Financial Statements 2011

achmea

Achmea 2011 Financial Statements

In 2011, Eureko B.V. and Achmea Holding N.V. were merged. We decided to move forward under the Achmea name.

This publication, the Achmea 2011 Financial Statements and the separate edition 'Achmea Annual Report 2011' together form the Annual Report, the Financial Statements and Other information of Achmea B.V.

Financial Statements

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF PROFIT)

(€ MILLION)

	NOTES	31 DECEMBER 2011	31 DECEMBER 2010
Assets			
Intangible assets	7	1,573	2,066
Associates	8	87	149
Property for own use and equipment	9	648	578
Investment property	10	1,243	1,416
Investments	11	41,113	39,426
Investments backing linked liabilities	12	23,314	22,551
Banking credit portfolio	13	16,932	16,828
Deferred tax assets	14	398	352
Deferred acquisition costs	15	226	384
Income tax receivable			
Amounts ceded to reinsurers	20	855	937
Receivables and accruals	16	4,589	5,458
Cash and cash equivalents	17	1,325	1,939
		92,303	**92,084**
Assets classified as 'held for sale'	5	10	1,054
Total assets		**92,313**	**93,138**
Equity			
Equity attributable to holders of equity instruments of the Company	18	9,769	10,352
Non-controlling interest	19	6	5
Total equity		**9,775**	**10,357**
Liabilities			
Insurance liabilities	20	37,520	35,623
Insurance liabilities where policyholders bear investment risks	21	20,771	20,305
Investment contracts	22	2,193	2,365
Post-employment benefits	23	1,024	1,080
Other provisions	24	273	324
Banking customer accounts	25	5,001	4,422
Loans and borrowings	26	11,086	12,600
Derivatives	11	1,586	1,031
Deferred tax liabilities	14	16	15
Income tax payable		99	95
Other liabilities	27	2,942	4,158
		82,511	**82,018**
Liabilities classified as 'held for sale'	5	27	763
Total equity and liabilities		**92,313**	**93,138**

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2011	2010
Income			
Gross written premiums Non-life	31	3,819	3,992
Gross written premiums Health	32	12,400	12,289
Gross written premiums Life	33	3,431	3,571
Gross written premiums		**19,650**	**19,852**
Reinsurance premiums		-849	-713
Change in provision for unearned premiums (net of reinsurance)		1	20
Net earned premiums		**18,802**	**19,159**
Income from associates	34	1	747
Investment income	35	1,254	1,395
Realised and unrealised gains and losses	36	769	563
Income from investments backing linked liabilities	37	979	1,836
Banking income	38	720	832
Fee and commission income, and income from service contracts	39	441	481
Other income	40	232	290
Total income		**23,198**	**25,303**
Expenses			
Claims and movements in insurance liabilities	41	18,668	18,366
Claims and movements in insurance liabilities ceded to reinsurers	41	-540	-346
Profit sharing and bonuses	42	804	650
Movements in insurance liabilities where policyholders bear investment risks		473	1,001
Benefits on investment contracts	43	-150	82
Operating expenses	44	3,031	3,268
Banking expenses	45	601	618
Interest and similar expenses		78	99
Other expenses	46	480	339
Total expenses		**23,445**	**24,077**
Profit before tax		**-247**	**1,226**
Income tax expenses	47	-39	6
Net profit		**-208**	**1,220**
Net profit attributable to:			
Holders of equity instruments of the Company		-209	1,220
Non-controlling interest		1	
Earnings per share from continuing operations (euros) and diluted earnings per share from continuing operations (euros)	49	-0.69	2.75

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTES	2011	2010
Currency translation differences on subsidiaries, intangible assets and associates		-85	1
Share in other comprehensive income of associates			-9
Revaluation property for own use		-18	
Unrealised gains and losses on available for sale instruments		451	692
Transfer from/to provision for profit sharing and bonuses		-561	-411
Gains and losses on available for sale instruments reclassified to the Income Statement on disposal		-109	-170
Impairment charges on available for sale instruments reclassified to the Income Statement		207	51
Unrealised gains and losses on cash flow hedging instruments			-8
Net other comprehensive income	48	**-115**	**146**
Net profit		-208	1,220
Comprehensive income		**-323**	**1,366**
Comprehensive income attributable to:			
Holders of equity instruments of the Company		-324	1,366
Non-controlling interest		1	

Except for the currency translation differences on subsidiaries, intangible assets and associates, which is included in the Exchange difference reserve, other comprehensive income is included in the Revaluation reserve.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2011	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 January	**11,381**	**-45**	**272**	**548**	**-101**	**-6**	**-4,242**	**1,220**	**1,325**	**10,352**	**5**	**10,357**
Net other comprehensive income				-30	-85					-115		-115
Net profit								-209		-209	1	-208
Comprehensive income				**-30**	**-85**			**-209**		**-324**	**1**	**-323**
Appropriations to reserves			314	-22			928	-1,220				
Dividends and coupon payments	-56						-80			-136		-136
Issue, repurchase and sale of equity instruments	42	-200								-158		-158
Other movements				2	8	-1	26			35		35
Balance at 31 December	**11,367**	**-245**	**586**	**498**	**-178**	**-7**	**-3,368**	**-209**	**1,325**	**9,769**	**6**	**9,775**

Share capital includes €10,933 million share premium (2010: €10,949 million).

Dividends per share distributed during the financial year 2011 to holders of ordinary shares amounted to €0.10 per share (2010: €2.58 per share).

Reference is made to Notes 18 and 19.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2010	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY	NON-CONTROLLING 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**
Net other comprehensive income				-168	322	-8				146		146
Net profit								1,220		1,220		1,220
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
Issue, repurchase and sale of equity instruments												
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**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	NOTES	2011	2010
Cash flow from operating activities			
Profit before tax		-247	1,226
Adjustments of non-cash items and reclassifications:			
Unrealised results on investments		-1,340	-1,177
Foreign exchange results		-91	-123
Amortisation and impairment charges on intangible assets, property for own use and equipment		482	186
Amortisation of deferred acquisition costs		49	87
Dividend income investments and investments backing linked liabilities		-164	-206
Rental income net of expenses		-126	-132
Interest income		-2,304	-2,512
Investment expenses		71	118
Interest expenses		580	598
Changes in operating assets and liabilities:			
Capitalised deferred acquisition costs		-3	-36
Changes in receivables and other liabilities		-35	-851
Changes in insurance liabilities net of reinsurance		1,230	1,086
Changes in banking credit portfolio		214	2,493
Changes in banking customer accounts and loans and borrowings related to banking activities		342	-1,143
Income taxes paid		36	-1
Changes in income tax		-57	-90
Other changes		-619	-293
		-1,982	**-770**
Cash flow from investing activities			
Investments, acquisitions and direct return on investments:			
Subsidiaries and Associates (net of cash acquired)		-54	
Investment property		-7	-76
Investments		-36,701	-57,018
Investments backing linked liabilities		-13,342	-12,480
Property for own use and equipment		-225	-94
Dividend received: associates			3
Dividend received: investments and investments backing linked liabilities		164	206
Rental income received net of expenses		126	132
Interest income received		1,989	2,163
Investment expenses		-71	-118
		-48,121	**-67,282**
Divestments and disposals:			
Subsidiaries and associates (net of cash disposed)			1,442
Investment property		126	67
Investments		38,042	56,461
Investments backing linked liabilities		13,523	12,760
Property for own use and equipment		123	10
		51,814	**70,740**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	NOTES	2011	2010
Cash flow from financing activities			
Issue, repurchase and sale of equity instruments		-200	
Dividends and coupon payments		-136	-1,171
Interest paid		-594	-579
Other credit facilities		-1,395	-384
		-2,325	**-2,134**
Net cash flow		-614	554
Cash and cash equivalents at 1 January		1,939	1,385
Cash and cash equivalents at 31 December	17	**1,325**	**1,939**
Cash and cash equivalents include the following items:			
Cash and bank balances		1,172	1,789
Call deposits		153	150
Cash and cash equivalents at 31 December	17	**1,325**	**1,939**

Notes To The Consolidated Financial Statements

GENERAL INFORMATION

Achmea B.V. is incorporated in the Netherlands and seated in Zeist. The head office is located at Handelsweg 2 in Zeist. The Achmea Group (hereafter called Achmea) comprises Achmea B.V. and the entities it controls.

Legal merger Eureko B.V. and Achmea Holding N.V.
On 18 November 2011, a legal merger was effected between Eureko B.V. and its subsidiary Achmea Holding N.V. Due to this merger all former rights and obligations of Achmea Holding N.V. were assigned to Eureko B.V. As Achmea Holding N.V. was a wholly-owned subsidiary of Eureko B.V., this merger has no impact on Net profit or Total equity, including its composition.
Also on 18 November 2011, Eureko B.V.'s name was changed to Achmea B.V. and its registered office has been relocated to Zeist.

1 ACCOUNTING POLICIES

A AUTHORISATION FINANCIAL STATEMENTS

The Achmea Consolidated Financial Statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Executive Board on 12 March 2012. At the same date, the Supervisory Board gave its advice to the General Meeting of Shareholders on adoption of the financial statements. The Executive Board may decide to amend the financial statements as long as these have not been adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may not amend these.

B BASIS OF PRESENTATION

The Achmea Consolidated Financial Statements, including the 2010 comparative figures, have been prepared in accordance with the International Financial Reporting Standards - including International Accounting Standards (IAS) and Interpretations - as at 31 December 2011 and as adopted by the European Union (hereafter EU and EU-IFRS). Furthermore, the Achmea 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 Achmea B.V.

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

C CHANGES IN REPORTING

Initial application of accounting policies
The following amendments and revisions to Standards have been adopted by Achmea as of 1 January 2011 but have no material impact on Net profit or Total equity of Achmea.

Standard	Title	Main changes
IAS 32	Financial Instruments: Presentation — Amendments relating to classification of rights issues	The amendment allows entities to classify rights issues for a fixed amount of foreign currency as part of Total equity.
IAS 24	Related Party Disclosures — Revised definition of related parties	The amendments clarify the definition of a related party and a related party transaction and exempt state-controlled entities from disclosure of certain related party transactions.
IAS 19 and IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction — November 2009 Amendments with respect to voluntary prepaid contributions	The amendments correct an unintended consequence of IFRIC 14 that in some circumstances entities are not permitted to recognise some voluntary prepayments for minimum funding contributions as an asset.
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.
Annual improvements	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	Various improvements to various standards.

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 2011 or prior years but are not applicable for the year ended 31 December 2011, and have not been applied in preparing these Consolidated Financial Statements. These are:

IFRS 7 Financial Instruments: Disclosure (amendment)

The IASB issued an amendment to IFRS 7 at the end of 2010. The amendment is applicable to all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset. The amendments aim to improve financial-statement user understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity related to these transferred assets. The amendments also require additional disclosures if a disproportionate number of transfer transactions are undertaken around the end of a reporting period. These amendments apply for annual periods beginning on or after 1 July 2011. These amendments will have no impact on Net profit or Total equity of Achmea.

IFRS 9 Financial Instruments

The IASB issued a new standard on the accounting for financial instruments. The standard issued on12 November 2009 covers the recognition and measurement of financial assets. On 28 October 2010, the IASB issued guidance on the recognition and measurement of financial liabilities. On 16 December 2011, the IASB issued an amendment that defers the mandatory effective date from 1 January 2013 to 1 January 2015 and therefore entities are required to apply the standard for reporting periods beginning on or after 1 January 2015. The EU has postponed the endorsement of IFRS 9. Achmea has decided not to adopt this accounting standard for the current reporting period as only part of IFRS 9 is finalised and the completion of the new standard on the accounting for insurance contracts is still pending. When Achmea adopts IFRS 9 it will have material impact on the presentation of financial assets in the Financial Statements as the current classifications of IAS 39 will disappear. It could have a significant impact on the measurement and accounting for fair value changes of Achmea's financial assets as the ´Available for sale´-category will be removed and, in certain cases, the standard requires the use of amortised cost. For financial liabilities the existing amortised cost measurement for most liabilities will be maintained.

IFRS 9 states that an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income. Due to the changes in measurement requirements for financial instruments, Achmea's Net profit and Total equity will be materially affected.

IFRS 10 Consolidated Financial Statements

The IASB issued IFRS 10 on 12 May 2011. The standard was developed as part of the IASB improvement process on the accounting for off-balance sheet activities and joint arrangements. IFRS 10 supersedes IAS 27, 'Consolidated and Separate Financial Statements', and SIC-12, 'Consolidation—Special Purpose Entities', and will be applicable for reporting periods beginning on or after 1 January 2013. To date, this standard has not been endorsed by the EU and Achmea cannot therefore apply this standard. IFRS 10 defines the principle of control and establishes control as the sole basis for determining which entities are to be consolidated in the financial statements. The standard also sets out requirements on how to apply the control principle. The standard is expected to have limited impact on the group of entities that need to be consolidated in Achmea's Financial Statements and, hence, will have limited impact on Net profit and Total equity of Achmea.

IFRS 11 Joint Arrangements

The IASB issued IFRS 11 on 12 May 2011. The standard was developed as part of the IASB improvement process on the accounting for off-balance sheet activities and joint arrangements. IFRS 11 supersedes IAS 31, 'Interest in Joint Ventures', and SIC-13, 'Jointly Controlled Entities—Non-Monetary Contributions by Venturers', and will be applicable from 1 January 2013. To date, this standard has not been endorsed by the EU and Achmea cannot therefore apply this standard. IFRS 11 focuses on the rights and obligations of arrangements rather than their legal form (as is currently the case). Furthermore, the standard limits the accounting method for interests in jointly controlled entities to a single method: the equity method as described in the reissued IAS 28 (rather than the proportionate consolidation method). These amendments will have only a limited impact on the presentation of joint ventures in which Achmea is involved. The standard will have no impact on Net profit and Total equity of Achmea.

IFRS 12 Disclosure of Interests in Other Entities

The IASB issued IFRS 12 on 12 May 2011. The standard was developed as part of the IASB improvement process on the accounting for off-balance sheet activities and joint arrangements. IFRS 12 will be applicable for reporting periods beginning on or after 1 January 2013. To date, this standard has not been endorsed by the EU and Achmea cannot therefore apply IFRS 12. IFRS 12 is applicable to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard establishes disclosure objectives according to which an entity discloses information. This standard will have limited impact on the presentation of Achmea's interests in joint arrangements,

Notes To The Consolidated Financial Statements

associates or unconsolidated entities. The standard will have no impact on Net profit and Total equity of Achmea.

IFRS 13 Fair Value Measurement
On 12 May 2011, the IASB issued IFRS 13 which defines fair value and sets out a single framework for measuring fair value. Furthermore, the standard describes disclosure requirements. The standard applies to all standards that require or permit fair value measurements or disclosures about fair value (except in specified circumstances). The standard is applicable to reporting periods beginning on or after 1 January 2013. To date, this standard has not been endorsed by the EU and Achmea cannot therefore apply this standard. The standard will have limited impact on the way Achmea measures the fair value of its assets and liabilities and, hence, will have limited impact on Net profit and Total equity of Achmea.

IAS 1 Presentation of Financial Statements (amendment)
On 16 June 2011, the IASB issued an amendment that changes and aligns the presentation of items of Other Comprehensive Income. The amendment requires presentation of items of Net Other Comprehensive Income that may be recycled through Net profit as a single item. The amendment does not clarify which items have to be recycled through Net profit. To date, the amendments have not been endorsed by the EU and Achmea cannot therefore apply this standard. The amendments will not have an impact on Net profit and Total equity of Achmea.

IAS 12 Deferred Tax: Recovery of Underlying Assets (amendment)
On 20 December 2010, the IASB issued amendments to IAS 12. The amendments provide an exception to the general principles of IAS 12 which requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. It introduces the rebuttable presumption for investment property measured using the fair value model in IAS 40, 'Investment Property', that the recovery of the carrying amount will be through sale. These amendments are applicable for reporting periods beginning on or after 1 January 2012. However, to date, the amendments have not been endorsed by the EU and Achmea cannot therefore apply these amendments. The amendments will have limited impact on Net profit and Total equity of Achmea.

IAS 19 Employee Benefits (amendment)
On 16 June 2011, the IASB issued an amended version of IAS 19. The improved standard no longer allows the use of the corridor approach; it requires that changes in measurement of plan assets and liabilities of the defined-benefit schemes are presented as 'Other Comprehensive Income' and it requires more extensive disclosures for these schemes. The amendments will be applicable for reporting periods beginning on or after 1 January 2013 and should be applied retrospectively. However, as the EU has not endorsed these amendments, Achmea cannot apply this standard. The amendments will have a material impact on Total equity and potentially on Net profit of Achmea as Achmea currently applies the corridor approach.

IAS 27 Reissued as IAS 27 Separate Financial Statements
On 12 May 2011, the IASB reissued IAS 27. The revised IAS 27 contains accounting and disclosure requirements only for investments in subsidiaries, joint ventures and associates in company financial statements. The standard applies to reporting periods beginning on or after 1 January 2013 but has not been endorsed by the EU at this time and Achmea cannot therefore apply the revised standard. The standard will have no impact on Achmea's company financial statements as Achmea makes use of the option provided in section 362 (8) Book 2, part 9 of the Dutch Civil Code for accounting for subsidiaries, joint ventures and associates in separate financial statements.

IAS 28 Reissued as IAS 28 Investments in Associates and Joint Ventures
On 12 May 2011, the IASB reissued IAS 28. The revised IAS 28 prescribes the accounting for investments in associates and sets out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard applies to reporting periods beginning on or after 1 January 2013 but has not been endorsed by the EU at this time and Achmea cannot therefore apply this revised standard. The revised standard will have a limited impact on the presentation of the joint ventures in which Achmea is involved. The revised standard will have no impact on Net profit and Total equity of Achmea.

IAS 32 Offsetting financial assets and financial liabilities (amendment)
On 16 December 2011, the IASB issued an amendment to IAS 32 that clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendments are applicable to reporting periods beginning on or after 1 January 2014 but have not been endorsed by the EU at this time and Achmea cannot therefore apply these amendments. These amendments are expected to have a limited impact on Achmea as no different offsetting decisions are expected. The amendments will have no impact on Net profit and Total equity of Achmea.

Notes To The Consolidated Financial Statements

Other

On 20 December 2010, the IASB issued additional exemptions for first time adopters (amendments to IFRS 1). As Achmea already applies EU-IFRS, the amendments are not applicable to Achmea and, hence, will have no effect on Achmea's Financial Statements.

On 19 October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is applicable to reporting periods beginning on or after 1 January 2013 with earlier application permitted, but has not been endorsed by the EU at this time. This interpretation is not applicable to Achmea and will have no impact on Net profit and Total equity of Achmea.

Changes in presentation

As from 2011, Achmea presents `Property for own use and equipment´ as a separate item in the Statement of Financial Position. In previous reporting periods, 'Property for own use and equipment´ was included in `Other assets`. As the volatility of fair values of property for own use has increased due to current developments in the real-estate markets, Achmea is of the opinion that presenting ´Property for own use and equipment´ as a separate line item will improve the provision of relevant information to users of Achmea's Financial Statements. The adjusted presentation has no impact on Net profit and Total equity of Achmea. Comparative figures have been adjusted accordingly. Due to this change in presentation the remaining other assets are presented together with receivables in a separate item `Receivables and accruals´.

As from 2011, Achmea presents `Investments related to cash collateral received in securities lending´ as part of `Investments´ and the related ´Liabilities related to cash collateral received in securities lending´ as part of ´Other liabilities´. As part of Achmea's de-risking strategy, investments related to cash collateral in securities lending have decreased substantially as from 2009. Achmea is of the opinion that presenting these investments and the related liabilities as separate items in the Statement of Financial Position is no longer useful. The adjusted presentation does not impact Net profit and Total equity of Achmea. Comparative figures have been adjusted accordingly.

During the transition from Eureko GAAP to EU-IFRS on 1 January 2005, the provision for long-service benefits was recognised with an incorrect application of IAS19 Employee benefits. As from 2011, assumptions regarding the provision for long-service benefits have been adjusted to comply with this standard. The adjustment of the provision as per 1 January 2011 amounts to €10 million (net of taxes) and is included in Other movements in Retained earnings. If the application of IAS19 had been accurate, Achmea's Total equity on 31 December 2010 would have been €10,347 million (2009 and 2008: €10,117 million and €7,441 million, respectively).

As from 2011, Achmea has renamed certain items in the Statement of Financial Position as Achmea is of the opinion that the adjusted names are a more accurate description of the content of the line item. Furthermore, in certain cases current presentation in the notes differs from the previous year presentation. Where applicable, comparative figures have been adjusted accordingly. These adjustments do not have an effect on Net profit and Total equity of Achmea.

D CONSOLIDATION FRAMEWORK

Basis for consolidation

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

- Entities (including special purpose vehicles) over which Achmea exercises control (directly or indirectly) are considered as subsidiaries and are fully consolidated in Achmea's Financial Statements.
  Generally, control is presumed to exist when the interest in the entity's ordinary share capital or voting rights (including potential voting rights) represents more than 50%.
  Third-party interests in these entities are presented as Non-controlling interest within Total equity.
- Entities over which Achmea 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 entities are presented as associates.
- Entities over which Achmea and other entities share joint control by means of contractual arrangements are considered to be joint ventures. Achmea accounts for joint ventures using the proportionate consolidation method.

All of Achmea's subsidiaries, associates and joint ventures are included in the consolidated financial statements based on Achmea's accounting framework.

Legal mergers between companies under common control are accounted for using the pooling of interest method. Such mergers do not have an impact on Net profit and Total equity of Achmea.

Intra-group adjustments

Intra-group transactions have been eliminated in the Consolidated Financial Statements.

Profits and losses resulting from transactions with associates are eliminated to the extent of Achmea's interest in the associate.

Notes To The Consolidated Financial Statements

E 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.

Foreign currency differences

The consolidated financial statements are presented in euros, which is Achmea's functional and presentation currency. Items included in the company financial statements of Achmea'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 reporting period. Translation differences arising from the application of year-end exchange rates to the opening balance of net assets and goodwill of such subsidiaries and to the results for the reporting period are recognised in Total equity and reported as Net 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 reporting period Translation differences arising from the application of reporting date 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 Net other comprehensive income.

Transactions in currencies other than the functional 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 reporting date exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in Net profit, except when deferred in Total equity as part of qualifying cash flow hedges or qualifying net investment hedges.

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

		CLOSING RATES		AVERAGE RATES	
		2011	2010	2011	2010
Australian dollar	AUD	1.2720	1.3150	1.3474	1.3294
Canadian dollar	CAD	1.3180	1.3330	1.3749	1.3315
Danish kronar	DKK	7.4333	7.4530	7.4499	7.4526
Japanese yen	JPY	100.1000	108.8000	110.9064	110.0248
Pound sterling	GBP	0.8353	0.8616	0.8668	0.8474
Russian rouble	RUB	41.6000	40.7000	40.7708	40.5913
Swedish kronar	SEK	8.9100	8.9700	9.0231	9.0509
Swiss franc	CHF	1.2165	1.2520	1.2325	1.2811
Turkish lira	TRY	2.4350	2.0660	2.3355	2.0121
US dollar	USD	1.2933	1.3375	1.3913	1.3224

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Recognition financial instruments

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

Derecognition financial instruments

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

A financial liability (or a part of a financial liability) is derecognised when it is extinguished (i.e. when the obligation specified in the contract is discharged, 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 gains or losses previously recognised in Total equity are transferred from Total equity to the Income Statement.

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

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at the net amount when Achmea:
- 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

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

When Achmea applies cash flow hedge accounting or applies hedge accounting for 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 net of taxes in the Hedging reserve, part of Total equity. Fair value changes due to ineffective parts of the hedge relationship are recognised in the Income Statement. Amounts accumulated in Total equity are recycled through the Income Statement in the periods in which the hedged item affects Net profit.

Impairment

In general, an impairment of an asset exists when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, Achmea assesses 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, every year, Achmea tests goodwill from business combinations and other intangibles assets with an indefinite life for impairment.

Impairments on Investments are recognised as Realised and unrealised gains and losses in the Income Statement. All other Impairments are recognised as Other expenses in the Income Statement.

Impairment losses recognised in prior years are reversed 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 due to a reversal of an impairment loss is recognised in the Income Statement (Realised and unrealised gains and losses for fixed-income investments and in Other expenses for other reversals). 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 subject to reversal.

Held for sale classification

Assets or components of assets and related liabilities are classified as ´Held for sale´ when it is highly probable that the

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carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A sale of an asset or a group of assets is highly probable if:
- Achmea is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The assets are actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale is 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 assets and liabilities as 'Held for sale', this loss is recognised in Other expenses in the Income Statement.

Borrowing Cost
Borrowing costs incurred for the construction of qualifying assets (assets that take a substantial period of time to acquire or construct) are capitalised during the period required to complete and prepare the asset for its intended use. As Achmea borrows funds on a general basis, the amount of borrowing costs is based on the weighted average of the borrowing costs applicable to the borrowings of Achmea that are outstanding during the period. Other borrowing costs are recognised in the Income Statement in the period in which they have been incurred.

Leasing
Leases entered into by Achmea are primarily operating leases. The total payments made under operating leases are recognised in the Income Statement on a straight-line basis over the period of the lease.

F ASSETS AND LIABILITIES

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

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.

Recognised goodwill is subject to an annual impairment test as it is perceived to have an indefinite useful economic life. Achmea 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 with the same risk characteristics 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 at CGU level are performed at a fixed time every year and more frequently if triggering events occur. If an impairment loss occurs, it will be allocated to the relevant CGU. An impairment loss recognised for goodwill is not subject to reversal in a subsequent period.

Intangible assets excluding goodwill

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 Achmea enters into a business combination it recognises brand names as an intangible asset. The initial value of a brand name 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.

Based on management expectations Achmea assesses whether the useful life is either finite or indefinite. Achmea will decide on a case-by-case basis the appropriate useful life, with a 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.
Achmea subsequently measures the brand names at the initially established cost and if applicable less accumulated amortisation and/or impairments losses.

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Value of business acquired

Achmea recognises the value of business acquired (VOBA) as part of the acquisition of a portfolio of (insurance) contracts or as part of a business combination in case of an expanded presentation.
The initial value of VOBA is equal to the difference between the fair value of ´in force´ (insurance) contracts in the acquired business using current estimates of relevant assumptions at the time of the business combination and the liability measured according to Achmea´s accounting principles. Achmea will subsequently value VOBA at this initially established cost less accumulated amortisation and impairment losses. The amortisation policy is straight-line over the expected life unless a different method is more appropriate.

Distribution networks

When Achmea 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 the ´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 Achmea assesses on a case-by-case basis the appropriate useful life generally not exceeding twenty years. Achmea will subsequently value Distribution networks at the initially established cost less accumulated amortisation and impairment losses. The amortisation policy is straight-line unless a different method is more appropriate.

Other intangible assets

Other intangible assets acquired by Achmea are stated at cost less accumulated amortisation and impairment losses.
Based on management expectations Achmea assesses whether the useful life is either finite or indefinite. Achmea will decide on a case-by-case basis the appropriate useful life, generally not exceeding twenty years. When the useful life is indefinite an annual impairment test is performed to assess the recoverability of the carrying amount.
Other intangible assets with a finite useful life are amortised using the straight-line method unless a different method is more appropriate.

