

Press Release

13 August 2020 - Achmea interim results 2020



Achmea posts operational result of €127 million

Underwriting results remain strong; financial markets turmoil due to Covid-19 leads to lower investment results

- Robust solvency ratio of 204% and sound liquidity position
- Strong Non-Life result; combined ratio improved to 93.7%
- Small loss on basic health insurance due to Covid-19
- Strong growth in Non-Life and international activities via online sales
- Growth in Retirement Services with AuM increase to €211 billion
- Various initiatives aimed at supporting customers, employees and society during the Covid-19 pandemic

Willem van Duin, Chairman of the Executive Board:

“Covid-19 has had an enormous impact on society and on the lives of many people in the Netherlands. Good health is a precious commodity and the spread of the virus poses a threat to it. In addition to worrying about their health, many people in the Netherlands are affected by concerns relating to their income, social distancing and isolation. As an insurer with a cooperative identity, we have set to work to restrict the impact of Covid-19 on society.

Our company is deeply rooted in society and this motivates us to become a trend-setter in this respect. Organising solidarity between customers and uniting various interests in healthcare are objectives aligned with Achmea’s cooperative identity. This is one way we give substance to our role in society. Together with other institutional investors around the world, for instance, we urged the pharmaceutical industry to collaborate on the hunt for a vaccine or drugs to treat Covid-19. In the Netherlands, health insurer Zilveren Kruis and its peers worked together on schemes to guarantee continuity of healthcare services for hospitals and other healthcare providers. We offered colleagues with a background in healthcare the opportunity of helping out in healthcare services while retaining their salaries. As a major travel insurer we recognised the impact on our customers as well and not only did we reimburse cancellations, we also played an active role in repatriating customers stranded abroad. In our capacity as an employer, we enabled all of our 14,000 employees to work problem-free from home and continue serving our customers properly, thereby ensuring continuity of our business operations. In doing so we profited greatly from our considerable investment in IT and digital customer services.

During our new strategic period that lasts until 2025 and is called ‘The Sum of Us’ we will invest further in the combined strength of our group. The wide-reaching digitisation of our services will continue. Our mobile and online services mean that we can offer our customers an even better service. This has been rewarded with, among other things, substantial inflow of customers over the reporting period, including at our international entities. Our brands Centraal Beheer, Interpolis, FBTO and InShared welcomed more customers than ever before at this time of year. Moreover, we have further implemented our strategy by taking significant additional steps towards bundling our mortgage activities and acquiring InAdmin RiskCo, allowing us to make major headway on our ambition to become the trend-setting digital pension provider in the Netherlands.

Although we have made sound strategic progress in the past six months, Covid-19 has had an adverse impact in financial terms. Our operational result decreased to €127 million due to the negative trends on the financial markets and the impact of Covid-19 on our health insurance business. Yet the sound underlying structural growth of our company meant that the underwriting results remained strong and stable. Our gross written premiums increased to €17,675 million and our financial buffers are solid.

The further course and impact of Covid-19 remain uncertain and other challenges may also pose a threat to everyone’s wellbeing. Climate change is high on this list. Our mission is, and will continue to be, to contribute to a healthy, safe and future-proof society. Our strategy, ‘The Sum of Us’, focuses entirely on achieving these aims and on overcoming all of today’s uncertainties as well as many other challenges. As part of this, we are well aware that we need to continue seeking internal and external partnerships with customers and partners in order to achieve these objectives. Ever since our foundation as a cooperative company, this has formed the basis for all our actions and gives us every confidence that we can continue to add value for our customers and society even in such challenging times.”

ACHMEA INTERIM RESULTS 2020 – 13 AUGUST 2020

A conference call for analysts is scheduled for 14.00 CET

Analysts can dial in using the following number: +31 20 53 15 871

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Group results

KEY FIGURES

	(€ MILLION)		
RESULTS	H1 2020	H1 2019	Δ
Gross written premiums	17,675	17,571	1%
Net earned premiums	9,801	9,790	0%
Gross operating expenses ¹	1,042	1,059	-2%
Operational result excluding Health Netherlands²	120	227	-47%
Operational result including Health Netherlands	127	284	-55%
Net result	108	234	-54%
BALANCE SHEET	30-6-2020	31-12-2019	Δ
Total assets	100,048	89,488	12%
Total equity	10,050	10,191	-1%
SOLVENCY II	30-6-2020	31-12-2019	Δ
Solvency ratio before dividend (Partial Internal Model)³	204%	219%	-15%-pt
EMPLOYEES IN THE NETHERLANDS AND ABROAD⁴	30-6-2020	31-12-2019	Δ
FTEs (internal)	13,834	13,801	0%
FTEs (external)	2,094	2,590	-19%

Group results

OVERVIEW OF GROUP RESULTS

The first half of 2020 was marked by Covid-19 and measures to prevent further spread of the virus. Our business operations have been safeguarded during this period, the services provided to our customers have remained at an undiminished high level and our employees have been able to successfully carry out their jobs while largely working from home. However, Covid-19 has had an adverse impact in financial terms. The operational result over the first half of 2020 was €127 million (H1 2019: €284 million). The decrease in the result is primarily due to the lower investment results, arising from the turbulence on the financial markets triggered by the Covid-19 pandemic. Furthermore, the result on Health is lower due to higher estimated medical expenses as a result of the Covid-19 pandemic and the collective measures to ensure continued supply of health care by hospitals and other care providers in these uncertain times. The underwriting results for the Dutch property & casualty, income protection, and pension and life activities remained solid. Both retirement services and the international activities noted a sharp increase in results.

