

# PRESS RELEASE

**30 AUGUST 2011 - EUREKO ANNOUNCES 2011 INTERIM RESULTS**

## STRONG CAPITAL POSITION, LOW RISK PROFILE AND GOOD OPERATIONAL PERFORMANCE

### H1 2011:

- PROFIT BEFORE TAX FROM REGULAR ACTIVITIES UP 27% TO €201 MILLION; NET PROFIT €180 MILLION
- STRONG FINANCIAL POSITION; SOLVENCY FURTHER STRENGTHENED TO 224%
- GROSS WRITTEN PREMIUMS UP 2% TO €11 BILLION
- COMPLEXITY REDUCTION ON TRACK
- AS PART OF ONGOING COMPLEXITY REDUCTION, EUREKO AND ACHMEA HOLDINGS WILL BE MERGED; ACHMEA NEW GROUP NAME
- LOW RISK PROFILE MAINTAINED

### Willem van Duin, Chairman of the Executive Board, comments:

‘Eureko generated good results in the first half of 2011. All business lines – Non-life, Health, Life and Banking – contributed to Group results in spite of challenging market conditions. As financial markets continue turbulent, we have proved to be resilient thanks to the low risk profile of our investment portfolio and our robust financial position. Our complexity reduction programme is on track. Following the reduction of legal entities in the Group, we are now merging the Achmea and Eureko holding companies. We have opted to retain the Achmea name for the new holding company as it will further strengthen our cooperative identity. Ensuring the success of our cost-reduction programme is one of the Executive Board’s top priorities in the coming period. Although the circumstances are challenging, we remain committed to our targets.’

#### ANNOUNCEMENT OF 2011 INTERIM RESULTS ON 30 AUGUST 2011:

Press conference call for Dutch media starts at 11.00 CET. Please dial +31 10 294 42 20.

A conference call for analysts starts at 14:00 CET. Please dial +31 10 294 42 71.

More details can be found on Eureko’s website: [www.eureko.com](http://www.eureko.com).

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Eureko’s Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34, Interim Financial Reporting and Applicable Interpretations – as at 30 June 2011 and as adopted by the European Union. PricewaterhouseCoopers Accountants N.V., Eureko’s auditors have issued an unqualified review opinion on the Condensed Consolidated Interim Financial Statements.

Note: Because of rounding, numbers may not add up.

### Financial results

Eureko generated good results in the first half of 2011. Profit before tax from regular activities increased 27% to €201 million. The increase is due in part to improved results in our Life business but Non-life and Health also made significant contributions to profit before tax. Gross written premiums in both Life and Non-life were under pressure due to fierce competition. However, increases in Health ensured total gross written premiums for the Group increased slightly to €11 billion.

We remain financially strong and, in the current turbulent economic climate, a stable partner for our customers. Group solvency increased once again during the reporting period to 224% while the solvency of the insurance entities grew to 233%.

The programmes we introduced to reduce organisational complexity are moving forward according to plan. The creation of integrated back offices that can provide our brands with customer-focused, affordable products are on track. During the first half of 2011, the cost-reduction programme has demanded our full attention, specifically in terms of personnel costs. This is primarily because we are in the process of creating a new health organisation and have accelerated the integration of Achmea Health and Agis as well as improvement initiatives on, for example, health procurement to improve the quality of healthcare. This means we have deployed more personnel in the short-term. Moreover, we made an additional provision for the Achmea Transfer Center (+100 FTEs) that mediates new jobs for excess personnel. At the same time, pension costs for our internal employees have risen considerably. As Executive Board, however, we remain firmly committed to achieving our cost-reduction targets.

### Holding merger

As part of our strategy, we announced in 2009 an efficiency programme and one of the primary goals was to reduce the complexity of our organisation. Part of that programme involves merging the Achmea and Eureko holding companies. We have set that process in motion and have opted to retain the Achmea name for the new holding company. The aim is to finalise the merger in the second half of this year.

### Highlights

The Netherlands Competition Authority (NMa) has given final approval for the merger between Achmea's health business and De Friesland Zorgverzekeraar. The intention is to merge the two organisations at the end of this year.

Eureko has operating companies in Turkey, Greece, Russia, Ireland, Romania, Slovakia and Bulgaria. Interamerican, our Greek subsidiary, is the second largest insurer in that market. In the first half of 2011, Interamerican generated good results. Profit before tax from regular activities rose to €28 million – quite an achievement in the distressed Greek economic environment. Solvency remained robust.

During the reporting period, Eureko exercised its option to acquire the remaining 20% stake in Eureko Sigorta and we now wholly own this Turkish operating company. In the same period, we also completed the divestment of Império France and our Belgian subsidiary, Avéro.

In the current financial environment, we have maintained our low risk profile. With other major financial institutions, Eureko is responding to government's request for private-sector support in resolving the Greek debt crisis. The effect on profit is an impairment of €48 million.

All Achmea brands have been awarded the Dutch quality mark for customer-focused insurance. Now, Agis has also achieved the quality mark, confirming the health insurer meets high standards of customer information, service, accessibility, satisfaction and quality. The quality mark is awarded by an independent foundation that monitors the Dutch insurance sector.

Our direct writers, InShared in the Netherlands and Anytime in Greece, are both performing very well. On 1 July, InShared started to distribute insurance products through the popular Hema retail brand and Anytime, as the only Greek insurer actively selling through the direct channel, proves to be an attractive alternative in the current market.

### **The Achlum Convention**

The first half of 2011 marked Achmea's second centenary. As part of our commitment to maintaining our cooperative identity, we celebrated this by organising the Achlum Convention. We chose solidarity as theme for the convention to emphasise our cooperative roots. The utility and need for solidarity in our business areas – mobility, health, safety, pension and work – was the day's topic for customers, politicians, writers, artists and other guests. This enabled us to define an Agenda of Achlum, identifying key themes and pressing issues to ensure solidarity as an main principle for insurance. With this agenda we see a role in both providing a platform for ongoing social dialogue on those themes and taking responsibility for them where appropriate (see [www.agendavanachlum.nl](http://www.agendavanachlum.nl)).

### **Looking ahead**

Developments in financial markets will continue to be a focus point for us as a major insurer. We are confident that we will remain resilient in these turbulent times due to our low risk profile and robust financial position. That resilience will ensure we can continue to concentrate on our customers. Our point of departure remains the same: the delivery of simple, relevant and affordable products that make our customers feel well insured. That is our commitment to our customers.

