1. SUMMARY

1.1. INTRODUCTION

Achmea's approach to the Solvency and Financial Condition Report

Achmea Group (hereafter 'Achmea') discloses its solvency position, governance and risk management practices by means of a Single Group-Wide Solvency and Financial Condition Report (SGW-SFCR). The information in the SGW-SFCR consists of the solvency position of Achmea B.V., the supervised insurance and reinsurance entities and all other legal entities belonging to Achmea.

The Quantitative Reporting Templates ('QRTs'), which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2023, are included in the Appendix 6 to this SFCR.

All amounts in this report and in the tables are presented in millions of euros, unless stated otherwise. Due to this, rounding differences may occur.

Achmea Partial Internal Model (PIM)

Entities within Achmea and Achmea as group are using either the Standard Formula or a Partial Internal Model[1].

- The Dutch Health insurance entities, Union Poist'ovňa A.S. (Slovakia), Eureko Sigorta A.S. (Turkey) and Interamerican Hellenic General Insurance Company S.A. (Greece) are using the Standard Formula.
- The other insurance entities and the group are using a Partial Internal Model (PIM).
- Achmea Bank N.V. uses the standardised approach as laid down in the Capital Requirements Directive and CRR Regulation and uses the IRB-advanced model.

The scope of the Partial Internal Model to calculate the insurance related Solvency Capital Requirement:

- Non-Life Underwriting Premium and Reserve Risk stemming from the Greek and Dutch Non-Life insurance activities. Achmea Reinsurance Company N.V. does not use an internal model for Non-Life underwriting Premium and Reserve Risk.
- NSLT Health Underwriting Premium and Reserve Risk[2] stemming from the Greek and Dutch Non-Life insurance activities.
- Non-Life Natural Catastrophe Risk stemming from the Greek and Dutch insurance activities (excluding external incoming reinsurance contracts, only business stemming from entities within Achmea B.V.).
- Health underwriting Risk SLT (Disability/morbidity and revision risk) stemming from the Dutch Non-Life insurance activities.
- Interest Rate Risk, Equity Risk, Property Risk and Spread Risk for the Dutch insurance entities[3] and Achmea (stemming from the entities using an internal model for Market Risk, Market Risk stemming from the legal entity Achmea B.V. and Market Risk stemming from the Dutch Health insurance entities is included in the consolidated data).

Other risks and risk types are calculated using the Standard Formula (SF).

Achmea Investment Management B.V., Syntrus Achmea Real Estate and Finance B.V and CB PPI are included in the Solvency II consolidation for Achmea Group based on their sectoral capital requirements.

[1] The Standard Formula is the Solvency Capital Requirement calculated by means of the method embedded in the Solvency II legislation and which is available to all insurers across Europe. The partial Internal Model is a methodology which is unique for the insurer which complies with all the principles of Solvency II and which can only be used after explicit endorsement of the supervisor(s).

[2] Health Not Similar to Life Techniques risks are present in sickness and accident insurance (short-term).

[3] For Dutch Health entities, no Partial Internal Model for Market Risk is used at entity level.

1.2. BUSINESS AND PERFORMANCE

The operational result of Achmea increased strongly to € 628 million (2022: € 519 million):
- Operational result increased by € 109 million (+21%) due to higher insurance service result at Non-Life, growth in interest margin at Achmea Bank N.V. and improved investment result.
- Net result of € 814 million, underpinned by higher operational result and favourable development financial markets.
- Growth in all segments; premiums increased to € 22.3 billion. Strong revenue growth in international activities and retirement services revenues (both 21%). Assets under Management rose 12% to € 218 billion.
- Solvency solid at 183%; decrease mainly due to business growth, market developments, model changes and repurchase of capital instruments.
- Good NPS scores based on high appreciation for our employees, swift claim handling and supported by strategic investments in data and digitisation.
- Strong execution and realisation sustainability ambitions; both on our own footprint, as an investor and as a driver of social debate.

Strong increase in results

In Non-Life, the operational result rose by 20% to € 309 million, supported by revenue growth, further investments in digitalisation and a favourable development of interest rates and inflation expectations. Also, compared to 2022, we do not see any major storm damage in 2023, but we do see more weather-related damage due to climate change and higher traffic intensity, the latter of which also resulted in increased (personal injury) claims. The combined ratio of Non-Life improved to 93.9%. The operational result of Health remained stable at € 187 million. Achmea Pension & Life also delivered a good operational result of € 208 million, partly dampened by the final agreement for unit-linked insurance policies. The result of Retirement Services increased to € 47 million, mainly due to growth and improved returns at Achmea Bank. The operational result of International increased to € 6 million, despite floods in Greece and the earthquake in Turkey.