The combined ratio (COR) at our Dutch Non- Life business improved further in the first half of 2020 and stood at 93.7% (H1 2019: 95.8%). The impact of Covid-19 varied across business lines. For instance, there was a significant increase in cost of claims for both cancellation and event insurance, but the intelligent lockdown also led to a decrease in the number of claims arising from traffic accidents and break-ins. The higher insurance-related results combined with the lower investment income translated into a slight increase in the operational result of €91 million (H1 2019: €89 million). Owing to our strong brands and good online customer service, further growth in premiums and customer base was achieved even under challenging market conditions.

The operational result on our Dutch pension & life business was €71 million over the first half of 2020 (H1 2019: €204 million). The decrease of the result was almost completely caused by a decrease in the investment result due to unfavourable financial market developments. In line with our service book strategy, we have seen a decline in premiums while we continued to invest in making our operating expenses more flexible. With this the expenses will continue to decline in line with expirations in the portfolio.

The retirement services segment's activities contributed €20 million to the result in the first six months of the year (H1 2019: €5 million). This increase is mainly due to higher interest results at Achmea Bank and an increase in revenue at Achmea Investment Management.

The international activities had a strong increase in results over the first half of 2020 to €28 million (H1 2019: €7 million). The higher result was driven by a lower cost of claims at Motor and Health, in particular in Greece and Turkey. Premium growth of 12% was achieved in line with our international growth strategy.

The result on other activities decreased by €12 million to €90 million negative (H1 2019: €78 million negative). In addition to the results of Achmea Reinsurance, this segment also contains the financing expenses and shareholder expenses. The decrease in the result is due to lower results for Achmea Reinsurance, caused by the lower claims result on the proprietary portfolio and third-party portfolio in light of the impact of the Covid-19 pandemic. More efficient business operations, primarily from the holding company and shared service centers, had a positive effect on the result.

In the first half of 2020, the health business earned a result of €7 million (H1 2019: €57 million). This decrease is due to the basic health insurance result of €55 million negative (H1 2019: €20 million), arising from higher estimated medical expenses caused by Covid-19. The supplementary health insurance result was positive and amounted to €65 million (H1 2019: €34 million). The higher result for supplementary health insurance is driven by the drop in demand for non-emergency care services as a result of Covid-19, combined with the fact that not all healthcare providers have taken advantage of the option of receiving continuity contributions. Operating expenses have also decreased further, partly due to previous reorganisations.

Given the uncertainties regarding the further course, duration and intensity of the Covid-19 pandemic, there continue to be uncertainties on the markets on which we operate. In our current estimates we have taken into account the impact as we see it today. This applies to both the trends on the financial markets, and our investment results, and to insurance-related trends within Health. We are closely monitoring the developments of Covid-19 and its potential effects. On top of this we continue to devote attention to the impact of external developments such as long-term low interest rates, the use of new technology and increasing claims as a result of climate change and extreme weather on our business models.

Achmea entered a new strategic period called "The Sum of Us" in 2020. Partly in light of the above mentioned challenges, we will continue to invest in our strategy aimed at diversified domestic and international growth in digital and banking channels and developing new propositions and services, while at the same time staying focused on the need for active claims management and further balance sheet optimisation.

Group results

OPERATIONAL RESULT BY SEGMENT

	(€ MILLION)		
	H1 2020	H1 2019	Δ
Non-Life Netherlands	91	89	2%
Pension & Life Netherlands	71	204	-65%
Retirement Services	20	5	300%
International activities	28	7	300%
Other activities	-90	-78	15%
Operational result (excl. Health Netherlands)	120	227	-47%
Health Netherlands	7	57	-88%
Operational result	127	284	-55%

*As of 1 January 2020, Syntrus Achmea Real Estate & Finance was moved from the Other activities segment to the Retirement Services segment. The comparative figures for H1 2019 have been adjusted accordingly.

Net result

The net result decreased to €108 million in the first half of 2020 (H1 2019: €234 million). The effective tax rate was 15% (H1 2019: 18%). This was lower than the nominal tax rate because of the tax income on subordinated debt instruments, the charges for which are accounted under total equity.

On 10 July 2020, the Dutch Supreme Court ruled on a case between Achmea and the Dutch tax authorities, relating to the tax settlement in the Netherlands for part of the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. The Supreme Court's ruling contained the same conclusion as the Court of Appeal's previous ruling that the larger part of this income does not come under the participation exemption facility and is therefore not exempt from corporate tax. Achmea had already made adequate provisions for this and the ruling will therefore have no further impact on Achmea's result.

Income

Gross written premiums increased slightly in the first half of 2020 to €17,675 million (H1 2019: €17,571 million). In line with our strategy, Non-Life premiums in the Netherlands grew by €131 million, mainly thanks to our strong online and banking distribution. Premiums of our international activities increased by €61 million. The decrease in premiums from Pension & Life insurance activities is in accordance with our service book strategy and was more than offset by this growth.

Total retail and commercial premiums at Non-Life Netherlands and International grew further (7%) due to portfolio growth and premium adjustments. Online distribution, one of the pillars of our strategy, has made a particularly successful contribution to this growth. Use of online distribution has partly been accelerated by the Covid-19 pandemic.

Premiums remained stable within Health. Premium increases in line with higher medical expenses are compensating for a

decrease in the number of policyholders. The international health activities saw premium growth in Slovakia and Turkey.

Premiums from Pension & Life insurance activities in the Netherlands decreased by 11% in light of our earlier strategic decision to stop actively selling pension insurance products in the Netherlands. The decrease is therefore the result of natural portfolio lapse and in line with expectations. In addition, we have seen a slight increase in written premiums for those products that are still actively being sold, such as term life insurance and annuities.

