

# Eureko

## 2003 Results Presentation

Conference Call  
Zeist, 16 March 2004

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# Gerard van Olphen

*Chief Financial Officer*

◆ **Highlights**

◆ **Results by Business Activities**

◆ **Eureko developments**

◆ **Summary**

***Exhibits***

## Highlights – Main developments in 2003

### Increased Operational Performance and Balance Sheet strength

- Very successful turnaround of results to € 243 million in 2003 from € (574) million in 2002
- Restructuring plans within the Group:
  - Realisation of the integration of Eureka and Achmea Holding
  - Realisation of a significant FTE reduction (mainly Achmea) and Cost Cutting throughout the Group
  - Sold Belgian insurance subsidiary CB Direct and Colbert Life Luxembourg
- Share capital increase of € 200 million by Vereniging Achmea
- Successful securitisations at Achmea Hypotheekbank (mortgage bank), releasing capital
- Eureka repays the outstanding balance of € 800 million and cancels its € 1.6 billion syndicated loan facility
- Change of risk appetite in investments
- Removal from CreditWatch and affirmation of “A+” long-term counter party credit rating and insurer financial strength rating by Standard & Poor’s in February

## Highlights – Main developments in 2003

- **Announcement of exploratory discussions between Eureka and Rabobank to develop some form of co-operation**
- **Eureka starts discussions to acquire preference shares from Achmea Holding and issues new, perpetual preference shares to the same private investors, boosting Eureka's shareholders' equity with € 356 million and providing access to equity markets**
- **Arbitration process in the conflict between Eureka and the Polish Government on the encouragement and reciprocal protection of investments formally commences**

## Financial highlights – Turnaround in results, Steady growth in premiums

€ million	2002 <sup>1</sup>	2003	delta 2003 / 2002
<b>Gross Written Premiums</b>	5,329	5,656	327
<b>Operating Results</b> (based on long-term investment returns)	346	448	102
<b>Net Results</b>	(574)	243	817
<b>Shareholders' Equity</b>	1,620	1,814	194
<b>Return on Equity</b>	(30)%	14%	
<b>Total Assets</b>	46,756	47,779	1,023
<b>Asset under Management (€ bn)</b>	94.7	92.8	(1.9)

<sup>1</sup> Pro-forma 2002 figures excluding Seguros e Pensões

## Financial highlights – Strong recovery at all Operating Companies in 2003

Net Results (€ million)	2002 <sup>1</sup>	2003	delta 2003 / 2002
Achmea (incl. Eureko BV)	(567)	140	707
Interamerican	(84)	19	103
F&C Management	31	43	11
Friends First	14	20	6
Other	2	3	1
<b>Operating Companies</b>	<b>(604)</b>	<b>225</b>	<b>828</b>
PZU	62	87	25
BCP	15	(28)	(43)
Other Associates	(47)	(41)	6
<b>Associates</b>	<b>30</b>	<b>18</b>	<b>(12)</b>
<b>Eureko Group</b>	<b>(574)</b>	<b>243</b>	<b>817</b>