Amortisation charges

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

Impairments

At each reporting date Achmea assesses whether an indication of an impairment loss exists for intangible assets with a finite useful economic life. Various indicators are used, such as whether the intangible asset is abandoned, readily obtainable in the market, or the cost to maintain the intangible asset is significantly higher than expected.
At each reporting date Achmea assesses whether an impairment loss for intangible assets recognised in a prior period may no longer exist or may have decreased. Achmea considers the various indicators, such as whether the asset's market value has increased significantly during the period; significant changes (technological, market, economic or legal environment) with a favourable effect on Achmea have taken place during the period; 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. If this is the case, the carrying amount of the intangible 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. A reversal of an impairment loss on Intangible assets is recognised as Other expenses in the Income Statement.

Internally developed intangible assets

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

Property for own use and equipment

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 Property for own use are recorded in the Revaluation reserve, part of Total equity net of deferred taxes.
A decrease in the carrying amount due to revaluation is recognised as a decrease in the Revaluation reserve with the remaining amount being recognised through the Income Statement. A revaluation decrease will be reversed through the Income Statement in subsequent years if the revalued amount is higher than the carrying amount.
When Property for own use is derecognised, revaluations included in the Revaluation reserve will be transferred directly to Retained earnings and not through the Income Statement.

If Property for own use comprises major components with a different useful life, they are accounted for as separate items.

Amortisation on Property for own use or on items accounted for separately is charged to the Income Statement on a straight-line basis over the estimated useful economic life, generally not exceeding fifty years. The amortisation method and useful economic life are reviewed annually and adjusted if circumstances or expectations have changed significantly. Land is not amortised.
When Property for own use or its separate items accounted for

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is revalued, the depreciation charge is eliminated against the gross carrying amount of that item of Property for own use. Property for own use that is under construction or in development is stated at cost until either its fair value can be reliably determined or construction or development is complete.

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

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: software three to five years, hardware three to four years, office furniture (including components) three to six years and other equipment three to six years.

The amortisation method and useful life of equipment is reviewed annually and altered prospectively if circumstances or expectations have changed significantly.

Investment property
Investments in real estate are measured at fair value. The fair value is based on current prices for similar real estate and similar locations and in similar condition or on commonly used valuation models and assumptions. All fair value changes are recognised as Realised and unrealised gains and losses in the Income Statement. Rental income from Investment property is recognised as Investment income in the Income Statement. Investment 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.

Investments

Investments classified as 'Available for sale'
The classification 'Available for sale' is used for all Achmea's investments backing 'insurance liabilities not measured at fair value or of which the cash flows are discounted using market based interest rates'. Furthermore, all investments not backing insurance or banking liabilities are classified as 'Available for sale'.
Investments classified as ´Available for sale´ are measured at fair value. Unrealised fair value changes are transferred to the Revaluation reserve, part of Total equity net of deferred taxes. Upon derecognition of the investment any cumulative unrealised gains or losses, previously recognised in Total equity, are transferred from Total equity to the Income Statement. Foreign currency results on fixed-income investments are recognised as Realised gains and losses in the Income Statement. Interest income on fixed-income investments is determined by using the effective interest rate method.

At each reporting date, Achmea assesses whether there is objective evidence that an asset is impaired. If this is the case, the decline in the fair value below the (amortised) cost that has been recognised in Total equity is transferred to the Income Statement. In the 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 more) or prolonged (12 consecutive months or longer) decline in the fair value below its cost. Fixed-income investments are impaired if there is objective evidence that, as a result of one or more loss events (e.g. financial difficulty at the issuer or breach of contract), estimated future cash flows are impacted negatively.

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 recognised in the Income Statement, or as ´Held for trading´.

Achmea can designate an investment as 'At fair value through profit or loss' whenever:
- this designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (also referred to as an ´accounting mismatch´);
- 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.

Achmea 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 of which the cash flows are discounted using market based interest rates. These investments are stated at amortised cost, less any allowance for uncollectibility. 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

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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 or receivable 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 the use of an allowance account and the amount of the impairment loss is recognised in the Income Statement.

Equity investments

Equity investments are classified as either ´Available for sale` or ´At fair value through profit or loss´. When optional dividends are taken up as shares, an amount equal to the cash dividend is recognised in the Income Statement.

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'.
The fair value of Venture capital investments which are not listed on a stock exchange is based on models as recommended by the European Venture Capital Association.

Fixed-income investments

For fixed-income investments classified as 'Available for sale' which cover insurance liabilities of which the cash flows are based on locked assumptions within the Dutch life insurance business, unrealised fair value changes included in Total equity are subsequently transferred to 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 was halted, are 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.

Derivatives

All derivatives are defined as 'Held for trading'. Achmea uses derivatives to manage its exposure to market risks arising from operating, investing and/or financing activities.
Derivatives embedded in other financial instruments are separated and measured separately if they are not closely related to the host instrument.
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).

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 and can only be used to repay the collateral provided by the borrower on the related securities lending transaction. The repayment obligation with respect to the collateral provided is included in the Statement of Financial Position as part of Other liabilities. The investments are measured at fair value with unrealised fair value changes recognised in separate components of Total equity net of taxes, unless defaults in the investment funds occur which are treated as an impairment loss.

Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the 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.

Investments backing linked liabilities

Investments backing linked liabilities are investments related to insurance contracts 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 insurance or investment contracts where the benefits are index-linked. These investments are designated as ´At fair value through profit or loss´ to reduce a measurement inconsistency that would arise as related liabilities are measured at fair value and both are managed as a group.

Banking credit portfolio

These assets relate to the banking activities and consist of loans and advances to customers and loans and advances to credit institutions. These assets are either measured at amortised cost

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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 that are either designated at initial recognition to be measured at fair value with changes in fair value recognised in 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 using 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.
Achmea applies hedge accounting for some of its banking and treasury operations.

Deferred acquisition costs

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

Acquisition expenses directly or indirectly related to the sale of insurance contracts 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 at the time of policy issue and included in the liability adequacy test of insurance liabilities at the end of each reporting period. Acquisition expenses related to securing the right to provide investment management services related to investment contracts are deferred to the extent deemed recoverable from future revenues. Deferred acquisition costs related to investment contracts are tested separately for impairment. Achmea does not consider anticipated investment income in the determination of the recoverability.

Any irrecoverability of Deferred acquisition costs as a result of liability adequacy testing is recognised as an impairment loss and included in Operating expenses.

Deferred acquisition costs are amortised over the lifetime of the related insurance contracts.

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. An impairment loss is accounted for if there is objective evidence as a result of an event that Achmea will not receive all amounts due under the contract and this amount can be measured reliably. Accordingly, revenues and expenses related to reinsurance agreements are recognised consistently with the underlying risk of the business reinsured.

Receivables and accruals

Receivables are measured at amortised cost less any allowance for uncollectibility.

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 Achmea's cash management processes are recognised as a component of Cash and cash equivalents.

Total equity

Achmea shares held by the company (own shares) are accounted for by a reduction within Total equity at the moment of purchase by Achmea or its subsidiaries on the basis of purchase price paid. Any results upon the subsequent sale of such treasury shares are recognised directly within Total equity. Any Non-controlling interest related to subsidiaries is presented as a separate component within Total equity and is equal to the third-party share in the subsidiary's equity based on Achmea's accounting principles.

Insurance liabilities

Insurance contracts are defined as contracts that transfer significant insurance risk. Insurance risk exists if an economic viable scenario exists under which, based on an insured event, additional payments have to be made. Insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur.

General measurement principles

Gross written premiums for Life insurance contracts are generally recognised in the Income Statement when due. Earned 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 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.

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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 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 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.

Achmea tests the adequacy of the recognised insurance liabilities and related assets at each 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, guarantees and embedded options. If the test shows that the insurance liabilities are inadequate, Achmea will recognise a loss by first reducing any recognised value of business acquired. Any remaining deficit is either compensated first by reductions of deferred acquisition costs or ultimately by increasing the related insurance liabilities.

Profit sharing and bonuses (Life and Non-life)
A provision is made for any profit share that policyholders or beneficiaries are entitled to. Vested rights that have not yet been credited to policyholder accounts are included in the 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 contracts or operations.

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

The provision for profit sharing and bonuses also includes amounts arising from the valuation of certain fixed-income investments at fair 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)
Gross written premiums attributable to income of future years are accrued in the Provision for 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 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 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 also includes amounts for incurred but not reported claims at reporting date. In determining the provisions, costs for claim 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 and claim handling. Estimates of expected losses are developed using historical 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 for reported claims. These are accounted for under non-insurance assets acquired by exercising rights to recoveries, as part of Receivables and accruals.

Expected claim payments included in the Outstanding claims provision are not discounted except for disability insurance contracts. 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. An average term is taken into account for 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 for such claims have been made following an analysis of the portfolio in which such risks occur.

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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, updated, depending on the type of products. 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.

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

Different accounting principles are used to measure the life policy liabilities 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:

- 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 whose cash flows are discounted using market based interest rates which are sometimes based on the (projected) market return of related financial investments. Changes in the value of these insurance liabilities are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.
- Insurance liabilities whose cash flows are based on locked assumptions are discounted at fixed discount rates (3% or 4% depending on their date of inception). For the Dutch Life insurance business, 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´. This component of Profit sharing and bonuses may not be negative.
- Insurance liabilities whose 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.

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 10-year period on the basis of annually increasing amounts, consistent with the manner in which the interest surplus was expected to be realised.

Insurance liabilities where policyholders bear investment risks

Insurance liabilities for unit-linked policies and other insurance contracts 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

Contracts with no or insignificant insurance risk are recognised as Investment contracts. Investment contracts are measured at fair value with changes in fair value 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 exit value using a risk-free interest rate or the surrender value (adjusted for surrender penalties).

Post-employment benefits

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

The net obligation in respect of defined-benefit pension plans is calculated separately for each 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, discounting and other adjustments reflect the specific country conditions. The liability is discounted to determine the present value and the fair value of qualifying plan assets is deducted.

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When the benefits of a plan are improved, the portion of the increased benefit relating to past services 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.

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.

The present value of defined benefit assets at reporting date is recognised to the amount of the economic benefit that will be available to Achmea 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 one year, expected cash flows are discounted.

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

Until 2009, employees of Achmea 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.

Achmea'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.

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 Achmea, financial lease liabilities and financial reinsurance liabilities. These are measured at amortised cost.
Cash collateral received from borrowers related to securities lending programmes is recognised as a financial liability as there is an obligation to repay the cash 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.
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 are based on the taxable profit 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 for using the balance sheet liability method 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 for 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.

G KEY ACCOUNTING ESTIMATES

For the measurement of certain items of the Statement of Financial Position, Achmea 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 Achmea'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

In testing for impairment of intangible assets, the carrying amount is compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Determining the value in use is an

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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 future discount rates.

Assumptions regarding goodwill impairment testing are further disclosed in Note 7 Intangible assets.

Fair value of Property for own use and Investment property

Property for own use is measured at the revalued amount and Investment property is reported at fair value. These values are based on regular appraisals by independent qualified valuators that apply agreed procedures within the industry. Techniques used are discounted cash flow (DCF) projections based on estimates of future cash flows and using a discount rate that reflects current market assessments of the uncertainty in the amount and timing of the cash flows. The assumptions used in applying the DCF-method are supported by the terms of any existing lease and other relevant contracts and by external evidence such as recent and expected general economic trends, current market rents for similar properties in the same location and condition. Vacancy and rent-free periods are also taken into account. Rental growth rates are based on general economic trends, taking into account the specific characteristics of property being valued.

The valuation of property involves various assumptions and techniques. The use of different assumptions and techniques may have a significant impact on these valuations.

Impairment testing of financial assets

There are a number of significant risks and uncertainties inherent in the process of monitoring financial assets and determining if an impairment loss exists. For example, Achmea's assessment of an issuer's ability to meet all of its contractual obligations when the creditworthiness of that issuer or the economic outlook of the issuer changes.

Achmea applies judgement to establish whether a loss event has occurred resulting in an impairment loss for a fixed-income investment. Specifically, Achmea assesses an issuer's ability to meet both principal and interest payments when the financial condition of the issuer changes.

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 consecutive months or significantly below cost (20%) at reporting date are impaired. When determining the impairment loss, qualitative factors are also used to determine if impairment is required before these thresholds are met.

In the Banking credit portfolio, future cash flows are evaluated for impairment 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 currently exist. 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 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 interest 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 on 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 and carry forwards of unused tax credits when, in the judgment of management, it is likely that Achmea will receive the tax benefits. A change in judgement could have a substantial effect on the value of the deferred tax asset. As there is no absolute assurance that these assets will ultimately be realised, management reviews Achmea's deferred tax positions periodically to determine if it is likely that the assets will be

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realised. Furthermore, management considers tax-planning strategies to increase the likelihood that the tax assets will be realised.

Other receivables - Health segment
Settlement of medical care costs between Dutch health insurers and hospitals, mental health institutions ('GGZ-Instellingen') and rehabilitation centres is based on so-called 'Diagnose Behandel Combinaties' (Diagnosis treatment combinations, DBCs) that cover the whole duration of a medical treatment. As the duration of a medical treatment on average takes six months and claims are only settled at the end of the treatment period, Achmea is obliged by law to provide Dutch hospitals with upfront funding. This upfront funding is included in Other receivables and accruals.

The private health insurance system in force in the Netherlands consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is heavily determined by law and influenced by political processes. The basic health system (inherently) comprises uncertainties due to the calculation methods applied. A system of risk mitigating features is in force in the Netherlands 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 Note 50 Risk management.
As part of the Dutch healthcare system, an equalisation fund has been established to neutralise insurance risk for the sector (macro-neutrality). This fund is managed by a separate body, the Health Care Insurance Board (CVZ), and is funded by the government. In respect of Achmea's health insurance portfolio, it is expected that Achmea will receive contributions from this equalisation fund. These contributions are included in Reinsurance share in claims. Estimates are made for 2008 up to 2011, taking into account (provisional) settlements.

Some hospitals have been over-financed, meaning that hospitals received more upfront funding from health insurers than is due based on actual DBCs. As hospitals need to reimburse this over-financing, hospital invoices are adjusted for these amounts. The over or under financing position will be settled after the settlement has been determined by the Dutch Healthcare Authority (NZa). The NZa recalculates the total impact of the over-financing as well as the appropriate allocation of amounts to health insurers. Final settlements have been received from NZa up to and including 2007, preliminary settlements have been received from NZa for 2008 and 2009. For 2010 and 2011, adjustments to hospital invoices are based on estimates for both DBCs with a fixed tariff and DBCs with a variable tariff. Furthermore, the macro-neutrality and the final settlement, as determined by CVZ are taken into account. This situation also applies to mental health care as from 2008.

Insurance liabilities including deferred acquisition costs
The measurement of insurance liabilities, DAC and VOBA is an inherently uncertain process, involving assumptions for changes in legislation; 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 Net profit include interest rates, mortality, morbidity, property and casualty claims and assumptions used in the liability adequacy test.

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

In addition, the adequacy of the provision for life policies liabilities, net of DAC and VOBA, is evaluated regularly. The assumptions used are based on a combination of experience within Achmea and market benchmarks, such as those supplied by the statistics department of the Dutch Association of Insurers and the Dutch Society of Actuaries and similar bodies throughout Europe. Where possible, Achmea uses market observable variables and models / techniques which are commonly used in the industry. The use of different assumptions in this evaluation could have an effect on the insurance liabilities and underwriting expenses.

Insurance liabilities also include the impact of minimum guarantees which are included in certain insurance contracts. The recognition of these guarantees depends on the difference 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 on inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions on these factors could have an effect on insurance liabilities and underwriting expenses.

Valuation of Post-employment benefits
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

Notes To The Consolidated Financial Statements

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, healthcare 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. Reference is made to Note 23 Post-employment benefits for the assumptions used in connection with pension and other post-employment benefits. 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.

Valuation of Other provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from Achmea of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is material using a pre-tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

2 EXCEPTIONAL EVENTS

During 2011, a number of exceptional events occurred that have had a major impact on Achmea's financial position and the 2011 Financial Statements. These events are described below and an analysis is given on how these events are incorporated in the 2011 Financial Statements.

Impairment goodwill of Business domain Life and Pensions

At the end of 2011 the goodwill related to the business domain Life and Pensions was charged with an impairment loss of €279 million. After this impairment loss the book value of the goodwill related to the Business domain Life and Pensions is zero. The involved goodwill mainly resulted from the business combination with Interpolis in 2005. An important driver behind the impairment is the shrinking Dutch life insurance market, which is considered as structural. One reason for this decline is the growing customer demand for 'bank saving products' in the Netherlands. These products offer the same tax advantages as from 2008, which used to be exclusively related to life insurance products. The slump in the housing market and a lower customer interest for unit-linked policies, due to declined customer trust in these type of products, further contributes in the decline in demand for mortgage-related life insurance products and unit-linked policies. These developments were reflected in Achmea's life insurance portfolios as well, through declining sales and pressure on margins. Other aspects which contributed to the impairment loss are the current economic crisis, the low interest rates, the increase of longevity risk and the competitive market for pension insurances, with too low margins and thus less new business. The 'value-in-use for the business domain Life and Pensions is determined by using an appraisal based model. This model is based on the European Embedded Value principles, with certain principles adjusted, to give a better reflection of the actual value-in-use for the goodwill impairment testing.

Greek Government bonds

The financial position of the Greek government has been frequently discussed during 2011 and early 2012. On 21 February 2012 the European leaders, the Greek government and the steering committee of the private creditors agreed to a deal to provide further financing for Greece. Besides a second aid package of €130 billion, provided by the members of the European Union and the International Monetary Fund (IMF), the agreement includes a substantial contribution from private creditors. This contribution is structured through a Private Sector Involvement programme (PSI) for all existing Greek government bonds. Within this PSI every €100 Greek government bonds will be exchanged for EFSF notes with a notional amount of €15 and new Greek government bonds with a notional amount of €31.50. As a consequence private creditors will face a 53.5% haircut on the notional amount of the current Greek government bonds. Taking into account the unfavourable average coupon, on average of 3.65%, for the new Greek government bonds, private creditors will face an economic haircut of approximately 75%.

As at 31 December 2011 Interamerican Greece held, on a notional basis, €145 million Greek government bonds, with various maturities. The fair value of these bonds as at 31 December 2011 amounted to €30 million or 79% of the notional amount. Achmea took a preliminary decision dated 1 August 2011 to participate in the additional support programme dated 21 July 2011 to convert a major part of its Greek government bonds, amounting to €118 million. As at 31 December 2011, it was already expected that the final support programme would include all Greek government bonds which now has been confirmed by the PSI. Based on the circumstances, Achmea considered all its Greek government bonds as impaired as at 31 December 2011. The resulting impairment loss for 2011 amounts to €114 million, which is included in realised and unrealised gains and losses.

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3 SEGMENT REPORTING

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

Non-life
Achmea's Non-life business operates in the Netherlands, Turkey, Greece, Russia, Slovakia, Romania and Bulgaria. The Non-life segment provides private and corporate customers with 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.

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

Life
Achmea's Life business operates in the Netherlands, Ireland, Greece, 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 includes investment contracts containing no or insignificant insurance risk.

Banking
Achmea 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 the provision of private mortgage loans, lifecycle products and private and retail banking.

Other
Other consists mainly of associates, investments not related to the Non-life, Health, Life and Banking business lines, shared service centres and staff departments, net of their recharges to business lines.

Achmea'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. As Achmea's business relates mainly 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. Achmea's activities are located mainly in the Netherlands.

Transfer prices for intersegment transactions are set at a '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 expected time spent by personnel, expected activities performed and expected transactions processed, among others.

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SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(€ MILLION)

2011	NON-LIFE	HEALTH	LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL
Assets							
Intangible assets	938	91	540		4		1,573
Associates		4			83		87
Property for own use and equipment	44	34	61	1	508		648
Investment property	4		1,202	7	30		1,243
Investments	7,103	4,731	29,013	1,263	384	-1,381	41,113
Investments backing linked liabilities	22		23,292				23,314
Banking credit portfolio				16,932			16,932
Deferred tax assets		5	3	1	527	-138	398
Deferred acquisition costs	15	5	206				226
Income tax receivable							
Amounts ceded to reinsurers	303	42	510				855
Receivables and accruals	1,554	2,669	521	52	71	-278	4,589
Cash and cash equivalents	133	141	480	473	141	-43	1,325
	10,116	**7,722**	**55,828**	**18,729**	**1,748**	**-1,840**	**92,303**
Assets classified as 'held for sale'	10						10
Total assets	**10,126**	**7,722**	**55,828**	**18,729**	**1,748**	**-1,840**	**92,313**
Equity							
Equity attributable to holders of equity instruments of the Company	2,672	2,308	3,838	896	55		9,769
Non-controlling interest	3	2	1				6
Total equity	**2,675**	**2,310**	**3,839**	**896**	**55**		**9,775**
Liabilities							
Insurance liabilities	6,710	4,786	26,748			-724	37,520
Insurance liabilities where policyholders bear investment risks	9		20,762				20,771
Investment contracts			2,193				2,193
Post-employment benefits	2	2			296	724	1,024
Other provisions	8	23	26	8	208		273
Banking customer accounts				5,943		-942	5,001
Loans and borrowings	10	29	29	10,311	1,191	-484	11,086
Derivatives	17	9	287	1,204	69		1,586
Deferred tax liabilities	40		46	68		-138	16
Income tax payable	8	-2	4	-79	168		99
Other liabilities	620	565	1,894	378	-239	-276	2,942
	7,424	**5,412**	**51,989**	**17,833**	**1,693**	**-1,840**	**82,511**
Liabilities classified as 'held for sale'	27						27
Total equity and liabilities	**10,126**	**7,722**	**55,828**	**18,729**	**1,748**	**-1,840**	**92,313**

The intersegment adjustments consist primarily of the elimination of intersegment finance activities. The following capital expenditures are included in segments: Non-life €33 million (2010: €10 million), Health €8 million (2010: €9 million), Life €12 million (2010: €25 million), Banking €0 million (2010: €66 million) and Other activities including intersegment adjustments €165 million (2010: €59 million).

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SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 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
Property for own use and equipment	20	30	71	1	456		578
Investment property	5		1,301	73	37		1,416
Investments	7,653	3,642	27,428	1,029	873	-1,199	39,426
Investments backing linked liabilities			22,551				22,551
Banking credit portfolio				16,828			16,828
Deferred tax assets		8	21	3	395	-75	352
Deferred acquisition costs	148	10	226				384
Income tax receivable							
Amounts ceded to reinsurers	407	45	485				937
Receivables and accruals	1,173	3,454	184	116	712	-181	5,458
Cash and cash equivalents	330	256	982	925		-554	1,939
	10,805	**7,560**	**54,105**	**18,975**	**2,648**	**-2,009**	**92,084**
Assets classified as 'held for sale'	251		599	209	-5		1,054
Total assets	**11,056**	**7,560**	**54,704**	**19,184**	**2,643**	**-2,009**	**93,138**
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	6,674	4,395	25,214			-660	35,623
Insurance liabilities where policyholders bear investment risks	10		20,295				20,305
Investment contracts			2,365				2,365
Post-employment benefits	4	1			415	660	1,080
Other provisions	42	25	31	23	203		324
Banking customer accounts				5,258		-836	4,422
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		-75	15
Income tax payable	12	2	17	-26	90		95
Other liabilities	865	1,115	1,679	450	688	-639	4,158
	7,654	**5,567**	**49,838**	**18,349**	**2,619**	**-2,009**	**82,018**
Liabilities classified as 'held for sale'	205		558				763
Total equity and liabilities	**11,056**	**7,560**	**54,704**	**19,184**	**2,643**	**-2,009**	**93,138**

Notes To The Consolidated Financial Statements

SEGMENT CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2011

(€ MILLION)

2011	NON-LIFE	HEALTH	LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL
Income							
Gross written premiums	3,819	12,400	3,431				19,650
Reinsurance premiums	-240	-338	-271				-849
Change in provision for unearned premiums (net)	-22	20	3				1
Net earned premiums	**3,557**	**12,082**	**3,163**				**18,802**
Income from associates					1		1
Investment income	209	79	982	1	48	-65	1,254
Realised and unrealised gains and losses	7	-16	859	-1	-80		769
Income from investments backing linked liabilities			984			-5	979
Banking income				720			720
Fee and commission income, and income from service contracts	102	55	281		12	-9	441
Other income	70	134	24	1	4	-1	232
Total income	**3,945**	**12,334**	**6,293**	**721**	**-15**	**-80**	**23,198**
Expenses							
Net claims and movements in insurance liabilities	2,431	11,379	4,318				18,128
Profit sharing and bonuses	-8		812				804
Movements in insurance liabilities where policyholders bear investment risks	-1		474				473
Benefits on investment contracts			-150				-150
Operating expenses related to insurance activities	990	562	432				1,984
Other operating expenses	106	31	284	104	522		1,047
Banking expenses				664		-63	601
Interest and similar expenses	1	5	1		85	-14	78
Other expenses	51	31	414		-13	-3	480
Total expenses	**3,570**	**12,008**	**6,585**	**768**	**594**	**-80**	**23,445**
Profit before tax	**375**	**326**	**-292**	**-47**	**-609**		**-247**
Income tax expenses							-39
Net profit							**-208**
Expense ratio	27.8%	4.6%					
Claims ratio	68.3%	94.2%					
Combined ratio	96.1%	98.8%					
Amortisation charges	16	18	83		48		**165**
Impairment losses	21	4	432		89		**546**

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**
Income from associates					747		747
Investment income	214	85	1,014	1	151	-70	1,395
Realised and unrealised gains and losses	90	-1	370	-4	108		563
Income from investments backing linked liabilities			1,836				1,836
Banking income				832			832
Fee and commission income, and income from service contracts	119	52	305		11	-6	481
Other income	27	117	45	1	110	-10	290
Total income	**4,224**	**12,273**	**6,935**	**830**	**1,127**	**-86**	**25,303**
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 where policyholders bear investment risks	-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
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	**3,823**	**12,011**	**6,828**	**781**	**720**	**-86**	**24,077**
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

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS (€ MILLION)

	THE NETHERLANDS	TURKEY	RUSSIA	GREECE	IRELAND	SLOVAKIA	OTHER	TOTAL 2011	TOTAL 2010
Gross written premiums Non-life	3,194	283	61	233		32	16	3,819	3,992
Gross written premiums Health	12,037	21	14	108		218	2	12,400	12,289
Gross written premiums Life	3,120			89	194	11	17	3,431	3,571
Total gross written premiums	**18,351**	**304**	**75**	**430**	**194**	**261**	**35**	**19,650**	**19,852**
Banking income	703				17			720	832
Fee and commission income, and income from service contracts	418			17	4		2	441	481
Total assets	85,385	503	97	1,459	4,522	181	166	92,313	93,138

4 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

This note 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 non-observable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the non-observable 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.

Main changes in the fair value hierarchy in 2011

At each reporting date Achmea assesses the classification of the financial instruments measured at fair value. The assessment of the classification in the fair value hierarchy requires judgement, for example the importance of (un)observable inputs used in determining the fair value or with respect to activity in the market. In case of inactive markets, judgement is required on the valuation techniques to be used in order to determine the fair value as well as the interpretation of the level of using market data. As a result, the outcome of the classification process may differ between reporting periods.

During 2011, the classification of Greek government bonds was changed from/to the levels one and three. As at 30 June 2011 Achmea considered the Greek government bond market to be inactive and consequently a valuation technique was used to determine the market value, following a reclassification to Level 3. Given the inputs used in determining the fair value as at 30 June 2011 it could be argued that a level two classification would be more appropriate. Such a different classification would not have a material impact on Net profit or Total equity. As at 31 December 2011, Achmea considered the Greek government bond market to be active again, resulting in a Level 1 classification of the Greek government bonds. Other than the transfer described above, there were no significant transfers between Level 1 and Level 3.