Willem van Duin  
Chairman of the Executive Board  
Zeist, 30 August 2011

	(€ million)		
	H1 2011	H1 2010*	Δ %
<b>Results</b>			
Gross written premiums	10,956	10,713	2%
<i>Of which Non-Life</i>	2,359	2,441	-3%
<i>Of which Health</i>	6,560	6,189	6%
<i>Of which Life</i>	2,037	2,083	-2%
Net earned premiums	9,872	9,564	3%
Investment income including associates	71	1,881	-96%
Income from investments backing linked liabilities	-279	1,208	n.m.
Fee and commission income	224	243	-8%
Other income	500	579	-14%
<b>Total income</b>	<b>10,388</b>	<b>13,475</b>	<b>-23%</b>
Claims and movements in insurance liabilities	8,246	10,613	-22%
Operating expenses	1,540	1,544	0%
Other expenses	418	483	-14%
<b>Total expenses</b>	<b>10,204</b>	<b>12,640</b>	<b>-19%</b>
<b>Profit before tax</b>	<b>184</b>	<b>835</b>	<b>-78%</b>
<i>Of which PZU result</i>	1	820	-100%
Income tax	4	-29	n.m.
<b>Net profit</b>	<b>180</b>	<b>864</b>	<b>-79%</b>
<b>Profit before tax by segment</b>			
Non-life	250	219	14%
Health	171	162	6%
Life	73	-100	n.m.
Banking	22	49	-55%
Other activities	-332	505	n.m.
<b>Total</b>	<b>184</b>	<b>835</b>	<b>-78%</b>
<b>Balance sheet</b>	<b>30-06-11</b>	<b>31-12-10</b>	<b>Δ %</b>
Total assets	91,159	93,946	-3%
Total equity	10,338	10,357	0%
Investments	40,230	40,993	-2%
Total insurance liabilities	35,941	35,623	1%
<b>Solvency</b>			<b>Δ %pts</b>
Regulatory solvency ratio Group	224%	220%	4
<b>FTE's</b>			<b>Δ %</b>
Internal staff	19,657	20,185	-3%
External staff	2,113	2,212	-4%
<b>Total FTEs</b>	<b>21,770</b>	<b>22,397</b>	<b>-3%</b>

\* 2010 figures adjusted for comparison reasons

### Net profit / profit before tax

Profit before tax from regular activities in the first half of 2011 was up 27% to €201 million compared to €158 million in the first half of 2010. The increase is mainly due to better results in Life. However, profit before tax (IFRS) decreased to €184 million (H1 2010: €835 million). The main reason is the lower result from PZU (regular results, settlement and sale of shares at IPO) of €820 million in H1 2010. Other items which impacted the result were an impairment on Greek sovereign bonds of €48 million which was partly offset by divestment results of our Belgium activities of €30 million. In the first half of 2010, our results were impacted by a one-off provision for unit-linked policies of €143 million.

Net profit amounted to €180 million (H1 2010: €864 million).

Profit before tax	(€ million)		
	H1 2011	H1 2010	Δ
Profit before tax from regular activities	201	158	+43
Impairment Greek bonds	-48		-48
Divestments	30		30
PZU results	1	820	-819
Unit-linked provisions		-143	143
<b>Profit before tax</b>	<b>184</b>	<b>835</b>	<b>-651</b>

### Profit before tax by business line

All Eureko's business lines, Non-life, Health, Life and Banking contributed to Eureko's positive result and all the insurance activities improved performance in the first half of 2011.

Segment results	(€ million)	
	H1 2011	H1 2010
Non-life	250	219
Health	171	162
Life	73	-100
Banking	22	49
Other activities	-332	505
<b>Total</b>	<b>184</b>	<b>835</b>

Non-life improved €31 million, mainly due to the sale of Avéro Belgium (€30 million profit). The combined ratio is in line with the previous year. In Health, results improved through better insurance results partly offset by temporary higher costs as a result of integrating our two Health divisions in the Netherlands and the acceleration of initiatives to improve the quality of care. The aim here is to ensure

high-quality healthcare remains accessible and affordable for all. Life's performance improved mainly as a result of lower expenses; in H1 2010 the result was impacted negatively by €143 million for a one-off provision on unit-linked policies. Our Banking business saw a decline of €27 million compared to H1 2010 mainly due to lower interest-rate margins as a result of higher-priced funding. Other activities included the PZU results (€820 million) in H1 2010 which explains the difference in performance.

### Profit before tax by country

Eureko's activities in the Netherlands under the Achmea brand were responsible for €225 million of total profit before tax. A number of our international companies generated good operating performance. This was however offset by an impairment of Greek sovereign bonds on our Greek business of €48 million and several additional provisions due to difficult market conditions. Eureko Sigorta in Turkey saw a decline in profit before tax to €10 million (H1 2010: €22 million). This was due primarily to an additional IBNR (incurred but not reported) and legal provision ensuing from changes in regulations, higher marketing costs and higher commissions as a result of higher sales. In spite of the distressed situation in Greece, Interamerican Greece achieved a recovery in regular profit before tax of €28 million (H1 2010: €1 million), mainly through good results in Non-life, the release of Life and Health reserves and lower expenses. At Oranta Russia, profit before tax declined to a loss of €16 million compared to a loss of €13 million in H1 2010. Results at Friends First Ireland are under continued pressure, not least due to the challenging economic environment. In H1 2011, Friends First made a loss of €15 million compared to a loss of €6 million in the same period in 2010. In 2011, results were negatively affected by adjustments to the discount curve.

### Impairment Greek sovereign bonds

There has been a marked deterioration in Greece's economic and financial situation. This has resulted in a significant increase of the credit spread and seriously affected the country's ability to raise funding. The eurozone governments and the IMF designed a support package including a voluntary programme for private-investor participation supported by the IIF. Eureko has exposure to Greek government bonds through its Greek subsidiary, Interamerican. At the end of June 2011, exposure amounted to a fair value of €86 million (nominal value €145 million). Eureko intends to participate in the support package. As a consequence, Eureko has taken an impairment of its

outstanding Greek bonds of €48 million. After the impairment, a negative revaluation reserve remains of €11 million.