GROSS WRITTEN PREMIUMS IN THE NETHERLANDS AND ABROAD

	(€ MILLION)		
	H1 2020	H1 2019	Δ
Non-Life	2,677	2,491	7%
Health	14,385	14,373	0%
Life	613	707	-13%
Gross written premiums	17,675	17,571	1%

We are increasingly evolving from being a traditional insurer into a broad financial service provider. As a result, we receive a growing portion of our income from sources other than insurance premiums. This income has grown by €25 million to €191 million (H1 2019: €166 million) within the Retirement Services segment. This increase is being driven by higher revenues at Achmea Bank, Achmea Investment Management and Achmea Pension Services. Syntrus Achmea Real Estate & Finance experienced a slight decrease in revenue due to the challenging property market conditions created by Covid-19. Our service propositions also continue to evolve. With these services we not only contribute to a healthy, safe and future-proof society through means such as damage prevention, we also expand our business model.

Operating expenses

Gross operating expenses decreased by €17 million in the first half of the year to €1,042 million (H1 2019: €1,059 million). This decrease was largely driven by lower restructuring expenses than in the previous year. When adjusted for this, the operating expenses are more or less stable, whereby the higher pension charges caused by the lower interest rates at year-end 2019 were compensated for by a decrease in the number of FTEs, partly as a result of a reduction in the workforce arising from Covid-19 and the integration of Zilveren Kruis and De Friesland.

The total number of employees has decreased to 15,928 FTEs (year-end 2019: 16,391 FTEs). In the Netherlands, the number of FTEs decreased to 12,900 (year-end 2019: 13,414 FTEs). The decrease in the number of employees of approximately 500 FTEs is due to the continued optimisation of processes and systems and a reduction in the number of external FTEs. The largest decreases occurred at Health and Pension & Life and were possible thanks to more efficient business operations.

The total number of employees outside the Netherlands increased slightly to 3,028 FTEs (year-end 2019: 2,977 FTEs). This

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increase is due to the focus on controlled and selective growth of our market share in the various markets.

Investments

In the first half of 2020, investment income⁵ from our own risk investment portfolio was €427 million (H1 2019: €600 million). The turbulence on the financial markets triggered by the Covid-19 pandemic is a main reason for the drop in investment income. This turbulence has chiefly manifested itself in volatile equity markets, lower yields on fixed-income investments and lower valuations on the commercial real estate market. As of this our investment results were affected by lower realised gains on equities and by lower dividend yields. Furthermore, the result over the first half of 2020 includes impairments on equities and fixed-income securities of €60 million and an impact of €30 million due to lower property valuations for offices and retail spaces compared to the first half of 2019. In spite of the fact that Achmea pursues a prudent investment policy containing a relatively small allocation to equities and real estate, the large size of the investment portfolio means that this still translates into an important impact on the result.

Although by far the largest portion of our investment portfolio comprises fixed-income investments, the increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life insurance business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover liabilities to our customers with pensions or life insurance policies. Even though credit spreads have widened, our fixed-income and interest rate derivatives portfolios have increased sharply in value as a result of the lower yields. Although as of the accounting rules this has no impact on the result, this led to the FFA growing by €1.5 billion to €11.3 billion in the first half of 2020 (year-end 2019: €9.8 billion).

Partly as a result of this, the value of our total investment portfolio increased sharply to €54.5 billion (year-end 2019: €50.8 billion). This was largely due to the lower interest rates in the first half of the year and additional purchases amounting to €1.8 billion. In spite of the decrease in the direct investment results, in underlying terms the portfolio has strongly increased in value.

CAPITAL MANAGEMENT

Total equity

Achmea's equity decreased by €141 million to €10,050 million in the first half of 2020 (year-end 2019: €10,191 million). This is mainly because of a decrease in the revaluation reserves of €219 million caused by developments on the financial markets. In addition, €43 million in coupon payments on hybrid capital instruments were charged to Achmea's total equity. The addition

of the net result of €108 million partially compensates for this decrease in total equity.

DEVELOPMENT OF TOTAL EQUITY

(€ MILLION)

Total equity 31-12-2019	10,191
Net result	108
Movement in revaluation reserve	-219
Movement in exchange difference reserve	-23
Remeasurement of net defined benefit liability	36
Dividends and coupon payments to holders of equity instruments and impact capital transactions	-43
Total equity 30-6-2020	10,050

Solvency II

The solvency ratio decreased to 204% in the first half of 2020. The Eligible Own Funds decreased due to a fall in share prices caused by developments on the financial markets and a decrease in the UFR. This was partly compensated by a higher Volatility Adjustment. The Solvency Capital Requirement (SCR) increased as result of increased market risk due to higher spreads and volatility in stock markets. Furthermore, the Solvency Required Capital increased due to higher Life underwriting risk as a result of the decrease of the UFR as of 1 January 2020 (from 3.90% to 3.75%).

SOLVENCY II RATIO FOR ACHMEA GROUP

(€ MILLION)

	30-6-2020	31-12-2019	Δ
Eligible Own Funds under Solvency II	9,386	9,535	-149
Solvency Capital Requirement	4,611	4,352	259
Surplus	4,775	5,183	-408
Solvency II Ratio	204%	219%	-15%-pt

Since the introduction of Solvency II on 1 January 2016, Achmea has used a partial internal model approved by the regulators to calculate the SCR for the property & casualty and income protection insurance risks in the Netherlands and Greece. As of 1 July 2018, Achmea also applies the internal model to calculate the SCR for the market risk for the Dutch entities, with the exception of the health entities. The other risks are calculated using the standard formula.

Free Capital Generation⁶

Free Capital Generation over the first half of 2020 amounted to €344 million negative. This decrease is a result of unfavourable developments in the financial markets and an increase in the SCR due to the growth of the portfolio. In addition, the decrease in the UFR by 15 basis points to 3.75% had a negative impact. This was partly compensated by our strong underwriting results and the run-off of the closed-book portfolio. The operational results of our health activities are not included as part of the Free Capital Generation calculations.