Level 3 assets decreased following the transfer of certain investment funds from Level 3 to Level 2, as in 2011 prices supported by market observable inputs became available and were used in determining fair value. Furthermore, certain shares were transferred from Level 3 to Level 1 in 2011 related to an initial public offering that took place in 2011.

Deposits with credit institutions and Cash and cash equivalents are classified as Level 1 financial instruments, due to the short-term nature of these instruments.

Notes To The Consolidated Financial Statements

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 2011	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 2010
Assets								
Investments								
equities and similar investments	1,035	645	620	2,300	958	454	625	2,037
government bonds	19,866	8,964		28,830	18,910	9,528		28,438
loans and mortgages	10	232		242	8	366		374
deposits with credit institutions	2,656			2,656	2,328	2		2,330
derivatives		2,796	184	2,980	121	1,850		1,971
investments related to cash collateral received in securities lending	284			284	527	7		534
other financial investments	14	19		33	184	12		196
Investments backing linked liabilities								
equities and similar investments	5,334	4,618		9,952	10,239	592		10,831
bonds and other fixed-income investments	9,525	5		9,530	7,974	675	2	8,651
derivatives	6	1,004		1,010	19	290		309
cash and other financial investments	2,051	19		2,070	1,875	151	3	2,029
Banking credit portfolio			376	376			414	414
Cash and cash equivalents	1,325			1,325	1,939			1,939
Total financial assets measured at fair value	**42,106**	**18,302**	**1,180**	**61,588**	**45,082**	**13,927**	**1,044**	**60,053**
Liabilities								
Investment contracts	146	2,047		2,193	229	2,136		2,365
Loans and borrowings		3		3		3		3
Derivatives		1,402	184	1,586		1,031		1,031
Total financial liabilities measured at fair value	**146**	**3,452**	**184**	**3,782**	**229**	**3,170**		**3,399**

Financial instruments measured at fair value based on Level 3

The Level 3 classified Equities and similar investments comprise mainly alternatives and private equity investments which are classified as 'Available for sale' Investments. The fair value is determined using an adjusted equity value method.
Level 3 classified Derivatives comprise back-to-back swaps which are swap agreements between a Special Purpose Vehicle (SPV), Achmea and a third party, which have been structured in such a manner, that the annual net result of the SPV will be zero. The fair value is based on the discounted cash flow method by calculating the present value of expected future cash flows related to the swap, discounted using current interest rates. In determining the fair value of the derivatives, Achmea also considers any prepayment risk and inherent credit risk.

The Level 3 classified Banking credit portfolio comprises mainly private sector loans and advances, which are classified as 'At fair value through profit or loss'. The fair value is based on the discounted cash flow method by calculating the present value of expected future cash inflows using current interest rates for loans with a similar risk profile and a similar remaining term to maturity. In determining fair value, Achmea also considers the specific loan characteristics and inherent credit risk of the loan portfolio and risk mitigating factors such as collateral arrangements.

Notes To The Consolidated Financial Statements

The movements of Level 3 financial instruments are as follows:

ASSETS (€ MILLION)

	2011	2010
Balance at 1 January	1,044	954
Acquisitions	33	
Disposals		
Change in composition of the group	**33**	
Investments and loans granted	71	562
Divestments and disposals	-40	-560
Fair value changes	191	65
Changes in fair value hierarchy (transfers from Level 3)	-119	23
Balance at 31 December	**1,180**	**1,044**

LIABILITIES (€ MILLION)

	2011	2010
Balance at 1 January		
Fair value changes	184	
Balance at 31 December	**184**	

The total amount of gains and losses accounted for in 2011 of financial instruments with a Level 3 fair value still held at the end of 2011 amounted to €191 million (2010: €65 million), of which €186 million (2010: €8 million) was included in the Income Statement and €5 million (2010: €57 million) in other Comprehensive income. The amounts related to financial instruments still held at the end of 2011 included in the Income Statement are presented as Realised and unrealised gains and losses for an amount of €3 million (2010: €6 million) and as Banking income for an amount of €188 million (2010: €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

The private equity investment portfolio, amounting to €540 million, mainly consists of investments with a highly diversified nature in terms of sector, geographical region and type of investment. There is no significant unobservable input or combination of inputs that can be used to perform a reasonable possible sensitivity analysis for this portfolio. Part of the private equity investment portfolio, amounting to €102 million, is related to Achmea's venture capital entity and is classified as "At fair value through profit or loss". An increase or decrease in the value of these investments of 10% would result in a €10 million profit or loss, respectively. The remainder of the private equity investments portfolio is classified as "Available for sale". An increase or decrease in the value of these investments of 10% would result in a €30 million increase or decrease of Total equity, respectively.

The Level 3 investments also include preference shares related to one counterparty which are included in "Equities and similar investments". The fair value of these preference shares as at 31 December 2011 amounts to €90 million and is mainly based on expected future dividend payments. In 2011, the counterparty involved paid dividend to Achmea of €5 million.

The impact on the fair value of the 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

Avéro Schade Benelux N.V.

On 6 January 2011, Achmea 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. In 2011, the gain on the sale of €30 million is included in Other income (Note 40).

Império France S.A.

On 4 April 2011, Achmea completed the sale of Império France S.A. 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.

Sale of a consumer credit portfolio of Achmea Retail Bank

On 1 March 2011, Achmea completed the sale of a part of Achmea Retail Bank's consumer credit portfolio. The sale of this operation does not represent a major business line or geographical areas of operations and thus has no material impact to Achmea. As a consequence, this sale is not presented as discontinued operations in the Income Statement.

Achmea Vitale

On 15 January 2012, Achmea signed an agreement to sell Achmea Vitale's activities, by way of a transfer of assets and liabilities. Achmea Vitale provides occupational health services and is included in the Non-life segment. For the full year 2011, income amounted to €88 million and Net profit to €-12 million. As at 31 December 2011, Total assets to be sold amounted to €10 million. Assets and liabilities to be sold have been reclassified to Assets classified as 'held for sale' and Liabilities classified as 'held for sale'. The result on the sale will be included in Net profit of 2012.

6 BUSINESS COMBINATIONS

Business combination Achmea - De Friesland Zorgverzekeraar

On 21 October 2010, Vereniging Achmea signed an agreement to merge with De Friesland Zorgverzekeraar, a mutual health insurance company, as per 31 December 2011. As at 31 December 2011, Achmea B.V. effectively obtained control of 100% of the ordinary shares of De Friesland Zorgverzekeraar N.V., De Friesland Particuliere Ziektekostenverzekeringen N.V., Zorgkantoor De Friesland B.V., De Friesland Verzekeringen B.V. and De Friesland Reisverzekeringen N.V. (together De Friesland Zorgverzekeraar). De Friesland Zorgverzekeraar is a healthcare insurer with a strong brand in the northern part of the Netherlands, particularly in the province of Friesland. It has approximately 500,000 insured and represents a market share of 65% in Friesland. De Friesland Zorgverzekeraar provides both basic and supplementary healthcare insurance and services. With its regional focus, De Friesland Zorgverzekeraar is complementary to the existing Health business of Achmea and combining the businesses of De Friesland Zorgverzekeraar and Achmea will strengthen the position of both companies and therefore enhance the prospects for long-term continuity. Prior to acquiring this interest, Achmea has no relationship with De Friesland Zorgverzekeraar.

As part of Achmea and for a period of five years, De Friesland Zorgverzekeraar will be a separate division with its own client council, Executive Board and Supervisory Board. Some of the governing powers of the Annual General Meeting are transferred to the Supervisory Board for this period. The majority of the Supervisory Board members are nominated by Achmea. Through majority rule of this board, Achmea governs the key operating and financial policies of this division. The Executive Board of the division will furthermore set, execute and evaluate its operating and financial policies based on Achmea's targets and principles. Over the full year 2011, De Friesland Zorgverzekeraar reported total revenues of €1,251 million and Net profit of €22 million.

Details of the net assets acquired and goodwill (both for 100%) are as follows:

PROVISIONAL COST OF THE BUSINESS COMBINATION	(€ MILLION)
Provisional consideration transferred	165
Less: Provisional fair value of the net assets acquired	236
Goodwill	**-71**

Notes To The Consolidated Financial Statements

The goodwill for De Friesland Zorgverzekeraar, accounted for as bargain purchase as defined under EU-IFRS, is recognised in Other income. Achmea has transferred a consideration to De Friesland Zorgverzekeraar that is lower than the fair value of the assets and liabilities of the entity. Due to the nature of De Friesland Zorgverzekeraar healthcare business, most of its equity is not distributable to the shareholder, but is kept as a reserve for insurance risks.
The initial accounting for the business combination has not been completed due to uncertainties inherent to the basic health system. The provisional accounting mainly relates to parts of the insurance assets and liabilities.
As part of this business combination, as at 31 December 2011 Achmea B.V. acquired property and equipment of €5 million, which is included in Note 9 Property for own use and equipment, and is accounted for in accordance with Achmea accounting policies.
As part of this business combination Achmea also acquired a 10.5% share in Sportstad Heerenveen B.V., a multifunctional sports centre in Heerenveen for an amount of €2 million. This share is included in Note 11 Investments, and is accounted for in accordance with Achmea accounting policies.

PROVISIONAL FAIR VALUE OF NET ASSETS ACQUIRED (€ MILLION)

	PROVISIONAL FAIR VALUE 31 DECEMBER 2011
Assets	
Intangible assets	13
Property for own use and equipment	10
Investments	379
Receivables and accruals[1]	119
Cash and cash equivalents	69
Total assets	**590**
Liabilities	
Insurance liabilities	312
Post-employment benefits	5
Other provisions	4
Loans and borrowings	12
Derivatives [2]	6
Other liabilities	14
Contingent liabilities [3]	1
Total liabilities	**354**
Provisional fair value of net assets acquired	**236**

1 The receivables acquired had gross contractual amounts of €144 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is €25 million.

2 Part of the property for own use of the De Friesland Zorgverzekeraar will not be acquired by Achmea as part of this business combination. If the foundation that owns the property in which De Friesland Zorgverzekeraar operates is unable to sell the property within three years, Achmea has an obligation to buy this property for an amount of €15 million. The value of the option related to this obligation amounts to €6 million.

3 Achmea recognised a contingent liability of €1 million in respect of a claim of the Dutch Healthcare Authority (Nza), which Achmea expects to settle in 2012. The claim concerns reimbursement of interest compensation on prior year settlements.

Notes To The Consolidated Financial Statements

7 INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	INTERNALLY DEVELOPED SOFTWARE	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	OTHER INTANGIBLE ASSETS	TOTAL 2011	TOTAL 2010
Cost								
Balance at 1 January	1,422	209	113	739	301	97	2,881	2,854
Acquisitions		10	3				13	
Disposals								
Change in composition of the Group		**10**	**3**				**13**	
Internally developed		7					7	1
Sale, disposals and decommisioning		-103					-103	-71
Other movements	-77						-77	24
Foreign currency differences	-30				-37		-67	73
Balance at 31 December	**1,315**	**123**	**116**	**739**	**264**	**97**	**2,654**	**2,881**
Amortisation and impairment losses								
Balance at 1 January	4	183	53	439	111	25	815	770
Sale, disposals and decommissioning		-103					-103	-71
Amortisation charge for the year		8	12	59	20	5	104	117
Impairment loss recognised in profit or loss	279						279	
Other movements								-5
Foreign currency differences					-14		-14	4
Balance at 31 December	**283**	**88**	**65**	**498**	**117**	**30**	**1,081**	**815**
Carrying amount								
At 1 January	1,418	26	60	300	190	72	2,066	2,084
At 31 December	**1,032**	**35**	**51**	**241**	**147**	**67**	**1,573**	**2,066**

With the exception of goodwill, all intangible assets have a finite useful life and are amortised accordingly.

An amount of €1,487 million (2010: €1,962 million) of the Intangible assets is expected to be recovered more than twelve months after the reporting date.

As part of the transaction in 2007 to acquire Eureko Sigorta (formerly Garanti Sigorta A.S.), Achmea entered into a put-option with Garanti Bank regarding the remaining 20% of the shares of Eureko Sigorta. This option gives Garanti Bank the right to sell the 20%-interest at fair value at exercise date. Achmea recognised it at fair value, whereas changes in fair value were recorded in goodwill. On 19 July 2011, Garanti Bank exercised its rights and consequently the interest in Eureko Sigorta was increased to a 100% interest. The other movement in goodwill is the result of a recalculation of goodwill due to this transaction.
The foreign currency differences on goodwill and distribution networks relate to Eureko Sigorta and Oranta.

Notes To The Consolidated Financial Statements

GOODWILL BY DIVISION

(€ MILLION)

	2011	2010
Health	28	28
Non-life and Occupational Health	580	580
Life and Pensions		279
Pension Services	213	213
Eureko Sigorta	138	243
Oranta Russia	73	75
	1,032	**1,418**

Recognised goodwill is tested annually for impairment. An impairment loss is recognised when the recoverable amount of a division is lower than the carrying amount of the division. 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 Achmea's Dutch operations.

In 2011, as a result of the goodwill impairment test, the goodwill of the Life and Pensions business was charged with an impairment loss of €279 million. An important driver behind the impairment loss is the shrinking Dutch life insurance market, which is considered as structural. One reason for this decline is the growing customer demand for 'bank saving products' in the Netherlands. These products offer the same tax advantages as from 2008, which used to be exclusively related to life insurance products. The slump in the housing market and a lower customer interest for unit-linked policies, due to declined customer trust in these type of products, further contributes to the decline in demand for mortgage-related life insurance products and unit-linked policies. These developments were reflected in Achmea's life insurance portfolios as well, through declining sales and pressure on margins. Other aspects which contributed to the impairment loss are the current economic crisis, the low interest rates, the increase of longevity risk and the competitive market for pension insurances, with too low margins and thus less new business.

The surplus, being the positive difference between value-in-use and carrying value, for division Pension Services, Oranta and Eureko Sigorta is limited and as a consequence goodwill is sensitive for negative deviations within major assumptions (business plan and discount rate). The total surplus on these units amounts to €161 million. An increase in discount rate with 50 basis points would lead to a €104 million lower surplus and a €57 million impairment of goodwill. A 0.5% lower terminal value growth would lead to a €41 million lower surplus and a €41 million impairment of goodwill.

The recoverable amount of the Life and Pensions business line is the value-in-use. The discount rates used in 2011 for determining the value in use vary from 4.9% for the Embedded value component to 9.1% for the value of new business and cost efficiency component.

The 'value-in-use for the business domain Life and Pensions is determined by using an appraisal based model. This model is based on the European Embedded Value principles, with certain principles adjusted, to give a better reflection of the actual value-in-use for the goodwill impairment testing. 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 Achmea's Executive Board. Achmea extrapolates the cash flows up to five years. To reflect the business-specific circumstances a forecast period is sometimes extended. Achmea 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.

Notes To The Consolidated Financial Statements

The most sensitive key assumptions in calculating the value-in-use are:

DIVISION: (%)

	2011		2010	
	DISCOUNT RATE	GROWTH RATE	DISCOUNT RATE	GROWTH RATE
Health	9.1	3.0	8.7	3.0
Non-life and Occupational Health	9.1	3.0	8.7	3.0
Life and Pensions	4.9 - 9.1	3.0	8.7	3.0
Pension Services	8.7	3.0	8.7	3.0
Eureko Sigorta	13.2	3.6	11.9	3.8
Oranta Russia	13.1	4.7	12.4	4.8

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. Achmea has performed a sensitivity analysis on its key assumptions to calculate the 'value-in-use'.

The discount rates used in 2011 for determining the value in use vary from 4.9% for the embedded value component to 9.1% for the value of new business and cost efficiency component.

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8 ASSOCIATES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION	% OWNERSHIP 2011	NET ASSET VALUE 2011	BOOK VALUE 2011	BOOK VALUE 2010
F&C Asset Management plc	United Kingdom	Asset management	2004				50
Garanti Emeklilik ve Hayat A.S.	Turkey	Life insurance	2007	15.00%	9	81	93
Other						6	6
						87	**149**

Although Achmea holds less than 20% of the shares of Garanti Emeklilik ve Hayat A.S., Achmea exercises significant influence by virtue of its strategic interest and contractual rights to appoint Executive Board members and Executive Board attendees. Furthermore, Achmea has a call option on 35% of the shares of Garanti Emeklilik ve Hayat A.S. (to be exercised before 21 June 2012) which, if exercised, will lead to joint control with the current majority shareholder.
Due to their nature, Associates consist mainly of assets expected to be recovered after more than twelve months.

MOVEMENTS IN ASSOCIATES

(€ MILLION)

	2011	2010
Balance at 1 January	149	1,442
Investments and loans granted	1	
Divestments and disposals		-1,390
Annual results	1	83
Revaluations		-9
Dividend received		-3
Foreign currency differences	-14	18
Reversal of impairment losses recognised in profit or loss		8
Changes due to reclassifications	-50	
Balance at 31 December	**87**	**149**

Achmea's stake in F&C Asset Management plc amounting to €50 million has been reclassified from Associates to Investments. In previous years, Achmea had significant influence in F&C Asset Management plc. due to its ability to appoint one non-Executive Board member. Although the ownership percentage remained unchanged in 2011, Achmea's right to appoint a non-Executive Board member was terminated. The reclassification has no impact on Net profit or Total equity.

The summarised financial statements of Garanti Emeklilik ve Hayat A.S. are included in the table below. As the 2011 financial statements are not yet publicly available, values are based on the published financial statements for the financial year 2010 and calculated in accordance with the accounting principles of Garanti Emeklilik ve Hayat A.S. 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)

2010	ASSETS	LIABILITIES	TOTAL REVENUE	TOTAL PROFIT
Garanti Emeklilik ve Hayat A.S.	2,376	2,046	141	100

9 PROPERTY FOR OWN USE AND EQUIPMENT

(€ MILLION)

	2011	2010
Property for own use	384	359
Equipment	264	219
Balance at 31 December	**648**	**578**

Due to their nature, Property for own use and equipment consist mainly of assets expected to be recovered after more than twelve months.

Notes To The Consolidated Financial Statements

PROPERTY FOR OWN USE

(€ MILLION)

	IN DEVELOPMENT	IN USE	TOTAL 2011	TOTAL 2010
Revalued amount				
Balance at 1 January	37	386	423	432
Acquisitions		5	5	
Disposals				-5
Change in composition of the Group		**5**	**5**	**-5**
Purchases and acquisitions	50	53	103	38
Sale, disposals and decommissioning		-2	-2	-42
Capitalised subsequent expenditures				1
Revaluation recognised in equity		-23	-23	-1
Revaluation recognised in income	-27	-4	-31	
Amortisation eliminated against the gross carrying amount due to revaluation		-7	-7	
Transfer to investment property	1	-26	-25	
Changes due to reclassification		18	18	
Other movements		23	23	
Balance at 31 December	**61**	**423**	**484**	**423**
Amortisation and impairment losses				
Balance at 1 January		64	64	91
Acquisitions				
Disposals				-1
Change in composition of the Group				**-1**
Sale, disposals and decommissioning		-1	-1	-39
Amortisation charge for the period		14	14	13
Amortisation eliminated against the gross carrying amount due to revaluation		-7	-7	
Changes due to reclassification		7	7	
Other movements		23	23	
Balance at 31 December		**100**	**100**	**64**
Carrying amount				
At 1 January	37	322	359	341
At 31 December	**61**	**323**	**384**	**359**

The carrying amount of Property for own use is the revalued amount, being its fair value at the date of the revaluation less any accumulated amortisation and impairment losses. The fair value of Property for own use is wholly 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 valuators used a market based discount rate adjusted for age, location and remaining rental contract period as at 31 December 2011.

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Reflecting the economic environment and market conditions during 2010, that continued in 2011, the required return on investments in real estate has increased, which impact the fair value of property. For a recently developed property in Apeldoorn, this resulted in an impairment loss of €24 million. The impairment loss is the difference between the fair value and the revalued amount as at 31 December 2011. The appraisal value is determined using discounted cash flow projections based on estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty on the amount and timing of the cash flows.

Part of Property for own use is financed by means of internal loans between the insurance entities and other entities within the Group. These loans are eliminated in full in these consolidated financial statements. As of 2010, property has been pledged on these internal loans.

EQUIPMENT

(€ MILLION)

	SOFTWARE	HARDWARE	OFFICE FURNITURE	OTHER	TOTAL 2011	TOTAL 2010
Cost						
Balance at 1 January	110	196	164	189	659	699
Acquisitions			5		5	
Disposals						-8
Change in composition of the Group			**5**		**5**	**-8**
Purchases and acquisitions	51	19	30	5	105	55
Sale, disposals and decommissioning	-7	-12	-7	-10	-36	-84
Changes due to reclassification			25	-43	-18	-3
Other movements	-7	-108	9	-20	-126	
Balance at 31 December	**147**	**95**	**226**	**121**	**589**	**659**
Amortisation and impairment losses						
Balance at 1 January	79	178	108	75	440	468
Acquisitions						
Disposals						-4
Change in composition of the Group						**-4**
Sale, disposals and decommissioning	-6	-12	-5	-6	-29	-77
Amortisation	13	12	19	3	47	56
Changes due to reclassification		1	16	-24	-7	-3
Other movements	-7	-108	9	-20	-126	
Balance at 31 December	**79**	**71**	**147**	**28**	**325**	**440**
Carrying amount						
At 1 January	31	18	56	114	219	231
At 31 December	**68**	**24**	**79**	**93**	**264**	**219**

Notes To The Consolidated Financial Statements

10 INVESTMENT PROPERTY

(€ MILLION)

	2011	2010
Balance at 1 January	1,416	1,440
Purchases	7	76
Disposals	-127	-67
Fair value changes recognised in profit or loss	-77	-30
Accrued rent	-1	-1
Other movements		-2
Transfer from/to property for own use	25	
Balance at 31 December	**1,243**	**1,416**

Investment property consists of commercial and residential property which are stated at fair value. The fair value is based on prices in an active market, adjusted, if necessary, for any difference in nature, location or condition of the specific asset. All properties are appraised annually. The valuations are carried out by external independent appraisers who hold recognised and relevant professional qualifications. All valuations are carried out following valuation guidelines common in the industry. If appraisals took place during the first three quarters of the financial year, an update is performed by the external appraiser to determine the fair value at reporting date. The appraisers are rotated every three years so that each property is valued by the same appraiser for a maximum period of three years.
Reflecting the economic environment and market conditions during 2010, which continued throughout 2011, the frequency of property transactions on an arm´s length basis has decreased. The fair value of Investment property is determined generally using discounted cash flow (DCF) projections based on estimates of future cash flows and using a discount rate that reflects current market assessments of the uncertainty on the amount and timing of the cash flows.

The assumptions used in applying the DCF-method are supported by the terms of any existing lease and other relevant contracts and by external evidence, such as recent and expected general economic trends, current market rents for similar properties in similar location and condition. Vacancy and rent-free periods are taken into account in the DCF-method. Rental growth rates are based on general economic trends, taking into account specific characteristics of the property being valued.

For the Dutch market, average inflation percentage used amounts to 1.6% in 2011 (2010: 1.7%). Projections for the cash flows in the DCF-method are made for at least ten years. The discount rate used depends on both the type of property being valued (e.g. commercial and residential property) as well as the specific characteristics of the property being measured. The discount rates used vary between 5.0% and 10.3%.

The common obligations related to investment property (e.g. maintenance, repair, etc.) and any obligation which would restrict the realisability of the income and proceeds on disposal of the property, including rent-free periods, are taken into account when determining the fair value of the investment property.

Notes To The Consolidated Financial Statements

11 INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

2011	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equities and similar investments	1,941	359		2,300
Bonds	24,237	4,593		28,830
Loans and mortgages	242		2,944	3,186
Deposits with reinsurers			844	844
Deposits with credit institutions	2,610	46		2,656
Derivatives		2,980		2,980
Investments related to cash collateral received in securities lending	284			284
Other financial investments	33			33
	29,347	**7,978**	**3,788**	**41,113**

(€ 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	221	2	3,057	3,280
Deposits with reinsurers			640	640
Deposits with credit institutions	2,282	48		2,330
Derivatives		1,971		1,971
Investments related to cash collateral received in securities lending	534			534
Other financial investments	196			196
	28,832	**6,897**	**3,697**	**39,426**

The investments designated as ‘At fair value through profit or loss’ amount to €4,998 million (2010: €4,926 million). Derivatives are used for hedging purposes. Achmea holds no financial instruments for trading purposes.
The carrying value of securities lent amounts to €298 million (2010: €737 million). Achmea has a variety of collateral policies in place.

Notes To The Consolidated Financial Statements

INVESTMENTS MEASURED AT FAIR VALUE

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	DERIVATIVES	CASH COLLATERAL RECEIVED IN SECURITIES LENDING	OTHER FINANCIAL INVESTMENTS	TOTAL 2011	TOTAL 2010
Balance at 1 January	2,037	28,438	374	2,330	940	534	196	34,849	34,948
Acquisitions	114	191	14	57	-6		2	372	
Disposals									-63
Change in composition of the Group	**114**	**191**	**14**	**57**	**-6**		**2**	**372**	**-63**
Investments and loans granted	972	16,320	82	17,216	2,186	1,863	429	39,068	62,450
Divestments and disposals	-727	-16,988	-240	-16,879	-2,386	-2,120	-442	-39,782	-62,983
Fair value changes	-159	808	-6	-1	698	7	-4	1,343	683
Foreign currency differences	18	50		-21	-1			46	132
Accrued interest		-15	9	-9	-42			-57	105
Effect of change in benchmark rate									6
Changes due to reclassification	37	26	9	-37	5		-148	-108	-587
Other movements	8							8	7
Balance at 31 December	**2,300**	**28,830**	**242**	**2,656**	**1,394**	**284**	**33**	**35,739**	**34,698**
Comprising:									
Assets	2,300	28,830	242	2,656	2,980	284	33	37,325	35,729
Liabilities					1,586			1,586	1,031

Changes due to reclassification in 2011 are mainly related to the reclassification of assets classified as investments backing linked liabilities and the reclassification of Achmea's stake in F&C Asset Management plc of €50 million (reference is made to Note 8 Associates).

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 €-149 million (2010: €-100 million).

EQUITIES AND SIMILAR INVESTMENTS

(€ MILLION)

	2011	2010
Equity investments	1,977	1,670
Venture capital investments	106	110
Commodities	217	257
	2,300	**2,037**

Included in Equities and similar investments are interests in investment funds amounting to €1,461 million (2010: €1,219 million). The investment of the funds comprise investments in fixed-income investments amounting to €680 million (2010: €512 million).