There was a significant increase in the operational insurance service result at Non-Life and Achmea Reinsurance. At Non-Life Netherlands this increase was supported by revenue growth and further investments in digitalisation. In addition higher interest rates and lower inflation expectations had a positive impact. Compared to 2022 there were no major storm-related claims in 2023. However, we are seeing more weather-related claims and at car insurance a higher cost of claims due to increased traffic intensity, resulting in higher personal injury and other claims. At Income Protection the result has improved due to a lower cost of claims in the disability insurance portfolio. The increase at Achmea Reinsurance was driven by the lower impact from catastrophe-related claims, especially on our reinsurance portfolio for third-party risk, and also by implemented price adjustments and margin improvements.
- At Pension & Life Netherlands the insurance service result declined because of an allocation to the provision arising from the settlement reached with the interest groups for unit-linked policyholders.
- The insurance service result at Health Netherlands was lower due to higher healthcare costs in the current underwriting year and a negative effect on the result for previous years deriving from the impact from the outcome of the solidarity scheme related to Covid-19.
- Achmea's net operational financial result increased to € 425 million (2022: € 315 million). This was driven mainly by an increase within Health Netherlands due to higher interest rates and wider spreads on fixed income investments.
- Other results improved to €- 116 million (2022: €- 281 million). This result is negative as at includes amongst others the cost of the holding and shared service activities, as well as the financing charges for the bonds issued by Achmea.
- At Retirement Services the result increased in 2023, thanks to growth in the mortgage portfolio at Achmea Bank and an improved interest margin. The result at the other parts of Retirement Services was impacted by further investment in the organisation and systems for the implementation of the new pension legislation. Negative developments in the real estate market (lower valuations) are also adversely affecting the result.
- The operational result for the holding company improved versus last year, in part because of higher investment income and the higher valuation for a divested property.
- The non-operational result amounted to € 326 million in 2023 (2022: €- 1,574 million).
- The non-operational financial result from (re)insurance activities was € 1.9 billion higher in 2023 than in 2022. This higher result derives from the more positive trends on the financial markets in 2023 compared to the exceptionally negative development of financial markets in 2022. In 2022, the 5-year European swap rate increased by 321 bps to 3.23%, while yields on government bonds displayed similar increases. The MSCI World index dropped by nearly 20% in 2022.

- The return on real estate including property investment funds decreased to €- 121 million in 2023 (2022: € 37 million) as a result of market value developments, in part due to higher interest rates. This negative effect in 2023 was offset in full by the higher returns on the other asset classes. The return on equities and similar instruments was € 173 million in 2023 (2022: €- 136 million), which resulted in the total return on these investments exceeding the expected return.
- The difference between the impact of developments in interest rates and spreads on our fixed income investments on the one hand and the liabilities relating to insurance contracts on the other improved in 2023 versus 2022. The positive interest rate effect can be explained by the fact that (long-term) interest rates and spreads barely changed in 2023, while in 2022 exceptional market conditions had a significant negative impact on the result under IFRS 9/17. This resulted in a higher non-operational financial result in 2023.
- Reorganisation expenses and the transaction result from mergers and acquisitions added up to €- 18 million over 2023 (2022: €- 43 million).

International activities

- Gross written premiums went up significantly (+ 21%).
- Increase in operational result to € 6 million due to portfolio growth, lower cost of claims and higher net operational financial result.

Achmea's international activities focus on non-life and health insurance products, distributed via the online (direct) and banking channels. We want to grow further internationally by exporting knowledge and digital expertise gained in the Netherlands to other countries.

- The operational result in Slovakia increased to € 14 million (2022: € 0 million) thanks to portfolio growth, a lower cost of claims, lower expenses and a higher net operational financial result. The result at Health was in line with that of last year.
- The operational result in Greece grew by € 5 million to € 2 million (2022: €- 3 million) due to improvement measures at Health, portfolio growth, the recovery on the motor market and improvement measures at Non-Life. The cost of claims arising from the wildfires and storms Daniel and Elias had a total impact of € 16 million on the operational result of Greece.
- Despite the higher cost of claims due to inflation, lower margins on motor liability insurance and the earthquake in February 2023, the operational result in Turkey climbed to € 4 million (2022: € 1 million). The higher operational result can be attributed to lower expenses for hyperinflation and a higher net operational financial result.
- Portfolio growth and a lower cost of claims from weather-related catastrophes led to an increase of € 5 million in the operational result in Australia.
- The operational result in Canada was in line with last year.

Inflation

In 2023, Inflation rates were still high although decreased compared to 2022 in the second part of 2023. The high rates of inflation resulted in an upward pressure on the expenses incurred by Achmea and an upward pressure on the insurance premiums being invoiced to our policyholders. For Dutch life insurance, the inflation in the short run is primarily reflected in higher wage costs and increased handling expenses. For the Dutch Non-Life insurance, the increased inflation resulted in an upward pressure for claim handling expense as part of the Best Estimate and the premium invoiced to the policyholders. The impact of the inflation on the Turkish Non-Life insurance is enhanced by the ongoing hyperinflationary environment. For Dutch health insurance the higher inflation resulted in higher claims. The healthcare inflation has also been taken into account in the premiums set for 2024. The effects of inflation for the Greek Non-Life insurance were increased by the occurrence and aftermath of the storm 'Daniel'.

Other

Interamerican Hellenic Life Insurance Company S.A., Interamerican Property & Casualty Insurance Company Single Member S.A. and Horizon Insurance Single Member Company S.A. have legally merged as of 29 December 2023. As a result of the legal merger Interamerican Property & Casualty Insurance Company Single Member S.A. and Horizon Insurance Single Member Company S.A. cease to exist. After the legal merger Interamerican Hellenic Life Insurance Company S.A. is renamed to Interamerican Hellenic Insurance S.A. and has a license as a composite insurer. The merger does not have an impact on the solvency ratio of Achmea as of the consolidation and look through approach.

Major model changes PIM

Adjustment definition economic framework and short term Interest Rate Risk balancing

A major model change regarding the adjustment of the definition of the economic framework and the improvement possibilities for balancing short term and long term Interest Rate Risk management including the Market Risk Extrapolation Point from 20 to 30 year was implemented in Q4 2023. This change has a negative effect on the solvency ratio.

Contract boundary AOV
A model change regarding the AOV long contract boundaries has been implemented in 2023. This model change meets the changed interpretation, resulting in regarding the extension of the contract boundary up to maturity for individual disability insurance ('AOV's') which include an individual risk assessment. As a result of the change towards the longer contract boundary, Achmea also modelled a Future Management Action as part of the model change. This model change had a positive impact on the solvency ratio.