### Gross written premiums

In the first half of 2011, the Eureka Group was able to achieve an increase in gross written premiums of 2%, from €10,713 million in the first half of 2010 to €10,956 million in the reporting period. Non-life saw a decline of 3%, which is mainly the result of the sale of our activities in Belgium. Corrected for this, gross written premiums declined only 1% on the previous year, mainly due to fierce competition in Property & Casualty in the saturated Dutch market. Health gross written premiums grew 6%, with increases in both the Netherlands and in our international operating companies. The increase in the Netherlands is mainly due to increases in premiums to cover the rising costs of healthcare. Life activities show a fall of 2% in gross written premiums. The underlying reasons are a shrinking market, primarily due to competition from bank savings products with similar fiscal advantages to regular life insurance, and our decision to take a cautious position on pension products with focus on value creation.

### Expenses

Although total operating expenses remained stable at €1,540 million (H1 2010: €1,544 million), gross operating expenses (excluding commissions, re-insurance commissions and cost allocations) increased €18 million or 1% to €1,388 million (H1 2010: €1,370 million), as a result of one-off costs of €40 million. We will continue to focus on further cost reduction and are committed to achieving the announced cost-reduction target of €300 million in 2011 compared to year-end 2008.

In recent years, we have set in motion far-reaching organisational changes and improvement programmes. Although lower than in H1 2010, we are still investing heavily in strategic projects and this investment will remain a priority for us. The major component in operating expenses during the first half of 2011 is personnel-related. The increase is due primarily to higher pension costs (€+30 million), caused by a lower discount rate and higher life expectancy based on new mortality tables. As a result, extra additions were needed to our personnel pension plan assets. We have also taken a provision (€10 million) for additional costs at the Achmea Transfer Center that mediates new positions for excess personnel. Following a period when external personnel costs were reduced significantly, these have risen, mainly as

a result of bringing forward the integration of Achmea Health and Agis.

### FTEs

During the first half of 2011 the number of FTEs was further reduced by 627. Total FTEs numbered 21,770 compared to 22,397 at the end of 2010. In the Netherlands, the number of FTEs decreased by 293 FTE to 17,513. The number of FTEs of our international activities decreased 334 to 4,257 mainly as a result of the divestment of our Belgian and French activities (-201).

Our target is to reduce the number of FTEs in the Netherlands by 2,500 at year-end 2011 compared to year-end 2008. Including the 293 reduction in H1 2011, total reductions amount to 2,000. We are on target and although the conditions are challenging we remain committed to achieving our target. The FTE reduction in the Netherlands is impacted by speeding up the integration of Achmea Health and Agis requiring the deployment of more personnel in the short-term. The number of FTEs currently being mediated by the Achmea Transfer Center has increased by almost 100 to over 400.

### CAPITAL MANAGEMENT

Development of total equity	(€ million)
<b>Total equity year-end 2010</b>	<b>10,357</b>
Net income	180
Dividend and coupon payments to holders of equity instruments	-101
Revaluation equity and fixed income portfolio	-77
FX reserves	-51
Other	30
<b>Total equity end June 2011</b>	<b>10,338</b>

Our capital base was stable at €10,338 million (year-end 2010: €10,357 million). The slight change is due to the addition of the H1 2011 result (€180 million) offset by dividend payments and coupon payments to holders of equity instruments (€-101 million), revaluations and changes in foreign currency (€-128 million).

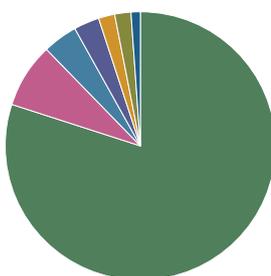
Two dividend payments were made in H1 2011. In April, an amount of €57 million was paid out. This consists of €15 million in final dividend on preference shares and €42 million as final dividend on ordinary shares. In H1 2011, coupon payments of €44 million were also paid on hybrid capital (other equity instruments).

Group solvency, compared to year-end 2010, shows an increase of 4% point to 224%. The solvency of the insurance entities increased to 233% (year-end 2010: 227%), also due to legal mergers of insurance entities. Eureka's external borrowings, excluding banking and finance operations, increased to €1,014 million (year-end 2010: €825 million). Debt leverage (debt including hybrid capital instruments divided by total equity plus debt minus goodwill) increased from 22.0% at year-end 2010 to 23.3%.

## INVESTMENT PORTFOLIO

### Investment portfolio at 30 June 2011 (€40 billion)

Fixed income	80%
Deposits credit institutions/ reinsurers	8%
Real Estate	4%
Derivatives	3%
Equities	2%
Alternatives	2%
Other	1%



Eureka ensures a low risk profile on its investment portfolio. This conservative approach is driven by our cooperative commitment to continuity and returns to customers. In the reporting period, Eureka maintained its prudent and conservative approach as is reflected in the large share of which 80% is invested in fixed income (year-end 2010: 80%). In the first half of 2011, Eureka's investment portfolio decreased €0.8 billion to €40.2 billion (2010: €41 billion).<sup>1</sup> The decrease is mainly the result of lower value of derivatives, down €0.6 billion to €1.3 billion. The credit spreads on the sovereign bonds of the GIIPS countries (Greece, Italy, Ireland, Portugal and Spain) widened considerably in the first half of 2011. This resulted in lower market values. We decreased our exposure in Spain and, at the end of June, total sovereign market value exposure on GIIPS countries amounted to €588 million (year-end 2010: €740 million) or 1.8% of the total fixed income portfolio. The government bond exposure in Greece and Ireland relates to our business activities, Interamerican and Friends First, respectively, in those countries.

<sup>1</sup> Excluding investments related to investments backing linked liabilities and investments in associated companies.