Notes To The Consolidated Financial Statements

BONDS

(€ MILLION)

	2011	2010
Government and government related bonds	20,683	19,409
Corporate bonds	5,794	6,077
Covered bonds	1,611	1,635
Convertible bonds	322	310
Asset backed securities	420	1,007
	28,830	**28,438**

GOVERNMENT AND GOVERNMENT RELATED BONDS

(€ MILLION)

	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	2011	2010
Netherlands	9,216	1,296	10,512	9,571
Germany	3,652	1,284	4,936	4,447
France	2,220	341	2,561	3,540
European Union and European Investment Bank	599		599	330
Finland	525	45	570	59
Ireland		411	411	384
Belgium	41	47	88	92
Italy	10	47	57	89
Spain		48	48	121
Portugal		33	33	49
Greece	31		31	97
Other	837		837	630
	17,131	**3,552**	**20,683**	**19,409**

LOANS AND MORTGAGES

(€ MILLION)

	2011	2010
Investment loans	221	230
Loans and mortgages to policyholders	20	143
Other loans and mortgages	1	1
	242	**374**

DEPOSITS WITH CREDIT INSTITUTIONS

(€ MILLION)

	2011	2010
Deposits within the European Union	2,396	2,152
Other	260	178
	2,656	**2,330**

Notes To The Consolidated Financial Statements

DERIVATIVES

(€ MILLION)

	ASSETS	LIABILITIES	2011
Interest rate derivatives	2,330	1,452	878
Currency derivatives	467	132	335
Equity derivatives	177	2	175
Other derivatives	6		6
	2,980	**1,586**	**1,394**
	ASSETS	LIABILITIES	2010
Interest rate derivatives	1,225	918	307
Currency derivatives	563	113	450
Equity derivatives	183		183
	1,971	**1,031**	**940**

At 31 December 2011, interest rate derivatives liabilities related to the Banking activities amount to €1,194 million (2010: €772 million). Interest rate derivatives liabilities amounting to €258 million (2010: €146 million) are related to the Life operations. These derivatives have contractual remaining time to maturity of more than five years. For more details on the derivative instruments reference is made to Note 50 Risk Management.

INVESTMENTS RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

Based on a securities lending programme, Achmea 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. Achmea 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 Achmea'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 Achmea. The investments in these funds can only be used to repay the collateral provided by the borrower for the securities lending transactions. The repayment obligation with respect to the collateral provided is included in other Liabilities. The fair value of the accepted collateral related to securities which were lent amounted to €298 million as at 31 December 2011 (2010: €550 million).

Notes To The Consolidated Financial Statements

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

(€ MILLION)

2011	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	OTHER FINANCIAL INVESTMENTS	TOTAL
Under 3 months	483	4	1,574	7	2,068
3-12 months	829	13	1,081		1,923
1-2 years	2,991	3			2,994
2-3 years	4,280	16			4,296
3-4 years	2,463	1			2,464
4-5 years	2,167	92			2,259
Over 5 years	15,617	113	1	26	15,757
Balance at 31 December	**28,830**	**242**	**2,656**	**33**	**31,761**

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**

IMPAIRMENTS

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	OTHERS	2011	2010
Impairment losses during the year	-96	-146	-1	**-243**	-46

Impairment losses for 2011 are mainly related to the decrease on the stock exchange rate of specific investments and investments in Greek government bonds (reference is made to Note 4 Fair value of financial instruments).
The nominal value of the impaired bonds amounts to €222 million (2010: €55 million). For 2011, interest income related to impaired part of Bonds and Loans and mortgages was €8 million (2010: nil). Impairment losses are included in Realised and unrealised gains and losses.

INVESTMENTS MEASURED AT AMORTISED COST

(€ MILLION)

	2011	2010
Balance at 1 January	3,697	3,155
Investments and loans granted	282	269
Divestments and disposals	-366	-370
Foreign currency differences	17	3
Accrued interest	158	
Change due to reclassification		640
Balance at 31 December	**3,788**	**3,697**

Notes To The Consolidated Financial Statements

Investments measured at amortised cost are mainly savings accounts held at Rabobank Group related to life insurance policies in force. The fair value of the investments measured at amortised cost at year-end amounted to €3,779 million (2010: €3,697 million).

ANALYSIS OF FIXED-INCOME INVESTMENTS CARRIED AT AMORTISED COST BY REMAINING TIME TO MATURITY (€ MILLION)

	2011	2010
Under 3 months	72	667
3-12 months	181	221
1-2 years	188	396
2-3 years	207	237
3-4 years	278	221
4-5 years	222	212
Over 5 years	2,640	1,743
Balance at 31 December	**3,788**	**3,697**

12 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 holders of life insurance or investment contracts. 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'.

INVESTMENTS BACKING LINKED LIABILITIES (€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	BONDS AND OTHER FIXED-INCOME INVESTMENTS	DERIVATIVES	CASH AND OTHER FINANCIAL INVESTMENTS	Total 2011	Total 2010
Balance at 1 January	817	10,831	8,565	309	2,029	22,551	21,282
Investments and loans		3,731	8,383	1,124	104	13,342	12,480
Divestments and disposals	-26	-4,358	-7,793	-1,092	-170	-13,439	-12,846
Fair value changes recognised in profit or loss	-40	-426	162	669		365	1,169
Foreign currency differences		20	2		-1	21	24
Accrued interest and rent		5	213		11	229	245
Changes due to reclassification		148				148	-38
Cash movements					97	97	235
Balance at 31 December	**751**	**9,951**	**9,532**	**1,010**	**2,070**	**23,314**	**22,551**

Investments backing linked liabilities are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of Achmea. Changes due to reclassification are related to presentation changes between investments and investments backing linked liabilities.

Notes To The Consolidated Financial Statements

13 BANKING CREDIT PORTFOLIO

BANKING CREDIT PORTFOLIO CLASSIFIED BY NATURE

(€ MILLION)

2011	LOANS AND RECEIVABLES	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions	1,485		1,485
Loans	15,071	376	15,447
	16,556	**376**	**16,932**

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**

BANKING CREDIT PORTFOLIO

(€ MILLION)

	2011	2010
Credit institutions		
Loans and advances to banks	1,226	873
Cash advances, overdrafts and other balances due on demand	259	48
	1,485	**921**
Loans		
Secured by mortgages	14,442	14,646
Other loans and advances to private sector	716	995
Other corporate loans	240	245
Non-performing	150	153
	15,548	**16,039**
Total (excluding Allowance account)	**17,033**	**16,960**
Allowance account	101	132
	16,932	**16,828**

Mandatory reserve deposits at Central Banks amounting to €452 million (2010: €495 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 2011	TOTAL 2010
Balance at 1 January (excluding Allowance account)	921	15,625	16,546	19,007
Investments and loans granted	591	1,117	1,708	394
Divestments and disposals	-27	-1,882	-1,909	-2,867
Change in value due to fair value hedge accounting		306	306	226
Changes due to reclassification		9	9	-209
Other movements		-3	-3	-5
Balance at 31 December (excluding Allowance account)	**1,485**	**15,172**	**16,657**	**16,546**
Balance at 1 January (Allowance account)		132	132	158
Additional allowances		30	30	30
Allowances used		-54	-54	-75
Amounts released		-18	-18	-5
Recoveries				6
Changes due to reclassification		9	9	
Effect of changes in assumptions		2	2	18
Balance at 31 December (Allowance account)		**101**	**101**	**132**
Carrying amount				
At 1 January	921	15,493	16,414	18,849
At 31 December	**1,485**	**15,071**	**16,556**	**16,414**

The fair value of the banking credit portfolio measured at amortised cost at year-end is €16,967 million (2010: €17,618 million).

RESULTS ON HEDGE ACCOUNTING

(€ MILLION)

	GAINS	LOSSES	TOTAL 2011	TOTAL 2010
Fair value hedges				
Fair value changes of the hedged item attributable to the hedged risk	572	266	306	88
Fair value changes of the related derivatives (including discontinuation)	268	582	-314	-72

The fair value of the derivatives designated as hedging instruments amounts to €964 million (2010: €-538 million).

In accordance with hedge accounting policies, Achmea 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 and is subsequently amortised to profit or loss over the remaining life of the hedging instrument. Amortisation is based on the effective interest rate method.

Notes To The Consolidated Financial Statements

As at 31 December 2011, the carrying amount of the loans is affected by impairment losses amounting to €157 million (2010: €184 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 2011, the interest income related to impaired financial instruments is €4 million (2010: €7 million).

BANKING CREDIT PORTFOLIO MEASURED AT FAIR VALUE

(€ MILLION)

	2011	2010
Balance at 1 January	414	453
Divestments and disposals	-53	-41
Fair value changes	15	2
Balance at 31 December	**376**	**414**

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)

	2011	2010
Current period	3	-3
Cumulatively	19	16

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

(€ MILLION)

	CREDIT INSTITUTIONS	LOANS	TOTAL 2011	CREDIT INSTITUTIONS	LOANS	TOTAL 2010
On demand	1,265	241	1,506	435	192	627
Under 3 months	220	395	615		692	692
3-12 months		148	148		814	814
1-2 years		187	187		805	805
2-3 years		147	147		791	791
3-4 years		135	135		1,346	1,346
4-5 years		161	161		667	667
Over 5 years		14,134	14,134	486	10,732	11,218
	1,485	**15,548**	**17,033**	**921**	**16,039**	**16,960**

As at 31 December 2011 €10,678 million (2010: €12,447 million) of the government-guaranteed and/or mortgage backed loans is not freely disposable because of money market and capital market pledges. These pledges can be analysed as follows:

(€ MILLION)

	2011	2010
Pledge by means of trust arrangements	1,156	2,038
Pledge by means of securitisation	4,016	4,244
Third-party pledge	5,506	6,165
	10,678	**12,447**

Notes To The Consolidated Financial Statements

14 DEFERRED TAX ASSETS AND LIABILITIES

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

DEFERRED TAX ASSETS AND LIABILITIES

(€ MILLION)

	BALANCE AT 1 JANUARY 2011	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2011
Intangible assets	8	-1		-3	4
Property for own use and equipment	-8	-1		9	
Investments	-560	13	-10	-383	-940
Banking credit portfolio	-1			1	
Deferred acquisition costs	35	-2		-2	31
Insurance liabilities	543	28		389	960
Post-employment benefits	110	-35	4		79
Other provisions	63			-47	16
Amortisation	1				1
Impairments	1			-1	
Other liabilities	-11	-58	1	-6	-74
Loss carry-forwards	156	1		148	305
	337	**-55**	**-5**	**105**	**382**
Comprising:					
Deferred tax assets					398
Deferred tax liabilities					16

(€ MILLION)

	BALANCE AT 1 JANUARY 2010	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2010
Intangible assets	20			-12	8
Property for own use and equipment	3	-8	-4	1	-8
Investments	-435	13	-6	-132	-560
Investments backing linked liabilities	1			-1	
Banking credit portfolio	3		-3	-1	-1
Deferred acquisition costs	51	-10		-6	35
Insurance liabilities	383	-12		172	543
Post-employment benefits	139	-22		-7	110
Other provisions	10	19		34	63
Amortisation	1				1
Impairments				1	1
Other liabilities	-17	-11	10	7	-11
Loss carry-forwards	188			-32	156
	347	**-31**	**-3**	**24**	**337**
Comprising:					
Deferred tax assets					352
Deferred tax liabilities					15

Notes To The Consolidated Financial Statements

The tax rates used in calculating deferred tax assets and liabilities differ per jurisdiction, and in 2011 and 2010 ranged from 10.0% to 34.0%. Changes in tax rates substantively enacted as at 31 December 2011 are taken into account.
The other movements are primarily related to changes from deferred to current tax positions.

An amount of €380 million (2010: €338 million) of the Deferred tax assets and liabilities is expected to be recovered more than twelve months after reporting date.

Deferred tax assets have not been recognised in respect of taxable losses of previous years amounting to €26 million (2010: €32 million). For these losses it is not probable that future taxable profits will be available, against which the temporary difference can be utilised. The unrecognised deferred tax assets do not expire under current tax legislation.

In the measurement of the current income tax position, uncertainties regarding collectability have been taken into account.

15 DEFERRED ACQUISITION COSTS

(€ MILLION)

2011	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	344	40	384
Addition of deferred acquisition costs	-4	7	3
Amortisation	-47	-3	-50
Foreign currency differences	-4		-4
Changes due to reclassification	-107		-107
Balance at 31 December	**182**	**44**	**226**

(€ 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**

As of 2011, the majority of Deferred acquisition costs related to the Non-life and Health businesses has been reclassified to Receivables and accruals due to their short-term nature.

An amount of €178 million (2010: €326 million) of the Deferred acquisition costs is expected to be recovered more than twelve months after reporting date.

Notes To The Consolidated Financial Statements

16 RECEIVABLES AND ACCRUALS

(€ MILLION)

	2011	2010
Receivables from direct insurance:		
Policyholders	1,153	1,217
Agents	190	166
Other	77	47
	1,420	**1,430**
Receivables on reinsurance	28	9
Investment receivables	8	59
Contribution from Dutch Health insurance fund	1,603	1,756
Prepayments to Dutch hospitals	508	824
Payments related to Dutch short-term mental care (GGZ)	200	294
Other prepayments and accrued income	262	167
Non-insurance assets acquired by exercising rights to recoveries	69	44
Other	491	875
	4,589	**5,458**

An amount of €2,278 million (2010: €2,584 million) of the Receivables is expected to be recovered after twelve months after reporting date.

17 CASH AND CASH EQUIVALENTS

(€ MILLION)

	2011	2010
Cash and bank balances	1,172	1,789
Call deposits	153	150
	1,325	**1,939**

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

Notes To The Consolidated Financial Statements

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.

On 18 November 2011 (retrospective as of 1 January 2011), a legal merger was effected between Eureko B.V. and its fully owned subsidiary Achmea Holding N.V. This merger has no impact on Total equity or its composition and Net profit.

SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF ORDINARY SHARES	NOMINAL VALUE ORDINARY SHARES	NUMBER OF PREFERENCE SHARES	NOMINAL VALUE PREFERENCE SHARES	NUMBER OF A SHARES	NOMINAL VALUE A SHARES
	(PAR VALUE €1 PER SHARE)		(PAR VALUE €1 PER SHARE)		(PAR VALUE €1 PER SHARE)	
Authorised	2,103,943,009	2,104	60,000,000	60	1	
Issued	410,820,173	411	23,904,060	24	1	
Available for issuance	**1,693,122,836**	**1,693**	**36,095,940**	**36**		
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**	
Shares issued 1 January 2011	408,884,541	409	23,904,060	24	1	
Shares issued in 2011	1,935,632	2				
Shares issued 31 December 2011	**410,820,173**	**411**	**23,904,060**	**24**	**1**	

Share rights, preferences and restrictions

Stichting Administratiekantoor Achmea is the holder of the A share. Special rights adhere to the A share. The majority of the decisions of Achmea's General Meeting of Shareholders can only be made after 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 Achmea's General Meeting of Shareholders.

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 issues certificates of the preference shares to the ultimate investors. Certificates of preference shares, amounting to €45 million, held by Achmea B.V. are presented as Own shares within Total equity.

On 31 December 2011, Achmea issued 1,935,632 ordinary shares to Vereniging Achmea.

A list of Achmea shareholders as at 31 December 2011 is presented in Other information, Achmea shareholders at 31 December 2011.

Notes To The Consolidated Financial Statements

Own shares

Shares issued by Achmea B.V. and subsequently purchased by Achmea B.V. amount to €245 million and are presented as Own shares.
On 1 January 2011 3,045,103 certificates of preference shares were held by Achmea B.V., amounting to €45 million.
On 28 December 2011, Achmea purchased 10,932,742 of its ordinary shares from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. which resulted in an addition to Own shares of €200 million.

Legal reserves

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

An amount of €548 million (2010: €242 million) of Total equity contributed by subsidiaries at year-end 2011 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 reserves.

Amounts presented within the legal reserves cannot be distributed to shareholders.

Revaluation reserve

Based on the accounting principles used by Achmea, a revaluation reserve is formed when appropriate. Furthermore, based on Dutch regulations, Achmea 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 2011, an amount of €22 million (2010: €35 million) is transferred from the Revaluation reserve to Retained earnings.

Part of the Revaluation reserve is related to property for own use. The revaluation surplus for property for own use decreased in 2011 from €47 million to €29 million. The majority of the remainder of the revaluation reserve is related to available for sale investments.

The Revaluation reserve contains an amount of €544 million related to unrealised losses net of deferred taxes on assets carried at fair value. In determining the non-distributable revaluation reserve under Dutch regulations these losses cannot be deducted. Consequently, in relation to the Revaluation reserve an amount of €544 million cannot be distributed to shareholders.

Exchange difference reserve

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 reporting period. Translation differences arising from the application of reporting date exchange rates to the opening balance of the net assets and goodwill of such subsidiaries and to the results for the reporting period are recognised in the exchange difference reserve.

Amounts presented within the Exchange difference reserve cannot be distributed to shareholders.

Hedging reserve

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

The amounts presented within the Hedging reserve cannot be distributed to shareholders. In 2011 and 2010 the Hedging reserve does not contain amounts related to unrealised losses on assets carried at fair value. In determining the non-distributable amounts under Dutch regulations these losses cannot be deducted. Consequently, in relation to the Hedging reserve an amount of €7 million (2010: €7 million) cannot be distributed to shareholders.

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%.

During the transition from Eureko GAAP to EU-IFRS on 1 January 2005, the provision for long-service benefits was recognised with an incorrect application of IAS19 Employee benefits. As from 2011, assumptions regarding the provision for long-service benefits have been adjusted to comply with this standard. The adjustment of the provision as per 1 January 2011 amounts to €10 million (net of taxes) and is included in Other movements in Retained earnings. If the application of IAS19 had been accurate, Achmea's Total equity on 31 December 2010 would have been €10,347 million (2009 and 2008: €10,117 million and €7,441 million, respectively).

Notes To The Consolidated Financial Statements

The Appropriation of results is presented in Other information, Statutory requirements for appropriation of results. According to this proposal no dividend will be distributed to the holders of ordinary shares related to the financial year 2011.

Other equity instruments
In May 2008, Achmea 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. Achmea 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 Achmea 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, Achmea B.V. issued €600 million of Perpetual Capital Securities with a coupon of 6.0%, payable annually in arrears. Achmea 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 Achmea’s regulatory capital under anticipated Dutch regulatory rules, with a ’Tier-1’ equivalent treatment.

On 24 June 2005, Achmea 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 Achmea’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 Achmea and subject to other limitations as described in the prospectus and will be charged to Retained earnings, part of Total equity. The related tax is included within Other movements of Retained earnings (€20 million), part of Total equity.

19 NON-CONTROLLING INTEREST

(€ MILLION)

	2011	2010
WagenPlan B.V.	7	6
Inshared Holding B.V.	-3	-2
Other	2	1
	6	**5**

Net profit attributable to the non-controlling interest is €1 million (2010: nil).

Notes To The Consolidated Financial Statements

20 INSURANCE LIABILITIES

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Non-life insurance				
Unearned premiums	1,276	69	1,311	74
Provision for premium deficiency	54		61	3
Provision for unexpired risks (including ageing provision)	54		13	
Outstanding claims (including IBNR)	5,219	234	5,179	330
Profit sharing and bonuses	107		110	
Total Non-life insurance	**6,710**	**303**	**6,674**	**407**
Health insurance				
Unearned premiums	36	1	38	1
Provision for premium deficiency	2		3	
Provision for unexpired risks (including ageing provision)	4		20	
Outstanding claims (including IBNR)	4,744	40	4,334	44
Total Health insurance	**4,786**	**41**	**4,395**	**45**
Life insurance				
Provision for life policy liabilities	23,401	511	23,416	485
Less: Deferred interest surplus rebates	72		87	
Net provision for life policy liabilities	**23,329**	**511**	**23,329**	**485**
Profit sharing and bonuses	2,695		1,225	
Total Life insurance	**26,024**	**511**	**24,554**	**485**
Total Insurance liabilities	**37,520**	**855**	**35,623**	**937**

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

MOVEMENT TABLE PROVISION FOR UNEARNED PREMIUMS NON-LIFE

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Balance at 1 January	1,311	74	1,352	69
Acquisitions				
Disposals			-5	
Change in composition of the Group			**-5**	
Added during the year	3,819	240	3,992	250
Released to the Income Statement	-3,827	-234	-3,994	-245
Foreign currency differences	-27	-11	7	
Changes due to reclassification			-41	
Balance at 31 December	**1,276**	**69**	**1,311**	**74**

Notes To The Consolidated Financial Statements

PROVISION FOR PREMIUM DEFICIENCY NON-LIFE

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Balance at 1 January	61	3	74	
Increase charged to the Income Statement	52		5	3
Released to the Income Statement	-59	-3	-31	
Changes due to reclassification			13	
Balance at 31 December	**54**		**61**	**3**

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

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Balance at 1 January	5,179	330	5,075	291
Acquisitions				
Disposals			-7	
Change in composition of the Group			**-7**	
Current period claims reported	2,594	48	2,848	129
Previous periods claims reported/released	-76	-14	-144	-32
Plus claims reported	**2,518**	**34**	**2,704**	**97**
Current period claims paid	1,272	50	1,386	44
Previous periods claims paid	1,100	54	1,126	45
Less claims paid	**2,372**	**104**	**2,512**	**89**
Foreign currency differences	-38	-26	8	6
Unwinding of discount	-63		24	1
Changes due to reclassification	-5		-156	-27
Other movements			43	51
Balance at 31 December	**5,219**	**234**	**5,179**	**330**

Notes To The Consolidated Financial Statements

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	TOTAL
Estimate of cumulative claims											
At end of underwriting year	2,594	2,848	2,825	2,828	2,709	2,235	3,289	1,213	1,097	950	
One year later		2,633	2,857	2,827	2,596	2,215	3,193	1,189	1,125	1,028	
Two years later			2,650	2,709	2,564	2,155	3,211	1,128	1,123	1,000	
Three years later				2,538	2,448	2,129	3,169	1,078	1,033	1,035	
Four years later					2,422	2,000	3,158	1,050	1,005	987	
Five years later						2,070	3,027	1,056	994	947	
Six years later							3,358	1,069	975	917	
Seven years later								1,030	997	878	
Eight years later									1,007	953	
Nine years later										991	
Estimate of cumulative claims	**2,594**	**2,633**	**2,650**	**2,538**	**2,422**	**2,070**	**3,358**	**1,030**	**1,007**	**991**	**21,293**
Cumulative payments	-1,272	-1,814	-1,968	-2,016	-1,986	-1,748	-2,885	-909	-865	-878	-16,341
	1,322	**819**	**682**	**522**	**436**	**322**	**473**	**121**	**142**	**113**	**4,952**
Insurance liabilities claims prior years (<2002)											774
Effect of discounting											-507
Outstanding claims at 31 December 2011											**5,219**

PROFIT SHARING AND BONUSES

(€ MILLION)

	2011	2010
Balance at 1 January	110	95
Net movements during the period	-3	15
Balance at 31 December	**107**	**110**

MOVEMENT TABLE PROVISION FOR UNEARNED PREMIUMS HEALTH

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Balance at 1 January	38	1	31	1
Added during the year	12,400	338	12,289	256
Released to the Income Statement	-12,402	-338	-12,287	-256
Other movements			5	
Balance at 31 December	**36**	**1**	**38**	**1**

Notes To The Consolidated Financial Statements

PROVISION FOR PREMIUM DEFICIENCY HEALTH

(€ MILLION)

	2011	2010
Balance at 1 January	3	13
Released to the Income Statement	-1	-10
Balance at 31 December	**2**	**3**

MOVEMENT OF OUTSTANDING CLAIMS (INCLUDING IBRN) HEALTH

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Balance at 1 January	4,334	44	3,979	59
Acquisition	312			
Disposals				
Change in composition of the Group	**312**			
Current period claims reported	11,595	1,029	11,101	767
Previous periods claims reported/released	40	24	498	-67
Plus claims reported	**11,635**	**1,053**	**11,599**	**700**
HKC premiums related to current period claims reported		-1,029		-742
HKC premiums related to previous periods claims reported		20		55
HKC premiums related to claims reported		**-1,009**		**-687**
Current period claims paid	7,630		7,053	
Previous periods claims paid	3,907	703	4,191	509
Less claims paid	**11,537**	**703**	**11,244**	**509**
HKC premiums related to previous periods claims paid		-655		-481
Less HKC premiums related to claims paid		**-655**		**-481**
Balance at 31 December	**4,744**	**40**	**4,334**	**44**

Reinsurance is mainly related to High Cost Compensation (HKC: Hoge Kosten Compensatie) which is related to the Dutch health insurance system. The balance of €40 million (2010: €44 million) consists of a receivable on the Health Care Insurance Board (CVZ) amounting to €2,533 million (2010: €2,183 million) and a liability to CVZ amounting to €2,493 million (2010: €2,139 million). The composition of the receivable and liability is based on premiums, claims and other movements by underwriting year.

Notes To The Consolidated Financial Statements

CLAIMS DEVELOPMENT TABLE FOR HEALTH

(€ MILLION)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	11,907	11,101	10,368	10,466	10,775	7,504	2,057	1,550	1,159	1,031	
One year later		11,163	10,672	10,699	10,532	6,936	2,087	1,479	1,135	1,029	
Two years later			10,612	10,656	10,522	6,904	2,119	1,442	1,129	1,024	
Three years later				10,491	10,836	6,329	2,073	1,480	1,151	1,020	
Four years later					11,871	6,330	1,867	1,481	1,125	994	
Five years later						6,216	1,858	1,336	1,175	1,066	
Six years later							1,750	1,268	1,075	1,025	
Seven years later								1,268	1,075	972	
Eight years later									1,075	972	
Nine years later										972	
Estimate of cumulative claims	**11,907**	**11,163**	**10,612**	**10,491**	**11,871**	**6,216**	**1,750**	**1,268**	**1,075**	**972**	**67,325**
Cumulative payments	-7,630	-10,808	-10,609	-10,491	-11,855	-6,156	-1,738	-1,247	-1,075	-972	-62,581
Outstanding claims at 31 December 2011	**4,277**	**355**	**3**		**16**	**60**	**12**	**21**			**4,744**

MOVEMENT TABLE FOR PROVISION FOR LIFE POLICY LIABILITIES

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Non-participating benefits				
Balance at 1 January	7,191	139	7,002	165
Benefits paid	-1,922	-74	-1,739	-75
Net premiums received	1,350	235	1,249	183
Technical result	-202	-131	-426	-134
Foreign currency differences	2		5	
Unwinding of discount	361		420	
Effect of changes in assumptions	3		-10	
Changes due to reclassification	-289		620	
Cost withdrawel		-2		
Effect of fair value changes	153		70	
Balance at 31 December	**6,647**	**167**	**7,191**	**139**
Participating benefits				
Balance at 1 January	16,225	346	17,005	426
Benefits paid	-1,046	-41	-1,149	-35
Net premiums received	599	35	633	24
Technical result	-122	15	-240	-69
Unwinding of discount	628		475	
Cost withdrawel		-11		
Effect of changes in assumptions	-15		-39	
Changes due to reclassification	485		-460	
Balance at 31 December	**16,754**	**344**	**16,225**	**346**
Life policy liabilities	**23,401**	**511**	**23,416**	**485**

Notes To The Consolidated Financial Statements

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 generally based on discounting at the interest rate guaranteed for the product or in some cases based on projected returns on related investments.
The provision for non-participating life policy liabilities includes an amount of €3.6 billion (2010: €3.6 billion) that is calculated with current discount rates. Furthermore, €1.8 billion (2010: €1.7 billion) is based on discount rates of projected returns of related investments.

Changes due to reclassification are mainly related to presentation changes between insurance liabilities where policyholders bear investment risks and insurance liabilities classified as held for sale, to product and presentation changes between insurance liabilities, insurance liabilities where policyholders bear investment risks and investment contracts.