1.3. SYSTEM OF GOVERNANCE

In 2023 the Digital Operational Resilience Act (DORA) is implemented. This legislation will bring additional requirements regarding IT security including outsourcing to IT-service providers. In 2023, the first steps were taken for this purpose to determine the impact and the governance is in place to ensure DORA compliancy by 2025.

There were no other material changes in the System of Governance in 2023.

Sustainability

In Q4 of 2023, Achmea has published its second Climate Transition Plan[4]. An extract of the updated plan for Achmea is described below. See Section C Other information.

The Climate Transition Plan describes the climate transition plan for Achmea, concerning the business operations, investments and financing, and the insurance business of the Dutch entities.

Developments around Achmea are moving fast. There is a constant stream of new climate insights, new legislation and technological advances. Methods for measuring CO_2 and setting reduction targets are under development. Availability and quality of data is a challenge. The number and quality of available data are expected to improve in the coming years. This will create new insights that could lead Achmea to adjust targets and plans in the coming years. Achmea will therefore update this plan annually.

In the Achmea Year Report 2023, Achmea disclosed the first outcome of alignment of the activities with the EU Taxonomy[5].

1.4. RISK PROFILE

Achmea's overall Risk Profile, including the material risks as identified by the Executive Board of Achmea, showed a limited number of material changes as compared to 2022. Any change in the Risk Profile of Achmea was predominantly the result of changes in the economic value of the assets and liabilities.

Full details on Achmea's Risk Profile are described in Chapter C. Risk Profile.

1.5. VALUATION FOR SOLVENCY PURPOSES

An assessment on the appropriateness of the risk drivers to calculate the Risk Margin for Achmea Pensioen- en Levensverzekeringen N.V. resulted in a change in approach and an increase in the Risk Margin for Achmea Pensioen- en Levensverzekeringen N.V. This change has a negative impact on the Eligible Own Funds.

Achmea values its Solvency II Balance Sheet items on a basis that reflects their economic value. In case IFRS valuation principles are consistent with Solvency II requirements, Achmea follows the IFRS principles as endorsed by the European Union for valuing assets and liabilities.

[4] https://www.achmea.nl/-/media/achmea/documenten/duurzaamheid/achmeanl_documenten_en/achmea-climate-transition-plan.pdf
[5] Achmea Year report 2023, Supplement A: Reporting Principles; Supplement C: EU Taxonomy for Sustainable Activities

The composition of Own Funds under the Solvency II legislation is not similar as the definition of 'equity' for IFRS purposes. For the calculation of the group solvency under Solvency II there are valuation differences and restrictions. The table below presents the composition of Eligible Own Funds (EOF) under Solvency II and equity under IFRS.

RECONCILIATION BETWEEN EQUITY FINANCIAL STATEMENTS AND SOLVENCY II ELIGIBLE OWN FUNDS

€ MILLION

	2023	2022
Equity Financial statements	**8,980**	**8,597**
Solvency II valuation and classification differences	986	1,778
Not qualifying equity and foreseeable dividends	-1,118	-1,180
Eligible Own Funds Solvency II	**8,848**	**9,195**

Solvency II revaluations and reclassifications of € 986 million (2022: € 1,778 million) include items not recognised under Solvency II (including goodwill and capitalised acquisition costs), items valued differently under Solvency II (Solvency II uses economic value for all items) as well as reclassification of subordinated debt and treasury shares.

- The main reclassifications are: Goodwill and capitalised acquisition costs (these are not recognised within Solvency II), other intangible assets, subordinated debt and treasury shares.
- The main revaluations are: Financial fixed assets (for Solvency II completely valued at market value) and Technical Provisions.
- The methodology and assumptions to calculate the value of the insurance liabilities under Solvency II and IFRS17 are different. Differences include the use of a different Risk-free interest rate, a different calculation of an adjustment to the Risk-free interest rate (Volatility Adjustment versus Illiquidity premium), different Cost of Capital percentage for determining the Risk Adjustment under IFRS 17 compared to the Risk Margin under Solvency II and differences in cash flows included in the valuation.
- Non-qualifying equity and expected dividends include changes in the availability of Achmea's equity in accordance with Solvency II regulations.

Full details on Achmea's Eligible Own Funds are described in Chapter D. Valuation for solvency purposes.

1.6. CAPITAL MANAGEMENT

Achmea B.V. is a Financial Conglomerate with a dominant insurance sector. The Solvency position is presented in the following tables per sector and consolidated as a Financial Conglomerate.

1.6.1. SOLVENCY FIGURES – INSURANCE SECTOR

In the sector Insurance, all the insurance entities, the Mixed Financial Holding Companies, the Ancillary Service Entities and Other entities are consolidated. For these entities the requirements as set out in the Solvency II Directive and Regulation are applied.

SOLVENCY-INSURANCE SECTOR AND HOLDING

€ MILLION

	2023	2022	Δ
Eligible Own Funds	7,885	8,224	-339
Solvency Capital Requirement	4,031	3,750	282
Surplus	3,854	4,474	-621
Solvency Capital Ratio Insurance sector and Holding (%)	196%	219%	-24%

For a further explanation of the Partial Internal Model and an overview of the composition of the Solvency Capital Requirement, please refer to section C Risk profile. The Solvency position of the consolidated insurance entities is determined based on the Solvency II legislation.

The decrease in the ratio, compared to 2022, has several causes.