### Sovereign exposure

€ million

	30-06-2011			31-12-2010		
	Fair value	Nominal Value	in % of fixed income portfolio	Fair value	Nominal Value	in % of fixed income portfolio
Greece	86	145	0.3%	97	145	0.3%
Italy	89	95	0.3%	89	95	0.3%
Ireland	326	481	1.0%	384	481	1.2%
Portugal	40	55	0.1%	49	55	0.2%
Spain	47	48	0.1%	121	123	0.4%
<b>Total</b>	<b>588</b>	<b>824</b>	<b>1.8%</b>	<b>740</b>	<b>899</b>	<b>2.3%</b>

### Fixed income portfolio

#### Relative position of fixed income portfolio by nature

	30-6-2011	31-12-2010
Government bonds / government related	69%	61%
Covered bonds	4%	5%
Credits	12%	16%
Convertibles	1%	1%
High yield corporates	0%	1%
Asset backed securities	1%	3%
Structured credits	2%	2%
Loans	11%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Relative position of fixed income portfolio by rating

	30-6-2011	31-12-2010
AAA	84%	83%
AA	2%	3%
A	6%	7%
BBB	6%	5%
<BBB	1%	1%
Not rated	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The fixed income portfolio remained stable at €31.9 billion compared to €32.0 billion at the end of 2010. The relative position in government bonds and government related was increased from 61% at year-end 2010 to 69% at the end of June 2011. The exposure to AAA governments especially, such as the Netherlands, was increased. Of the total fixed-income portfolio, 84% (year-end 2010: 83%) has a AAA rating. A modest part of our fixed-income portfolio is in corporate bonds and only 1% is non-investment grade corporates.

### **Equity portfolio**

The relative share of equities remained limited at only 2% of the total investment portfolio. The equity portfolio remained stable at €0.8 billion (year-end 2010: €0.8 billion). Our exposure to equity is limited and with the exception of foreign-exchange rate risk, the position is not hedged. The exposure in alternatives, such as private equity, hedge funds, infrastructure and commodities, was stable at €0.7 billion.

### **Real estate portfolio**

Our real estate portfolio remained stable at €1.8 billion (€1.8 billion at year-end 2010). This is 4% of the total investment portfolio. This portfolio comprises €1.4 billion in direct real estate, with the remaining €0.4 billion in indirect real estate. The direct real estate portfolio consists of 32% residential, 27% offices, 30% retail and 11% other real estate. As a result of new valuations, the direct real estate portfolio was impaired for €46 million.

- Results up
- Strong growth of premiums of European activities; premiums in the Netherlands under pressure
- Combined ratio stable
- Direct writers InShared and Anytime (Greece) show strong growth

	H1 2011	H1 2010*	Δ %
(€ million)			
<b>Results</b>			
Gross written premiums	2,359	2,441	-3%
The Netherlands	2,022	2,065	-2%
<i>Of which Property &amp; Casualty</i>	1,488	1,533	-3%
<i>Of which Income Protection</i>	534	532	0%
Europe	337	376	-10%
Net earned premiums	1,795	1,892	-5%
Investments	104	110	-5%
Fee and commission income	55	65	-15%
Other income	45	0	n.m.
<b>Total income</b>	<b>1,999</b>	<b>2,067</b>	<b>-3%</b>
Claims and movements in insurance liabilities	1,184	1,265	-6%
Operating expenses	551	561	-2%
Other expenses	14	22	-36%
<b>Total expenses</b>	<b>1,749</b>	<b>1,848</b>	<b>-5%</b>
<b>Profit before tax</b>	<b>250</b>	<b>219</b>	<b>14%</b>
<b>Key figures</b>			<b>Δ %pts</b>
Claims ratio	65.2%	66.0%	-0.8
Expense ratio	27.6%	26.5%	1.1
Combined ratio	92.8%	92.5%	0.3
	<b>30-06-11</b>	<b>31-12-10</b>	
Regulatory solvency ratio	282%	281%	1
			<b>Δ %</b>
Number of internal FTE	7,565	7,821	-3%

\* 2010 figures adjusted for comparison reasons

## GENERAL

The Non-life business is a core business for Eureko. It accounts for 21% (H1 2010: 23%) of total gross written premiums. Eureko is active in the Non-life business in the Netherlands, Turkey, Greece, Russia, Slovakia, Bulgaria and Romania. The sale of our Non-life activities at Avéro Belgium, announced last year, was finalised during the reporting period.

In the first half of 2011, gross written premiums were stable at €2,359 million if corrected for the divestment of Avéro Belgium (H1 2010: €2,373 million excluding Avéro Belgium). In Property & Casualty (P&C) in the Netherlands, gross written premiums were down 3% mainly due to continuing fierce competition. This is offset to some extent by growth generated by our

operating companies in Europe, especially Eureka Sigorta. Our direct writers, InShared in the Netherlands and Anytime in Greece, are both performing very well. On 1 July, InShared reached agreement on insurance to be distributed through the popular Hema retail brand. Anytime has already sold more than 60,000 policies through this comparatively new channel in Greece. Income protection is in line with last year although we are expecting a decline in gross written premiums for the full year.

Profit before tax grew €31 million to €250 million compared to the same period in 2010, due also to the sale of Avéro Belgium which contributed €30 million to profit. Excluding the profit from the divestment and the results of Avéro Belgium in H1 2010, profits improved €5 million. Claims declined in the Netherlands, primarily within our banking distribution channel and in Income protection. However, premium income also declined in line with ongoing trends in some segments of the Dutch Non-life market. Operating expenses in Non-life are down, with the Netherlands remaining stable and a decrease in Europe, primarily through the sale of Avéro Belgium.

Although operating expenses are down, the expense ratio shows an increase from 26.5% to 27.6% as net earned premiums declined more rapidly than operating expenses.

The claims ratio improved to 65.2%, down on 66.0% for the same period last year. The improvement is due primarily to continued slight declines in Property & Casualty (P&C) in the Netherlands. This is due to lower claims frequency and less major claims. Decreases are offset to some extent by a higher claims ratio in Income protection. The combined ratio was up slightly to 92.8% (H1 2010: 92.5%).

## THE NETHERLANDS

As a major player in the Dutch market, Non-life products are offered through Achmea's various brands and through all distribution channels (direct, bank and broker). Gross written premiums were down 2% to €2,022 million compared to the same period last year (H1 2010: €2,065 million). This decrease is due wholly to P&C. In a saturated market competition, especially in the motor segment, is fierce. The expense ratio rose from 24.5% in the first half of 2010 to 25.5%. The claims ratio fell to 66.2% (H1 2010: 67.5%). As a result, the combined ratio improved 0.3%-points to 91.7%.

### Property & Casualty

Achmea is market leader in Property & Casualty insurances including motor insurance. We retain our leading position by offering competitive rates to customers with profitability at portfolio level as primary point of departure. Through a combination of economies of scale, volume and high solvency ratios, our positioning in the market is strong.