<sup>1</sup> Pro-forma 2002 figures excluding Seguros e Pensões

◆ **Highlights**

◆ **Results by Business Activities**

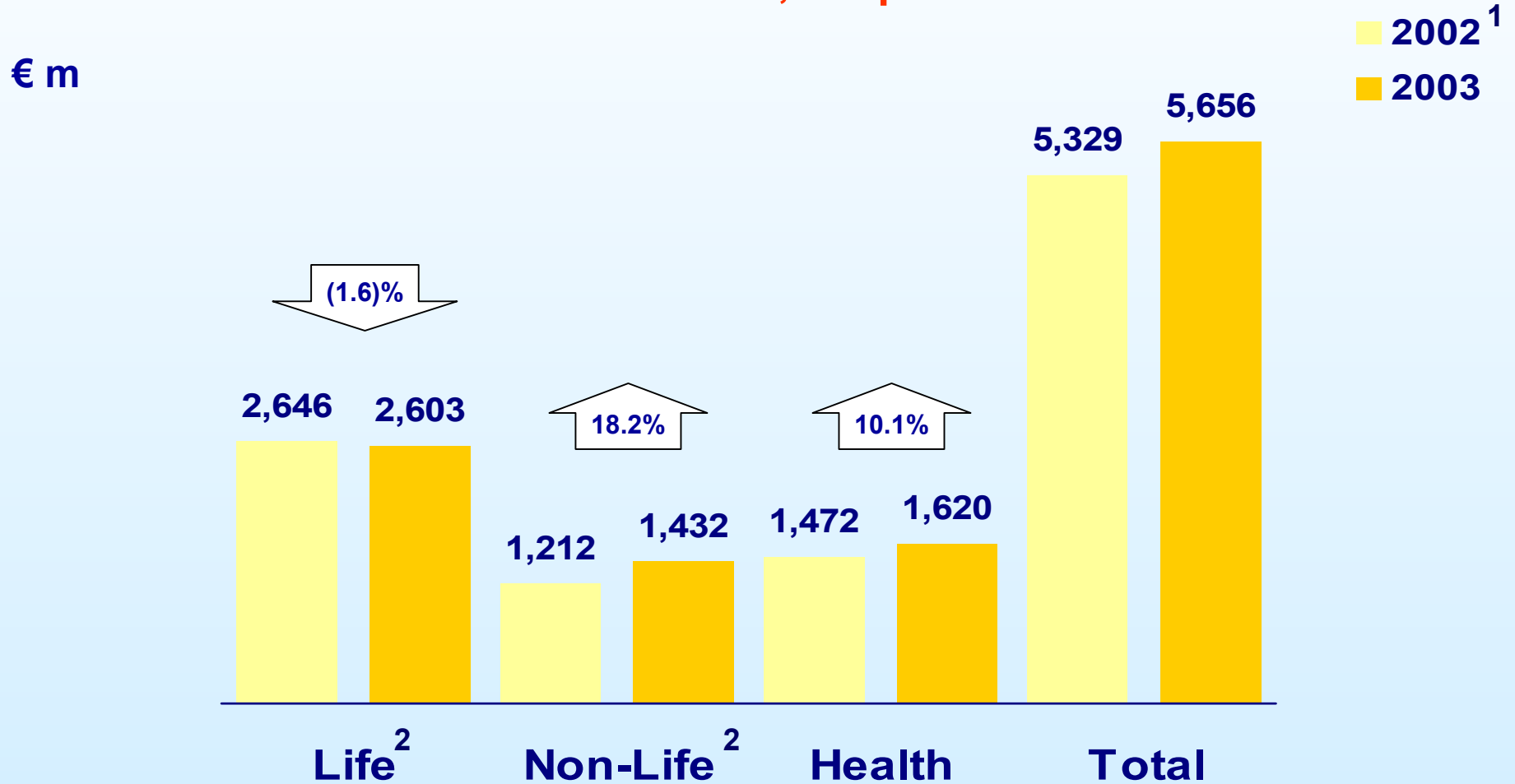
◆ **Eureko developments**

◆ **Summary**

***Exhibits***

# Results by Business Activities

Gross Written Premiums increases 6.1%, despite difficult Life market



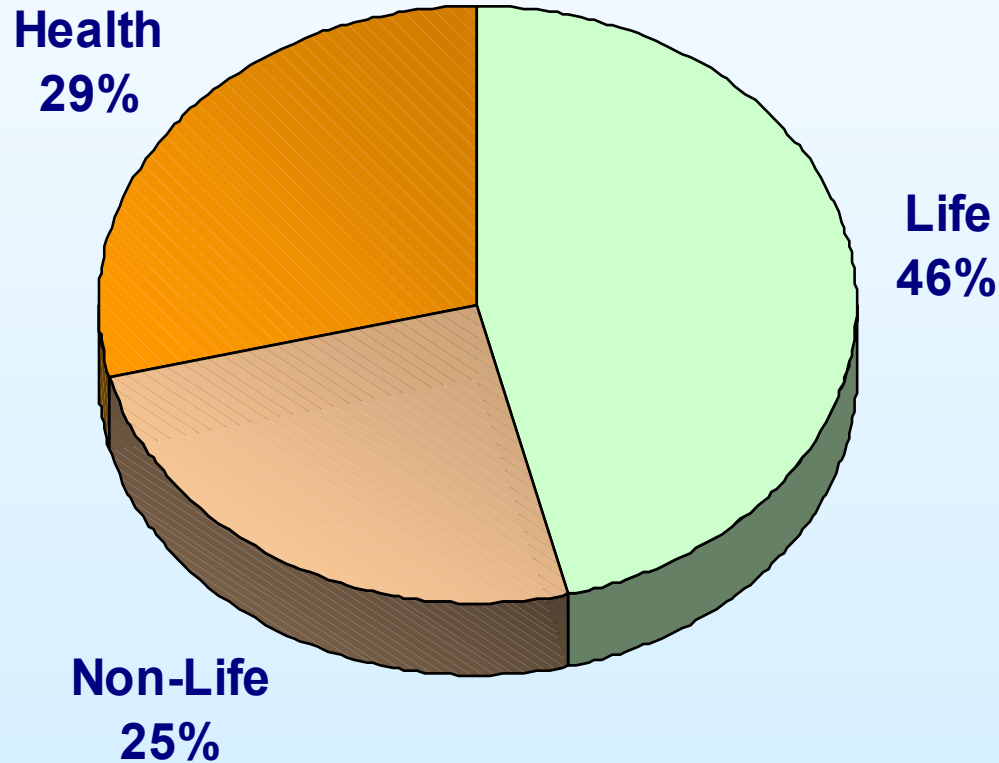
<sup>1</sup> Pro-forma 2002 figures excluding Seguros e Pensões