In 2023, Achmea implemented several changes in methodology and in the internal model. The run-out patterns in combination with the appropriate risk drivers within the methodology to determine the Risk Margin in the Dutch pension and life business were adjusted. This resulted in an increase in the Risk Margin and therefore an increase of the Insurance liabilities with a negative impact on the solvency ratio. The changed recognition of the DTA/DTL (as prescribed by DNB) has a negative effect on the ratio as deferred tax assets and deferred tax liabilities needed to be recognised on a yearly base. This leads to a higher amount on deferred tax assets which is the basis for the calculation of the so called Tier 3 limit[6]. A significant model change regarding the calculation of interest rate risk within Market Risk and the impact of the change of the contract boundary of individual AOV products including the modelling of the related capital requirement had a positive effect on the Solvency ratio.

Achmea has reached an agreement with interest groups on a final settlement for customers of investment insurance policies. The impact of the agreement on Achmea's capital position is limited.

The hardening of the reinsurance market resulted Achmea to recognise a higher own retention which increased the capital requirement. Achmea reinsurance N.V. decided to cease underwriting external incoming Non-life reinsurance business. The Solvency Capital Requirement for the Dutch health insurance portfolio increased due to the increase in the number of insured in 2024 and the higher expected premium levels due to cost inflation. In the non-life portfolio, higher than expected claims (for example, the earthquake in Turkey and the storm 'Daniel' in Greece) resulted in a negative impact on the solvency ratio.

The in general decline of the risk free interest rate, positive returns and spread movements combined have a positive effect on equity. The annual calibration of the economic scenarios used in the internal model for determining Market Risk resulted in an increase in required Solvency Capital Requirement.

1.6.2. SOLVENCY FIGURES – BANKING SECTOR

The solvency information from Achmea Bank N.V. is based on the requirements as set out in the Capital Requirements Directive and Capital Requirements Regulation (CRR).

SOLVENCY-BANKING SECTOR

€ MILLION

	2023	2022	Δ
Eligible Own Funds	774	776	-2
Total Risk Weighted Assets	4,585	4,264	321
Total Capital Ratio	**16.9%**	**18.2%**	**-1.3%**
Total SREP Capital Requirement (12.1%; 2022: 10.9%)	555	465	90
Combined Buffer Requirement (2.5%; 2022: 2.5%)	115	107	8
Counter Cyclical Buffer (1%; 2022: 0%)	46	0	46
Total Solvency Capital Requirement	**715**	**571**	**144**

The capital requirement of the Risk Weighted Assets of Achmea Bank is based on the latest Supervisory Review and Evaluation Process (SREP) communication of DNB of 15.6% (2022: 13.4%). The capital requirement includes as of Q2 2023, the market wide countercyclical capital buffer (CcyB) to protect against systemic risks of 1% of the risk-weighted assets of Achmea Bank. The Risk Weighted Assets of Achmea Bank increased due to growth of the residential mortgage portfolio and acquisition of 'ASR portfolios'.

[6] The Tier 3 capital may not exceed 15% of the Solvency capital requirement of the Insurance sector. The Deferred tax Assets are part of this Tier 3 capital.

1.6.3. SOLVENCY FIGURES – SECTOR OTHER

The solvency information from the other supervised entities Achmea Investment Management. B.V., Syntrus Achmea Real Estate & Finance B.V., Centraal Beheer PPI N.V. and Union Zdravotna Poistovna A.S (UZP) is included based on the requirements as set out in the Capital Requirements Directive (CRD), Capital Requirements Regulation (CRR), Investment Firm Directive, Investment Firm Regulation and local legislation (UZP).

SOLVENCY-ASSET MANAGEMENT SECTOR AND OTHER

€ MILLION

	2023	2022	Δ
Eligible Own Funds	208	198	10
Solvency Capital Requirement	94	89	5

The capital requirement for Achmea Investment Management N.V. increased because the Assets under Management increased in 2023.

1.6.4. SOLVENCY FIGURES – TOTAL

TOTAL SOLVENCY RATIO

€ MILLION

	2023	2022	Δ
Eligible Own Funds	8,848	9,195	-347
Total Group Capital Requirement	4,840	4,410	430
- Insurance sector and holding	4,031	3,750	282
- Banking sector	715	571	143
- Asset management sector and other	94	89	5
Total Solvency Ratio (%)	183%	209%	-26%

