved upon.
- If the General Meeting of Shareholders decides on the distribution of dividends and dividend on preference shares has been passed in previous years, cash dividends shall first be paid to preference shareholders with respect to these previous years, before any distribution can take place on other shares.

THE TOTAL NET PROFIT IS PROPOSED TO BE DISTRIBUTED AS FOLLOWS:

(€ MILLION)

	2010
Profit after non-controlling interest	1,220
Interim dividend on ordinary shares	470
Interim dividend on preference shares	10
Dividend on preference shares	26
Coupon payments on other equity instruments	80
Tax on coupon payments on other equity instruments	-20
	654

To be distributed as follows:

Proposed final dividend on ordinary shares	41
Distribution to retained earnings	613
	654

OTHER INFORMATION

EUREKO SHAREHOLDERS AT 31 DECEMBER 2010

COMPANY	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PREFS)
Vereniging Achmea directly and via				
Stichting Administratiekantoor Achmea	The Netherlands	259,004,157	63.34%	59.85%
Rabobank of which				
Coöperatieve Centrale Raiffeisenboerenleenbank B.A.	The Netherlands	127,925,979	31.29%	29.56%
BCP Group of which	Portugal			
Bitalpart B.V.	The Netherlands	11,077,699	2.71%	2.56%
LF Group of which				
Länsförsäkringar Liv Försäkringsab (publ)	Sweden	1,832,627	0.45%	0.42%
Länsförsäkringar SAK Försäkringsab (publ)	Sweden	1,832,626	0.45%	0.42%
Gothaer Group of which				
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.50%	0.48%
Gothaer Finanz Holding AG	Germany	2,370,153	0.58%	0.55%
Swiss Mobiliar of which				
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.68%	0.64%
Eureko TussenHolding B.V. (preference shares)	The Netherlands	23,904,060		5.52%
Total ordinary shares		**408,884,542**	**100.00%**	
Total ordinary shares and preference shares		**432,788,602**		**100.00%**

The number of the shares held by Stichting Administratiekantoor Achmea include one A share. Eureko has only issued one A share. There are special rights entitled to the A share. Significant decisions of Eureko's General Meeting of Shareholders can only be made with the approval of the holder of the A share.

As per 31 December 2010 Coöperatieve Centrale Raiffeisenboerenleenbank B.A. transferred 33.292.914 shares Eureko B.V. to Vereniging Achmea. On 2 March 2011 the legal transfer of these shares was effected.

The Board members of Stichting Administratiekantoor Achmea are Mr. A.H.C.M. Walravens, Mr. P.F.M. Overmars and Mrs. J.L.A. Boogerd-Quaak.

OTHER INFORMATION

EUREKO SUBSIDIARIES

Unless otherwise stated, the interest is 100% or almost 100% on 31 December 2010.