<sup>2</sup> Excluding Royal & Sun Alliance Benelux, GWP in Life is marginally lower and in Non-life GWP increases by 8.3%

## Results by Business Activities

**Balanced portfolio is key characteristic**

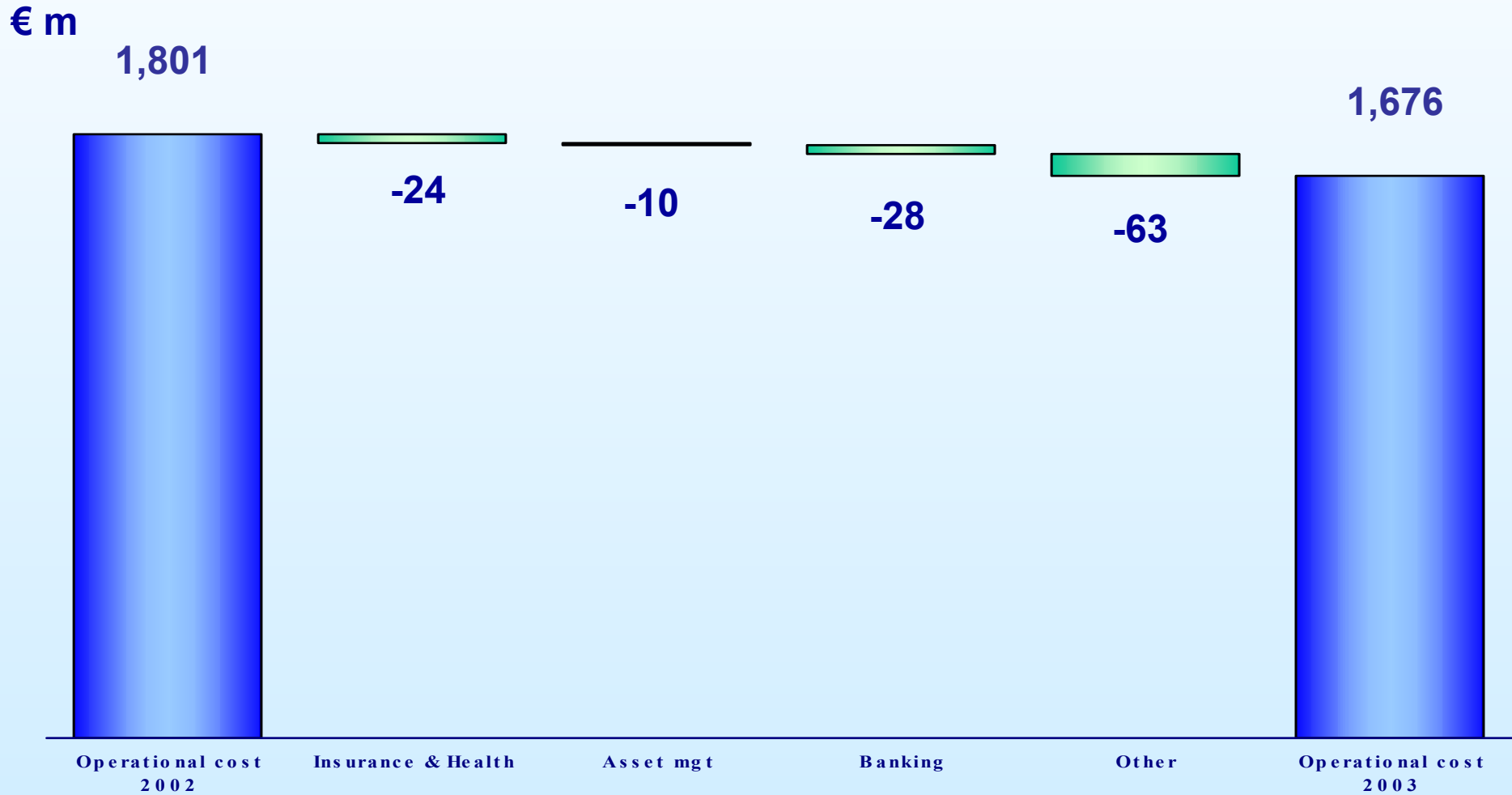
GWP 2003: € 5,656 million



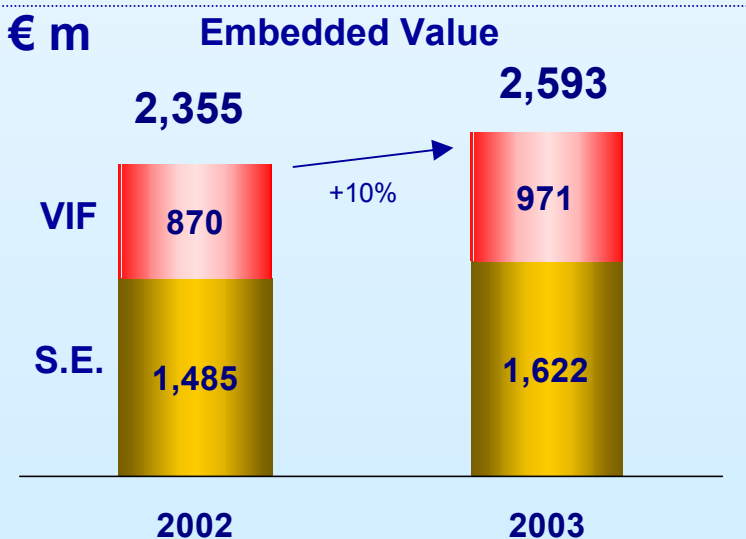
GWP 2002: € 5,329 million – Life 50%; Non-Life 23%; Health 27%

# Eureko developments

Total operational cost reduced by 6.9%, mainly within F&C and Achmea



# Life Insurance's: improving results by cost reduction and stock markets



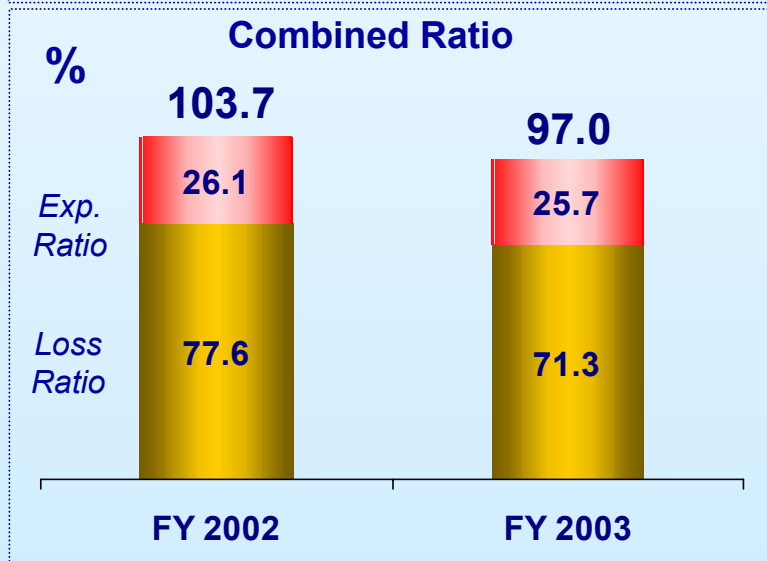
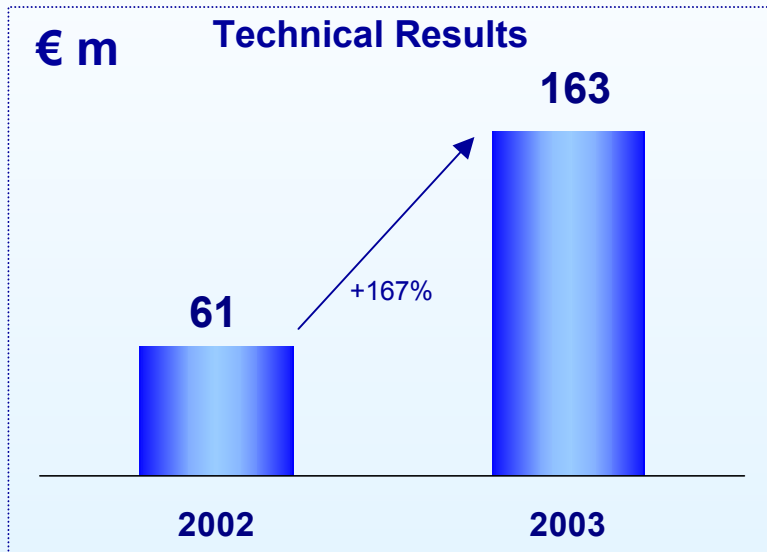
Life business performance was strong in 2003

- **Achmea's** Life result has improved due to a cost reduction and the upturn in stock markets, at the same level of premiums
- **Interamerican's** result is up due to investment results and reduced costs, despite a decrease of premiums
- **Friends First** shows a good performance at a lower premium level, due to reduced costs

- The trend of declining **Embedded Value** over the last years has been reversed in 2003. The Embedded Value increases strongly in 2003 as a result of cost reduction programmes throughout the Group and the further concentration on profitable business, despite difficult trading conditions in Eureka's main markets

- The added Value of New Business was almost zero in 2003: € (4) m, but improved from 2002: € (27) m due to a strong increase in margin