1.6.5. ELIGIBLE OWN FUNDS

ELIGIBLE OWN FUNDS

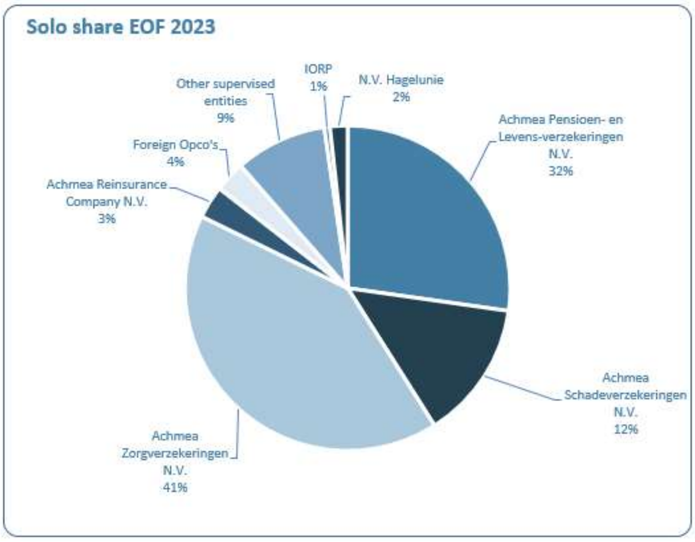
€ MILLION

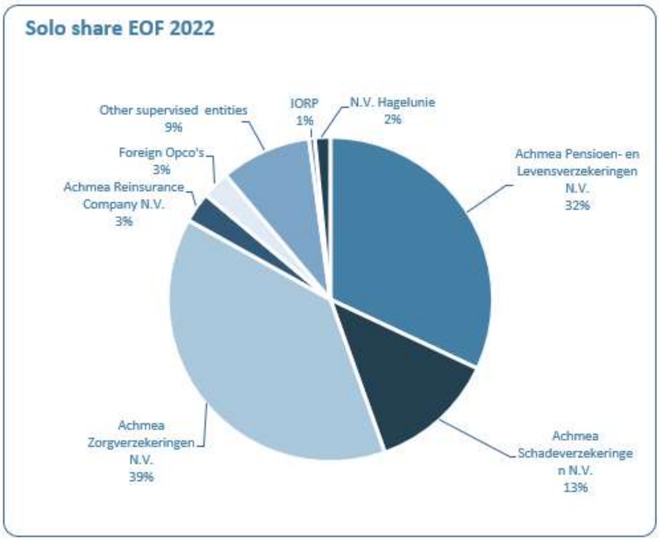
	2023	2022	Δ
Tier 1	6,951	7,321	-370
Tier 2	1,292	1,467	-175
Tier 3	605	408	197
Total eligible own funds	**8,848**	**9,196**	**-348**

In Q3 2023, Achmea forwarded the proposal to withdraw the preference shares in order to avoid having an inefficient capital instrument after the end of the grandfathering period in 2026. This was effectuated in Q4. Achmea derecognised the preference shares accordingly. This resulted in a decrease of the Eligible Own Funds (EOF) of € 282 million. In April 2023, Achmea called the (subordinated) 6% Tier 2 Notes with a nominal value of € 500 million. In 2023, Achmea issued a 6.75% Tier 2 Notes with a nominal value of € 300 million. The net result of these two events resulted in a decrease of the EOF with € 200 million. The foreseeable dividend on ordinary shares (€ 70 million), the coupon payments on the subordinated notes (€ 43 million) and the coupon payment on the Tier 1 capital security (€ 17 million) have a decreasing impact on the EOF.

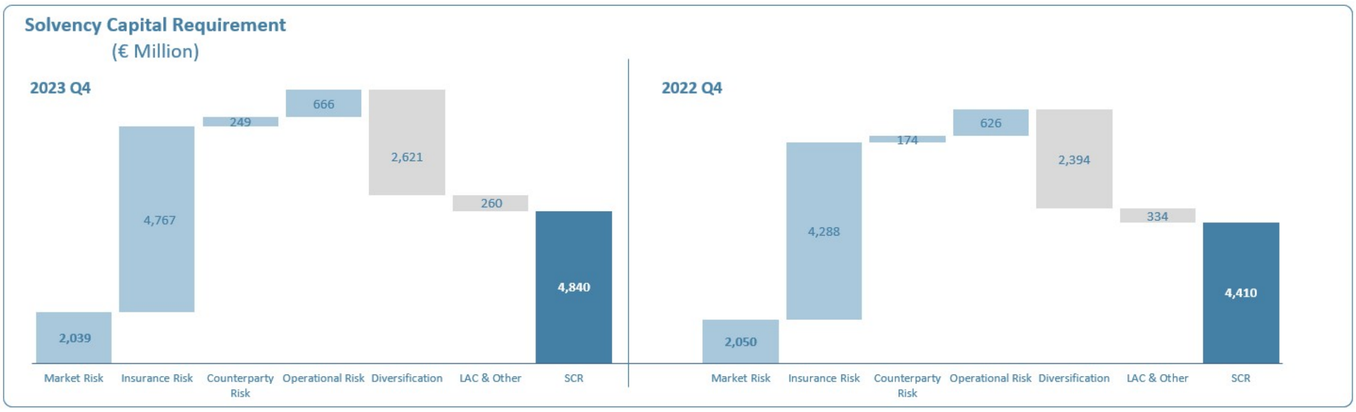
As 2023 Year-end, Tier3 limits have been exceeded. As such an amount of € 218 million of Tier 3 capital cannot be used to cover the Solvency Capital Requirement (2022: € 298 million).

The EOF can be divided to the various legal entities of Achmea:





1.6.6. SOLVENCY CAPITAL REQUIREMENT



The Total Group Solvency Capital Requirement (SCR) of Achmea is determined based on a consolidated Economic Balance Sheet involving all the legal entities and participations of Achmea.

The SCR for Market Risk decreased by € 11 million mainly due to the model changes, lower interest rates, spread developments and effects of the annual calibration. In 2023, Achmea implemented a major change with regard to the economic Solvency and Long-term Interest rate Risk Sensitivity. The PIM model for Interest Rate Risk is changed to include the interest rate sensitivity of the UFR drag over a 10-year horizon by changing the Market Risk extrapolation point (MREP) from 20 to 30 years. Interest Rate Risk and Spread Risk are mainly affected by the major model change. Equity Risk decreased due to portfolio management developments, positive developments of the stock markets and the annual calibration of the Market Risk Internal Model. Property Risk decreased mainly due to the effects of the development of the interest and inflation rates which had a negative effect on the demand side of the property market.