DEFERRED INTEREST SURPLUS REBATES (€ MILLION)

	2011	2010
Balance at 1 January	87	122
Rebates granted	10	7
Foreign currency differences		1
Amortisation	-27	-43
Changes due to reclassification	2	
Balance at 31 December	**72**	**87**

PROFIT SHARING AND BONUSES (€ MILLION)

	2011	2010
Balance at 1 January	1,225	593
Net movements during the period	1,469	657
Changes due to reclassification	1	-25
Balance at 31 December	**2,695**	**1,225**

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 WHERE POLICYHOLDERS BEAR INVESTMENT RISKS

The insurance liabilities where policyholders bear investment risks are linked to the Investments backing linked liabilities.

MOVEMENT TABLE INSURANCE LIABILITIES WHERE POLICYHOLDERS BEAR INVESTMENT RISKS (€ MILLION)

	2011	2010
Balance at 1 January	20,305	19,341
Benefits paid	-1,703	-1,997
Net premiums received	1,481	1,689
Technical result	-289	-178
Unwinding of discount	290	240
Effect of changes in assumptions		4
Effect of fair value changes related to financial assets	864	1,248
Changes due to reclassification	-177	-42
Balance at 31 December	**20,771**	**20,305**

Notes To The Consolidated Financial Statements

Changes due to reclassification are related to presentation changes between insurance liabilities where policyholders bear investment risks and life policy liabilities.
Insurance liabilities where policyholders bear investment risks are essentially of a long-term nature.

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.

MOVEMENT TABLE INVESTMENT CONTRACTS

(€ MILLION)

	2011	2010
Balance at 1 January	2,365	2,315
Consideration received	350	372
Consideration paid	-375	-407
Effect of fair value changes related to financial assets	-148	83
Changes due to reclassification	1	2
Balance at 31 December	**2,193**	**2,365**

An amount of €1,839 million (2010: €2,221 million) of the Investment contracts is expected to be settled more than twelve months after reporting date.

23 POST-EMPLOYMENT BENEFITS

(€ MILLION)

2011	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	4,136	76	4,212
Fair value of total plan assets	-4,729	-56	-4,785
Fair value of non-qualifying plan assets	734		734
Unfunded status	**141**	**20**	**161**
Unrecognised actuarial gains and losses	890	-27	863
Balance at 31 December	**1,031**	**-7**	**1,024**

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
Balance at 31 December	**1,084**	**-4**	**1,080**

Notes To The Consolidated Financial Statements

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

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 Achmea's Dutch life insurance company. The investments and insurance liabilities of the reinsurance contract are recorded as investments backing linked liabilities and insurance liabilities where policyholders bear investment risks. Achmea does not have control over the Achmea Pension fund Foundation.

Achmea maintains defined benefit retirement plans in The Netherlands, Ireland and Slovakia. These plans generally cover all employees and provide benefits that are related to the remuneration (mainly based on average remuneration) and service of employees upon retirement. Benefits related to medical costs are not included in these plans.

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 Achmea's defined contribution plans are held in independently managed funds. Contributions are generally determined as a percentage of pay. The amount incurred in 2011 was €13 million (2010: €13 million).

Post-employment benefits are essentially of a long-term nature.

MOVEMENT TABLE POST-EMPLOYMENT BENEFITS (€ MILLION)

	THE NETHERLANDS	OTHER COUNTRIES	TOTAL 2011	TOTAL 2010
Net liability at 1 January	1,084	-4	1,080	1,142
Acquisitions	5		5	
Disposals				
Change in composition of the Group	**5**		**5**	
Contributions paid	-296	-6	-302	-226
Net expense recognised in the Income Statement	164	5	169	116
Fair value changes of non-qualifying plan assets	74	-1	73	48
Other changes		-1	-1	
Net liability at 31 December	**1,031**	**-7**	**1,024**	**1,080**

Notes To The Consolidated Financial Statements

EXPENSE RECOGNISED IN THE INCOME STATEMENT

(€ MILLION)

	THE NETHERLANDS	OTHER COUNTRIES	TOTAL 2011	TOTAL 2010
Current service costs	140	4	144	113
Interest on benefit obligation	223	4	227	211
Expected return on plan assets	-198	-3	-201	-173
Amortisation of actuarial gains and losses	1		1	-18
Past service cost				-17
Result on curtailments and settlements	-2		-2	
Total included in Operating expenses	**164**	**5**	**169**	**116**

MOVEMENT TABLE QUALIFYING PLAN ASSETS

(€ MILLION)

	2011	2010
Balance at 1 January	3,454	2,929
Acquisitions	41	
Disposals		
Change in composition of the Group	**41**	
Contributions into plan by employer	280	208
Benefits paid by the plan	-79	-65
Expected return on plan assets	176	150
Unrecognised actuarial gains and losses	187	225
Result on curtailments and settlements	-9	
Other movements	1	7
Balance at 31 December	**4,051**	**3,454**

The qualifying plan assets comprise the following investment categories:

QUALIFYING PLAN ASSETS

(%)

	2011	2010
Equity instruments	22	23
Fixed-income investments	75	74
Alternatives	3	3

ACTUAL RETURN ON PLAN ASSETS

(%)

	THE NETHERLANDS	OTHER COUNTRIES
2011		
Qualifying plan assets	15.05	-3.08
Non-qualifying plan assets	11.07	
2010		
Qualifying plan assets	11.86	6.10
Non-qualifying plan assets	8.88	

Notes To The Consolidated Financial Statements

MOVEMENT TABLE DEFINED BENEFIT OBLIGATION (€ MILLION)

	2011	2010
Balance at 1 January	4,358	3,644
Acquisitions	46	
Disposals		
Change in composition of the Group	**46**	
Benefits paid by the plan	-104	-91
Interest on benefit obligation	227	211
Current service costs	144	113
Unrecognised actuarial gains and losses	-445	492
Past service cost		-17
Curtailment and settlements	-14	
Other movements		6
Balance at 31 December	**4,212**	**4,358**

As from 2010 the AG prognosetafel 2010-2060 has been applied in determining defined benefit obligations in the Netherlands.

The rate used to discount the defined benefit obligation is determined by reference to market yields on high quality corporate bonds. Up to 2010 Achmea has applied the Bloomberg curve. Due to lack of long term liquidity points within the Bloomberg curve Achmea decided to apply an adjusted Rate:Link curve in determining the defined benefit obligation at 31 December 2011. The Rate:Link curve is compiled by Towers Watson. Achmea adjusted the Rate:Link curve for maturities longer than eighteen years. For those maturities the spot Rate is considered to be fixed.

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 2011, 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	22	1.54
Fixed-income investments	75	2.64
Alternatives	3	0.18
Total	**100**	**4.36**

Notes To The Consolidated Financial Statements

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

(%)

2011	THE NETHERLANDS	OTHER COUNTRIES
Discount rate at 31 December	5.30	2.25 - 5.90
Expected return on qualifying plan assets	4.50	4.45
Expected return on non-qualifying plan assets	3.30	
Future salary increases	2.50	3.00 - 3.50
Future pension increase for in-payment benefits	1.70	

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	

HISTORICAL INFORMATION

(€ MILLION)

	2011	2010	2009	2008	2007
Present value of the defined benefit obligations	4,212	4,358	3,644	3,702	3,479
Fair value of qualifying plan assets	4,051	3,454	2,929	2,743	1,636
Deficit in the plan	**161**	**904**	**715**	**959**	**1,843**
Experience adjustments arising on plan liabilities	858	413	905	587	570
Percentage of scheme liabilities	20.4%	9.5%	24.9%	15.9%	16.4%
Experience adjustments arising on plan assets	82	-105	-330	-229	-99
Percentage of scheme assets	2.0%	-3.0%	-11.4%	-8.3%	-6.1%

Achmea expects to pay €326 million in contributions to defined benefit plans in 2012.

Notes To The Consolidated Financial Statements

24 OTHER PROVISIONS

(€ MILLION)

2011	RESTRUCTURING	EQUITY PARTICIPATION PLAN	OTHER	TOTAL
Balance at 1 January	48	10	266	324
Acquisitions			4	4
Disposals				
Change in composition of the Group			**4**	**4**
Additions	43	1	69	113
Usage	-42	-11	-58	-111
Released	-10		-23	-33
Changes due to reclassification	-15		-9	-24
Balance at 31 December	**24**		**249**	**273**
Non-current	11		45	56
Current	13		204	217
Balance at 31 December	**24**		**249**	**273**

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**

Changes due to reclassification in 2011 are mainly related to liabilities classified as ‘held for sale’.

Restructuring

In 2011, provisions were made due to restructuring costs arising from business process redesign programs.

Equity participation plan

In October 2011, employees that participated in the equity participation plan were given a personal offer to settle the options still outstanding. The settlement of 98,6% options outstanding took place in November 2011. For employees that did not accept the personal offer the original conditions of the equity participation plan are still in place.

Notes To The Consolidated Financial Statements

MOVEMENTS IN OPTIONS GRANTED UNDER THE EQUITY PARTICIPATION PLAN

	NUMBER OF OPTIONS 2011	NUMBER OF OPTIONS 2010
Outstanding, at the beginning of the year	2,064,466	2,342,634
Settled during the year	-2,039,575	-3,052
Expired during the year		-275,116
Outstanding, at the end of the year	**24,891**	**2,064,466**
Exercisable, at the end of the year	**24,891**	**1,416,560**

The value of the options outstanding at 31 december 2011 is negligible (2010: €10 million).

Other
Other provisions include liabilities related to legal claims, possible compensations in relation to insurance and non-insurance activities of Achmea and onerous contracts regarding rented unused office premises and other premises. These liabilities have different expected settlement dates, but the main part is expected to have a maturity of more than twelve months. The value of Other provisions is determined based on management judgement, external professional assessment and experience.

25 BANKING CUSTOMER ACCOUNTS

CLASSIFIED BY NATURE (€ MILLION)

2011	DEPOSITS FROM CREDIT INSTITUTIONS	OTHER FUNDS ENTRUSTED	**TOTAL**
Balance at 1 January	401	4,021	4,422
Money deposited	-26	839	813
Money withdrawn	-119	-115	-234
Balance at 31 December	**256**	**4,745**	**5,001**

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	-1,347	-1,512
Balance at 31 December	**401**	**4,021**	**4,422**

The fair value of Banking customer accounts measured at 'Amortised cost' at year-end is €5,519 million (2010: €4,682 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)

2011	DEPOSITS FROM CREDIT INSTITUTIONS	INTEREST PAYMENTS	OTHER FUNDS ENTRUSTED	INTEREST PAYMENTS	**TOTAL**
On demand	235		3,169		3,404
Less than 3 months	16	1	663	256	936
3-12 months	5		437	80	522
1-2 years			141	14	155
2-3 years			88	11	99
3-4 years			14	7	21
4-5 years			14	6	20
Over 5 years			219	91	310
	256	**1**	**4,745**	**465**	**5,467**

2010	DEPOSITS FROM CREDIT INSTITUTIONS	INTEREST PAYMENTS	OTHER FUNDS ENTRUSTED	INTEREST PAYMENTS	TOTAL
On demand	2		2,092		2,094
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**	**4,021**	**155**	**4,589**

26 LOANS AND BORROWINGS CLASSIFIED BY NATURE

(€ MILLION)

2011	LOANS AT FAIR VALUE	LOANS AT AMORTISED COST	**TOTAL**
Secured bank loans		8,316	8,316
Unsecured loans		2,598	2,598
Subordinated loans		58	58
Others	3	111	114
	3	**11,083**	**11,086**

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**

The fair value of loans and borrowings measured at amortised cost at year-end is €11,187 million (2010: €12,970 million). The nominal amount of loans measured at fair value is €3 million (2010: €4 million).

Notes To The Consolidated Financial Statements

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	**TOTAL 2011**	TOTAL 2010
Balance at 1 January	8,966	3,400	119	115	12,600	13,348
Acquisitions			2	11	13	-7
Disposals						
Change in composition of the Group			**2**	**11**	**13**	**-7**
Money deposited	2,689		1	1,387	4,077	1,870
Money withdrawn	-3,224	-802	-61	-1,388	-5,475	-3,006
Amortisation						-20
Foreign currency differences	-149				-149	181
Change in value due to fair value hedge accounting	34				34	195
Accrued interest			-3	-11	-14	39
Balance at 31 December	**8,316**	**2,598**	**58**	**114**	**11,086**	**12,600**

As at 31 December 2011, total loans outstanding to finance the banking activities were €10,203 million (2010: €11,787 million).

Notes To The Consolidated Financial Statements

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY (€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 2011	LOANS AND BORROWINGS	INTEREST	TOTAL 2010
On demand	1		1	1		1
Less than 3 months	44	90	134	116	128	244
3-12 months	2,303	170	2,473	754	292	1,046
1-2 years	886	173	1,059	2,466	236	2,702
2-3 years	4,962	169	5,131	1,461	235	1,696
3-4 years	1,763	50	1,813	4,851	235	5,086
4-5 years	814	18	832	1,797	235	2,032
Over 5 years	313	27	340	1,154	303	1,457
	11,086	**697**	**11,783**	**12,600**	**1,664**	**14,264**

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 collateralised by residential mortgage loans. The carrying amount of these residential mortgage loans is €10.7 billion (2010: €12.4 billion).

UNSECURED LOANS AND BORROWINGS (€ MILLION)

	2011	2010
Syndicated Revolving Credit Facility issued by Friends First Finance Ltd.		190
Guaranteed debt instrument Achmea Hypotheekbank N.V.	1,818	2,430
Debt instruments Achmea B.V.	780	780
	2,598	**3,400**

Unsecured loans and borrowings

The syndicated revolving credit facility of Friends First Finance Ltd. had an original maximum size of €350 million and was fully repaid in November 2011. The syndicated credit facility of Achmea 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 2011, Achmea B.V. has not used this credit facility. In June 2009, Achmea 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. Achmea 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. Achmea'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 while the variable part is expensed when incurred. Furthermore, Achmea 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. At the end of 2011, Achmea Hypotheekbank N.V. purchased up to $0.9 billion of its outstanding US dollar fixed tranche of the State Guaranteed Notes, which have subsequently been cancelled.

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 2011 was 5.8% (2010: 4.7%).

Notes To The Consolidated Financial Statements

27 OTHER LIABILITIES

(€ MILLION)

	2011	2010
Liabilities out of direct insurance:		
Policyholders	1,228	1,458
Agents	103	103
Prepaid premiums	145	151
Liabilities related to cash collateral received in securities lending	299	550
Other investment liabilities	20	285
Reinsurance liabilities	65	56
Taxes and social security premiums	120	136
Creditors	171	113
Post-employment benefits	24	52
Accruals and deferred income	378	301
Other	389	953
	2,942	**4,158**

An amount of €299 million (2010: €550 million) of the Other liabilities is expected to be settled more than twelve months after reporting date.

28 OPERATING LEASES

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

OPERATING LEASES AND RENTAL CONTRACTS

(€ MILLION)

	2011	2010
Less than one year	40	52
Between one and five years	169	210
More than five years	214	281
	423	**543**

In 2011, €3 million is recognised as an expense in the Income Statement in respect of operating leases (2010: €3 million). The income from subleases is negligible in 2011 (2010: €1 million).

Notes To The Consolidated Financial Statements

29 CONTINGENT LIABILITIES

Legal procedures

Achmea B.V. and companies forming part of Achmea 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, service 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 Achmea B.V.

CONTINGENT LIABILITIES (€ MILLION)

	2011	2010
Guarantees	256	640
Irrevocable letters of credit	71	255
Commitments related to investments	308	324
	635	**1,219**

The Netherlands-based insurance companies of Achmea have given guarantees to Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. to a maximum of €89 million (2010: €87 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 Achmea 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 Achmea B.V. When an option is exercised, Achmea 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 Achmea 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, Achmea B.V. will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Achmea B.V. will receive from the purchaser the upfront premium paid plus part of the change in value of the Achmea B.V. shares held by the third party during the life of the derivative transaction.

NUMBER OF OUTSTANDING OPTIONS

	OUTSTANDING AS AT 31 DECEMBER 2011	OUTSTANDING AS AT 31 DECEMBER 2010
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 Achmea's share price as determined by the Achmea Valuation Model. As of 31 December 2011 Achmea's share price was determined at €16.62 (2010: €21.75). The option plan has been maximised to €270 million.

30 RELATED PARTY TRANSACTIONS

Identity of related party transactions

Parties are considered to be related if one party has the ability to control (e.g. subsidiaries) or exercise significant influence over the other party in making financial or operating decisions. Achmea also considers its defined benefit plan (Stichting Pensioenfonds Achmea) as a related party. Members of the Executive and Supervisory Board and their close family members are also considered

Notes To The Consolidated Financial Statements

related parties to Achmea. Achmea has various types of ordinary transactions course relations (particularly in the area of insurance, banking and asset management), in the normal course of business, with related companies and parties. Besides this, the related party transactions comprise of transactions with associates, joint ventures, key management personnel and close family members of related parties. The transactions with those parties are not considered material to Achmea, either individually or in the aggregate. A list of subsidiaries is presented in Other information.

Entities controlled by the Executive Board and Supervisory Board

Achmea could enter into economic transactions with entities controlled by its Executive Board or Supervisory Board members or their close family members. There are no such transactions or related parties in 2011 and 2010.

Remuneration of the Executive Board and the Supervisory Board

In addition to their salaries, Achmea 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 Achmea uses similar assumptions and methods as used for the other defined benefit plans as disclosed in Note 23 Post-employment benefits.

TOTAL REMUNERATION OF THE EXECUTIVE BOARD (€ MILLION)

	2011	2010
Fixed remuneration	3.4	3.4
Short-term employee benefits paid in 2011 related to 2010 rewards	1.2	1.3
Short-term employee benefits provided for with clawback related to 2010 rewards	1.2	1.2*
Post-employment benefits active board members	1.5	1.1
Post-employment benefits former board members	1.0	1.3
	8.3	**8.3**
*Short-term employee benefits over 2009 paid in 2011 (incl. 3% interest)	0.4	
*Short-term benefits over 2009 (provided for with clawback and 3% interest)	0.8	

Short-term employee benefits paid in 2011 are payments related to the rewards given in 2011, concerning reporting year 2010. Part of these rewards given has been provided for, with claw back. These amounts are included in Short-term benefits provided for with claw back.

Although it is the Remuneration Committee’s responsibility to make recommendations on variable compensation of the Executive Board, members of that board have decided to waive all variable payments over 2011.
In October 2011 employees, including current and former Executive Board members, that participated in the former equity participation plan was given a personal offer to settle the options still outstanding from the years 2004-2008. The Supervisory Board approved the proposal to the holders of the options, to settle the outstanding rights and to end the equity participation plan completely. This for the reason that it had already been decided in 2010 to abolish any form of stock option or an equity participation plan, being not coherent with Achmea’s cooperative identity. The settlement was based on an external valuation of the stock options. All current and former board members accepted the offer to execute the options granted in previous years. For the active board members the total settlement of the full range of granted options for the period 2004-2008, which took place in November 2011, was €1 million and for the former board members €2 million.
Loans provided to Executive Board members amounted to €4 million (2010: €4 million). The weighted average interest rate of these loans is 4.6% (2010: 4.6%). These loans are recorded as part of the Banking credit portfolio and Receivables and accruals.
The Supervisory Board members received a total remuneration of €1.1 million (2010: €1.0 million). The Supervisory Board members are not entitled to any bonuses or stock options.

NUMBER OF EXECUTIVE BOARD MEMBERS

	2011	2010
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)

	2011	2010
Fixed remuneration	0.68	0.68
Short-term employee benefits related to 2010 rewards	0.24	0.26
Short-term employee benefits provided for with clawback related to 2010 rewards	0.24	0.24*
Post-employment benefits	0.30	0.22
	1.46	**1.40**
*Short-term employee benefits over 2009 paid in 2011 (incl, 3% interest)	0.08	
*Short-term benefits over 2009 (with clawback and 3% interest)	0.16	

Rabobank
For its operations, Achmea uses various regular banking services of the Rabobank Group. All services and transactions with Rabobank are at arm's-length and based on regular market rates.

Distribution channel
Local Rabobanks are a major distribution channel for Achmea's Dutch insurance products. For the distribution of insurance products Achmea has paid commissions of €268 million to local Rabobanks over 2011 (2010: €296 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 Achmea's Dutch investments is partly outsourced to Robeco, an asset manager within the Rabobank Group. For the rendering of these services Achmea has paid fees in 2011 amounting to €8 million (2010: €9 million).

Facility services
Amongst others, Achmea in The Netherlands obtains ICT services from Rabofacet, the facility service unit within the Rabobank Group. For these services Achmea paid fees in 2011 amounting to €2 million (2010: €3 million).

Insurance services delivered to Rabobank
Rabobank has insured several risks with Achmea, including a group Health insurance contract with Zilveren Kruis Achmea. The premiums related to this insurance coverage over 2011 are €80 million (2010: €74 million).

Balances and Commitments as of 31 December 2011 with Rabobank Group
Balances with Rabobank Group comprise savings accounts that are backing liabilities for policyholders (Note 12) and a credit facility that is reported as Loans and borrowings (Note 26).

Sale of a consumer credit portfolio of Achmea Retail Bank
On 1 March 2011, Achmea completed the sale of a part of Achmea Retail Bank's consumer credit portfolio, amouting to €209 million, to the Lage Landen, part of Rabobank Group. Achmea used the revenues from this transaction to partly fund the repurchase of shares from Rabobank.

Stichting Pensioenfonds Achmea
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 Achmea's Dutch life insurance company. Achmea does not have control over Stichting Pensioenfonds Achmea, but considers it as a related party. All transactions with Stichting Pensioenfonds Achmea are at arm's-length and based on regular market rates. For the post-employment benefit plans reference is made to Note 23 Post-employment benefits.

Notes To The Consolidated Financial Statements

31 GROSS WRITTEN PREMIUMS NON-LIFE

(€ MILLION)

	2011	2010
Accident	781	820
Motor liability	683	698
Motor other	808	839
Transport/aviation	64	86
Property	1,030	1,086
General liability	235	250
Legal assistance	187	187
Other	31	26
	3,819	**3,992**

32 GROSS WRITTEN PREMIUMS HEALTH

(€ MILLION)

	2011	2010
Basic health insurance	4,493	4,028
Contribution from Health insurance fund (ZvF)	6,222	6,641
Supplementary health insurance	1,322	1,274
Other health insurance	363	346
	12,400	**12,289**

33 GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	2011	2010
Individual	1,521	1,447
Group	429	435
Account policyholder	1,481	1,689
	3,431	**3,571**

GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	SINGLE PREMIUM	ANNUAL PREMIUM	TOTAL 2011	TOTAL 2010
Individual life insurance				
Participating	89	164	253	289
Non-participating	336	932	1,268	1,158
Policies where policyholder bears investment risks	56	896	952	1,124
	481	**1,992**	**2,473**	**2,571**
Group life insurance				
Participating	95	251	346	344
Non-participating		83	83	91
Policies where policyholder bears investment risks	121	408	529	565
	216	**742**	**958**	**1,000**
	697	**2,734**	**3,431**	**3,571**

Notes To The Consolidated Financial Statements

34 INCOME FROM ASSOCIATES

(€ MILLION)

	2011	2010
PZU S.A.		94
F&C Asset Management plc		1
Garanti Emeklilik ve Hayat A.S.	3	4
Other	-2	-16
Income from associates	**1**	**83**
Reversal of impairment loss		8
Capital gain from the sale of associates		656
	1	**747**

35 INVESTMENT INCOME

INCOME FROM INVESTMENTS BASED ON THE ACCOUNTING TREATMENT OF INVESTMENTS

(€ MILLION)

	2011	2010
Investment property	96	101
Investments 'Available for sale'	891	957
Investments 'At fair value through profit or loss'	173	266
'Loans and receivables'	159	178
	1,319	**1,502**
Investment expenses	-35	-77
Direct operating expenses investment property	-30	-30
	1,254	**1,395**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF INVESTMENTS

(€ MILLION)

	2011	2010
Investment property	96	101
Direct income from investments:		
Equities and similar investments	63	84
Bonds	1,054	935
Loans and mortgages	25	207
Deposits from credit institutions	44	55
Derivatives	10	79
Cash collateral received in securities lending	2	9
Other financial investments	25	32
	1,319	**1,502**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF THE INCOME

(€ MILLION)

	2011	2010
Interest:		
'Available for sale'	828	873
'At fair value through profit or loss'	173	266
'Loans and receivables'	159	178
Rental income	96	101
Dividends	63	84
	1,319	**1,502**

Interest income is excluding accrued interest on impaired loans.

Notes To The Consolidated Financial Statements

36 REALISED AND UNREALISED GAINS AND LOSSES

(€ MILLION)

	2011	2010
Realised and unrealised gains and losses on financial assets:		
Investment property	-77	-30
Investments 'Available for sale'	194	528
Investments 'At fair value through profit or loss'	826	39
Impairment losses on investments	-243	-46
Foreign currency differences	66	78
	766	**569**
Realised and unrealised gains and losses on financial liabilities:		
Foreign currency differences	3	-6
	769	**563**

Realised and unrealised gains and losses arising from financial assets designated at initial recognition as ´At fair value through profit or loss` amounted to €826 million (2010: €39 million). 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 38).

A total of €586 million (2010: €-46 million) 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.

37 INCOME FROM INVESTMENTS BACKING LINKED LIABILITIES

(€ MILLION)

	2011	2010
Direct income from:		
Investment property	30	31
Equities and similar investments	102	122
Bonds and other fixed-income investments	402	410
Derivatives	64	84
Cash and other financial investments	31	39
	629	**686**
Net foreign currency differences	22	23
Realised and unrealised gains and losses:		
Investment property	-40	-18
Equities and similar investments	-426	946
Bonds and other fixed-income investments	162	66
Derivatives	669	179
Cash and other financial investments		-4
	1,016	**1,878**
Investment expenses	-37	-42
	979	**1,836**

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

Notes To The Consolidated Financial Statements

38 BANKING INCOME

(€ MILLION)

	2011	2010
Interest income	726	794
Realised and unrealised gains and losses	-25	19
Commission income	17	15
Other	2	4
	720	**832**

39 FEE AND COMMISSION INCOME, AND INCOME FROM SERVICE CONTRACTS

(€ MILLION)

	2011	2010
Fee income from trust and other fiduciary activities	338	368
Income from service contracts	103	113
	441	**481**

40 OTHER INCOME

(€ MILLION)

	2011	2010
Net foreign currency differences		28
Gain on sale of subsidiaries	30	43
Contributions received for health pooling	24	25
Income related to Dutch personal budgets (PGB's)	701	694
Expenses related to Dutch personal budgets (PGB's)	-701	-694
Other income	178	194
	232	**290**

The negative goodwill related to the business combination with De Friesland Zorgverzekeraar, accounted for as bargain purchase, amounted to €71 million is included in Other income.