# Non-Life Insurance: strong improvement of combined ratio



## Non-Life performance improves strongly

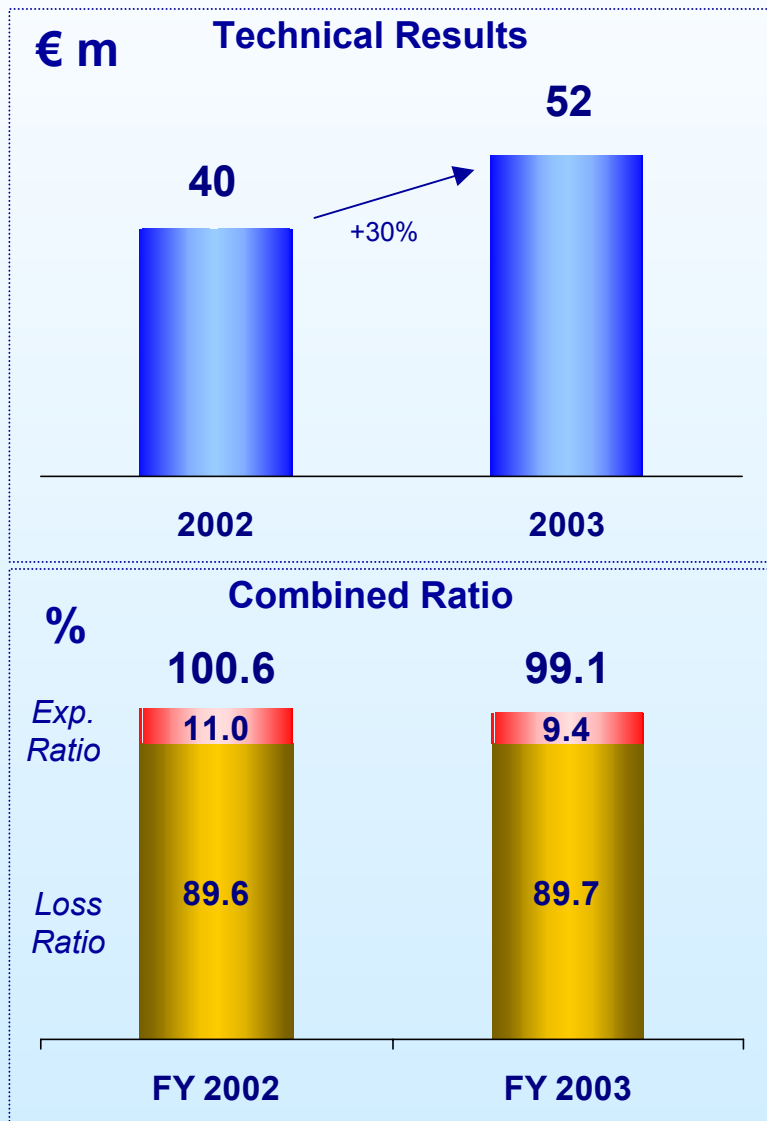
- Premium growth has shown in all business lines, also because of the inclusion of R&SA Benelux for the full year.
- At **Achmea** the improvement comes from better claims experience and commercial success
- **Interamerican's** improvement results from selective underwriting policies and cost cutting programs.

- Combined ratio is at an historic low level, due to better expense and loss ratio

## Achmea's Combined Ratio

2002	102.9%
2003	96.4%

# Health Insurance: combined ratio below 100%



**Health results** has gained from cost reductions

- The technical result increases considerably, explained by a stable claims ratio and a big improvement in cost ratio. Increasing claims are neutralised by increasing premiums and cost reduction at **Achmea**. At **Interamerican** the combined ratio improves mainly due to efficiency improvements
- Revenues at **Achmea Health Services** business declines by 8%, **Interamerican Health Services** shows a 20% increase in Health Services revenues
- Better combined ratio due to cost reduction

## Achmea's Combined Ratio

2002	100.3%
2003	98.9%

# Asset Management: steady performance, despite difficult environment



**Asset Management** delivers in a difficult environment

- Despite market weakness, revenues remains stable
- Profit before Tax decreases 4% due to one-off impairments and provisions for legal cases at **Intertrust**
- **F&C Management UK** shows a 12% increase in Profit before Tax due to stable revenue and further operating cost reductions; the second consecutive year of double-digit earnings growth. The 'operating cost / revenue' ratio was lowered to 64%

**Assets under Management** decrease of 2% reflects the lower market valuations and the strengthening of the euro against sterling (8% over the year) and the withdrawal of the Activest funds (in line with agreements with HVB)

# Banking: restructuring Staal Bank; Achmea Hypotheekbank increases profit



Profit before tax decreased to € (31) m

## Achmea Bank

- Profit before Tax at **Achmea Hypotheekbank** was up by 9.3% to € 33 m from € 30 m, due to successful cost reduction and net interest margin enhancement
- Further restructuring of **Staalbankiers**
- High increase in provisions for Loan Losses (€ 21 m)
- Weak equity markets contributed a disappointing commission income