Gross written premiums in the first half of 2011 were €1,488 million (H1 2010: €1,533 million) primarily due to lower premiums in the motor and fire segments. The expense ratio for P&C increased from 24.7% to 25.3% as a result of higher IT costs relating to strategic investment in the Non-life business domain and of an increase in acquisition costs, especially in marketing and sales. The claims ratio improved from 64.3% to 62.8% mainly due to lower claims frequency, less major claims and our continued focus on underwriting and profitability rather than growth. The combined ratio improved to 88.1% (H1 2010: 89.0%).

### Income protection and occupational health services

Occupational health insurance provides insurance solutions for income protection and the prevention and reduction of absenteeism due to illness and disability. Gross written premiums were €534 million (H1 2010: €532 million) in the first half of 2011. The premiums in long-term disability (in Dutch: WIA) increased but we are expecting a decline over the full year. Disability insurance (in Dutch: AOV) is in line with the previous year. Absenteeism insurance is down as a result of strong competition and ensuing pressure on premiums.

Operating expenses decreased in both Income protection and Occupational health services mainly as a result of decreases in the number of FTEs. However, this is not visible in the expense ratio as net premiums decreased more. The expense ratio is 26.1% compared to 23.9% in the same period last year. The claims ratio increased to 78.6% (H1 2010: 77.8%) despite lower claims. This increase is due primarily to single premium contracts for long-term disability. The combined ratio increased to 104.7% (H1 2010: 101.7%).

## OUR EUROPEAN MARKETS

In H1 2011, our European operating companies generated €337 million in gross written premiums (H1 2010: €376 million). If Avéro Belgium is excluded (€68 million) then gross written premiums increased 9%. All operating companies showed growth, especially Eureka Sigorta.

### Turkey

Gross written premiums grew 13% in the first half of 2011, from €141 million to €159 million. Eureka Sigorta has a market share of more than 5%. Both our broker and agency channels, the traditional distributors in Turkey, are performing well. Eureka Sigorta is implementing new regulations imposed by the local regulator which will have positive effects on the overall market in the long run. However, in H1 2011 an additional IBNR provision, as a result of new regulations, and a legal provision impacted the result negatively.

### Greece

Interamerican is performing well considering the market situation and is seen as one of the most reliable insurance partners in the market. A growth of 2% was generated on gross written premiums to €116 million (H1 2010: €114 million) whereas the expectation is that the market decreased slightly in the first half of 2011. Most of the growth is attributable to our segmentation strategy and the very good performance of all our distribution channels, especially direct (Anytime).

### Russia

Oranta, our company in Russia, contributed gross written premiums of €34 million (H1 2010: €32 million). Oranta has recently opened its new shared service centre, centralising claims and policy administration using a uniform new IT platform.

### Slovakia

Over the first half of 2011, Union, our company in Slovakia, contributed €16 million to gross written premiums compared to €14 million last year. This 14% growth is due mainly to the successful introduction of the Motor business line last year.

- Profit before tax up
- Gross written premiums 6% higher
- Regulatory approval for De Friesland Zorgverzekeraar merger
- Integration Achmea Health and Agis brought forward one year

	H1 2011	H1 2010*	Δ %
(€ million)			
<b>Results</b>			
Gross written premiums	6,560	6,189	6%
The Netherlands	6,368	6,008	6%
<i>Of which Basic Health insurance</i>	5,659	5,326	6%
<i>Of which Supplementary health insurance</i>	709	682	4%
Europe	192	181	6%
Net earned premiums	6,398	6,010	6%
Investments	40	39	3%
Fee and commission income	28	27	4%
Other income	33	37	-11%
<b>Total income</b>	<b>6,499</b>	<b>6,113</b>	<b>6%</b>
Claims and movements in insurance liabilities	6,021	5,657	6%
Operating expenses	286	255	12%
Other expenses	21	39	-46%
<b>Total expenses</b>	<b>6,328</b>	<b>5,951</b>	<b>6%</b>
Profit before tax	171	162	6%
<b>Key ratios basic health insurance</b>			<b>Δ %pts</b>
Claims ratio	96.0%	96.4%	-0.4
Expense ratio	2.9%	2.6%	0.3
Combined ratio	98.9%	99.0%	-0.1
<b>Key ratios supplementary health insurance</b>			
Claims ratio	80.7%	74.6%	6.1
Expense ratio	9.5%	8.6%	0.9
Combined ratio	90.2%	83.2%	7.0
	<b>30-06-11</b>	<b>31-12-10</b>	
Regulatory solvency ratio	198%	192%	6
			<b>Δ %</b>
Number of internal FTE	4,187	4,192	0%

\* 2010 figures adjusted for comparison reasons

## GENERAL

Health insurance is a core business for Eureko, especially in the Netherlands where Achmea is market leader. Around 60% (H1 2010: 58%) of all Eureko gross written premiums are generated by our health business, mainly in the Netherlands. Health insurance

is also offered in Greece, Russia, Slovakia, Turkey and Romania. During H1 2011, the proposed merger between Achmea and De Friesland Zorgverzekeraar in the Netherlands was approved by the regulator. The intention is to finalise the merger at the end of this year.

In the first half of 2011, total gross written premiums increased 6% to €6,560 million (H1 2010: €6,189 million). Basic health insurance in the Netherlands increased 6% to €5,659 (H1 2010: €5,326) with supplementary insurance showing growth of 4% to €709 million compared to €682 million in the reporting period last year. Policyholder premiums in the Netherlands were up 10% to €3,064 million from €2,774 million in the first half of 2010 as premiums were increased to cover the rising cost of healthcare. Contributions from the Dutch state grew 2% to €3,304 million (H1 2010: €3,234 million) following higher claims estimates. International health activities also saw an increase of 6% in gross written premiums to €192 million (H1 2010: €181 million).

Profit before tax for H1 2011 was €171 million (H1 2010: €162 million). The result was impacted by adjustments to previous years' claims estimates which had a positive effect of €47 million and the release of other provisions of €12 million, specifically those relating to bad debts due to transfer of collection to the state, and a general provision. This was partly offset by an additional provision of €28 million to cover claims. Operating expenses, however, were up 12% on the previous reporting period, from €255 million to €286 million, due partly to increases in personnel costs. As the integration of Achmea Health and Agis has been brought forward one year, we have filled some vacancies with temporary and external personnel.