Group results

Financing

The debt-leverage ratio¹¹ temporarily increased to 30.0% (year-end 2019: 24.9%) due to the issue of Senior Unsecured Notes worth €750 million in May 2020. The proceeds will be used to refinance a Senior Unsecured bond worth €750 million that matures in November 2020.

The above transaction and the resulting higher interest charges combined with the lower operational result led to a decrease in the fixed-charge coverage ratio to 4.3x¹² (2019: 5.3x).

On 15 June 2020, Standard & Poor's (S&P) affirmed its A rating and stable outlook for Achmea's Dutch core insurance entities.

S&P's judgement was that both Achmea's revenues and its results would be negatively affected by the Covid-19 pandemic in 2020, but assumes that the group will remain solid owing to its robust capitalisation and strong market position. The credit rating (ICR⁸) for Achmea B.V. remained unchanged at BBB+. The rating (FSR⁷) for Achmea Reinsurance Company N.V. and the rating (ICR) for Achmea Bank N.V. remained unchanged at A-.

Fitch affirmed its rating for Achmea B.V. and its insurance entities on 29 April 2020. This decision was supported by a Very Strong PRIMS FBM score based on assumptions from Fitch about the impact of the Covid-19 pandemic. Its ratings are A (IDR⁹) and A+ (IFS¹⁰) respectively with a stable outlook. Fitch's rating (IDR) for Achmea Bank N.V. was affirmed at A with a stable outlook.

Non-Life Netherlands

- Solid and robust result; combined ratio improved to 93.7%
- Premium growth via strong online distribution and customer services
- Continuing focus on prevention and cost control

RESULTS

(€ MILLION)

	H1 2020	H1 2019	Δ
Gross written premiums	2,323	2,192	6%
Operating expenses	450	438	3%
Operational result	91	89	2%

NON-LIFE NETHERLANDS

	H1 2020	H1 2019	Δ
Claims ratio	68.3%	70.0%	-1.7%-pt
Expense ratio	25.4%	25.8%	-0.4%-pt
Combined ratio	93.7%	95.8%	-2.1%-pt

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and ranks in the top three in income protection insurance. We provide our retail and business customers with products such as car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer sickness and disability insurance. We assist our customers via innovative services that, for example, give them insight into the risks to which they are exposed. In doing so, we help our customers to prevent or restrict damage or loss as much as possible. We distribute our products and services directly through our brands Centraal Beheer, FBTO and InShared, which gives us a strong position in the retail market. Interpolis is the most trusted brand in the banking channel and via Avéro Achmea we enjoy an excellent partnership with Intermediar. Our focus is on a high level of customer satisfaction, innovative services and digitisation of processes. With our services, customers can communicate with us more often, at any time and in the way that they want.

In the first half of 2020, in the midst of the Covid-19 outbreak, we were able to demonstrate the added value of our services to our customers. For example, via Eurocross we made a valuable contribution to the repatriation of many Dutch nationals stranded abroad. In addition, from our home offices our employees were able to assist our customers in a sustainable return to work from sick leave.

Gross written premiums

Gross written premiums increased by 6% to €2,323 million in the first six months of 2020 (H1 2019: €2,192 million). This growth was partly as a result of an increase in the number of customers and the high levels of customer satisfaction and retention of existing customers, who award high scores to our strong and mainly online market propositions. Premium adjustments also contributed to the increase in written premiums.

Gross written premiums from our property & casualty insurance business increased by 5% to €1,770 million (H1 2019: €1,681 million) as a result of growth in the number of customers and premium adjustments in both the retail and commercial lines.

Gross written premiums from our income protection insurance business increased by 8% to €553 million (H1 2019: €511 million) as a result of growth in the portfolio and premium adjustments.

Operating expenses

In the first half of 2020, operating expenses increased slightly to €450 million due to higher commission expenses as a result of a growing portfolio. The expense ratio decreased to 25.4% (H1 2019: 25.8%) due to the higher number of written premiums.

Operational result

The operational result of Non-Life over the first six months of 2020 increased to €91 million (H1 2019: €89 million). Investment result decreased due to the negative trends on the financial markets, mainly as a result of the impact of Covid-19. The underwriting result over the first six months of the year has improved. This is partly thanks to a continued focus on growth in the portfolio, cost of claims management and control of operational expenses. In line with the trend of the past few years, underwriting performance has continued to evolve positively.

PROPERTY & CASUALTY

The result on property & casualty increased to €90 million in the first half of 2020 (H1 2019: €80 million). The combined ratio for the property & casualty insurance business improved to 92.7% (H1 2019: 95.3%). The result was among other things positively affected by a decrease in the number of claims arising from traffic accidents and break-ins. On the other hand, we have seen a higher cost of claims for cancellation and event insurance arising from the Covid-19 pandemic. Higher weather-related claims also

Non-Life Netherlands

had a negative impact on the result in the first six months of the year.

INCOME PROTECTION

The result from our income protection insurance business was €1 million for the first half of 2020 (H1 2019: €9 million). This was

partly affected by a higher number of claims and longer recovery periods in our sickness insurance portfolio, some of which was related to Covid-19. The underlying underwriting result improved due to growth and premium adjustments, while lower investment results had a negative impact. The combined ratio stood at 98.9% (H1 2019: 98.3%).