**Friends First Finance** showed a higher interest margin and a strong increase of the loan portfolio of 13%

**Loan Portfolio** at Eureko Group level increased 3.1%. The mortgage loans represent in 2003 € 12.9 bn

**Securitisations** at **Achmea Hypotheekbank** of € 3.7 Bn (capital release of circa € 95 m)

# Results by Business Activities

## Contribution of Associates

€ m	2002	2003	delta 2003 / 2002
PZU	62	87	25
BCP	15	(28)	(43)
Other Associates	(47)	(41)	6
<b>Associates</b>	<b>30</b>	<b>18</b>	<b>(12)</b>

- **PZU Group's** contribution rose 40% as PZU experienced an excellent underwriting result in motor insurance, its main non-life class of business. PZU benefited from relatively high, though slowly declining, interest rates in Poland that resulted in both solid yields and capital gains on its fixed income portfolio. Profitability of the Life business also improved, partly boosted, however, by one-off release of provisions
- Strong decline in **BCP's** share price during 2003, resulting in unrealised capital losses € (28)m in 2003 versus a contribution of € 15m in 2002
- **Other Associates** consist mostly of an impairment of the **MAAF** shareholding € (38) m in 2003 (2002: € (60) m)

◆ **Highlights**

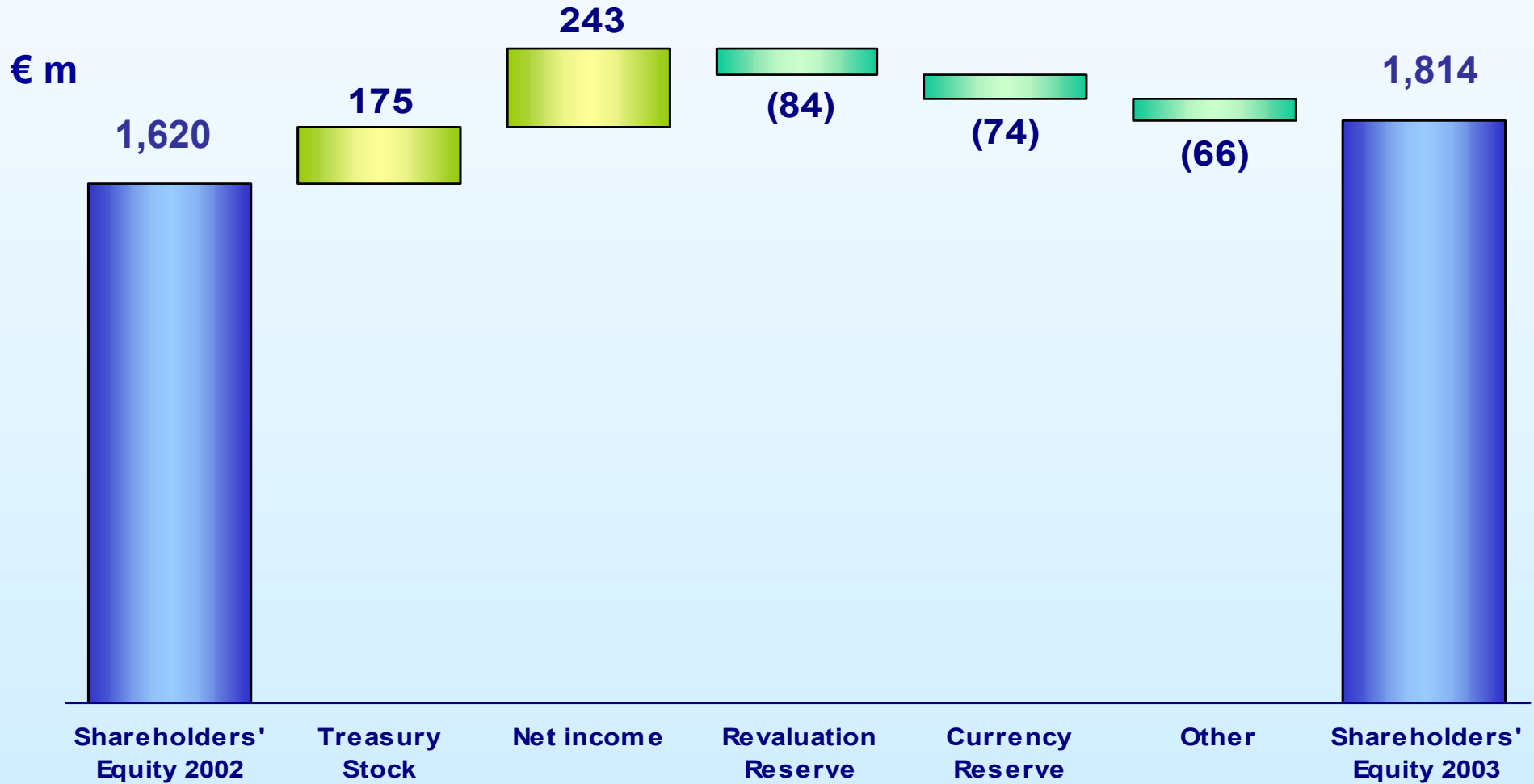
◆ **Results by Business Activities**

◆ **Eureko developments**

◆ **Summary**

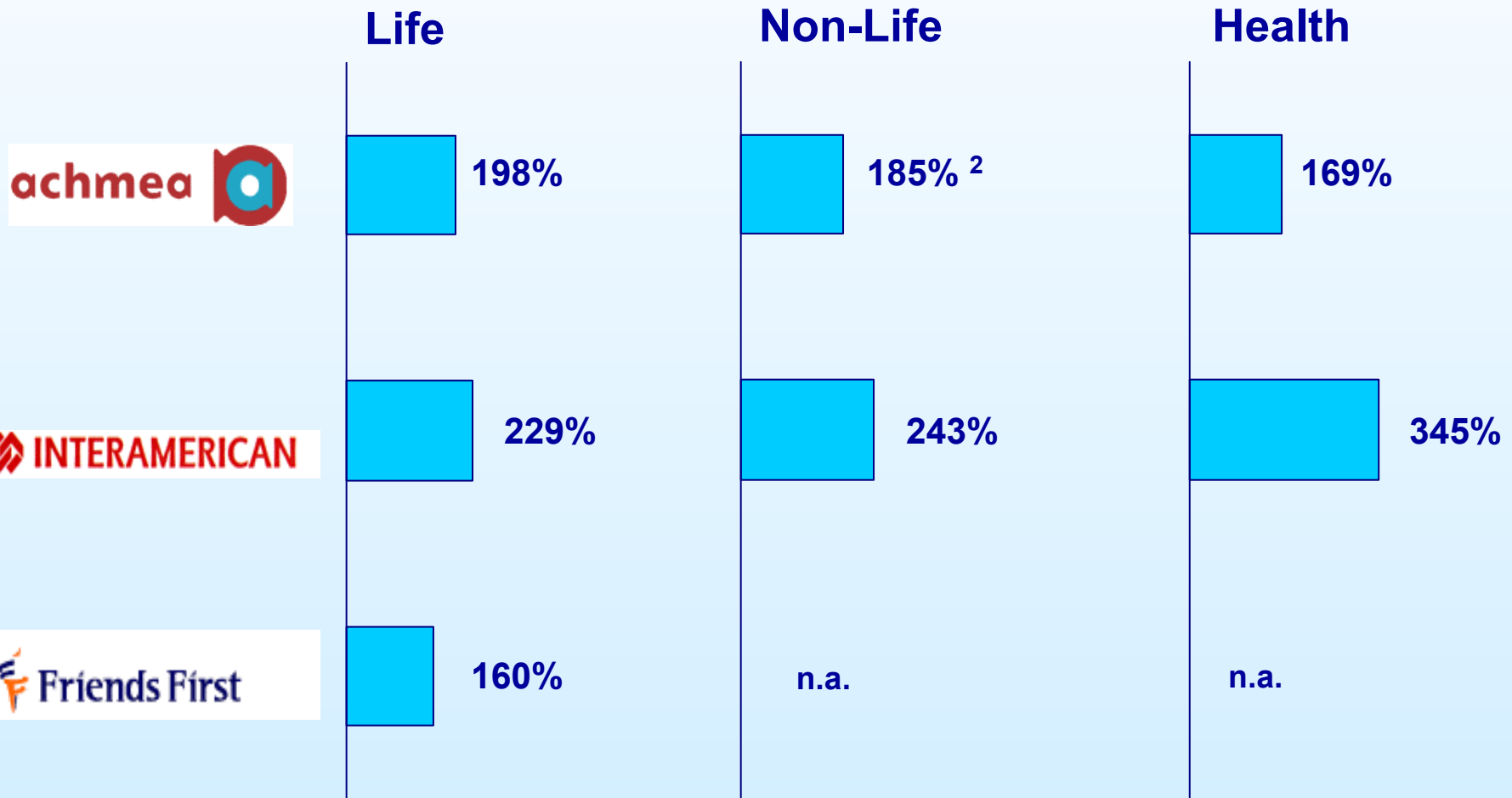
***Exhibits***

## Development of Shareholders' Equity



# Eureko developments

## Solvency of the Eureko Operating Companies Remains Very Strong <sup>1</sup>



<sup>1</sup> Calculations on local principles and definitions; <sup>2</sup> Solvency for Non-Life at Achmea includes disability insurance

## Further reduction of the Risk Profile of the Investment Portfolio

€ m	2002 <sup>1</sup>		2003	
Fixed Income	13,033	72%	13,552	73%
Equities	3,252	18%	2,961	16%
Real Estate	1,579	9%	1,462	8%
Other Financial Investments	296	1%	557	3%
<b>Investments</b>	<b>18,160</b>	<b>100%</b>	<b>18,532</b>	<b>100%</b>