## THE NETHERLANDS

### Basic health

In basic health, gross written premiums increased by €333 million to €5,659 million (H1 2010: €5,326 million). The annual premiums from private individuals were increased at the beginning of this year to cover the increased cost of healthcare, resulting in €263 million higher premiums. The contributions from the Dutch state's equalisation fund were €70 million higher due to higher expected claims.

Profit before tax from basic health increased €9 million to €72 million (H1 2010: €63 million) primarily due to the release of provisions related to the Dutch insurance system, release of bad debt provisions following transfer to the state and a higher interest-rate result. This increase was partly offset by higher operating costs, mainly as a result of higher personnel costs. The claims ratio improved to 96.0% (H1 2010: 96.4%) but the expense ratio was up to 2.9% (H1 2010: 2.6%). The combined ratio further improved to 98.9% (H1 2010: 99.0%).

### Supplementary health

Gross written premiums for supplementary health insurance increased by €27 million to €709 million (H1 2010: €682 million), primarily due to higher premiums per customer.

Profit before tax from supplementary health decreased €49 million to €65 million (H1 2010: €114 million). The decline is mainly due to an adjustment of provisions in H1 2010 of €37 million. Operating expenses increased by €15 million. The claims ratio was 80.7% compared to 74.6% in H1 2010. Adjusted for the one-off in H1 2010, the claims ratio deteriorated slightly by 0.7%-points. The expense ratio is 9.5% (H1 2010: 8.6%) and the combined ratio comes to 90.2% (H1 2010: 83.2%, adjusted figure 88.6%).

## OUR EUROPEAN MARKETS

Eureko's European operating companies in Greece, Slovakia, Turkey, Russia and Romania all offer health insurance, usually as a complement to state provided care. In the reporting period, gross written premiums increased 6% to €192 million compared to €181 million in the first half of 2010, mainly due to higher premiums in Slovakia and Russia.

### Greece

Interamerican continues to maintain its strong position in the market offering private health insurance as an alternative to state provided care. However the current turmoil in Greece has led to a decline in gross written premiums of around 3%. Premiums fell by €2 million to €56 million (H1 2010: €58 million) as a result of higher lapses.

### **Slovakia**

In Slovakia, Eureka offers both basic and supplementary health insurance under its Union brand label and currently ranks third in basic health insurance. After an uncertain four-year period in which the Slovak Government changed legislation that affected private healthcare insurers, new regulations become effective from August 2011 that effectively allow us to grow. Moreover, a gradually improving economy is already driving growth in premiums. For Union, this meant 10% or €10 million growth in gross written premiums in the first half of 2011 to €108 million (H1 2010: €98 million).

### **Other European Countries**

In our other European Markets (Turkey, Russia, Romania), gross written premiums grew €3 million to €28 million (H1 2010: €25 million). The increase is due primarily to growth in the Russian market where our premiums increased by more than 50% to €11 million (H1 2010: €7 million). The health insurance market in Russia is growing rapidly and our Russian operating company, Oranta, is well positioned to take full advantage.

- Profitability restored
- VNB margin improved in the Netherlands
- Expenses down considerably

	H1 2011	H1 2010*	Δ %
(€ million)			
<b>Results</b>			
Gross written premiums	2,037	2,083	-2%
Net earned premiums	1,679	1,662	1%
Fee and commission income	141	147	-4%
Investments	-26	985	n.m.
Income from investments linked liabilities	-279	1,210	n.m.
Other income	7	15	-53%
<b>Total income</b>	<b>1,522</b>	<b>4,019</b>	<b>-62%</b>
Claims and movements in insurance liabilities	1,041	3,691	-72%
Operating expenses	347	375	-8%
Other expenses	61	53	13%
<b>Total expenses</b>	<b>1,449</b>	<b>4,119</b>	<b>-65%</b>
<b>Profit before tax</b>	<b>73</b>	<b>-100</b>	<b>n.m.</b>
<b>Key figures</b>			<b>Δ %</b>
Value added by new business**	6	6	0%
New business (APE)	92	122	-24%
Present value of new business premiums (PVNBP)	753	1,011	-25%
New business margin	0.8%	0.6%	0.2%pts
Value added by new business as a % of APE	6.1%	4.9%	1.2%pts
	<b>30-06-11</b>	<b>31-12-10</b>	
Embedded value***	4,870	4,969	-2%
Regulatory solvency ratio	232%	223%	9%pts
			<b>Δ %</b>
Number of internal FTE	3,704	3,912	-5%

\* 2010 figures adjusted for comparison reasons

\*\* After effect of economic assumptions

\*\*\* Eureko applies the European Embedded Value Principles

## GENERAL

Life is a major business for Eureka. We offer individual life, group pension insurance and pension services. The Life business represents 19% (H1 2010: 19%) of total gross written premiums. Eureka offers Life products in the Netherlands, Ireland, Greece, Slovakia, Romania and Bulgaria. The sale of our French business, Império, was closed in April 2011.

Gross written premiums were down 2%, from €2,083 million to €2,037 million. The decline is the result of both lower single and annual unit-linked premiums. Traditional life policies increased.

Gross written premiums specified	(€ million)		
	H1 2011	H1 2010	Δ %
Single premiums	362	384	-6%
Annual premiums	1,675	1,699	-1%
<b>Total</b>	<b>2,037</b>	<b>2,083</b>	<b>-2%</b>
Traditional	1,180	1,112	6%
Unit-linked	857	971	-12%
<b>Total</b>	<b>2,037</b>	<b>2,083</b>	<b>-2%</b>

**Profit before tax**

Profit before tax improved to €73 million (H1 2010: €-100 million) primarily because of a one-off unit-linked provision in 2010. Excluding this provision, the result improved €30 million. In spite of a 2% decline in gross written premiums, our Life business saw a return to profitability in the first half of 2011 due primarily to a strong fall in operating expenses.