Notes To The Consolidated Financial Statements

41 CLAIMS AND MOVEMENTS IN INSURANCE LIABILITIES

(€ MILLION)

	2011 GROSS	2011 REINSURANCE	2010 GROSS	2010 REINSURANCE
Non-life				
Claims paid	2,372	104	2,512	89
Changes in insurance liabilities	83	-70	216	9
Claim handling expenses	196		144	
Recoveries	-187		-204	
	2,464	**34**	**2,668**	**98**
Health				
Claims paid	11,537	703	11,244	509
Premiums paid related to HKC		-655		-481
Changes in insurance liabilities	101	320	235	225
Claim handling expenses	126		84	
Recoveries	-16		-18	
	11,748	**368**	**11,545**	**253**
Life				
Benefits paid	4,670	115	4,885	108
Changes in insurance liabilities	-214	23	-732	-113
	4,456	**138**	**4,153**	**-5**
Total claims and movements in insurance liabilities	**18,668**	**540**	**18,366**	**346**

42 PROFIT SHARING AND BONUSES

(€ MILLION)

	2011	2010
Amortisation interest surplus rebates	27	43
Profit sharing	792	327
Benefits policyholders	-15	280
	804	**650**

43 BENEFITS ON INVESTMENT CONTRACTS

(€ MILLION)

	2011	2010
Fair value changes investment contracts	-148	83
Other benefits on investment contracts	-2	-1
	-150	**82**

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44 OPERATING EXPENSES

(€ MILLION)

	2011	2010
Salaries	1,037	1,036
Social security charges	90	93
Pensions	180	143
Other	614	653
Staff costs	**1,921**	**1,925**
Amortisation charges Property for own use and equipment	61	69
General expenses	795	835
Gross operating expenses	**2,777**	**2,829**
Commissions paid and accrued	691	737
Reinsurance profit sharing and commission	-65	-71
	3,403	**3,495**
Less: Allocated Claims handling expenses	367	220
Less: Allocated Investment expenses	5	7
	3,031	**3,268**

The increase of the allocated claim handling expenses is related to adjustments in the allocation of gross operating expenses.

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

ACHMEA	EUREKO SIGORTA	ORANTA	INTERAMERICAN	FRIENDS FIRST	OTHER	TOTAL 2011	TOTAL 2010
17,359	540	850	1,341	378	1,003	**21,471**	22,397

The number of employees mentioned above also includes employees with temporary contracts. A FTE is based on a labour week of 38 hours.
As per 31 December 2011 the number of employees includes 547 FTEs for De Friesland Zorgverzekeraar.

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

EXPENSES RELATED TO THE AUDIT:

(€ MILLION)

	2011	2010
Audit annual accounts	5	9
Tax advisory		3
Other services	1	3
	6	**15**

The above mentioned expenses include VAT.

As from 2011 PricewaterhouseCoopers Accountants N.V. is appointed as auditor of Achmea. The expenses for 2011 relate to the services rendered during 2011. The expenses for 2010 are related to the expenses of the previous auditor, whereas the expenses for this auditor made in 2011 are not included in the table above.
Expenses related to audit firms other than PricewaterhouseCoopers Accountants N.V. are as follows: audit related services €2 million, other services €18 million.

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45 BANKING EXPENSES

(€ MILLION)

	2011	2010
Interest expenses	583	596
Other fee and commission expenses		5
Other banking expenses	18	17
	601	**618**

Staff costs and other operating expenses related to banking activities are included in Operating expenses (Note 44).

46 OTHER EXPENSES

(€ MILLION)

	2011	2010
Amortisation charges on intangible assets	104	117
Impairment charges on intangible assets	279	
Other expenses	97	222
	480	**339**

47 INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2011	2010
Profit before tax	-247	1,226
Domestic corporation tax rate	25.0%	25.5%
Income tax using the domestic corporation tax rate	-62	313
Effect of tax rates in foreign jurisdictions	1	3
Tax effect on:		
Non-deductible expenses	10	28
Tax exempt revenues	-59	-76
Tax exempt gains and losses on investments	27	
Participation exemption	60	-275
Non-deductible losses	-5	9
Change in tax rate		3
Other	-9	7
Under/(over) provided in prior years	-2	-6
Effective tax amount	**-39**	**6**

The effective tax rate in 2011 amounts to 15.9% (2010: 0.5%).

INCOME TAX EXPENSES

(€ MILLION)

	2011	2010
Current tax expense		
Current year	-92	-19
Under / (over) provided in prior years	-2	-6
	-94	**-25**
Deferred tax expense		
Origination and reversal of timing differences	55	31
	55	**31**
Total income tax expense in Income Statement	**-39**	**6**

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48 OTHER COMPREHENSIVE INCOME

(€ MILLION)

	2011			2010		
	COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	**COMPREHESIVE INCOME**	COMPREHESIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	COMPREHESIVE INCOME
Currency translation differences on intangible assets and associates	-85		-85	1		1
Revaluation on property for own use	-24	6	-18			
Unrealised gains and losses on available for sale investments	645	-194	451	871	-179	692
Share in other comprehensive income of associates				-9		-9
Transfer from Provision for profit sharing and bonuses	-747	186	-561	-549	138	-411
Gains and losses on available for sale investments reclassified to the Income Statement on disposal	-139	30	-109	-224	54	-170
Impairment charges on available for sale investments reclassified to the income Statement	243	-36	207	56	-5	51
Unrealised gains and losses on cash flow hedging instruments				-8		-8
Total other comprehensive income for the period	**-107**	**-8**	**-115**	**138**	**8**	**146**

49 EARNINGS PER SHARE

NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

(€ MILLION)

	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	**TOTAL 2011**	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL 2010
Net profit	-208		-208	1,220		1,220
Dividends on non-redeemable cumulative preference shares	-15		-15	-36		-36
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	**-283**		**-283**	**1,124**		**1,124**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2011	2010
Issued ordinary shares at 1 January	408,884,542	408,884,542
Effect of shares issued in December 2011	148,895	
Effect of own shares acquired in December 2011	-840,980	
Weighted average number of ordinary shares	**408,192,457**	**408,884,542**

EARNINGS PER SHARE

(€)

	2011	2010
Earnings per share continuing operations	-0.69	2.75
Earnings per share discontinued operations		
Basic earnings per share	**-0.69**	**2.75**

Earnings per share are calculated 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.

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50 RISK MANAGEMENT

INTRODUCTION

Taking and managing risks is Achmea's basis for generating sustainable business. Risk management implies the ability to identify, assess, mitigate and control risks. 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 Achmea's continuity and solvency.

In the following sections Achmea's approach to risk management is outlined. Starting with the main developments in 2011 and followed with a description of Achmea's risk governance framework and risk categories. Each risk category consists of a description of the risk and risk management approach towards that risk. The risk categories, disclosed based on Achmea's perspective, are insurance risk, market risk, counterparty default risk, liquidity risk and operational risk. Additional specifications for banking risks are disclosed in the section on banking activities.

Achmea adheres closely and consistently to its strategy of keeping a prudent low-risk profile as described in our risk appetite. Risk management, underpinned by Achmea's risk appetite and integrated risk management framework, covers the full range of risk categories applicable to our business. The prudent low-risk profile is also reflected in Achmea's reserving policy and de-risked investment portfolio.

Main Developments Risk Management 2011

Ongoing uncertainty regarding the sovereign debt situation of some Eurozone countries but also on US debt has led to high volatility on financial markets. Achmea had already taken stringent measures in the period 2008-2010 to reduce exposure to the so-called GIIPS (Greece, Ireland, Italy, Portugal and Spain) countries. In 2011, Achmea continued its close monitoring of the financial crisis, among others by increased scenario analysis and stress testing and a reinforcement of its counterparty default risk management. With respect to the expected support package for Greece an impairment loss was taken on all the Greek government bonds.
Other important focus areas are Achmea's sensitivity to further life expectancy increases in the Netherlands and the effects of long term high or low interest rates on our solvency position. Similarly to 2010, the ten-year Dutch government rate averages are at around 2.2%, which makes it unattractive to offer guaranteed products at 3% within our Pension business. Some years ago, Achmea had already made a clear choice for defined-contribution products so sales of guaranteed products were already low. Furthermore, Achmea has continued to apply its interest-rate risk management which was implemented in 2010 and proved to be effective as we were able to keep the decrease of the solvency position to a minimum.

Other developments in 2011 are politically-driven, with major changes in both the health and pensions business. Within Health insurance the government's policy is now to abolish both the retrospective correction through the equalisation fund and the retrospective correction of total costs (macro-neutrality). Systems that have been a feature of the Dutch health insurance framework for some years. Both developments increase risks for health insurers and are reflected in higher solvency requirements. In accordance with these developments Achmea has set out a clear strategy, which is designed to manage the increased exposure by controlling costs and reducing potential overspend. Furthermore Achmea makes significant investments in innovation to improve both quality and (cost) efficiency of care.
In late summer, social partners in the Netherlands (government, trade unions and employers) reached agreement on changes in the pensions system to ensure (cost) continuity of the system. The precise and full implications are not clear yet but are closely monitored by Achmea.

ACHMEA'S RISK GOVERNANCE FRAMEWORK

Risk governance

Three lines of defence
Achmea'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 Dutch divisions and foreign subsidiaries and refers to the controls embedded in the business itself. The second line of defence comprises Group Risk Management (GRM) and Group Compliance & Integrity (GC&I) and risk management, actuarial and compliance departments in the divisions and foreign subsidiaries. In 2012, the second line will be further strengthened at group level through the establishment of the Risk and Compliance department which will be responsible for the group's risk, actuarial and compliance function. Moreover, the second line in the divisions will be further strengthened in 2012. Internal Audit represents the third line of defence.

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THREE LINES OF DEFENCE MODEL

FIRST LINE

Risk management embedded in the business

- Finance & Risk Committee
- Line management in Achmea Divisions and Opco's and Finance & Risk Committees

SECOND LINE

Design and monitoring of the integrated risk management framework

- Risk & Compliance
- Divisions/business level: Risk, compliance officers and actuaries Divisions and Opco's

THIRD LINE

Providing additional assurance on governance, risk management and internal controls

- Internal Audit

GRM is responsible for the development and maintenance of Achmea's integrated risk management framework including the development and maintenance of the Achmea risk classification, risk policies and tools and techniques that are applicable for Achmea 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 foreign subsidiaries 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.

Internal Audit provides independent assurance on the effectiveness and efficiency of the integrated risk management framework and overall internal control infrastructure. Audits include the assessment of Internal Control Statements and operational and compliance audits.

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 Achmea's risk structure and internal controls. The Executive Board is responsible 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 (FRC). The CFRO 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 Achmea's Finance and Risk departments, financial directors of divisions, including, Achmea Reinsurance and Achmea Bank. Internal Audit and GC&I is present when its reports are discussed. Each meeting begins with a review of the market environment ensuring that risks are being evaluated from both an external and internal business perspective. The FRC prepares advice on risk appetite and the group's risk budget for evaluation and decision making by the Executive Board. Periodically, risk policies, including limit setting on specific risk areas, and the group's risk profile are monitored, evaluated and approved. This year the FRC decided to start a Model Committee under the supervision of the FRC to discuss and approve the risks of models used within Achmea's risk management processes.

Risk committees are also in place in the Dutch divisions and foreign subsidiaries. More specific, Achmea'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.

Integrated risk management framework

The integrated risk management framework was defined in 2010 and is used to embed integrated risk management and Solvency II (SII) in the business cycle. It ensures consistency and completeness in our risk management and control system by defining formally policy, processes and procedures. The formal definition also supports and speeds up the implementation of SII.

Risk appetite

Achmea has formalised its risk appetite in a series of (business-line and general) statements. In line with current goals, we are in the process of embedding these risk appetite statements to ensure we are steering on value and maintain the solvency and capital

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requirements. These risk appetite statements are further embedded by defining new and reviewing existing key risk indicators (KRIs), key performance indicators (KPIs) and for each of these indicators corresponding risk tolerances, limits and return objectives. Periodic risk monitoring and reporting, which is discussed among others in the FRC, ensures that Achmea's risk profile is within the predefined risk appetite and actions are taken when necessary.

Achmea has risk appetite statements ensuring:
- Continuity through a robust and stable balance sheet: statements are made on capital position, risk management, liquidity and capital allocation;
- Above average performance adjusted for risk: statements are made on responsible profit and earnings volatility;
- Customer focussed product proposition: statements are made on product quality;
- Being a reference in our market: statements are made on compliance.

With respect to its capital position, Achmea wants to maintain an available capital on group level, that is at least equal to economic capital at a 99.95% confidence level. A precondition for this statement is that the minimum retained capital is adequate for:
- A Standard and Poor's A rating. Achmea monitors capital based on S&P requirements (capital required for an AA rating) and tolerates temporary deviations to a capital level for an A rating;
- Meeting the capital requirements of the regulator;
- At least equal to 100% of the SII Capital Requirement (SCR) plus a buffer per legal entity. The buffer level depends on the impact of SII.

The amount of capital is calculated based on models. Achmea is fully aware of the importance of models and applies them in a responsible manner. Achmea has identified risk mitigating measures to prevent model risk.

With respect to its statement on responsible profit:
- Achmea will not accept risks that do not generate structural profit.
- Profit is not the only goal, but profit is necessary to ensure the continuity of Achmea's cooperative goals;
- Achmea strives for a structural targeted return that matches risk profile, cooperative background and dividend requirements of shareholders;
- Compared to the market and due to high volume and efficiency, Achmea products and services have a low cost structure and an adequate quality level;
- In terms of operational return (Value New Business and Combined Ratios), Achmea aims to outperform the market.

Achmea has drafted a capital adequacy policy as a framework for the management of capital within Achmea in order to:
- Ensure adequate capital levels even under extreme scenarios;
- Achieve business objectives, i.e. ensure consistent operation of capital management policy and practice in accordance with risk appetite.

Current minimal capital requirements within Achmea are still based on the current Solvency I regime. Minimum solvency requirements are 150% for Dutch Life, Non-life and supplementary health entities, Achmea Reinsurance, Friends First and Achmea group and 125% for Dutch basic health insurance entities. Target solvency levels are 185% for Dutch Non-life entities, 175% for the Dutch Life entity, 160% for Dutch supplementary health entities, 135% for Dutch basic health insurance entities, 200% for Achmea Reinsurance, 175% for Friends First, 130% for the other foreign subsidiaries and 190% for Achmea group. The last one based on the Insurance Group Directive, i.e. with deconsolidation of the banking entities. Those percentages have been calibrated to the outcomes of Quantitative Impact Studies (QIS) for SII. For the group diversification benefits between legal entities have been taken into account. Achmea is well-capitalised and complies with all levels mentioned per year-end 2011.

Precondition for satisfying the target capital levels is that the capital at Group level is at least equal to the capital that is required for a S&P's A rating. Achmea monitors capital based on the S&P requirements in accordance with an AA-rating of capital (the S&P target level) and tolerates a temporary deviation as long as capital is above the level that is required for an A-rating.

Achmea's Group risk appetite statements have been used directly 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. An optimal asset allocation is determined taking into account the impact on all risk areas Achmea is exposed to. Subsequently, an optimalisation of this risk budget results in the final investment plan.

Risk control and mitigation

To control Achmea's risk position, several policies and procedures are in place, for a broad range of applications, both financial and non-financial. This year, as part of the further integration of our risk management and the SII implementation, we further aligned our policies on capital and risk management and introduced a life cycle for the development and maintenance of these policies to ensure quality and consistency.

In 2011 we strengthened our policies on market risk, counterparty default risk, liquidity risk and on product approval. Moreover, we further developed our model

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governance by setting policies on model management and model validation.

Achmea also continued with the development of an efficient, effective and consistent Achmea Control Framework. During 2011, we successfully piloted this framework. Implementation and roll-out throughout the organisation will commence at the start of 2012. By mid-2012, the aim is to be able to report on implemented controls across the group.

To limit certain risk exposures, Achmea 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
Achmea's risk position is reviewed and evaluated through regular monitoring and reporting. Once a year the total risk position is reported in the Group Risk Report. Risk monitoring and reporting indicates whether Achmea's risk profile is within predefined risk limits and action is taken when necessary. Regular reporting includes reporting on specific risk types such as market risk, counterparty default risk and liquidity risk, which is reported quarterly. Specific reports per area 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 Achmea 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
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 Achmea's economic capital model and risk self-assessments. Risk assessment provides insight into Achmea's risk position; it is the common factor in Achmea'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.

An economic capital model has been developed to provide an overall view of Achmea'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 capital adequate to cover any loss in 99.95% of the cases and is consistent with Achmea's AA target for capital adequacy. Achmea is well diversified in business lines and, when calculating economic capital, the effect of diversification is taken into account.

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.

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Economic capital is calculated using Value-at-Risk techniques. In this economic capital 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, Achmea uses a link with the 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.

Solvency II

The implementation of SII, that determines solvency requirements for all insurers in the European Union, has supported efforts to reinforce Achmea's risk management governance. A comprehensive programme is in place to strengthen risk management and to prepare Achmea for the SII implementation. The programme deals with the strengthening of our risk governance framework, the implementation of the Own Risk and Solvency Assessment (ORSA), the development of an internal model and internal and external risk reporting.

The development of (partial) internal models is an important activity within the SII implementation programme. A model governance framework has been implemented to mitigate model risk. Achmea participates in the pre-application process on internal models with the Dutch Central Bank. The aim is to use these (partial) internal models when SII becomes applicable.

ACHMEA'S RISK PROFILE

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

INSURANCE RISK

Insurance is the main business activity of Achmea. Insurance risk at Achmea 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.

Achmea 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 Achmea's underwriting procedures, with premium levels reflecting the health of the applicant.

A product approval policy is in place for insurance products. Not only actuarial but all relevant staff are involved in this process. This procedure includes requirements that must be adhered to during the development process, including explicit approvals. Quantitative targets are set to test profitability. Achmea strives to seek a balance between risk, return, required capital and the interest of clients. All new products are quarterly reported to the Finance and Risk Committee, including the staff advices that were given to these products. Large renewals or introductions are approved by the Executive Board or the Boards of the foreign subsidiaries.

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 (LAT) is cash-flow based and uses an actual yield curve for discounting. Non-economic assumptions are based on a mix of industry and company experience. LATs, including those on foreign subsidiaries, are reviewed by Risk and Compliance Within Life (individual and group) a full LAT is performed on a quarterly basis. The LAT development is monitored on a monthly basis based on the actual yield curve. For all entities, parameters for mortality, morbidity and persistency are investigated and actualised on a yearly basis. The mortality tables used in the Netherlands and Ireland take into account longevity risk. Elsewhere the standard tables are adjusted in different ways, like age-adjustments, to ensure adequacy.
The estimated cost of unpaid claims in Non-life is in general based on a case by case approach. IBNR-liabilities are set based on historical claims-development. If the LAT is not within predefined limits of the insurance liabilities, parameters for setting the liabilities are evaluated and adjusted to business developments. 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 margins. In the Netherlands it includes also 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 in the LAT for all business lines combined is calculated at a 98.5% confidence level. The LAT also tests the adequacy of claims handling expenses as included in insurance liabilities and unearned premiums.

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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 2011, the highest catastrophe retention was €160 million (unchanged compared to 2010) and the highest retention per risk was €20 million with an extra protection underneath for multiple large losses (unchanged compared to 2010).

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 Achmea guidelines. The type of reinsurance used within Achmea is mainly on an excess-of-loss basis. Achmea 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.

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 Achmea's Dutch policies. Like all insurance companies, Achmea pays premiums to the NHT in proportion to its market share. The NHT losses are divided in the same way. The NHT has reinsured claims that exceed €400 million. The maximum exposure for Achmea is €89 million (2010: €87 million).

Value management

Achmea's risk appetite is reflected in Risk Appetite Statements. Those statements are translated in key risk and key performance indicators. For Non-life steering, economic results are available for each line of business. Premium rates are set using information on a best estimate of the expected losses and expenses. For new products a profit test based on economic result is carried out. In Life business, a new target mechanism has been developed based on the return on profit at risk (RoPAR) for new business.

Sensitivity analyses

Sensitivity analyses are presented for each of the main drivers to which Achmea is exposed. These are: Life risk, Non-life risk, Disability risk and Health risk. 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 is 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 a 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

Achmea 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 Achmea and unit-linked policies where the policyholder bears the investment risk. 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 policyholder bears the investment risk) and regular insurance contracts.

In traditional Life insurance, premiums are agreed upon 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 Insurance liabilities include provisions for longevity risk. These liabilities are tested regularly against the latest mortality and longevity information and trends.

For unit-linked insurances written in the Netherlands, monthly risk premiums are drawn from the policyholder balance for 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.

For Achmea, Ireland and Greece are the two largest Life markets outside the Netherlands. In Greece, medical expenses insurance is written as a rider to Life insurances, referred to as closed block of business with guaranteed premium rates. During 2011 the majority of the closed block of business was converted into a more flexible form allowing Achmea 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 regular insurance liability. LATs include assumptions on the likely surrender rates.

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Part of the Insurance risk is the expense risk leading to insufficient cover for the expenses related to the future servicing of the policy. The expenses are quarterly compared with the cost loading in the tariffs. The resulting cost's are monitored and reported to senior management.

In 2011, as part of managing concentration risk, Achmea analysed the pandemic risk in Achmea'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, Achmea decided not to reinsure pandemic risk.

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 small priority for 2011 and 2012.

A part of the Achmea portfolio is reinsured to 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. The sensitivity of 5% increase in insurance mortality 5% decrease in annuitant mortality and 10% increase in maintenance expense in 2011 would have the following impact on 2011 figures:

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

	MAINTENANCE EXPENSES + 10%	INSURANCE MORTALITY +5%	ANNUITY MORTALITY -5%
Non linked insurance liabilities 2011	-14	-3	-6
Non linked insurance liabilities 2010	-17	-4	-6

Non-life risk

Non-life risk is defined as a change in value due to an adverse change in the expected amount of future cash flows for Non-life insurance (including expenses). This risk is split in sub risk types:

- Premium Risk: the risk that next year premiums are insufficient to pay next year's claims (net of reinsurance);
- Reserve Risk: the risk that the outstanding claims provision is insufficient to pay incurred claims;
- Catastrophe Risk: the risk corresponding to the occurrence of a man-made disaster or one of the following natural disasters: earthquake, flood, windstorm and hail;
- Expense Risk: the risk of more expenses than expected and the risk that in a year insufficient new business is sold, while fixed initial expenses are made.

The risks covered in Non-life insurance are covered in the common insurance lines of business, such as Fire and other property damage, Motor vehicle liability, Motor other classes (comprehensive), Third-party liability, Marine, Aviation and Transport. The classes targeted by the Property portfolio are small and medium sized entity risks with mainly a maximum line of €40 million on a maximum possible loss basis. Achmea has no exposure to large commercial or industrial risks with a maximum possible loss in excess of €325 million.
The Property and Motor hull insurance lines are mainly exposed to catastrophe risk. The predominant natural threats are windstorm risk in the Netherlands and, to a lesser extent, earthquake risk in Greece (Interamerican) and Turkey (Eureko Sigorta). Achmea makes use of (mostly external) catastrophe models to quantify its exposure to natural catastrophe risk. Exposure to natural disasters is limited by the use of catastrophe excess-of-loss reinsurance.
The adequacy of insurance liabilities is tested at least every quarter and more frequently if deemed necessary. This test takes into account the claims history of previous years and the (inflationary) impact on unpaid claims. Insurance liabilities include a statistical and non statistical margin for prudence on top of the "best estimate".

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. Since the business of Achmea is largely coming from the Netherlands, the concentration risk table relates to the Netherlands only.

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CONCENTRATION RISK

(€ MILLION)

		MOTOR OTHER	PROPERTY EXCL. GREEN-HOUSES	PROPERTY GREEN-HOUSES	**TOTAL 2011**	TOTAL 2010
Gross losses	**Results from meteorological models**					
	Windstorm that occurs with a 0.5% probability	36	1,240	227	1,503	1,502
	Hail event that occurs with a 0.5% probability	136		89	225	221
	Historical windstorm and hail events in the Netherlands					
	Impact of heavy windstorm in 1990 (Daria)	13	433	92	538	522
	Impact of heavy hail event in 2008	35		3	38	39
	Historical large fires and explosions					
	Largest fire over past 10 years		29	7	n.m.	n.m.
	Enschede fireworks explosion		88		n.m.	n.m.
Reinsurance cover	**Results from meteorological models**					
	Windstorm that occurs with a 0.5% probability	21	1,080	202	1,303	1,302
	Hail event that occurs with a 0.5% probability	121		64	185	181
	Historical windstorm and hail events in the Netherlands					
	Impact of heavy windstorm in 1990 (Daria)		273	67	340	323
	Impact of heavy hail event in 2008	20			20	21
	Historical large fires and explosions					
	Largest fire over past 10 years		9	2	n.m.	n.m.
	Enschede fireworks explosion		51		n.m.	n.m.
Net losses	**Results from meteorological models**					
	Windstorm that occurs with a 0.5% probability	15	160	25	200	200
	Hail event that occurs with a 0.5% probability	15		25	40	40
	Historical windstorm and hail events in the Netherlands					
	Impact of heavy windstorm in 1990 (Daria)	13	160	25	198	199
	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.

n.m.: not meaningfull

Catastrophe risks and reinsurance

Reinsurance's primary application is to manage exposure to weather-related events, natural disasters, events involving multiple victims, major fires and large claims in 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 2011 and 2012 the reinsurance upper limit is based on a 0.5% probability for property and greenhouses. To meet our goal of prudent risk management, the top layers of the property, greenhouses and motor hull programmes are for 2011 and 2012 integrated in two umbrella layers with a cover of €280 million per event (2011: €300 million). For 2012 the upper limits of the three different catastrophe programmes below the umbrella layers are €1,120 million (2011: €1,120 million) for property and €100 million (2011: €100 million) for greenhouses. For 2011 and 2012 the motor hull risk is directly covered by the umbrella layers.

For 2011 and 2012, 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 2012 Achmea's retained loss including reinstatement premium is €263 million (2011: €263 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.

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Eureko Sigorta has reinsured its largest catastrophe risk, 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 0.4% 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 0.5% probability, based on a weighted average of different models. In case of an event in 2012 with an exceedance probability of 0.5%, Achmea's retained loss including reinstatement premium is €31 million (2011: €27 million) for Turkish earthquake risk and €11 million (2011: €9 million) for Greek earthquake risk.

LARGEST PROGRAMMES 2011 (€ MILLION)

	PRIORITY (RETENTION BELOW COVER)	UPPER LIMIT
Property catastrophe Netherlands	160	1,276
Greenhouses catastrophe Netherlands	25	224
Motor hull catastrophe Netherlands	15	140
Earthquake Greece	5	185
Earthquake Turkey	23	180
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 Achmea'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 2012 in the Netherlands is as follows: commercial and agricultural property: 264 (1 January 2011: 235); greenhouses: 63 (1 January 2011: 60); engineering: 7 (1 January 2011: 24); general liability: 82 (1 January 2011: 50); other lines of business: 9 (1 January 2011: 3).

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%
2011	-72	-76
2010	-110	-51

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. Achmea offers these products based on local regulatory requirements. 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 the 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, Achmea 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.

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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%
2011	-19	-22
2010	-21	-5

Health risk

Achmea's Health insurance business is primarily situated in the Netherlands. On the one hand, the insurance system in the Netherlands with the equalisation fund limits the risk from non-average losses. 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, basic and supplementary Health insurance. Achmea offers both insurances 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. In addition to this risk, insurers calculate additions for other expenses.

Besides the premiums received from customers for Health insurance Achmea 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 geographical 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. Achmea offers a variety of general and dedicated supplementary Health insurance packages. Premiums for supplementary Health insurance are tailored to the cover offered.

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 on macro-incurred losses is becoming available. This data is sourced from representative bodies within the health sector.

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Furthermore, specific uncertainties play a role for each individual health insurer. Cost of care levels at each separate care institution differ per health insurer. Achmea 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 liabilities. The results are reported quarterly to the management team of Achmea'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, 2007 and 2008 basic insurance claims is available for evaluation 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 Health Care Insurance Board (CVZ) on budget parameters.