The capital requirement for Insurance Risk increased by € 479 million. The lower interest rate resulted in an increase of the Best Estimate and subsequently an increase of Life Underwriting Risk as the Best Estimate is the main input in the calculations of this risk. Health Underwriting Risk mainly increased due to an increased expected premium volume for 2024 due to cost inflation, an increase in the number of policyholders for 2024 and due to the introduction of the longer contract boundary within the Dutch AOV portfolio. Non-Life Underwriting Risk increased due to increased business volume in the Netherlands, higher claims as a result of the earthquake in Turkey and the storm 'Daniel' in Greece and increased Catastrophe Risk due to increased own retention in the event of natural catastrophes.

The SCR for Counterparty Default Risk increased by € 75 million. Type 1 exposures increased due to outstanding claims related to the earthquakes in Turkey and a higher risk of derivatives due to a decrease in interest rates, partly compensated by lower capital requirement due to securities lending activities. Type 2 exposures increased due to a change in interpretation whereby policyholders with arrears of less than 3 months are now part of the risk exposure.

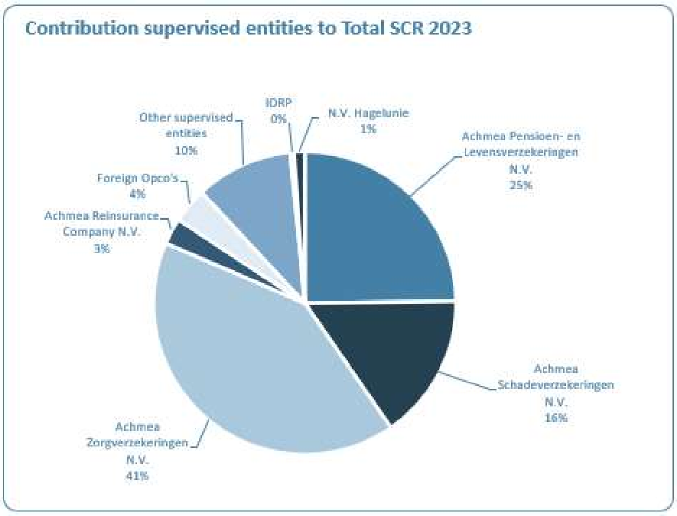
Operational Risk is calculated based on the most onerous scenario of earned premiums or Technical Provisions. Achmea is sensitive to the scenario based on earned premiums. The increase of € 39 million is mainly a consequence of the higher premium volume for year 2023 compared to 2022 in the Dutch Health insurance portfolio.

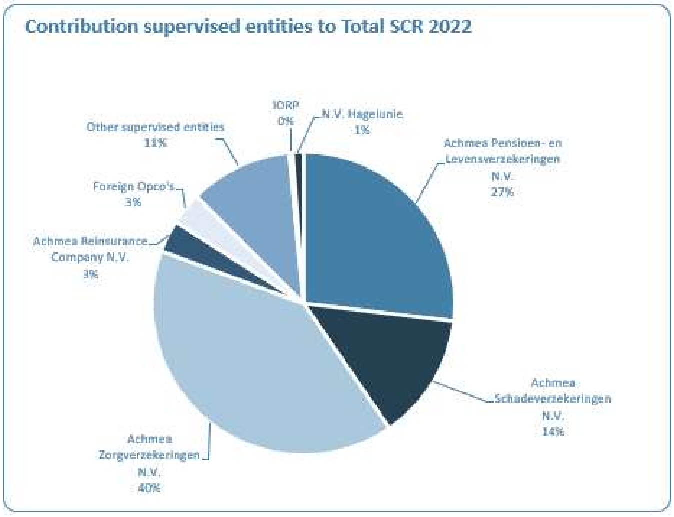
The impact of the Loss Absorbing Capacity (LAC) increased by € 74 million due to the LAC Deferred Taxes and LAC Expected Profits for Underwriting Risk and Market Risk.

The impact of the Other capital requirement increased by € 148 million mainly due to a higher capital requirement of Achmea Bank N.V. The capital requirement of the Risk Weighted Assets (RWA) of Achmea Bank N.V. is based on the latest Supervisory Review and Evaluation Process (SREP) communication of DNB of 15.6% (2022: 13.4%) and includes as of Q2 2023, the market wide countercyclical capital buffer (CcyB) to protect against systemic risks of 1% of the RWA.

Solvency Capital Requirement per major legal entity

Similar to 2022, Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Zorgverzekeringen N.V. consolidated contributed the most with respect to the group Solvency Capital Requirements. The share of Achmea Pensioen- en Levensverzekeringen N.V. has decreased, while the shares of Achmea Zorgverzekeringen N.V. consolidated and Achmea Schadeverzekeringen N.V. have increased. Due to the closed book portfolio of Achmea Pensioen- en Levensverzekeringen N.V. and the major model change for Market Risk, the share of Achmea Pensioen- en Levensverzekeringen N.V. decreased. The increase in number of insured and the resulting increase in the NSLT Health underwriting Premium Risk for the Dutch Health entities resulted in an increase in the Solvency Capital Requirement. Within Achmea Schadeverzekeringen N.V. Health SLT increased due to the introduction of the longer contract boundary for the Dutch AOV portfolio.





Solvency Position excluding the use of the Volatility Adjustment

Achmea applies the Volatility Adjustment (VA[7]). The VA is not applied by the Dutch Health insurance legal entities, Achmea Reinsurance Company N.V. and Interamerican Assistance General Insurance Company S.A. (based on proportionality reasons). Furthermore the VA is not applied by Eureko Sigorta A.S. as no VA is determined for Turkey by EIOPA based on the exposures in their local markets.

[7] The VA is a mechanism to mitigate the exaggeration of bond spreads. The mitigation is done by a VA-surcharge on the relative risk-free interest rate. The VA reflects the Asset- and Liability management of an insurer. The VA is published by EIOPA and is based on Solvency II legislation.