**The value of new business (VNB)**

Market conditions remained challenging and profitability on new products remained under pressure. Nevertheless, despite lower sales, VNB was stable at €6 million (H1 2010: €6 million). VNB in the Netherlands improved €4 million to €11 million but this was offset by lower and negative VNB in Europe of €5 million (H1 2010 €-1 million). VNB declined especially in Ireland as a result of the economic situation. In the Netherlands, the VNB of our pension business improved but remained negative. VNB of individual life improved mainly as a result of term insurance.

New sales or Annual Premium Equivalent (APE) declined 24% to €92 million (H1 2010: €122 million). In the Netherlands, APE declined by 16%, and was 34% lower in the rest of Europe. The main reason for the decline is a reclassification of Health riders in our Greek business so it no longer forms part of the Life segment in anticipation of Solvency II.

As a result of stable VNB and a lower APE, the new business margin improved from 0.6% in H1 2010 to 0.8%. The margin improved in the Netherlands especially, from 1.1% in the first half of 2010 to 2.2%, reflecting the focus on profitable growth. Elsewhere, the new business margin declined from -0.3% to -2.1%, specifically as a result of the reclassification of Greek Health riders and the challenging markets in Greece and Ireland.

Embedded value	(€ million)	
	30-6-2011	31-12-2010
Required capital	1,773	1,766
EV Free surplus	2,247	2,269
Shareholder Net Worth	4,020	4,035
Value in force before cost of required capital	1,551	1,628
Cost of Required capital	-701	-694
Value in Force after cost of required capital	850	934
<b>Embedded value</b>	<b>4,870</b>	<b>4,969</b>

Embedded Value decreased by 2% to €4,870 million (year-end 2010: €4,969 million). The decrease is mainly due to a lower Value in Force of €84 million primarily as a result of the transfer of the Greek Health portfolio to another segment. Shareholders' Net Worth remained stable at €4,020 million (year-end 2010: €4,035 million).

## THE NETHERLANDS

The Dutch Life market is both mature and saturated. The economic crisis continues to impact individual life and pension insurance through low long-term interest rates. So-called 'bank savings' products that compete with traditional insurance products are growing in popularity. Legislation on raising the (state) pensionable age to 67 will also impact our industry. New life expectancy tables which indicate that people live longer than the previous forecast, puts further pressure on the pension business. In the Netherlands, Achmea is focusing on term insurance and unit-linked products while introducing products that meet market demand.

### Pension insurance

In pension insurance, gross written premiums declined 6%, from €810 million in the first half of 2010 to €760 million. The main reason for this decline is lower single premiums and continuing low interest rates so we are cautious about offering guaranteed products. We expect slight growth (1%) in annual premiums but single premiums are still under pressure and we continue to see a clear shift in the market to defined contribution.

### Individual Life Insurance

Gross written premiums in individual life decreased 9% to €726 million (H1 2010 €796 million) as the Dutch market for almost all life products continues to shrink. Only term insurance and to a limited extent mortgage-related insurances are bucking this trend. In line with this development, the decline in gross written premiums was somewhat offset by an increase in term policies.

### Pension Services

We offer management services to pension funds through Syntrus Achmea. At the end of the reporting period, Assets under Management (AuM) were €52 billion (year-end 2010: €62 billion). The decrease is mainly due to the departure of a large client. However, Syntrus Achmea has been able to attract three new pension-fund clients and won the mandate to manage the assets of a fourth new client. The real-estate component of Syntrus Achmea's AuM was stable at €14 billion (year-end 2010: €14 billion). Total fee and commission income decreased to €135 million (H1 2010: €142 million) also due to the departure of a large client.

## OUR EUROPEAN MARKETS

In H1 2011, gross written premiums amounted to €171 million compared to €214 million in H1 2010 mainly as a result of the sale of our French Life business Império. Gross written premiums generated by our European operating companies were adversely affected by very difficult economic environments in both Greece and Ireland.

### Greece

Greek economic circumstances remain tough. Our operating company, Interamerican, saw a decline in gross written premiums from €53 million in 2010 to €46 million in the reporting period. The contribution of investment contracts declined from €33 million to €22 million. The result is positively impacted by a mortality table reserve release. In May 2011, Interamerican began implementing a new strategy aimed at increasing competitiveness.

### Ireland

The market for life insurance in Ireland continues to be very difficult, in line with the economic conditions. For Friends First Life this has resulted in lower sales. We expect this difficult environment to continue in the second half of this year. Reflecting lower sales and higher lapses, gross written premiums on insurance contracts at €108 million are 8% lower than in H1 2010 (€117 million). Contributions to investment contracts are also impacted by the sales and lapse factors but at €146 million are 4% ahead of H1 2010, mainly due to the requirement for the trustees of many in-force insured pension funds to increase contributions to meet regulatory requirements around minimum funding standards.

### Other European Countries

Union Slovakia, Eureko Romania and Interamerican Bulgaria performed in line with H1 2010. Gross written premiums were €9 million compared to €10 million in H1 2010. Despite the difficult economic circumstances, the result increased due to cost-reduction programmes.

- Net interest margin declines mainly due to higher funding costs
- Lower loan/loss provisions
- Internet savings successful

	(€ million)		
	H1 2011	H1 2010	Δ %
<b>Results</b>			
Net interest margin	46	81	-43%
Net commission income	7	2	n.m.
Realised and unrealised results	15	22	-32%
Other income	7	1	n.m.
<b>Total income</b>	<b>75</b>	<b>106</b>	<b>-29%</b>
Operating expenses	49	51	-4%
Other expenses	1	0	0%
Additions to loan loss provisions	3	6	-50%
<b>Total expenses</b>	<b>53</b>	<b>57</b>	<b>-7%</b>
<b>Profit before tax</b>	<b>22</b>	<b>49</b>	<b>-55%</b>
<b>Key ratio</b>			
Cost/income ratio	65%	48%	17
<b>Banking Credit Portfolio</b>			
	<b>30-06-11</b>	<b>31-12-10</b>	<b>Δ %</b>
Achmea Hypotheekbank*	12,477	12,879	-3%
Staalbankiers	2,116	2,013	5%
Achmea Retailbank	278	214	30%
Friends First Finance	250	319	-22%
<b>Total</b>	<b>15,121</b>	<b>15,425</b>	<b>-2%</b>
<b>Tier 1 ratio</b>			
Achmea Hypotheekbank**	13.1%	12.8%	0.3
Staalbankiers**	13.1%	13.7%	-0.6
			<b>Δ %</b>
Number of internal FTE	488	501	-3%

\* Nominal values of the mortgage portfolio

\*\* On statutory basis

## GENERAL

For Eureko, banking is a complementary business. Through Achmea Bank (Achmea Hypotheekbank and Achmea Retailbank) and private banker Staalbankiers, we offer customers banking products and services.