Managing the uncertainties
In order to manage the above mentioned uncertainties embedded in Health insurance Achmea 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 2009, 2010 and 2011 reporting years. Where necessary, the potential dependencies between uncertainties are also taken into account.

The variance in the run-off results for the outstanding underwriting years as at 31 December 2011, based on the worst case scenario and the best case scenario, amounts to €24 million net of taxes. A run-off in line with the best case scenario will positively influence the future result.

The scenarios are compiled based on internal insight and are dependent on the various health portfolios of Achmea. The internal insights are built on historical (equalisation) results, portfolio developments and macro results. 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 Achmea 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 net assets (assets minus liabilities), due to unexpected changes in the financial markets. It encompasses interest-rate risk, equity risk, property risk, spread risk and currency risk.

Asset and Liability Management Framework
Achmea manages market risk positions within an 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 total investment portfolio of Achmea can be split in a replicating portfolio (creating a market risk neutral position in relation to the liabilities) and a return portfolio for generating investment income by taking market risks. The risk budget for the latter is determined in the ALM-study.

The main aspects of the ALM framework are determining policies, hedging the liabilities using replicating portfolios and setting the strategic investment mix for the return portfolio. The latter is determined on the basis of Achmea's risk appetite which sets limits in terms of the relation of available capital to required capital, the maximum share of capital allowed for financial risks and a targeted credit rating. 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.

Replicating Portfolio / Embedded Options
Market risks arise when the value of assets and liabilities do not respond identical to changes in market risk factors (e.g. interest rates, equity prices). For its Dutch insurance entities, Achmea uses a replicating portfolio methodology to match the value of the insurance liabilities with the value of the related investments.
To capture the sensitivities of the insurance liabilities to market risk factors, these liabilities are translated into a replicating portfolio.

Achmea sells products that contain embedded options like minimum guarantees and profit sharing. These options are taken into account when constructing the replicating portfolio

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for the Dutch insurance entities. The total amount of related Dutch traditional Life insurance liabilities subject to embedded options is €14.7 billion (2010: €14.1 billion). Less than fifteen percent 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 ten percent 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-profits 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 depends on returns on the Participating Fund. The total amount of the related insurance liabilities is €1.4 billion (2010: €1.4 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.

Setting the strategic investment mix for the Return Portfolio

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.

Investments of cash collateral received in securities lending

Achmea lends securities to borrowers, who, in turn, pay cash collateral (see Note 11 Investments). The received cash collateral at 31 December 2011 amounted to €0.3 billion (2010: €0.5 billion), which is invested in shares of money market funds. As part of Achmea's de-risking strategy this programme is in run-off and is expected to expire in 2018.

The investments in the money market funds are subject to a risk of change in value. 44% of the funds' investments has an S&P rating of AAA, 15% has an AA rating, 28% has an A rating and 13% is unrated. Achmea has no exposure to exchange rate risk, as amounts received in foreign currencies are invested in funds with the same currency.

Investments in GIIPS countries

Achmea monitors developments in GIIPS (Greece, Ireland, Italy, Portugal and Spain) countries on a continuous basis. Considering risk of losses, exposures in those countries have been lowered gradually. Achmea's government bond exposure in GIIPS countries is €580 million (2010: €740 million) or 2.8% of the total government bond portfolio, which is in line with Achmea's risk profile. Approximately 74.2% of the government bonds is invested in Dutch and German government bonds. Achmea has exposure to Greek and Irish government bonds through its Greek and Irish subsidiaries, Interamerican Greece and Friends First, respectively. An impairment loss was taken on all the Greek government bonds.

The impact on Total equity and Net profit depends on the final terms of the private sector contribution within the support package. The developments in GIIPS countries are an important point of attention in the FRC meetings. Potential risks in other, higher rated, countries are discussed there as well. For quantitative information of exposure per GIIPS and other EU countries reference is made to Note 11 Investments.

Interest-rate risk

Interest rate risk relates to the interest sensitivity of the difference in market value between assets and insurance liabilities. Achmea'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 parallel shifts in the interest-rate curves. 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. Interest-rate derivatives are used to improve matching of insurance liabilities as part of this process. The interest-rate sensitivity of the net position is assessed monthly, both on regulated entity and at Achmea level. For this assessment parallel shocks are applied to the replicating portfolios and the related actual investment portfolios. 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% and -8% of available capital for Life and -1% and -3% of available capital for Non-life. For Hagelunie N.V. this bandwidth is specifically set at -1.5% and -4.5%, given the size of the investment portfolio.

Achmea 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 primary aim of the derivatives is protection of economic value. Achmea applies hedge accounting when necessary to decrease the volatility in the Income statement. The total value of the

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interest-rate derivative position is €1,638 million (2010: €840 million) with a notional amount of €19.3 billion (2010: €20.3 billion).

In the following table an overview of the accounting impact of interest-rate sensitivity on Profit before tax and Total equity is provided, taking into account the impact on both Investments and Insurance liabilities. The impact calculated on accounting basis differs from the impact calculated on economic basis because investments and insurance liabilities on accounting basis are measured differently than on economic basis. In this sensitivity table changes in interest-rate do not have proportional effect on Profit before tax and Total equity:

INTEREST RATE SENSITIVITY (€ MILLION)

	2011		2010	
	TOTAL EQUITY	PROFIT BEFORE TAX	TOTAL EQUITY	PROFIT BEFORE TAX
Interest-rate +1%	-300	-17	-354	-24
Interest-rate -1%	356	45	406	28

The sensitivities above include the effect of any shortfall which may arise in Insurance liabilities, through the LAT. The results shown reflect the extent of the accounting mismatch between Investments and Insurance liabilities. The majority of the Insurance liabilities are measured taking into account fixed-interest-rates and hence the impact on Total equity calculated on accounting basis is different from Total equity calculated on an economic basis. The second difference between interest shocks on economic basis and interest sensitivity on accounting basis is related to segment Life. 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 calculated on accounting basis unless the provision has a negative value. A negative balance is not allowed and in that case any negative fair value changes of Investments remain part of Total equity. Equity calculated on economic basis is affected by the same fair value changes in fixed-income investments .

Achmea's foreign subsidiaries 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.

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Equity risk

Achmea's decisions on investments in equities and alternative investments are based on ALM and portfolio optimisation studies. Sensitivity of equities and alternative investments for a change in market value of +10% is €158 million (2010: €185 million) and -10% is €-154 million (2010: €-185 million). As Achmea'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 1.6% lower if equity investments decline by 10%, and solvency will be 4.2% points lower.

Property risk

As part of Achmea's diversification strategy, Achmea also invests directly and indirectly in property. At year-end total Investment property amounted to €1.2 billion (2.9% 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 1.3% decrease in Total equity and a 3.5% points decrease in the solvency ratio.

Spread risk

Spread risk is the risk that originates from changes in the level or volatility of credit spreads. The most important investment categories from the perspective of spread risk are (with the exposure at 2011 year end between brackets): investment grade credits (€3,249 million, AAA: 2%, AA: 7%, A: 51%, BBB: 39%, Not rated: 1%), government and government related (€3,222 million, AAA: 99%, AA/A:1%), covered bonds (€1,616 million, AAA: 96%, AA: 3%, A: 1%), convertibles (€369 million), emerging market debt (€304 million) and senior secured loans (€178 million).

Currency risk

Achmea is exposed to currency risk, specifically in US dollars, as part of the regular investment portfolio (equities, fixed-income investments and listed real estate) is denominated in foreign currency. 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 2011, the investment portfolio, denominated in US dollars, was hedged to a large extent. Achmea's policies on foreign currencies and hedging strategies do not aim to fully hedge foreign currency exposure. In general, Achmea 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.

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

CURRENCY RISK

(€ MILLION)

	2011			2010		
	TOTAL EXPOSURE	NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	NET EXPOSURE	TOTAL EXPOSURE	NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	NET EXPOSURE
Assets						
US dollar	3,910	3,941	-31	4,583	4,284	299
Pound sterling	108	116	-8	145	70	75
Polish zloty	75		75	191		191
Swiss frank	765	763	2	638	616	22
Turkish lira	448		448	612		612
Russian rouble	109		109	113		113
Other	108	102	6	226	134	92
	5,523	**4,922**	**601**	**6,508**	**5,104**	**1,404**
Liabilities						
US dollar	16	430	-414	18	43	-25
Pound sterling	4	98	-94	7	1	6
Polish zloty				4	4	
Swiss frank	1		1	208	208	
Turkish lira	19	51	-32	191	56	135
Other	48	49	-1	50	51	-1
	88	**628**	**-540**	**478**	**363**	**115**
Net position						
US dollar	3,894	3,511	383	4,565	4,241	324
Pound sterling	104	18	86	138	69	69
Polish zloty	75		75	187	-4	191
Swiss frank	764	763	1	430	408	22
Turkish lira	429	-51	480	421	-56	477
Russian rouble	109		109	113		113
Other	60	53	7	176	83	93
	5,435	**4,294**	**1,141**	**6,030**	**4,741**	**1,289**

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.

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

CURRENCY DERIVATIVES

(€ MILLION)

2011	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	2,061			2,061	71	123
Currency/cross currency swaps	667	1,566		2,233	396	9
Total currency derivatives	**2,728**	**1,566**		**4,294**	**467**	**132**

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	2,221	2,758	463	38
Total currency derivatives	**2,520**		**2,221**	**4,741**	**563**	**113**

Achmea 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)

	2011 TOTAL EQUITY	2011 PROFIT BEFORE TAX	2010 TOTAL EQUITY	2010 PROFIT BEFORE TAX
Financial instruments	-57	-43	-63	-55
Associates	-12		-15	
Subsidiaries	-15	1	-21	-5
	-84	**-42**	**-99**	**-60**

On the basis that all other variables remain stable, a ten percent decrease of the euro against all other foreign currencies at 31 December 2011, would have had the opposite effect on the amounts shown in the table above.

Achmea applied fair value hedge accounting for the main portfolios exposed to foreign currency risk. The currency results on the hedged portfolio during 2011 amounted to gains of €13 million. The fair value of the derivatives designated as hedging instruments amounts to €320 million (2010: €302 million). The results on the derivatives used in the hedge relation during 2011 amounted to a loss of €13 million.

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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. Achmea is exposed to counterparty default risk in the area of investments, treasury, banking, reinsurance, healthcare providers, brokers and policyholders.

The main 'prevention' objective in managing counterparty default risk is to prevent concentrations, 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 an extensive counterparty policy has been further developed and implemented during 2011 on group level. The heart of this policy is a rating-based system of group level exposure limits per counterparty as given in the following table.

	MAXIMUM GROUP-LEVEL EXPOSURE (IN € MILLIONS)	
RATING	SUPRA NATIONALS AND GOVERNMENTS	OTHER COUNTERPARTIES
AAA	(no limit)	500
AA+	500	350
AA	500	350
AA-	500	350
A+	300	225
A	300	225
A-	300	225
BBB+	200	150
BBB	150	100
BBB-	75	50

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Furthermore, this policy explicitly describes the process for initiating transactions with new counterparties, the limited distribution toward Achmea's legal entities, limit control and limit revision process within Achmea. An important element in this policy is to require ratings from multiple agencies to offset subjectivity. As a conservative approach the policy is based on the second-best rating. Furthermore, Achmea monitors the credit default swap (CDS) spread of financial institutions on a daily basis and lowers the exposure limit if the CDS spread stay too high for too long.

Achmea primarily manages its counterparty default risk through diversification across counterparties and by collateralisation. ISDA master agreements (International Swaps and Derivative Association) are in place between Achmea and its counterparties. Derivative transactions are only initiated with counterparties that meet Achmea'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 euro, US dollar, British pound and Swiss franc are accepted as collateral. Independent valuation of derivatives, daily settlement of collateral (for the majority of the portfolio) and increasing haircuts of approximately 105% - proportional to remaining maturity - further reduce the counterparty default risk.

Given the turmoil in monetary and financial markets during 2011, Achmea decided to introduce additional rules, that are evaluated and prolonged on a monthly basis. Furthermore, cooperation and communication between first line of defence (primarily Treasury department), second line of defence (Group Risk Management in cooperation with Group Balance Sheet Management) and the Executive Board level have been intensified to adequately manage the increased risks in these markets.

With respect to counterparty default risk of receivables regarding private persons unable to pay their health premiums procedures are in place. The Dutch government has a policy that obliges the insurer to provide all Dutch citizens with health insurance (in Dutch 'zorgplicht'). As a consequence, private persons who are unable to pay their premium must be provided health care by law. Hence, on the liability side we cannot terminate this risk. To enable insurers to manage this risk, the Dutch government has put in place regulations through the Health Care Insurance Board (CVZ) which compensates for all unearned premiums due for more than six months. This risk is limited to at most six months of unearned premium per private person. In addition to this Achmea holds capital to buffer for the risk of more private persons failing their payments.

The credit crisis of recent years and new regulations (SII) increased the awareness within Achmea to have complete, correct and timely high quality exposure data at hand. Achmea now has a detailed group level exposure administration and data quality process. Various tools can be used to outline Achmea's exposure, for example per counterparty, geographical distribution, granular distribution over rating buckets, sectors, exposure buckets, financial instruments, balance sheet items, 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.

When assessing evidence of impairment for fixed-income instruments Achmea takes into consideration the combined effect of each individual (loss) event:

Objective evidence	**Indicators of a loss event**
Significant financial difficulty	A rating of CCC+ or lower and a deterioration of the credit rating with two or more notches
Breach of contract	Contractual interest or principal amount not received
Bankruptcy	In case of formal notice

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Achmea's financial assets as presented in the Statement of financial position and related notes represent the maximum exposure to credit risk. The exposure on credit risk arises from bonds, loans and mortgages, deposits, derivatives, banking credit portfolio, reinsurance assets, receivables and accruals, and cash and cash equivalents.

The following table provides information on the aggregated counterparty default risk exposure for the financial investments with external rating and assets not rated (bonds, loans and mortgages and deposits). Investments related to cash collateral received in securities lending and derivatives are not included in the table below.

CREDIT RATING (€ MILLION)

	2011 FAIR VALUE AT REPORTING DATE	2010 FAIR VALUE AT REPORTING DATE
AAA - Sovereign	21,780	17,507
AAA	2,312	9,386
AA	4,234	1,332
A	2,719	3,085
BBB	2,148	1,789
Below BBB	435	500
Unrated	1,888	1,240
Total	**35,516**	**34,839**

Part of the unrated assets amounting to €844 million (2010: €640 million) is a deposit with reinsurers resulting from a specific reinsurance treaty. Under this treaty Achmea has a right of set off of amounts due to and from cedent in the event of insolvency.

Other assets exposed to counterparty default risk are receivables and accruals, derivatives, reinsurance assets and cash and cash equivalents.

- At 31 December 2011 total receivables and accruals amounted to €4,589 million (2010: €5,458 million) of which €1,603 million (2010: €1,756 million) to the Dutch Health Insurance Fund (Dutch government rating is AAA). Other receivables and accruals are unrated.
- The reinsurers on the reinsurance programme are generally rated 'A-' or higher for short-tail contracts, 'A+' or higher for uncollateralized long-tail contracts and 'A' or higher for collateralized long-tail contracts.
- The maximum counterparty exposure of cash and cash equivalents is limited by the Maximum Group-level exposure policy. Furthermore, cash and cash equivalents are predominantly held in banks which are systematically important.

The following table provides impairment charges for bonds with external (S&P) credit ratings.

IMPAIRMENT CHARGES BONDS RECOGNISED IN INCOME STATEMENT (€ MILLION)

	2011	2010
AAA		1
BBB		2
Below BBB	142	9
Unrated	4	
Total impairments recognised in the Consolidated Income Statement	**146**	**12**

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The following table provides an overview of the carrying amounts of financial assets that have been impaired and the ageing of financial assets.

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					
2011	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	28,778	4	2		2	4	48	28,830
Loans	3,185	1	1			1		3,186
Other investments	7,915						898	8,813
Banking credit portfolio	16,684	138	2		1	3	107	16,932
Reinsurance assets	855							855
Receivables and accruals	3,840		467	103	148	718	26	4,589

	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	3,279	1						3,280
Other investments	6,777						397	7,174
Banking credit portfolio	16,574	143	2	1		3	108	16,828
Reinsurance assets	937							937
Receivables and accruals	4,499		310	216	358	884	75	5,458

Receivables include €508 million (2010: €824 million) payments to hospitals regarding the delayed invoicing caused by the implementation of the DBC's, see Note 16 (Receivables and accruals). Investments related to cash collateral received in securities lending are not included in this table.

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LIQUIDITY RISK

Liquidity risk is the risk that actual and potential payments and collateral obligations cannot be met when due. Achmea distinguishes between funding liquidity risk and market liquidity risk. The first type of liquidity risk is defined as the risk that a company will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of the company, while the latter is defined as the risk that the company cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

Achmea'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, through 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 foreign subsidiaries. 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 Achmea'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.

The following risk appetite is defined with respect to liquidity risk:

- To maintain sufficient liquidity in a moderate stress scenario on both Holding and division/legal entity levels to be able to meet its liquidity needs at all times.
- To maintain sufficient liquidity and flexibility in Achmea's risk profile in order to be able to reduce Achmea's market and counterparty default risk by making €1 billion liquid within 3 months.
- To maintain sufficient liquidity and flexibility in Achmea's risk profile in order to reduce its economic capital, based on a 99.95% confidence level, by at least €350 million within three months.

The consequences of the risk appetite statements on liquidity are further elaborated in the liquidity risk policy.

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 are the liquidity coverage ratio (LCR), 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 (NSFR), defined as the available amount of stable funding divided by the required amount of stable funding. Both indicators should be above 100%.
Achmea has defined relevant metrics for each of its legal entities as well as the Holding. The metrics aim to provide a forward-looking view on Achmea's liquidity position and liquidity risk exposure for various time horizons under normal conditions as well as for a range of moderate and extreme stress events. Combined with limits they support Achmea to satisfy its risk appetite statements as defined by the FRC and provide early warning signals when Achmea runs the risk of having insufficient liquidity to meet its liabilities. Furthermore, they enable Achmea to provide quantitative information about its liquidity position on different levels to supervisors and market participants. With regard to extreme scenarios, several contingency actions are defined in order to generate liquidity.

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In 2011, at Holding level, sufficient funding was available mainly as a result of dividends from subsidiaries. At the end of 2011 the committed credit lines (€750 million) were undrawn.

The following table shows the gross liability for Achmea's insurance activities at the reporting date analysed by the estimated timing of net cash flows for Non-life Property and Casualty, and the net IFRS-reserves for Income protection and Life. Cash flows for property and causality as presented in the table are not discounted. Due to the match with assets, no liquidity risk is assumed on unit linked insurances; the assumption on other provisions is settlement within one year.

LIQUIDITY RISK WITHIN INSURANCE OPERATIONS (€ MILLION)

2011	TOTAL	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS
Non-life					
Income protection	2,756	399	921	1,062	374
Property & Casualty	3,954	1,669	1,748	517	20
Health	4,786	4,786			
Life					
Non-linked insurance	26,024	1,343	4,354	11,824	8,503
Interest derivatives	258			56	202

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
Interest derivatives	146			15	131

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.

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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 Achmea are part of the general operational and compliance risk management and are disclosed separately in the risk management section.

Interest-rate risk

Fluctuations in interest rates can affect Achmea'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 for 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). Within Achmea's banking activities no use is made of non-linear derivatives, such as swaptions, caps and floors.

The following methods are used to measure and control interest-rate risk:
- Income at risk measures the sensitivity of the net interest margin due to a one-basis point shift in interest rates.
- Value at Risk measures the potential loss in value of an asset or portfolio over a defined period for a given confidence interval (99%, 1 year). This is based on a set of predefined interest-rate scenarios.
- Duration measures the sensitivity in market value of equity due to a one-basis point shift in interest rates.
- The stress test outcomes are based on parallel shifts of the interest-rate curve (100-basis points up and down).

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

SENSITIVITIES BANKING OPERATIONS (€ MILLION)

	ACHMEA BANK	STAALBANKIERS	FRIENDS FIRST FINANCE	2010
Income at Risk +100 basis points	-2	2	3	31
Value at Risk	60	3	59	83
Stress test -100 basis points	25	1	-1	42
Stress test +100 basis points	-23	-1	1	-44

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Within Achmea's banking units interest-rate derivatives are used to manage interest-rate risk related to both assets and liabilities.

INTEREST RATE DERIVATIVES (€ MILLION)

	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2011	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	**TOTAL**	ASSETS	LIABILITIES
OTC - Interest-rate swaps	2,245	2,337	9,259	13,841	433	1,194
Future interest cash flow of the liability interest derivatives	31	255	1,517	1,803		

	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	18,605	234	772
Future interest cash flow of the liability interest derivatives	67	245	1,461	1,773		

Credit risk & counterparty risk

Achmea's credit risk in banking operations is largely concentrated in mortgage lending activities and counterparty exposures in the money market and capital market for Achmea Hypotheekbank, Staalbankiers and Friends First Finance. The credit risk in mortgage lending is managed by applying credit approval criteria and subsequently monitoring repayment criteria. Any non-standard conditions imposed on borrowers require the approval of the Credit Committee. Procedures have been set up to monitor interest and repayment arrears. Achmea is actively pursuing a policy of enhancing the risk profile of the Banking credit portfolio by improving risk assessments and by securitisation of existing mortgage credit portfolios. As a result of securitisation, credit risk of the mortgage portfolio is partly transferred to external parties. At 31 December 2011, loans secured by mortgages amounted to €14.4 billion (2010: €14.6 billion). In total, €5.0 billion (2010: €5.4 billion) of mortgage loans has been securitised.

As participants in financial markets, Achmea's banking operations are also subject to counterparty risk. The major source of this risk is related to management of the liquidity position (e.g. investment portfolio) and for Achmea Bank the use of interest-rate derivatives to hedge the interest exposure of its mortgage business. As a result of the prolonged turbulence in the financial markets, Achmea's banking operations continuously revise their counterparty risk policy to adapt to changes in the environment. Currently, only a limited number of explicitly authorised counterparties are allowed.
The 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.

Liquidity risk

Achmea's banking entities' main funding sources are securitisations, covered bonds and retail funding (deposits and savings accounts). Achmea strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Achmea continuously assesses liquidity risk by identifying and monitoring changes in funding required to meet overall strategic business goals and targets.

Due to the continued economic turmoil the financial markets remained volatile in 2011. Despite these difficult market conditions, Achmea Hypotheekbank successfully raised €0.8 billion of residential mortgage backed securities (RMBS) funding in July 2011 to refinance the existing mortgage portfolio. The transaction was very well received in the capital market resulting in considerable interest from institutional investors across Europe. To diversify its funding base Achmea Bank is also active in the Dutch savings market. In a competitive market Achmea Bank raised €934 million in 2011, resulting in a 46% increase in its savings volume.

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For its banking activities Achmea 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), Achmea measures the net funding requirement (NFR) against different scenarios to control its liquidity risk. The NFR measures the amount of funding needed to fulfil 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 funding sources.

In addition, Achmea frequently performs stress tests to investigate liquidity positions in times of severe market disruption. Furthermore, the banking units have adequate liquidity contingency plans available.

LIQUIDITY RISK BANKING (€ MILLION)

2011	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Financial investments	29	141	634	501	1,305
Banking credit portfolio	2,252	2,494	2,988	9,607	17,341
Cash and cash equivalents	436				436
Other assets	37	2	1		40
Total assets	**2,754**	**2,637**	**3,623**	**10,108**	**19,122**
Liabilities					
Banking customer accounts	4,220	462	711	311	5,704
Loans and borrowings		2,239	7,598	297	10,134
Derivatives	4	-16	216	1,000	1,204
Other liabilities	96	1	1		98
Total liabilities	**4,320**	**2,686**	**8,526**	**1,608**	**17,140**
Net liquidity gap	**-1,566**	**-49**	**-4,903**	**8,500**	**1,982**

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. Therefore, the table above does not reconcile to the discounted cash flows in the Consolidated statement of financial position.

The table above presents the liquidity risk as managed by the banks locally, including intercompany transactions as this reflects liquidity risk within Achmea's banks more appropriately.

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OPERATIONAL RISK

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

In 2011, Achmea has continued to align its activities to SII requirements. Operational risk policy and classification has been improved and made consistent with SII requirements. Additionally, the Operational risk function was further professionalised so that the Risk Governance was defined in an operational risk charter, operational risk functions were made uniform and an education centre was established.

Achmea distinguishes Risk Self-Assessment policies prepared for strategic choices, annual goals, operational management and programmes and projects. These policies give a framework and practical guidelines for implementing 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 2011, Achmea implemented a new policy regarding Risk Self-Assessment. Representatives of the first and the second line of defence were trained in facilitating the Risk Self-Assessment process. By implementing the Risk Self-Assessment policy, risk awareness and risk management were strengthened.

In general, key risks and key controls are defined for each process. The effectiveness of these key controls is evaluated and tested during the year. Furthermore, for operational risk a risk sensitive capital instrument is being developed based on internal and external loss data, operational risk scenarios and key risk indicators. The development of an Achmea Control Framework is described under Compliance Risk.

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 2011, the steering on information risks was improved. Critical information processing chains have been established and related risks made more transparent. Projects to improve the security of these chains have been started. There is a management focus on the reduction of the complexity of the IT infrastructure and standardisation of the security measures. As part of the recent reorganisation, the information risk and security organisation will be reorganised to further improve the steering on information risks.

An Internal Control Statement (ICS) has been compiled providing a fair view of Achmea'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 Achmea are required to complete the ICS process and prove that the outcome is a true representation of risk exposure and level of risk control. The ICS results are subject to review by Internal Audit 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 operations are able to address the most important risk issues and continuously improve their control level. Based on these insights, key issues are identified. This process is an important part of the ORSA process.

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COMPLIANCE RISK

Achmea defines compliance risk as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that a financial institution may suffer 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.

Demonstrating compliance, Control Framework

Demonstrating compliance with relevant regulations was also an important focus in 2011. On the one hand, this is shaped by further developing the set of norms related to compliance themes. These are provided with so called ‘smart test measures’ to simplify demonstrating compliance of the Group entities. Furthermore, an Achmea Control Framework has been established in close cooperation between all risk teams, including Operational Risk. This is a generic and integrated set of key risks and key controls in order to demonstrate the level of control of each risk category in all Group entities. By using the same assumptions and methodologies and avoiding doing the same work twice, Achmea can effectively and efficiently monitor the level of internal control. Each Achmea entity prepares its own specific set of key risks and key controls. The implementation started in mid-2011 and the Control Framework will be fully implemented in each entity during 2012.

Insurance quality accreditation mark

The Dutch Association of Insurers awarded the Keurmerk Klantgericht Verzekeren (Customer-Oriented Insurance quality mark) to six Achmea labels – Interpolis, Avéro, Centraal Beheer, FBTO, Zilveren Kruis and DVZ – in 2010. Two more labels – Agis and Inshared – were awarded the quality mark in 2011. An audit was conducted in 2011 by the Dutch Insurance Company Monitoring Foundation to verify compliance with the award and retention criteria. On the basis of that audit all labels retained the right to carry the quality mark.

Regulatory monitoring

When monitoring financial services providers, De Nederlandsche Bank’s main areas of interest are SII, IT, governance (including remuneration policy) and ALM. Agreement on specific supervision was reached with the Authority for Financial Markets in the Netherlands (AFM), which is focussing increasingly on ‘putting the customer’s interests first’. The Netherlands Competition Authority (NMa) has stated that its primary focus will be on the health insurance and property markets.