Health Netherlands

- Small loss on basic health insurance due to Covid-19, supplementary health insurance positive
- Significant social contribution to combating Covid-19 made with financial support for healthcare providers without actual healthcare services always being provided
- Further reduction in operating expenses; additional restructuring provision for further efficiency improvements
- Zilveren Kruis and care providers witness accelerated growth of 'safe care at home' by Covid-19

RESULTS

(€ MILLION)

	H1 2020	H1 2019	Δ
Gross written premiums	14,099	14,133	0%
Operating expenses	245	268	-9%
Operational result	7	57	-88%
Result current year	4	57	-93%
Result prior years ¹³	3	0	n.m.*

BASIC HEALTH

	H1 2020	H1 2019	Δ
Claims ratio	98.7%	97.5%	1.2%-pt
Expense ratio	1.9%	2.2%	-0.3%-pt
Combined ratio	100.6%	99.7%	0.9%-pt

SUPPLEMENTARY HEALTH

	H1 2020	H1 2019	Δ
Claims ratio	78.1%	82.8%	-4.7%-pt
Expense ratio	10.9%	11.7%	-0.8%-pt
Combined ratio	89.0%	94.5%	-5.5%-pt

* n.m.: not meaningful

GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Interpolis and Pro Life offer basic and supplementary health insurance. The Eurocross Assistance Company also provides healthcare services worldwide.

'Under the Dutch healthcare system, basic health insurance is mandatory for all and insurers have a duty to accept all applicants. This means there is solidarity between young and old, poor and wealthy, ill and healthy. Trends such as the ageing population, new treatments and medicines are putting the affordability and accessibility of healthcare in the Netherlands under pressure. This underlines the importance of organising healthcare properly and of continuing to devote attention to prevention and a healthy lifestyle.

Zilveren Kruis and Achmea's other health insurance brands aim to bring good health closer to everyone. Our ambition is to provide safe healthcare at customers' homes. This will reduce the impact of treatments, improve the quality of life for our customers and helps keep premiums affordable. Initiatives such as Gezond Ondernemen (Healthy Enterprise) and the Actify lifestyle

platform enable us to help our customers to work and live more healthily.

Our portfolio contains 4.9 million policyholders, making Achmea market leader with a market share of 28%.

Covid-19

The first Covid-19 patient was diagnosed in the Netherlands in February 2020, after which the virus quickly spread around the country. Zilveren Kruis and the other Dutch health insurers rapidly set to work to offer healthcare providers financial assistance in light of the enormous drop in demand for certain types of care, as well as for financing care related to Covid-19.

This is one way that, in our role as a health insurer, we can support healthcare providers financially by paying them a clear and controlled continuity contribution. Those healthcare providers that have experienced a drop in income during the Covid-19 pandemic were eligible for a monthly continuity contribution to cover their fixed expenses. Hospitals receive appropriate compensation from health insurers for lost income and additional expenses in this Covid-19-hit year.

Health Netherlands

In consultation with the health insurer, healthcare providers can charge additional expenses incurred for providing care arising from the Covid-19 outbreak. These might relate to providing care to an individual policyholder or a group of policyholders. Examples include additional expenses for extra Personal Protective Equipment (PPE) or expenses incurred through having to separate patients who are (potentially) infected with Covid-19 from other patients.

Gross written premiums

Gross written premiums from basic and supplementary health insurance are in line with last year at €14,099 million (H1 2019: €14,133 million). Gross written premiums from basic health insurance amounted to €12,877 million (H1 2019: €12,885 million). On balance, written premiums remained stable due to higher average premiums for basic health insurance and a larger contribution from the Health Insurance Equalisation Fund as a result of higher healthcare expenses in the Netherlands, while the number of policyholders decreased slightly. Gross written premiums from supplementary health insurance decreased slightly to €1,222 million (H1 2019: €1,248 million) due to a decline in the number of policyholders.

Operating expenses

The total operating expenses of our health activities decreased to €245 million (H1 2019: €268 million). This can largely be attributed to lower operational expenses as a result of efficiency improvements from previous reorganisations. Operating expenses are also affected by restructuring expenses for further improving efficiency in future.

Operational result

The operational result from our health business amounted to €7 million in the first half of 2020 (H1 2019: €57 million). The result on basic health insurance and Eurocross was negative, while the supplementary health insurance result was positive. In addition, due to the negative trends on the financial markets and the prepayment of continuity contributions, the solvency ratio decreased to 152% (year-end 2019: 158%).

BASIC HEALTH INSURANCE

The operational result from our basic health insurance amounted to €55 million negative over the first half of 2020 (H1 2019: €20 million). The operational result in the current underwriting year was €54 million negative (H1 2019: €28 million). The lower result is mainly due to Covid-19-related expenses and measures

such as the continuity contributions provided while no actual care was provided. This is partly compensated for, however, as some of the non-emergency care has not taken place over a number of months and healthcare providers are not expected to catch up fully, which will in turn lead to lower medical expenses. The result from previous years amounts to €1 million negative in the first six months of 2020 (H1 2019: €8 million negative).

The combined ratio of basic health insurance increased to 100.6% (H1 2019: 99.7%) due to higher healthcare costs, most of which can be attributed to the Covid-19 pandemic. This is partly compensated for by a lower expense ratio arising from a reduction in operating expenses.

SUPPLEMENTARY HEALTH INSURANCE

Supplementary health insurance policies account for €65 million of the operational result from the health business (H1 2019: €34 million); €61 million of the result derives from the current underwriting year (H1 2019: €26 million). There was also a positive result from previous underwriting years of €4 million (H1 2019: €8 million). The higher result is due to lower medical expenses caused by the large drop in non-emergency care triggered by the Covid-19 outbreak. Furthermore, not all healthcare providers that were eligible have opted to take advantage of the available continuity contribution in compensation of the drop in demand.

The percentage of basic health insurance policyholders with supplementary coverage remained stable in 2020 at around 75%¹⁴.

The combined ratio of supplementary health insurance policies improved in the first half of 2020 and stood at 89.0% (H1 2019: 94.5%) as a result of reductions in both medical expenses and operating expenses.

OTHER (HEALTHCARE OFFICES & SERVICES)

The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. The operational result for Other was €3 million negative in the first half of 2020 (H1 2019: €3 million). The lower operational result is mainly caused by the drop in revenue at Eurocross arising from the Covid-19 pandemic. Lower operating expenses partly compensate for this.