In the reporting period, the net interest margin declined to €46 million (H1 2010: €81 million) mainly as a result of higher funding costs, a smaller mortgage portfolio, and the sale of the consumer-credit

portfolio. The sale resulted in €7 million less profit before tax than in the first half of 2010.

Operating expenses decreased €2 million to €49 million due to focus on reducing operational expenses. FTEs are down slightly but this is offset by the deployment of external personnel to fill vacancies. There were no exceptional additions to loan-loss provisions in the first half of 2011 (€3 million versus

€6 million in H1 2010). These are in line with expectations, including lower provisions at Achmea Hypotheekbank and Friends First than in the same period in 2010.

Profit before tax was down €27 million to €22 million (H1 2010: €49 million) mainly due to lower results at Achmea Hypotheekbank and Achmea Retailbank.

## THE NETHERLANDS

### Achmea Hypotheekbank

Achmea Hypotheekbank (AHB) offers mortgages through the direct channel brands, Centraal Beheer Achmea (CBA) and FBTO and via Woonfonds. The mortgage market has suffered considerably from stagnation in the housing market. Profit before tax decreased €32 million to €25 million<sup>2</sup> (H1 2010: €57 million) due to lower fair value results and as a result of an increase in the cost of refinancing the Bank's funding. AHB is pursuing a clear strategy aimed at reducing reliance on wholesale funding, also in light of higher funding costs. The aim is to source more funding from savings via Achmea Retailbank. The strategy tempers the inflow of new business while maintaining acceptable levels of profitability. Achmea Hypotheekbank's mortgage portfolio has declined 3% or €0.4 billion to €12.5 billion (year-end 2010: €12.9 billion) in line with this strategy. The Tier 1 ratio increased to 13.1% compared to 12.8% at the end of 2010.

### Achmea Retailbank

Savings products are offered to customers through the Achmea Retailbank via direct channel brands, CBA and FBTO, and broker brand Avéro Achmea. The bank no longer offers credit products following the sale, in 2011, of the consumer credit portfolio. In H1 2010, this portfolio contributed €7 million to profit before tax. Mainly as a result of this, in H1 2011 profit before tax decreased €10 million to a loss of €3 million (H1 2010: €7 million).

Total savings at the end of June 2011 amounted to €2.3 billion (year-end 2010: €2.1 billion) primarily as a result of significant growth in CBA's internet savings product.

### Staalbankiers

Staalbankiers provides private banking services to wealthy individuals, institutions and (semi) government agencies. Assets under Management remained stable at €1.6 billion. Commission income improved to €7 million (H1 2010: €5 million). Profit before tax in H1 2011 improved to €-9 million against a loss of €15 million in the reporting period in 2010. The Tier 1 ratio declined slightly to 13.1% compared to 13.7% at year-end 2010 due to lower Tier 1 capital.

## IRELAND

### Friends First Finance

In August 2009, we announced that Friends First Finance would cease operations. The extreme impact of the global credit crisis is the direct cause as the business model, which was underpinned by interbank lending, is no longer viable in the current economic environment. In the first half of 2011, Friends First Finance reported a profit before tax of €1 million while it runs off the existing portfolio.

<sup>2</sup> The statutory result of Achmea Hypotheekbank (€-5 million profit before tax) deviates from results included at Group-level as AHB implemented IFRS at a different date.

## OTHER ACTIVITIES

	(€ million)		
	H1 2011	H1 2010	Δ %
<b>Results</b>			
PZU, including settlement	1	832	-100%
F&C Asset Management	3	-9	n.m.
Investment income (MillenniumBCP)	-27	-21	-29%
Other income	28	85	-67%
<b>Total income</b>	<b>5</b>	<b>887</b>	<b>-99%</b>
Operating expenses	301	303	-1%
Interest and similar expenses	40	44	-9%
Other expenses	-4	35	n.m.
<b>Total expenses</b>	<b>337</b>	<b>382</b>	<b>-12%</b>
<b>Profit before tax</b>	<b>-332</b>	<b>505</b>	<b>n.m.</b>
	<b>30-06-11</b>	<b>31-12-10</b>	<b>Δ %</b>
Number of internal FTE	3,713	3,760	-1%

## GENERAL

Shared service centres, the Holding entities and strategic shareholdings are clustered under this segment. Profit before tax excluding PZU (PZU settlement, including operating expenses of €12 million) decreased €18 million to €-333 million (H1 2010: €-315 million). Other income was down mainly due to one-off results in H1 2010 related to the revaluation of the put option on Eureko Sigorta. Operating expenses are down by 1% to €301 million (H1 2010: €303 million). Other expenses are also down by €39 million primarily as a result of lower banking costs and a tax rebate in 2011.

### Operating Expenses

Operating expenses include strategic investments in programmes at Group level. In the first half of 2011 the investments in strategic projects were still considerable but lower than in H1 2010 due to lower expenses for the SENS-programme, whose investment requirement peaked in 2010. Other project costs are in line with last year. Higher provisions (€10 million) were made for the Achmea Transfer Centre that mediates new roles for excess personnel.

### PZU

In 2010 and ahead of the Initial Public Offering (IPO) in May, PZU contributed €94 million to Group results. Due to the sale of our stake in 2010, the result on PZU in 2011 is only €1 million. We have no exposure to PZU anymore.

### MillenniumBCP

The result for MillenniumBCP is €-27 million, €6 million lower than last year. This result consists of the impairment on the BCP shares (€21 million) due to lower share prices, the value change of our collared swap positions (€-8 million) and we received a stock dividend of €3 million.

### F&C Asset Management

F&C Asset Management's result is €3 million in the first half of 2011, up €12 million on the previous reporting period, due primarily to positive developments in sterling exchange rates and F&C's own share price.

### Garanti Emeklilik

Eureko also has a 15% stake in Garanti Emeklilik, partner of Garanti Bank's Life and Pension business. Eureko has the option to acquire a further 35% of this business. This option can be exercised until mid-June 2012.