The Netherlands

Achmea Bank Holding N.V., registered in The Hague
Achmea Beleggingsfondsen Beheer B.V., registered in Utrecht
Achmea Health Centers B.V., registered in Apeldoorn
Achmea Holding N.V., registered in Utrecht
Achmea Huisvesting B.V., registered in Apeldoorn
Achmea Hypotheekbank N.V., registered in The Hague
Achmea Inkomensverzekeringsdiensten B.V., registered in Amsterdam
Achmea Interne Diensten N.V., registered in Utrecht
Achmea Mens en Werk B.V., registered in Amstelveen
Achmea Non-Life Beleggingen B.V., registered in Zeist
Achmea Nuon woonservice B.V.(50%), registerd in Utrecht
Achmea Pensioen- en Levensverzekeringen N.V., registered in Apeldoorn
Achmea Personeel B.V., registered in Utrecht
Achmea Retail Bank N.V., registered in The Hague
Achmea Schadeverzekeringen N.V., registered in Apeldoorn
Achmea Services N.V., registred in Amstelveen
Achmea SZ Holding B.V., registered in Amsterdam
Achmea Vastgoed Beheer B.V., registered in Apeldoorn
Achmea Vitale B.V., registered in Amsterdam
Achmea Zorgkantoor N.V., registered in Utrecht
Achmea Zorgverzekeringen N.V., registered in Noordwijk
Agis Assurantiën B.V., registered in Amersfoort
Agis Participaties B.V., registered in Amersfoort
Agis Tussenholding N.V., registered in Amersfoort
Agis Ziektekostenverzekeringen N.V., registered in Amersfoort
Agis Zorgverzekeringen N.V., registered in Amersfoort
AP&L Beleggingen B.V., registered in Zeist
Avéro Achmea Zorgverzekeringen N.V., registered in Utrecht
Avéro Pensioenverzekeringen N.V., registered in Leeuwarden
Avéro Schadeverzekering Benelux N.V., registered in Rotterdam
AVP Beleggingen B.V., registered in Zeist
Beleggings- en Beheermaatschappij Frankenhagen B.V., registered in The Hague
Beleggingsmaatschappij Elink B.V., registered in The Hague
Bizzpro B.V. (50%), registered in Utrecht
Dispatch B.V., registered in Apeldoorn
Eureko Claims Centre B.V., registered in Zeist
Eureko Eastern Europe Holding B.V., registered in Zeist
Eureko Re N.V., registered in Tilburg
Eurocross International Assistance Netherlands B.V., registered in Noordwijk
Eurocross International Holding, B.V., registered in Noordwijk
Eurocross Assistance Insurance N.V., registered in Noordwijk
FBTO Zorgverzekeringen N.V., registered in Utrecht
GlobalNeth B.V., registered in Apeldoorn
Goed en Wel II B.V., registered in Zeist
Health Capital II B.V. (78.74%), registered in Apeldoorn
Health Center Arnhem B.V., registered in Arnhem
Health Center Barneveld B.V., registered in Apeldoorn
Health Center Deventer B.V., registered in Colmschate
Health Center Doetinchem B.V., registered in Arnhem
Health Center Oss B.V., toegevoegd, registered in Oss
Health Center Zutphen B.V., registered in Zutphen
H.I. Services B.V., registered in Hoevelaken
In Motion Health Centers B.V., registered in Apeldoorn
InShared Holding B.V. (85%), registered in Hoevelaken
InShared Nederland B.V., registered in Hoevelaken
Interpolis Zorgverzekeringen N.V., registered in Utrecht
Klant Contact Services B.V., registered in Amsterdam
L.M.S. Administratieve Diensten B.V., registered in The Hague
Leefstijl Training & Coaching N.V. (75%), registered in Amsterdam
N.V. Brand- en Varia Verzekeringsmaatschappij De Twaalf Gewesten, registered in Leidschendam
N.V. Hagelunie, registered in The Hague
N.V. Interpolis Dierverzekeringen, registered in Tilburg
N.V. Interpolis BTL, registered in Tilburg
N.V. Interpolis Kredietverzekeringen (55%), registered in 's Hertogenbosch
N.V. Interpolis Onroerend Goed, registered in Tilburg
N.V. Interpolis Schade, registered in Tilburg
N.V. Interpolis Tivoli, registered in Tilburg
OZF Achmea Zorgverzekeringen N.V., registered in Hengelo
Parts Plan B.V. (50%), registered in Apeldoorn
Pim Mulier B.V., registered in Zwolle
Popescu Holding B.V., registered in Zeist
Practis B.V., registered in Amsterdam
Practis Holding B.V., registered in Gorinchem
Residentie Beleggingen N.V., registered in The Hague
Residex B.V., registered in Apeldoorn
Residex Capital III B.V., registered in Apeldoorn
Residex Capital IV B.V., registered in Apeldoorn
Sportschool-Fitnesscentrum Theo ten Tije Deventer B.V., registered in Epe