Pension & Life Netherlands

- Sharp drop in investment results due to turbulence on financial markets
- Premiums increase in open-book portfolio
- Stable operating expenses, while investing in additional efficiency improvements

RESULTS

(€ MILLION)

	H1 2020	H1 2019	Δ
Gross written premiums	556	624	-11%
Operating expenses	77	76	1%
Operational result	71	204	-65%

GENERAL INFORMATION

Pension & Life services the group pension contracts and traditional savings and life insurance products. In addition, the service organisation manages a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. The service organisation's ambition is to earn a stable result with positive capital generation combined with a high level of customer satisfaction. The total technical provisions are evolving in line with the natural development of the portfolio, but at the same time are affected by market developments and short-term volatility. The technical provisions increased by 1% to €47 billion in the first half of 2020.

Gross written premiums

Total gross written premiums decreased by 11% to €556 million in the first six months of 2020 (H1 2019: €624 million). Of this amount, €413 million came from the service-book and €143 million from the open-book.

Total premiums on our service-book pension portfolio amounted to €103 million in the first half of 2020 (H1 2019: €149 million). Total premiums on our service-book life insurance portfolio amounted to €310 million in the same period (H1 2019: €350 million). In line with our strategy, no new insurance contracts or extensions have been sold in these portfolios. The decline in the premium income is in accordance with expectations and the result of natural portfolio lapse.

The open-book portfolio saw a slight increase in premiums. Term life insurance premiums increased to €30 million (H1 2019: €29 million), while individual annuity and pension production grew to €113 million (H1 2019: €96 million).

Operating expenses

At €77 million, operating expenses were marginally higher in the first six months of 2020 than in the same period last year. Expenses are evolving in line with portfolio developments and include investments in cost-cutting initiatives that will lead to a further reduction in expenses in the next few years.

Operational result

The operational result decreased to €71 million in the first six months of 2020 (H1 2019: €204 million). This was driven primarily by a decrease in the investment results.

Investment results decreased by €115 million, largely due to the negative trends on the stock markets and in commercial real estate (retail and offices in particular). These are the result of the turbulence on the financial markets caused by the Covid-19 outbreak. The decrease in yields in the first half of the year had a positive effect on the valuations of fixed-income securities, but this is not visible in the result as changes to these valuations are accounted for in the mentioned Fund for Future Appropriation.

The technical result decreased by €19 million in the first half of 2020 when compared to the same period last year. This difference is primarily due to a release of provisions in the first six months of 2019 caused by the recalibration of the provisions for insurance liabilities. On balance, the impact of Covid-19 on the technical result is neutral to slightly positive. This is because on the one hand there was a minor increase in the number of deaths in the pension portfolio, while on the other there were also higher claims on term life insurance policies.

Retirement Services Netherlands

- Sharply higher result due to growth in AuM and higher interest income
- Achmea invests in industry-wide pension administration platform in partnership with Pensioenfondsg PGB
- Growth in Retirement Services with AuM increase to €211 billion

RESULTS*

(€ MILLION)

RETIREMENT SERVICES	H1 2020	H1 2019	Δ
Total Income	191	166	15%
Of which: administration and management fees pension administration	114	105	9%
Operating expenses ¹⁵	171	161	6%
Operational result	20	5	300%

ACHMEA BANK	H1 2020	H1 2019	Δ
Net interest margin	79	62	27%
Fair value result ¹⁶	-2	-3	-33%
Operating expenses	54	51	6%
Changes to loan loss provisions	0	-1	n.m.**

	30-6-2020	31-12-2019	Δ
Common Equity Tier 1 ratio	21.0%	19.2%	1.8%-pt

(€ BILLION)

ASSET UNDER MANAGEMENT ¹⁷	30-6-2020	31-12-2019	Δ
Achmea Investment Management	186	147	39
Syntrus Achmea Real Estate & Finance	25	23	2
Total Asset under Management	211	170	41

* As of 1 January 2020, Syntrus Achmea Real Estate & Finance was moved from the Other activities segment to the Retirement Services segment. The comparative figures for H1 2019 have been adjusted accordingly.

**n.m.: not meaningful

GENERAL INFORMATION

Through Retirement Services, Achmea provides pension funds, employers and retail customers with solutions for pensions and capital accrual as well as products relating to homes and commercial premises. Achmea Pension Services administers the pensions and Achmea Investment Management, in addition to managing the assets of Achmea Group and its retail customers, manages the assets for pension funds and the Centraal Beheer General Pension Fund (GPF), which provides an alternative to pension insurance in the second pillar of the Dutch pension system. Combined with products for capital accrual, mortgage solutions and strategic and portfolio advice in the third and fourth pillars, customers can choose from a wide range of financial services. These products and services are distributed through, among others, the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pension Services, Achmea Pension & Life and Syntrus Achmea Real Estate & Finance. As of 2020, the latter forms part of our Retirement Services segment following the announcement of the bundling of our mortgage activities at the end of 2019.

The individual entities within Retirement Services have also spent the past six months working to restrict the negative impact of the Covid-19 outbreak on our customers. For example, on a case-by-case basis Achmea Bank and Syntrus Achmea Real Estate & Finance have suspended mortgage and rent payments for customers affected financially by the pandemic. In its capacity as a major asset manager and together with other institutional investors, Achmea Investment Management urged the pharmaceutical industry to collaborate on a vaccine against Covid-19 and not to put profits first.

Operational result

The operational result of Retirement Services increased sharply to €20 million in the first six months of 2020 (H1 2019: €5 million). This was largely driven by an improved interest result at Achmea Bank. Growth in revenues also led to improved results at Achmea Investment Management and Achmea Pension Services. The results at Syntrus Achmea Real Estate & Finance decreased in the first half of the year due to higher (project) expenses relating to the bundling of mortgage activities and a small decline in revenue, partly caused by the Covid-19 outbreak.