For the entities where the VA is applied and where a Partial Internal Model Risk (PIM) for Market Risk is used, a DVA[8] is included within the calculation of the capital requirement for Spread Risk. For these entities, Achmea also includes a capital requirement for government bonds and mortgage loans in the Spread Risk module.

IMPACT OF VOLATILITY ADJUSTMENT ON SOLVENCY RATIO

€ MILLION

	INCLUDING VOLATILITY ADJUSTMENT		EXCLUDING VOLATILITY ADJUSTMENT		IMPACT VA	
	2023	2022	2023	2022	2023	2022
Eligible Own Funds	8,848	9,195	8,466	8,996	382	200
Total Group Solvency Capital Requirement	4,840	4,410	6,086	5,506	-1,246	-1,096
Surplus	4,008	4,786	2,381	3,490	1,628	1,296
Ratio (%)	183%	209%	139%	163%	44%	47%

The VA is published by EIOPA and endorsed by the European Commission. Ultimo 2023, a VA of 20 bps (2022: 19 bps) has been applied. Compared to 2022, the impact of the VA on the Solvency II ratio of Achmea has remained relatively stable (2023: 44%; 2022: 47%).

Not using the VA has an increasing impact on the value of the Best Estimate of the Insurance liabilities. The increase of the insurance liabilities results in an increase of the Deferred Tax Asset (DTA). The overall effect on the EOF is negative. Not using the VA, also implies that Achmea is not able to model the DVA. This results in an increase of the capital requirements for Market Risk and Underwriting Risk. Excluding the VA and DVA would result in changes of the characteristics of the assets and liabilities due to the adjusted discounting curve. As a result, the asset mix is not aligned with the insurance liabilities leading to a disproportionate increase of the capital requirement for Market Risk. Furthermore, the risk profile of the government bonds and mortgage loans are not in line with the capital requirements i.e. the capital requirements are extremely high compared to the actual risks embedded in these exposures. Therefore, Achmea is of the opinion that the resulting capital requirement without VA and DVA is not an appropriate reflection of the risk profile.

1.6.7. MINIMUM CAPITAL REQUIREMENT

MINIMUM CAPITAL REQUIREMENT PIM

€ MILLION

	2023	2022	Δ
SCR Consolidated	4,031	3,750	282
MCR	2,165	2,096	69
MCR/SCR Consolidated (%)	54%	56%	-2%

The group MCR is the sum of the solo MCR without taking into account any diversification benefits and the impact of Intra-Group transactions. The MCR at solo insurance level is subject to a corridor of 25%-45% of the SCR.

The increase in MCR is mainly caused by an increase in the underlying MCR of Achmea Schadeverzekeringen N.V. (€ 74 million), Achmea Zorgverzekeringen N.V. consolidated (€ 11 million) and a decrease in the underlying MCR of Achmea Pensioen- en Levensverzekeringen N.V. (€- 18 million).

IMPACT OF VOLATILITY ADJUSTMENT ON THE MCR

€ MILLION

	INCLUDING VA		EXCLUDING VA		IMPACT VA	
	2023	2022	2023	2022	2023	2022
SCR Consolidated	4,031	3,750	5,277	4,845	1,246	1,096
MCR	2,165	2,096	2,342	2,234	177	138
MCR/SCR Consolidated (%)	54%	56%	44%	46%	14%	13%

Applying the VA has an impact on the MCR because the value of the Best Estimate is higher when the VA is not applied.

[8] The DVA has the same function as the VA, but is calculated based on a 1:200 year scenario, similar to the principles of all the Solvency Capital Requirements.

1.6.8. SOLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

OLVENCY POSITIONS SUPERVISED LEGAL ENTITIES

€ MILLION

	2023			2022		
	OLVENCY CAPITAL REQUIREMENT	ELIGIBLE OWN FUNDS	OLVENCY II RATIO	OLVENCY CAPITAL REQUIREMENT	ELIGIBLE OWN FUNDS	OLVENCY II RATIO
Achmea Pensioen- en Levensverzekeringen N.V.*	1,475	2,614	177%	1,514	3,096	204%
Achmea Schadeverzekeringen N.V. *	927	1,323	143%	763	1,215	159%
N.V. Hagelunie *	69	167	241%	63	147	234%
Achmea Reinsurance Company N.V. *	168	309	184%	193	291	150%
Achmea Zorgverzekeringen N.V. consolidated	2,445	3,958	162%	2,266	3,732	165%
Achmea Zorgverzekeringen N.V.	890	3,958	445%	848	3,731	440%
Zilveren Kruis Zorgverzekeringen N.V.	1,624	2,192	135%	1,580	2,268	144%
FBTO Zorgverzekeringen N.V.	227	422	186%	137	200	146%
Interpolis Zorgverzekeringen N.V.	87	154	176%	80	132	165%
De Friesland Zorgverzekeraar N.V.	250	342	137%	237	387	163%
Union Poist'ovna A.S.	32	47	146%	30	35	116%
Eureko Sigorta A.S.**	59	77	129%	49	78	159%
Interamerican Hellenic Insurance Company S.A.***	123	154	125%	102	138	135%
Interamerican Assistance Insurance Company S.A.	10	15	146%	10	15	150%

* Legal entities using a Partial Internal Model

** Based on local capital requirement

*** The comparable data are based on a pro forma basis as the merger between the Greek insurance companies took place in 2023

At year-end 2023, Achmea and its entities were adequately capitalised in accordance with statutory requirements and risk appetite.