Governance Principles for Insurance Companies

The code of governance principles drawn up by the Dutch Association of Insurers came into effect on 1 January 2011. This code, analogous to the Banking Code published by the Netherlands Bankers’ Association, is based on the ‘comply or explain’ principle and addresses such aspects as executive and supervisory boards, risk management, auditing and remuneration policy. Implementation of the code is monitored by the Dutch Association of Insurers on the basis of self assessments. Checks will be made in 2012 to verify compliance with the code. The code has been incorporated in Dutch law and an independent committee to monitor compliance has been established.

Solvency II

Ahead of the implementation of SII, Achmea has formulated a number of policies to support the divisions with their preparation for compliance with the forthcoming SII requirements in specific areas (such as keeping licences up to date). Although these requirements have not yet been finalised, the regulator is already monitoring timely adoption of the necessary measures.

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51 CAPITAL MANAGEMENT

According to regulations on the supervision of financial conglomerates (based on European Union directives), Achmea'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, Achmea has set internal requirements, well above the regulatory requirements. The solvency ratio decreased to 204% (2010: 220%).

(€ MILLION)

	2011	2010
Total equity	9,775	10,357
Deductions	-1,395	-1,796
Subordinated loans	57	119
Available capital	**8,437**	**8,680**
Required capital insurance activities	3,696	3,521
Required capital banking activities	433	432
Required capital	**4,129**	**3,953**
Surplus capital	**4,308**	**4,727**
Ratio available / required capital	**204%**	**220%**

Insurance activities

European Union directives have been issued on capital requirements of insurance companies in order to protect the interests of policyholders. Achmea measures its capital position based on these requirements and applies more stringent requirements for internal purposes. The internal target levels are set at minimum coverage ratios equal to 175% and 185% of the minimum regulatory solvency requirements for its Dutch Life and Non-life businesses, respectively. For Dutch Health insurance, the minimum coverage ratio is 135% for the basic health insurance entities and 160% for supplementary insurance coverage. The target solvency levels are 200% for Achmea Reinsurance, 175% for Friends First and 130% for the other foreign subsidiaries. A target solvency level of 190% has been defined for the Achmea Group. The last one based on the Insurance Group Directive, i.e. with deconsolidation of the banking entities.

€ MILLION)

	2011	2010
Available capital	7,673	7,824
Required capital	**3,696**	**3,521**
Surplus capital	**3,977**	**4,303**
Ratio available / required capital	208%	222%

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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). Achmea uses the Standardised Model to determine its credit risk. The BIS ratio based on Basel II decreased to 14.1% compared to 15.2% in 2010, primarily due to the decrease in the risk weighted assets.

(€ MILLION)

	2011	2010
Core Capital - Tier 1	686	724
Supplementary capital - Tier 2	78	136
Qualifying capital	**764**	**860**
Risk-weighted assets	5,417	5,666
Tier-1 Ratio	12.7%	12.8%
BIS ratio	14.1%	15.2%

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52 SUBSEQUENT EVENTS

January 2012

Business combination Achmea B.V. – Independer.nl N.V.

On 19 December 2011 Achmea signed an agreement to effectively obtain control of Independer.nl N.V. (hereafter "Independer") and its fully-owned subsidiary Independer Zorg B.V. as per 1 January 2012. At closing date, on 3 January 2012, Achmea acquired seventy seven percent of the ordinary shares and all preference shares of Independer. The agreement includes the right of Achmea to purchase the non-controlling interest during the years 2014 to 2016, should certain conditions be met. Furthermore, the individual holders of the non-controlling interest have the right to sell their shares to Achmea during certain periods in 2015 and 2016. In case these rights will not be exercised, Achmea will purchase the non-controlling interest in 2017 against an agreed consideration. Independer is an aggregator of insurance policies and other financial services, and offers consumers a costless possibility to compare products offered by different insurance companies. Achmea has entered into this business combination in order to improve the development of client focussed insurance products and financial services. The involved goodwill will be allocated to the segments Health and Non-life. The business combination and the purchase price allocation will be finalised during the financial year 2012. At closing date a provisional consideration, relating to the acquired shares, of seventy eight million euro was made. The fair value of Achmea's liability, related to the future purchase of the non-controlling interest, is determined at thirty nine million euro. Achmea has used a discounted cash flow model, discounting the liability against a risk free discount rate, to measure the fair value. The value of the Non-controlling interest that will be included as part of Total equity at the date of closing is determined at fifteen million, as the holders are substantially entitled to the risks and rewards related to this interest. Provisional fair values of Total assets and liabilities acquired within this business combination amount to forty two million euro, including intangible assets (brand name and website) and Total liabilities of thirty million euro respectively.

Achmea Vitale

On 15 January 2012, Achmea signed an agreement to sell Achmea Vitale's activities, by way of a transfer of assets and liabilities. Achmea Vitale provides "occupational health services" and is included in the Non-life segment. For the full year 2011, income amounted to eighty eight million euro and Net Profit to minus twelve million euro. As at 31 December 2011 Total assets to be sold amounted to ten million euro. Assets and liabilities to be sold have been reclassified to Assets classified as 'Held for sale' and Liabilities classified as 'Held for sale'. The result on the sale will be included in Net profit 2012.

AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

Zeist, 12 March 2012

The Supervisory Board
A.H.C.M. (Arnold) Walravens, Chairman
M. (Marinus) Minderhoud, Vice-Chairman
F.J.F. (Flip) Buurmeijer
S.T. (Joke) van Lonkhuijzen-Hoekstra
M. (Mijntje) Lückerath-Rovers
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

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

Company Financial Statements

BALANCE SHEET (BEFORE APPROPRIATION OF PROFIT)

(€ MILLION)

	NOTES	31 DECEMBER 2011	31 DECEMBER 2010
Assets			
Intangible assets	2	1,365	1,839
Financial fixed assets	3	8,780	8,522
Total fixed assets		**10,145**	**10,361**
Receivables	4	651	1,046
Cash and cash equivalents	5	93	22
Total current assets		**744**	**1,068**
Total assets		**10,889**	**11,429**
Shareholders´ equity:			
Share capital		434	432
Share premium		10,933	10,949
Own shares		-245	-45
Revaluation reserve		498	548
Legal reserve		586	272
Exchange difference reserve		-178	-101
Hedging reserve		-7	-6
Retained earnings		-3,368	-4,242
Profit for the year		-209	1,220
		8,444	**9,027**
Other equity instruments		1,325	1,325
Equity attributable to holders of equity instruments of the Company	6	**9,769**	**10,352**
Liabilities			
Provisions	7	177	216
Long-term liabilities	8	849	852
Short-term liabilities	9	94	9
Total liabilities		**1,120**	**1,077**
Total equity and liabilities		**10,889**	**11,429**

PROFIT AND LOSS ACCOUNT

(€ MILLION

	NOTES	2011	2010
Result of subsidiaries and associates (after tax)	10	429	1,069
Other results (after tax)		-638	151
Net profit		**-209**	**1,220**

Notes to the Company Financial Statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Introduction

On 18 November 2011, a legal merger was effected between Eureko B.V. and its wholly-owned subsidiary Achmea Holding N.V. For the financial year 2011, all operations related to Achmea Holding N.V. have been included in the Financial Statements of Eureko B.V. The information included for the financial year 2010 has been prepared as if all Achmea´s operations had already been transferred into Eureko B.V. as from the earliest date presented in these company financial statements. As Achmea Holding N.V. is a wholly-owned subsidiary of Eureko B.V. this merger has no impact on Total equity, including its composition, and Net profit. However, due to the legal merger total assets and liabilities have increased because the assets and liabilities of Achmea Holding N.V. are included in the Balance sheet.

General

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

Concerning the Company cash flow statement of Achmea Holding N.V., use has been made of the principle according to Section 360.106 of the Dutch Accounting Standards (RJ).

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

Achmea 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 Statement of Financial Position and the Company Balance sheet. 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 Achmea B.V. are the same as those applied in the Consolidated Financial Statements with the exception of Investments in subsidiaries which are recognised at net asset value with goodwill, if any, recorded under intangible assets. The Company Financial Statements have been prepared in accordance with Book 2, part 9 of the Dutch Civil Code.

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

RECONCILIATION 2010 FIGURES (€ MILLION)

	EUREKO B.V.	ACHMEA HOLDING N.V.	ELIMINATIONS	ACHMEA B.V. 2010
Intangible assets	1,839			1,839
Financial fixed assets	7,342	6,909	-5,729	8,522
Receivables	2,240	383	-1,577	1,046
Cash and cash equivalents	22			22
Total assets	**11,443**	**7,292**	**-7,306**	**11,429**
Shareholders' equity	10,352	5,729	-5,729	10,352
Provisions	154	62		216
Long-term liabilities	780	72		852
Short-term liabilities	157	1,429	-1,577	9
Total equity and liabilities	**11,443**	**7,292**	**-7,306**	**11,429**
Result of subsidiaries and associates (after tax)	1,069	654	-654	1,069
Other results (after tax)	151	-304	304	151
Net profit	**1,220**	**350**	**-350**	**1,220**

Notes to the Company Financial Statements

2 INTANGIBLE ASSETS

(€ MILLION)

	INTERNALLY DEVELOPED SOFTWARE	DISTRIBUTION NETWORKS	BRAND NAME	VALUE OF BUSINESS ACQUIRED	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL 2011	TOTAL 2010
Cost								
Balance at 1 January	83	293	116	635	1,303	94	2,524	2,427
Acquisitions	10		3				13	
Disposals								
Change in composition of the Group	**10**		**3**				**13**	
Sale, disposal and decommissioning	-59						-59	
Foreign currency differences		-38			-27		-65	65
Other movements					-77		-77	32
Balance at 31 December	**34**	**255**	**119**	**635**	**1,199**	**94**	**2,336**	**2,524**
Amortisation and impairment losses								
Balance at 1 January	83	108	55	411	4	24	685	591
Sale, disposal and decommissioning	-59						-59	
Amortisation charge for the year		20	12	43		5	80	90
Impairment loss					279		279	
Foreign currency differences		-14					-14	4
Balance at 31 December	**24**	**114**	**67**	**454**	**283**	**29**	**971**	**685**
Carrying amount								
At 1 January		185	61	224	1,299	70	1,839	1,836
At 31 December	**10**	**141**	**52**	**181**	**916**	**65**	**1,365**	**1,839**

3 FINANCIAL FIXED ASSETS

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES	EQUITIES AND SIMILAR INVESTMENTS	DERIVATIVES	LOANS	TOTAL 2011	TOTAL 2010
Balance at 1 January	8,239	145	69	69		8,522	7,536
Investments and loans granted	1,273			4,062	32	5,367	12,555
Sales and disposals	-129			-4,133	-34	-4,296	-12,136
Annual Results	428	1				429	388
Revaluations							58
Fair value changes			-62	1		-61	46
Dividend received	-1,170					-1,170	-3
Foreign currency differences		-14				-14	69
Accrued interest					2	2	1
Reversal of impairments							8
Changes due to reclassification		-50	50	1		1	
Balance at 31 December	**8,641**	**82**	**57**			**8,780**	**8,522**

Notes to the Company Financial Statements

On 21 October 2010, Achmea signed an agreement to effectively obtain control of De Friesland Zorgverzekeraar N.V., De Friesland Particuliere Ziektekostenverzekeringen N.V., Zorgkantoor De Friesland B.V., De Friesland Verzekeringen B.V. and De Friesland Reisverzekeringen N.V. (together De Friesland Zorgverzekeraar) as per 31 December 2011. Reference is made to Note 6 Business combinations in the Consolidated Financial Statements.

The purchase price as per 31 December 2011 of Equities and similar investments amounts to €57 million (2010: €69 million).

4 RECEIVABLES

(€ MILLION)

	2011	2010
Subsidiaries	288	316
Deposits with credit institutions	143	441
Income tax receivables	178	243
Other receivables	42	46
	651	**1,046**

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. In line with 2010, Receivables are expected to mature within one year after reporting date.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances. The majority of cash and cash equivalents is not subject to any restrictions.

6 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.

7 PROVISIONS

(€ MILLION)

	2011	2010
Deferred tax liabilities	88	114
Other provisions	89	102
	177	**216**

Deferred tax liabilities are attributable to the following items:

(€ MILLION)

	BALANCE AT 1 JANUARY 2011	RECOGNISED IN EQUITY	OTHER MOVE-MENTS	BALANCE AT 31 DECEMBER 2011	BALANCE AT 1 JANUARY 2010	RECOGNISED IN EQUITY	OTHER MOVE-MENTS	BALANCE AT 31 DECEMBER 2010
Intangible assets	132			132	132			132
Investments	-14	-23		-37	-5	-7	-2	-14
Other liabilities	-4		-3	-7		-4		-4
	114	**-23**	**-3**	**88**	**127**	**-11**	**-2**	**114**

Achmea 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.

Notes to the Company Financial Statements

Movements in Other provisions are as follows:

	2011	2010
Balance at 1 January	102	77
Additions	1	44
Usage	-13	-16
Released	-1	-3
Balance at 31 December	**89**	**102**

Other provisions mainly relate to legal cases and share-based payments. In line with 2010 Other provisions are of a long-term nature.

8 LONG-TERM LIABILITIES

(€ MILLION)

	2011	2010
Loans and borrowings	849	852
	849	**852**

In June 2009, Achmea 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 and are presented as part of Loans and borrowings.

9 SHORT-TERM LIABILITIES

(€ MILLION)

	2011	2010
Subsidiaries	44	2
Other	50	7
	94	**9**

In line with 2010 Short-term liabilities are expected to mature within one year after reporting date.

10 OTHER RESULTS

(€ MILLION)

	2011	2010
Other income	56	313
Other expenses	694	162
	-638	**151**

Information concerning remuneration of the Executive Board and the Supervisory Board is included in Note 30 Related party transactions of the Consolidated Financial Statements. Included in Other expenses are expenses related to audit firms that carry out the audit of the financial statements of Achmea B.V. (reference is made to Note 44 Operating expenses of the Consolidated Financial Statements for information about the audit expenses for the Consolidated Financial Statements).

Notes to the Company Financial Statements

11 CONTINGENT LIABILITIES

Achmea B.V. has provided the Dutch State with indemnity for amounts due to the Dutch State from 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 2011 is €1.8 billion (2010: €2.4 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 2011 is €34 million (2010: €68 million) and is payable in euros. No material losses are expected in respect of these guarantees and indemnities.

Achmea B.V. has given guarantees to its subsidiaries Staalbankiers N.V. and Staal Bewaarbedrijf B.V. for repayment of certain customer bank accounts. As of 31 December 2011 the total value of these guarantees amounted to €479 million (2010: €460 million).

Achmea B.V. issued guarantees as mentioned in article 403 Book 2 of the Dutch Civil Code, in respect of two investment companies within the group, with total assest of €789 million, mainly comprising investments.

12 REGISTERED SEAT

Achmea B.V. is seated in Zeist, the Netherlands, and registered at the Chamber of Commerce, trade register Midden Nederland 33235189.

13 NUMBER OF EMPLOYEES

Other than the Executive Board members, there is no personnel employed by Achmea B.V. in either 2011 or 2010.

AUTHORISATION OF COMPANY FINANCIAL STATEMENTS

Zeist, 12 March 2012

The Supervisory Board
A.H.C.M. (Arnold) Walravens, Chairman
M. (Marinus) Minderhoud, Vice-Chairman
F.J.F. (Flip) Buurmeijer
S.T. (Joke) van Lonkhuijzen-Hoekstra
M. (Mijntje) Lückerath-Rovers
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

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

Other information

SUBSEQUENT EVENTS

January 2012

Business combination Achmea B.V. – Independer.nl N.V.
Achmea entered into a business combination with Independer.nl N.V. on 1 January 2012. Reference is made to the Subsequent events of the Consolidated Financial Statements.
The business combination has no effect on Net profit or Total equity in 2011.

Achmea Vitale
On 15 January 2012, Achmea signed an agreement to sell Achmea Vitale's activities, by way of a transfer of assets and liabilities. Reference is made to the Subsequent events of the Consolidated Financial Statements.

STATUTORY REQUIREMENTS FOR APPROPRIATION OF RESULTS

The Achmea'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 Achmea B.V. The provisions can be summarised as follows:

- The profits shall be at the free disposal of the General Meeting of Shareholders.
- Achmea 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 not been paid in previous years, cash dividends shall first be paid to preference shareholders on these previous years, before any distribution can take place on other shares.

TOTAL NET PROFIT IS PROPOSED TO BE DISTRIBUTED AS FOLLOWS:

(€ MILLION)

	2011
Profit excluding non-controlling interest	-209
Dividend on preference shares	26
Coupon payments on other equity instruments	80
Tax on coupon payments on other equity instruments	-20
	-295
To be distributed as follows:	
Distribution to retained earnings	-295
	-295

Other information

ACHMEA SHAREHOLDERS AT 31 DECEMBER 2011

COMPANY	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PREFS)
Vereniging Achmea directly and via Stichting Administratiekantoor Achmea	The Netherlands	260,939,789	65.25%	61.57%
Rabobank of which				
Coöperatieve Centrale Raiffeisenboerenleenbank B.A.	The Netherlands	116,993,237	29.26%	27.61%
BCP Group of which				
Bitalpart B.V.	The Netherlands	1,000	0.00%	0.00%
Fundo de Pensões de Grupo Banco Comercial Português	Portugal	11,076,699	2.77%	2.62%
LF Group of which				
Länsförsäkringar Liv Försäkringsab (publ)	Sweden	1,832,627	0.46%	w0.43%
Länsförsäkringar SAK Försäkringsab (publ)	Sweden	1,832,626	0.46%	0.43%
Gothaer Group of which				
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.52%	0.49%
Gothaer Finanz Holding AG	Germany	2,370,153	0.59%	0.55%
Swiss Mobiliar of which				
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.69%	0.65%
Eureko Tussenholding B.V. (preference shares)	The Netherlands	23,904,060		5.64%
Total ordinary shares		399,887,432	100.00%	
Total ordinary shares and preference shares		423,791,492		100.00%

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

On 28 December 2011 Achmea purchased a total number of 10,932,742 of its ordinary shares from Coöperatieve Centrale Raiffeisenboerenleenbank B.A.

On 31 December 2011 Achmea issued a total number of 1,935,632 ordinary shares to Vereniging Achmea.

Other information

ACHMEA SUBSIDIARIES AND JOINT VENTURES

Unless otherwise stated the interest is 100% or almost 100% on 31 December 2011.

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 Hypotheekbank N.V., registered in The Hague
Achmea Interne Diensten N.V., registered in Utrecht
Achmea Non-Life Beleggingen B.V., registered in Zeist
Achmea Nuon woonservice B.V. (50%), registered in Utrecht
Achmea Pensioen- en Levensverzekeringen N.V., registered in Apeldoorn
Achmea Retail Bank N.V., registered in The Hague
Achmea Schadeverzekeringen N.V., registered in Apeldoorn
Achmea Services N.V., registered in Amstelveen
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
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
De Friesland Reisverzekeringen N.V., registered in Leeuwarden
De Friesland Particuliere Ziektekostenverzekeringen N.V., registered in Leeuwarden
De Friesland Verzekeringen B.V., registered in Leeuwarden
De Friesland Zorgverzekeraar N.V., registered in Leeuwarden
DFZ Participaties B.V., registered in Leeuwarden
DFZ Personeel B.V., registered in Leeuwarden
DFZ Tussenholding N.V., registered in Leeuwarden
Dispatch B.V. (62.5%), 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
H.I. Services B.V., registered in Hoevelaken
InShared Holding B.V. (85%), registered in Hoevelaken
InShared Nederland B.V., registered in Hoevelaken
InShared Services 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 Trainingscentrum N.V., 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 Kredietverzekeringen (55%), registered in ‘s Hertogenbosch
N.V. Interpolis Onroerend Goed, 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
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
Young Drivers Academy B.V., registered in Oldenzaal
Zilveren Kruis Achmea Zorgverzekeringen N.V., registered in Utrecht
Zorgkantoor Friesland B.V., registered in Leeuwarden

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

Other information

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
Achmea Insurance Ireland Ltd, registered in Dublin
Achmea Reinsurance Ireland Ltd, registered in Dublin
Allied Insurance Consultants Ltd, registered in Dublin
Ansaloni Ltd, registered in Dublin
Ashtown Management Co Ltd (50%), registered in Dublin
Atrium Nominees, registered in Dublin
Bray SRH Ltd, registered in Dublin
Eureko Captive Management Services Ltd, registered in Dublin
Eureko Ireland Ltd, registered in Dublin
Finglas SRH Ltd, registered in Dublin
Freedom Trust Services 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 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
Tiziano Ltd, registered in Dublin
Victoria House (Leasing) Ltd, registered in Dublin
Walkinstown SRH Ltd, registered in Dublin

Romania
Eureko Asigurãri S.A., registered in Bucharest
SC Eureko Training S.R.L., registered in Bucharest
Interamerican - Societate de Administrare a Fondurilor de Pensii Private S.A., registered in Bucharest

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
Banque Colbert S.A., registered in Luxembourg
Orion International Property Development SARL, registered in Luxembourg
Orion IPDL 1 SARL, registered in Luxembourg
Orion IPDL 2 SARL, registered in Luxembourg

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

Other
AGIS Maroc SARL, registered in Casablanca
AGIS Saglik Destek Hizmetleri Ticaret Limited Sireketi (75%), registered in Istanbul, Turkey
Blohe N.V., registered in Lier, Belgium
Eureko Sigorta A.S., 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 Cobalt Ltd, registered in St. Helier, United Kingdom
Imperservices S.A., registered in Lausanne, Switzerland
Insurance Company Oranta-M CJSC., registered in Moscow, Russia
Kappa Spólka Akcyjna S.A., registred in Warsaw, Poland
Liberty Property Investment Ltd, registered in Cheshire, United Kingdom
Oranta Insurance Company LLC., registered in Moscow, Russia

Other information

Orion Phoenix Holding Ltd, registered in Jersey, United Kingdom
Orion Black Friars Ltd, registered in Jersey, United Kingdom
Practis Belgium N.V., registered in Sint-Niklaas, Belgium
Kappa Spólka Akcyjna S.A., registred in Warsaw, Poland
Liberty Property Investment Ltd, registered in Cheshire, United Kingdom
Oranta Insurance Company LLC., registered in Moscow, Russia
Practis Belgium N.V., registered in Sint-Niklaas, Belgium

TRUSTEE REPORTS OTHER EQUITY INSTRUMENTS

Trustee Report
Euro 500,000,000 Fixed-to-Floating Rate Perpetual Capital Securities (“the Securities”), ISIN Code NL0000117224, issued by Achmea B.V. (“the Issuer”).
Pursuant to article 17 of the trust deed dated 24 June 2005, the undersigned hereby reports on its work during the year ended 31 December 2011.
The Securities are perpetual securities and have no fixed redemption date. The Securities may be redeemed in whole but not in part at the option of the Issuer, at their principal amount together with any Outstanding Payments on the Coupon Payment Date falling on 24 June 2015 (the ‘‘First Call Date’’) or any Coupon Payment Date thereafter, subject, after the Issuer becoming subject to Capital Adequacy Regulations, to the prior consent of the Dutch Central bank.
The Securities bear a fixed rate of interest of 5.125 per cent per annum on their outstanding principal amount until (but excluding) the First Call Date and thereafter a floating rate of interest. Interest will be payable, in respect of the Fixed Rate Period, annually in arrear on 24 June of each year and thereafter quarterly in arrear on 24 March, 24 June, 24 September and 24 December of each year, subject to Conditions 4 and 5. Payments (such term does not include principal) may be deferred, as more fully described in Condition 4.
In the year 2011 the interest on the Securities was paid in accordance with the Conditions.

Amsterdam, 12 March 2012
Amsterdamsch Trustee’s Kantoor B.V.

Trustee Report
EUR 225,000,000 8.375 per cent Capital Securities (“the Securities”), ISIN Code XS0362173246, issued by Achmea B.V. (the Issuer”).
Pursuant to article 17 of the trust deed executed on 5 October 2006, the undersigned hereby reports on its work during the year ended 31 December 2011.
The Securities are perpetual securities and have no fixed redemption date. The Securities bear interest as is specified in the relevant Final Terms. Such interest Subject to Conditions 2(b)(i), 2(b)(ii), 4(a), 4(b) and 6(d) will be payable in arrear on each Coupon Payment Date as indicated in the relevant Final Terms.
Subject to Condition 2(b)(i) or 2(b)(ii) the Issuer may redeem all, but not some only, of the Securities on 1 November 2012 and each Coupon Payment Date thereafter.
In the year 2011 the interest on the Securities was paid in accordance with the Conditions and the relevant Final Terms.

Amsterdam, 12 March 2012
Amsterdamsch Trustee’s Kantoor B.V.

Trustee Report
EUR 600,000,000 6 per cent Capital Securities (“the Securities”), ISIN Code NL0000168714, issued by Achmea B.V. (the Issuer”).
Pursuant to article 17 of the trust deed executed on 5 October 2006, the undersigned hereby reports on its work during the year ended 31 December 2011.
The Securities are perpetual securities and have no fixed redemption date. The Securities bear interest as is specified in the relevant Final Terms. Such interest Subject to Conditions 2(b)(i), 2(b)(ii), 4(a), 4(b) and 6(d) will be payable in arrear on each Coupon Payment Date as indicated in the relevant Final Terms.
Subject to Condition 2(b)(i) or 2(b)(ii) the Issuer may redeem all, but not some only, of the Securities on 1 November 2012 and each Coupon Payment Date thereafter.
In the year 2011 the interest on the Securities was paid in accordance with the Conditions and the relevant Final Terms.

Amsterdam, 12 March 2012
Amsterdamsch Trustee’s Kantoor B.V.

Other information

STATEMENT OF THE EXECUTIVE BOARD OF ACHMEA B.V.

The Executive Board of Achmea B.V. is responsible for the preparation of the Annual Report 2011, including the Consolidated Financial Statements 2011. The Consolidated Financial Statements 2011 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Company Financial Statements 2011 and Executive Board Report 2011 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 reviewed the Achmea B.V. Consolidated and Company Financial Statements on 27 February 2012 and authorized them for submission to the Supervisory Board.
The Executive Board of Achmea B.V. declares that, to the best of its knowledge, the Achmea B.V. Consolidated and Company Financial Statements 2011 give a true and fair view of the assets, liabilities, financial position and profit or loss of Achmea 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 Achmea B.V. also declares that the Executive Board Report 2011 gives a true and fair view of the situation on 31 December 2011, the development and performance during 2011 and describes the principal risks of the businesses of the Group.
The Achmea B.V. 2011 Consolidated Financial Statements and 2011 Company Financial Statements will be submitted to the Annual General Meetings of Shareholders for approval on 5 April 2012.

Zeist, 12 March 2012

The Executive Board
W.A.J. (Willem) van Duin, Chairman
G. (Gerard) van Olphen, Vice-Chairman and CFRO
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 ACHMEA B.V.

Report on the financial statements
We have audited the accompanying financial statements 2011 of Achmea B.V., Amsterdam as set out on pages 1 to 122. 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 2011, the consolidated income statement, the consolidated statement 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, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information

The Executive Board's responsibility
The Executive Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, 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 Achmea B.V. as at 31 December 2011, 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 Dutch 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 Achmea B.V. as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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

Amsterdam, 12 March 2012
PricewaterhouseCoopers Accountants N.V.

Original signed by G.J. Heuvelink RA