OTHER INFORMATION

Sprint Invest B.V. (50%), registered in Tilburg
Staal Bank Fondsen Beheer B.V., registered in The Hague
Staal Satelliet I B.V., registered in The Hague
Staalbankiers N.V., registered in The Hague
Staalbankiers Vastgoedfondsen Beheer B.V., registered in The Hague
Stigas Agrarisch Preventief B.V., registered in Zoetermeer
Syntrus Achmea Management B.V., registered in Amsterdam
Syntrus Achmea Pensioenbeheer N.V., registered in Amsterdam
Syntrus Achmea Vastgoed B.V., registered in Amsterdam
Syntrus Achmea Vermogensbeheer B.V., registered in Tilburg
Tropina Interbel B.V., registered in The Hague
WagenPlan B.V. (50%), registered in Schiphol-Rijk
Winnock B.V., registered in Utrecht
Winnock Zorg B.V., registered in Nieuwegein
YDA Holding B.V. (85%), registered in Oldenzaal
Zilveren Kruis Achmea Zorgverzekeringen N.V., registered in Utrecht

Greece

Athinaiki General Clinic S.A., registered in Athens
Imperio Life Hellenic Insurance Company S.A., registered in Athens
Interamerican Finance Financial Services S.A., registered in Athens
Interamerican Health General Insurance Company of Health and Assistance S.A., registered in Athens
Interamerican Hellenic Life Insurance Company S.A., registered in Athens
Interamerican Property & Casualty Insurance Company S.A., registered in Athens
Interamerican Assistance General Insurance S.A., registered in Athens
Interassistance Commerical Company of Automobile and Tourism, registered in Athens
Interassistance Road Assistance Services S.A., registered in Athens
Interdata Information Technology Development S.A., registered in Athens
Mentor Assessors, Estimators, Engineers S.A., registered in Athens

Ireland

Allied Insurance Consultants Ltd, registered in Dublin
Atrium Nominees, registered in Dublin
Bray SRH Ltd, registered in Dublin
Eureko Captive Management Services Ltd, registered in Dublin
Eureko Insurance Ireland Ltd, registered in Dublin
Eureko Ireland Ltd, registered in Dublin
Eureko Reinsurance Ireland Ltd, registered in Dublin
Finglas SRH Ltd, registered in Dublin
Friends First (Cherrywood) Ltd, registered in Dublin
Friends First Broker Services Ltd, registered in Dublin
Friends First Direct Ltd, registered in Dublin
Friends First Finance Ltd, registered in Dublin
Friends First General Insurance Company Ltd, registered in Dublin
Friends First Group Services Ltd, registered in Dublin
Friends First Holdings Ltd, registered in Dublin
Friends First International Ltd, registered in Dublin
Friends First Life Assurance Company Ltd, registered in Dublin
Friends First Managed Pension Funds Ltd, registered in Dublin
Friends First Trustee Services Ltd, registered in Dublin
Friends First US Property Company Ltd, registered in Dublin
Friends Provident Ireland Ltd, registered in Dublin
Liberty Asset Management Ltd, registered in Dublin
Liberty Asset Management Pensioner Trustee Company Ltd, registered in Dublin
Liberty Asset Management Real Estate Succes Ltd, registered in Dublin
Liberty Mortgage Corporation Ltd, registered in Dublin
Liberty Nominees Ltd, registered in Dublin
Liberty Property Investment Ltd, registered in Dublin
Liberty Wealth Management Ltd, registered in Dublin
Naas SRH Ltd, registered in Dublin
Partac Ltd, registered in Dublin
Q Capital Ltd, registered in Dublin
Victoria House (Leasing) Ltd, registered in Dublin
Walkinstown SRH Ltd, registered in Dublin

France

Globale S.A.R.L., registered in Paris
Império Assurances et Capitalisation S.A., registered in Paris
S.C.I. Interpierre, registered in Paris
S.C.I. Résidence de L'Isle, registered in Paris

Romania

Eureko Asigurări S.A., registered in Bucharest
Eureko Medical Assistance S.R.L., registered in Bucharest
Interamerican - Societate de Administrare a Fondurilor de Pensii Private S.A., registered in Bucharest

OTHER INFORMATION

Bulgaria

Eurocross International Bulgaria E.A.D., registered in Sofia
Interamerican Assistance E.A.D., registered in Sofia
Interamerican Bulgaria Life Insurance E.A.D., registered in Sofia
Interamerican Bulgaria Z.E.A.D., registered in Sofia