Retirement Services Netherlands

Achmea Bank

Achmea Bank's result increased by €15 million to €28 million (H1 2019: €13 million) thanks to higher interest results. The higher interest results are partly due to balance sheet transactions from 2019, including the acquisition of a portfolio from a.s.r. bank. An increase in the amount of interest compensation deriving from early repayments on mortgages also had a positive impact on the result. Mortgage production declined slightly to €706 million in the first half of 2020 (H1 2019: €736 million).

As of 30 June 2020, the Common Equity Tier 1 ratio stood at 21.0% (year-end 2019: 19.2%). This represents an increase caused by the addition of the result over 2019 and a slight contraction in the size of the portfolio.

Achmea Investment Management

As of 30 June 2020, assets under management (AuM) of Achmea Investment Management totalled €186 billion (year-end 2019: €147 billion). The increase is largely due to the transfer of Pensioenfond's Vervoer (transportation). There was also inflow of assets from the Centraal Beheer GPF and, in spite of the turbulence on the financial markets, returns on invested assets contributed to the increase in assets under management.

Achmea Investment Management's contribution to the result increased to €5 million in the first six months of 2020 (H1 2019: €1 million). The higher result can be attributed to higher revenue deriving from the larger amount of assets under management.

Achmea Pension Services

As of January 2020, about 250 new employers joined the Centraal Beheer GPF, as did the Chemours and Equens pension funds. The Centraal Beheer GPF has now grown into the largest general pension fund in the Netherlands in terms of the number of members and contributions.

The operational result of Achmea Pension Services improved marginally to €13 million negative in the first half of 2020 (H1 2019: €14 million negative). This can be ascribed to the

higher amount of revenue that more than compensates for the increase in investment expenses.

Achmea Pension Services is currently in a transitional phase, whereby the portfolio containing mandatory sectoral pension funds has been phased out and large-scale investments are now being made in the sustainable growth of the general pension fund, company and sectoral pension fund administration. The company is optimising processes in order to reduce expenses, while at the same time enabling it to maintain highly-valued services. Moreover, the replacement of the legacy IT infrastructure is a major element in further improvements to future results.

In mid-July, together with Pensioenfond's PGB, Achmea announced the creation of a new platform for pension administration that will be accessible to the entire pension sector. This platform is based on the new RiskCo Administration Platform (RAP) of pension administrator InAdmin RiskCo. Achmea is acquiring this company in partnership with Pensioenfond's PGB and in doing so will become both 50% shareholder of InAdmin RiskCo and user of the new platform. CGI is attached to this initiative as the sole IT partner. This move enables us to create a strong and broad model from which the entire pension sector will be able to profit.

Syntrus Achmea Real Estate & Finance

In the first half of 2020, assets under management in real estate and mortgages increased further to €25.0 billion (year-end 2019: €23.3 billion), partly thanks to the expansion of existing mandates. This growth was achieved in spite of the turbulence and uncertainty on the real estate and mortgage markets. The challenging market conditions (Covid-19, debates on nitrogen emissions and PFAS) have hindered the acquisition and development of projects and led to a slight decrease in revenue to €44 million (H1 2019: €46 million). When combined with higher one-off expenses and investments in projects such as the bundling of mortgage activities, this led to a result of €1 million (H1 2019: €5 million).

International activities

- Sharp increase in results to €28 million
- Premium growth of 12% to €589 million thanks to strong online distribution
- Our international operations also successfully delivered their services working from home, thanks to our IT infrastructure

RESULTS

(€ MILLION)

	H1 2020	H1 2019	Δ
Gross written premiums	589	528	12%
Operating expenses	120	115	4%
Operational result	28	7	n.m.*

GROSS WRITTEN PREMIUMS PER COUNTRY

	H1 2020	H1 2019	Δ
Slovakia	248	210	18%
Greece	177	177	0%
Turkey	135	117	15%
Australia	29	24	21%

* n.m.: not meaningful

GENERAL INFORMATION

Achmea's international activities focus on property & casualty, health and agricultural insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge and online expertise gained in the Netherlands. This expertise is used selectively and in a capital-light manner in specific international markets. We are accelerating growth in existing and new market segments.

Our deep sense of social responsibility has prompted us to help restrict the impact of Covid-19 as much as possible outside the Netherlands as well. For example, we sent breakdown vehicle drivers to deliver masks in Greece, while in Slovakia we provided hospitalised children with devices such as tablets via the SMART-UP platform.

Gross written premiums

Gross written premiums increased by 12% to €589 million (H1 2019: €528 million). Adjusted for exchange rate effects, the increase amounts to 15%.

In Slovakia both the health and property & casualty businesses performed well, with premium growth of 20% and 6% respectively. The strong growth in health is the result of the successful campaign held at the end of 2019. The growth in the motor portfolio of 24% was more than able to compensate for the decline in the travel portfolio caused by Covid-19.

In Greece, Interamerican still succeeded in displaying growth in spite of a shrinking market caused by Covid-19. Growth of 1% is visible in both the property & casualty and health activities, partly thanks to the sound digitisation of both Interamerican's

processes and its distribution. This led to Interamerican strengthening its growth as market leader in the property & casualty market. Its modular healthcare product Bewell is also contributing to the growth. Interamerican's direct online channel, Anytime, also grew further this year, with the new portfolio in Cyprus displaying particularly strong growth and doubling its market share.

In Turkey, gross written premiums increased by 30% in local currency to TRY 963 million (H1 2019: TRY 740 million). In line with our strategic objectives, strong growth was accomplished in non-motor (34%) and health (132%). The growth in health is partly thanks to active use of the long-term partnership with Garanti BBVA and its network, which enabled profitable growth in the group health insurance portfolio.