In the table, the Solvency II position for Achmea Zorgverzekeringen N.V. consolidated is determined on a sub consolidated basis i.e. a look through is applied for the insurance participations included in the Economic Balance Sheet (except for the ‘Zorgkantoren’ owned by Achmea Zorgverzekeringen N.V.).

Achmea Bank N.V. is subject to the requirement of the Capital Requirements Directive and Regulation.

ACHMEA BANK N.V.

€ MILLION

	2023	2022	Δ
Eligible Own Funds	774	776	-2
Total Risk Weighted Assets	4,585	4,264	321
Total Capital Ratio	**16.9%**	**18.2%**	**-1.3%**
Total SREP Capital Requirement (12.1%; 2022: 10.9%)	555	465	90
Combined Buffer Requirement (2.5%; 2022: 2.5%)	115	107	8
Counter Cyclical Buffer (1%; 2022: 0%)	46	0	46
Total Solvency Capital Requirement	**715**	**571**	**144**

Achmea Investment Management B.V. and Syntrus Achmea Real Estate & Finance B.V. are subject to requirements of the Investment Firms Directive and Regulation. For Achmea Investment Management B.V., Achmea applies a required capital of € 29.9 million based on ICAAP rules. This required capital is higher than the requirements based on the IFR/IFD Regulation, mainly due to the larger scope of the assets under management taken into account within ICAAP 2022 (including mutual funds).

Achmea has a Health legal entity, Union Zdravotna Poisťovňa A.S., which is subject to Slovakian supervisory prudential requirements and is not subject to the Solvency II legislation. The total capital requirement based at Slovakian legislation at 2023 year-end amounts to € 17 million (2022: € 17 million), the Own Funds are € 41 million (2022: € 43 million).

Summary

The capital requirement for Centraal Beheer PPI N.V. (CB PPI) is 0.2% of the managed capital of € 3,770 million (2022: € 3,128 million) for the pension liabilities. The CB PPI has an appropriate liability in place.

REQUIREMENTS OTHER FINANCIAL SECTORS

€MILLION

ENTITY	FIXED COST REQUIREMENT		PERMANENT MINIMUM		K-FACTOR		CAPTIAL REQUIREMENTS		OWN FUNDS	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Achmea Investment Management B.V.	26	25	0,1	0,1	16	20	30	25	49	53
Syntrus Achmea Real Estate & Finance B.V.	18	18	0,2	0,2	0,4	0,3	18	18	54	46
Union Zdravotna Poist'ovna A.S.							17	17	41	43
Centraal Beheer PPI N.V.							8	6	12	13

1.7. MATERIALITY AND SUBSEQUENT EVENTS

Materiality

Achmea published its Solvency II position of 183% on 14 March 2024. This Solvency position is based on the aggregation of the data of all underlying legal entities and related parties.

Subsequent events

No new information has emerged since the publication of the Solvency position which may result in a material different Solvency position for Achmea as calculated for the reference date of 31 December 2023.

1.8. FORWARD LOOKING STATEMENT

Development next year

Achmea expects the Solvency position at the end of 2024 to be above its internal target limits. The expected Solvency II ratio per year-end 2024 under the assumption of constant financial markets based on year-end 2023 will not change significantly. The outcome however will be dependent on developments of the inflation rate, the development of the financial markets, the monetary actions of the Central Banks and any (secondary) effects e.g. of the war between Ukraine and Russia and developments in Gaza.

Inflation

The development of the Inflation rates will remain uncertain. The inflation forecasts will have an effect on the behaviour of the Central banks with respect to setting the policy interest rates. Due to the Interest Rate Risk policy the impact of changes in the interest rates on the Group solvency is expected to be limited.

Sustainability

Sustainability is more and more becoming integral part of reporting and management processes. Disclosure on sustainability issues must support the energy transition from fossil-based to renewable energy sources like wind and solar. In risk management policies the risks and consequences of global warming must be taken into account both from a prevention perspective and the perspective of mitigating consequences with the aim to reduce possible future claims.

Summary

Solvency II review 2020

In 2023, the co-legislators reached an agreement regarding the proposal for a revision of the Solvency II Directive. Based on this agreement, after the final endorsement, the European Commission will start drafting the text for the Regulation. The enforcement date will likely be the end of 2026.

The main quantitative elements for Achmea in the Review 2020 are the change in methodology to extrapolate the relevant risk-free interest rate, the calculation of the Volatility Adjustment, introduction of the enhanced prudency principle and the calculation of the Risk Margin. The impact of the proposals on Achmea depends on the calibration of the agreement in the Regulation and the economic circumstances.

Countercyclical capital buffer Achmea Bank N.V.

Per 2024 Q2, DNB enforces the market wide Countercyclical buffer of 2% of the risk weighted assets (RWA) in the capital requirements of Achmea Bank N.V (2023 Q2: 1%). The additional buffer will increase required capital of Achmea Bank N.V. by € 45 million and will likely reduce Achmea’s group solvency by 1%-pt.

Developments after closing date

Regular UFR change
Per 1 January 2024, the UFR will decrease to 3.30%. The impact on the solvency ratio, if that change would have been implemented at 31 December 2023, would have been a decrease with 1%-pt.

Dutch Life insurance Business
In recent years, Achmea has explored the options for the portfolios of Achmea Pension & Life Insurance on a regular basis. Especially for the portfolio of insurance policies that are no longer actively sold (the service book) it is important to continue to look for ways to operate as efficiently as possible. As this portfolio shrinks, it is important that the cost base keeps at pace with this development whilst continuing to serve our customers well. Which has been the case in recent years. Achmea is currently exploring various internal and external options and do not rule out any possibilities at this stage.