Luxembourg

Achmea Re Management Company S.A., registered in Luxembourg
Friends First Finance Luxembourg S.A.R.L., registered in Luxembourg

Slovakia

Union Poistovna A.S. (98%), registered in Bratislava
Union Zdravotná Poistovna A.S., registered in Bratislava

Other

Blohe N.V., registered in Lier, Belgium
J. Haenecour & Co. N.V., registered in Brussels, Belgium
Eureko Polska Spótka z.o.o., registered in Warsaw, Poland
Eureko Sigorta A.S. (80%), registered in Istanbul, Turkey
Eurocross International Central Europe S.R.O., registered in Prague, Czech Republic
EuroCross International Polska Spótka z.o.o., registered in Warsaw, Poland
First Orion Amber Ltd, registered in St. Helier, United Kingdom
First Orion Crimson Ltd, registered in St. Helier, United Kingdom
First Orion Emerald Ltd, registered in St. Helier, United Kingdom
Imperservices S.A., registered in Lausanne, Switzerland
Insurance Company Oranta-M CJSC., registered in Moscow, Russia
Oranta Insurance Company LLC., registered in Moscow, Russia
Kappa Spólka Akcyjna S.A., registred in Warsaw, Poland
Liberty Property Investment Ltd, registered in Cheshire, United Kingdom
Practis Belgium N.V., registered in Sint-Niklaas, Belgium

OTHER INFORMATION

Statement of the Executive Board of Eureko B.V.

The Executive Board of Eureko B.V. is responsible for the preparation of the Annual Report 2010, including the Consolidated Financial Statements 2010. The Consolidated Financial Statements 2010 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Company Financial Statements 2010 and Executive Board Report 2010 are prepared in accordance with Book 2, Part 9 of the Dutch Civil Code, and the Financial Supervision Act part 5.1A.

The Executive Board of Eureko B.V. declares that, to the best of its knowledge, the Eureko B.V. Consolidated and Company Financial Statements 2010 give a true and fair view of the assets, liabilities, financial position and profit or loss of Eureko B.V. and that the information contained herein has no omissions likely to modify significantly the scope of any statements made.

The Executive Board of Eureko B.V. also declares that the Executive Board Report 2010 gives a true and fair view of the situation on 31 December 2010, the development and performance during 2010 and describes the principal risks of the businesses of the Group.

The Eureko B.V. 2010 Consolidated Financial Statements and 2010 Company Financial Statements will be submitted to the Annual General Meetings of Shareholders for approval on 6 April 2011.

Zeist, 21 March 2011

The Executive Board

W.A.J. (Willem) van Duin, Chairman
G. (Gerard) van Olphen, Vice-Chairman and CFO
J.A.S. (Jeroen) van Breda Vriesman
D. (Danny) van der Eijk
T.C.A.M. (Thomas) van Rijckevorsel

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS AND SUPERVISORY BOARD OF EUREKO B.V.

Report on the Financial Statements

We have audited the accompanying Financial Statements for the year 2010 of Eureko B.V., Amsterdam as set out on pages 1 to 126. The Financial Statements include the Consolidated Financial Statements and the Company Financial Statements. The Consolidated Financial Statements comprise the Consolidated Statement of Financial Position as at 31 December 2010, the Consolidated Income Statement, the Consolidated Statements of Comprehensive Income, the Consolidated Statement of changes in Total equity and Consolidated Statement of Cash flows for the year then ended, and the notes to the Consolidated Financial Statements, comprising a summary of the significant accounting policies and other explanatory information. The Company Financial Statements comprise the Company Statement of Financial Position as at 31 December 2010, the Company Income Statement, the Company Statement of Comprehensive Income, company Statement of changes in Total equity and the Company Statement of Cash flows for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Eureko B.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the Company Financial Statements

In our opinion, the company financial statements give a true and fair view of the financial position of Eureko B.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

OTHER INFORMATION

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 21 March 2011

KPMG ACCOUNTANTS N.V.

H. Arendse RA