In Australia, gross written premiums grew in local currency by 25% to AUD 48 million (H1 2019: AUD 39 million) thanks to its unique 'All-in-One Farm Pack' and its partnerships with Rabobank and Angus Australia, as well as sales of the short-term 'Stud Stock' product that enables Achmea Australia to generate its own leads.

In Canada, Onlia displayed strong growth through its online business model. Thanks in part to expanding the focus to home insurance and actively encouraging customers to provide input, Onlia succeeded in doubling the number of policies in the first half of the year.

Operating expenses

Operating expenses totalled €120 million (H1 2019: €115 million). The 4% increase is mainly due to higher acquisition expenses resulting from the strong growth, higher IT expenses at Eureka Sigorta because of a migration process and higher staff expenses caused by the high inflation in Turkey.

International activities

Operating result

The total operational result increased sharply to €28 million (H1 2019: €7 million). This is in spite of Australia being hit by wildfires and floods in the first half of the year, as well as start-up losses in Canada.

The increase in the operational result comes chiefly from a lower cost of claims in motor and health due to the reduction in road traffic and hospital treatments because of the Covid-19 outbreak. This had in particular a positive impact on the result in Greece, which stood at €14 million (H1 2019: €7 million), and in Turkey, which noted a result of €24 million (H1 2019: €14 million).

Other activities

- Lower result due to higher cost of claims at Achmea Reinsurance
- Lower expenses for shared service activities thanks to efficiency and procurement advantages
- Financing expenses further optimised via refinancing of €750 million Senior Unsecured bond

RESULTS

	H1 2020	H1 2019	Δ
Total gross income	202	133	52%
Operating expenses	80	100	-20%
Interest and similar expenses	37	32	16%
Operational result	-90	-78	n.m.*

ACHMEA REINSURANCE

	H1 2020	H1 2019	Δ
Gross written premiums	182	120	52%
Operational result	-8	16	n.m.*

* n.m.: not meaningful

GENERAL INFORMATION

Other activities comprises the results of Achmea Reinsurance. Part of the result also relates to the non-allocated costs for activities at holding company level and the Shared Service Centers. As of 1 January 2020, Syntrus Achmea Real Estate & Finance was moved from the Other activities segment to the Retirement Services segment. The comparative figures have been adjusted accordingly.

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance coverage to the Dutch and foreign insurance entities within Achmea. As such, it serves as the principal centre of excellence. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and to increase earnings for Achmea.

Operational result

The operational result amounted to €90 million negative and is therefore €12 million lower than in the first half of 2019. The result on our Other activities is negative, as some of the expenses

from the holding company and shared service activities, as well as financing expenses, are shown in this segment. The lower operational result is mainly due to the result of Achmea Reinsurance having decreased by €24 million. This was partly compensated for by lower operating expenses arising from the closure of premises and lower fees for licences.

ACHMEA REINSURANCE COMPANY

The operational result of Achmea Reinsurance decreased to €8 million negative in the first half of 2020 (H1 2019: €16 million), mainly because of higher cost of claims related to the potential impact of the Covid-19 pandemic on the portfolio for third parties and a major fire in January, and lower investment income caused by turbulence on the financial markets.

Gross written premiums of €182 million represent an increase compared to the first half of 2019 (€120 million), most of which derives from a new contract for income protection and growth in the reinsurance portfolio for third parties, both for life and other selected risks. Achmea Reinsurance's total risk profile remained more or less the same.

Footnotes

GROUP RESULTS

Key figures

¹ Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and assets and equipment and general expenses, including IT expenses and marketing expenses. These are operating expenses excluding paid and due fees, profit sharing and reinsurance commission, and before the allocation of claims handling expenses and allocated investment costs.

² The operational result is calculated by adjusting the profit before tax for certain items. These are items within income and expenses which are significant and which arise from events or transactions which are clearly distinct from the normal business operations, and are therefore not expected to occur regularly. Examples of such items include exceptional depreciation losses from goodwill and pre-tax results from divestment of business activities.

³ The solvency ratios reported here are before the deduction of (planned) dividends, and after the payment of coupons on hybrid capital.

⁴ The number of FTEs is based on a working week of 36 hours.

Investments

⁵ Investment income consists of investment income (own risk) in the Consolidated Income Statement, including income from associates and joint ventures and realised and unrealised gains and losses, adjusted for investment income directly related to the insurance liabilities (both fair value and other).

Free Capital Generation

⁶ This relates to the amount of disposable capital that is generated. This is the increase in capital above the Solvency Capital Requirement.

Financing

⁷ FSR: Financial Strength Rating.

⁸ ICR: Issuer Credit Rating.

⁹ IDR: Issuer Default Rating.

¹⁰ IFS: Insurer Financial Strength.

¹¹ Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill).

¹² The FCCR is based on the results and financing charges of the past four quarters.

HEALTH NETHERLANDS

¹³ Results on prior years refer to earnings from health expenses and/or equalisation from previous book years and allocations to a mutation of loss provisions.

¹⁴ In previous years, this percentage was reported based on the Zilveren Kruis label and was representative of all labels. Due to a changing portfolio distribution and percentage of customers with supplementary health insurance at other (digital) labels, this percentage is now reported based on the total Health segment.

RETIREMENT SERVICES NETHERLANDS

¹⁵ Operating expenses including other expenses.

¹⁶ The fair value result is an accounting result that is compensated for in other financial periods, in line with the value development of the underlying derivatives. Derivatives are used to restrict the interest rate risk. This explicitly comprises the result relating to the activities of Achmea Bank.

¹⁷ The Assets under Management (AuM) include a derivatives (overlay) portfolio.