❖ Reduction in equity portfolio: balance of asset sales and equity market improvements

% of total bonds portfolio	2003
AAA	73
AA	16
A	7
Other	4
<b>Total</b>	<b>100</b>

96% of Portfolio is rated A or higher

<sup>1</sup> Pro-forma 2002 figures excluding Seguros e Pensões

# Eureko developments

## Rating remains stable, outlook revised to negative

	Financial strength
Eureko Group	A+
Operating Companies of Achmea	A+
	Senior unsecured debt
Eureko B.V.	BBB+
Achmea Holding N.V.	BBB+

- On 16 September 2003, Standard & Poor's affirmed the group's insurance 'A+' long-term counterparty credit and insurer financial strength on its core operating entities, but revised the outlook to negative from stable.
- In its announcement, Standard & Poor's commented: "The ratings on Eureko reflect the group's strong business position, strong and improving underwriting performance, and good although weakened capitalization. These positive factors are offset by restricted financial flexibility. The outlook revision reflects Standard & Poor's concern that the group's improving earnings over the short to medium term may not be sufficient to rebuild capital to a level more consistent with the ratings."

## Main developments year-to-date 2004

- **Announcement on the co-operation agreement on health insurance with Rabobank and a participation by Rabobank in Eureko's Capital of 5% (€ 225 million), and an exchange at the Supervisory Board level of both companies**
  - Very promising development for Achmea's position in Health
  - Strengthening the Eureko balance sheet
- **Announcement to consider seeking a stock market listing for F&C Management**
  - Creating a platform for F&C Management for further growth
- **Announcement on the restructuring at Staal Bank**
  - Re-orientation of the activities of Staal Bank releases pressure on bottom line results of banking activities
  - Announcement of selling of Eduard de Graaff to Rabobank Securities
- **Issue of preference shares at Eureko BV: announcement will follow shortly**

# Eureko developments

## Update on the PZU Arbitration

The Arbitration Court will decide whether the Polish Government has failed to protect the rights of foreign investors (*bilateral agreement between Poland and The Netherlands in 1992*).

### Legal process:

October 2002	Initial arbitration proceedings
May 2003	First sessions of the Arbitration Court were held
June 2003	Eureko filed its initial suit
October 2003	Polish Government responded
December 2003	Eureko responded to the 'Polish Government Response'
April 2004	Polish Government will respond to 'Eureko Response'
September 2004	Hearings re liability
Q4 2004	The Arbitration Court will establish the question of liability
December 2004	Expected outcome of the hearings re liability

**Initiated by the Polish Government, a first meeting between Eureko and the Ministry of State Treasury has recently been set**

- ◆ **Highlights**
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- ◆ **Summary**

## *Exhibits*

# Summary

1. Structural turnaround of Eureka's operational performance
2. Capital strengthening and risk reduction
3. Outlook for 2004
  - Strong commitment for continued focus on improving operational performance with further cost reduction
  - Strengthening the Balance Sheet
  - Preparations for F&C Management's IPO
  - As the current economic revival remains uncertain, it is too premature to offer a forecast for 2004, but Eureka's Management is confident it shall be able to improve Eureka's operational performance in 2004

- ◆ **Main developments**
- ◆ **Results by Business Activities**
- ◆ **Developments Q1 2004**
- ◆ **Summary**

## ***Exhibits***

- ***Result by Operating Company***
- ***Eureko Operating Results (based on longer term investments)***
- ***Eureko shareholders' structure pro – forma***

## Results by Operating Companies

- **Operational results improved, mainly as a result of a re-structuring programme and enhanced commercial performance, which were the drivers for improving profitability**
- **As a result of the organisational re-structuring, the total number of FTEs was reduced by 1,300**
- **Review of portfolio management leads to sale and termination of non-strategic or unprofitable business activities: Vendopolis, CB Direct, Colbert Life Luxembourg, Eduard de Graaff**
- **Achmea refines its brand strategy and concentrates marketing efforts on 'power brands' (Zilveren Kruis Achmea and Centraal Beheer Achmea) and supporting brands (Avéro Achmea and FBTO)**
- **Achmea focuses on concentrating services and products in competency centres and shared service centres**

# Profit before tax by Operating Company

€ m	<u>2002</u>	<u>2003</u>
Technical Result Life <sup>1</sup>	187	232
Technical Result Non-Life	67	155
Technical Result Health	43	65
<b>Technical Results</b>	<b>297</b>	<b>452</b>
Investment Income <sup>2</sup>	171	135
Other Non-Technical Results	6	(22)
Asset Management	9	11
Banking	8	(23)
Other	(93)	(133)
<b>Profit before Tax <sup>2</sup></b>	<b>397</b>	<b>420</b>
Short Term Fluctuations	(1,084)	(57)
<b>Profit before Tax</b>	<b>(688)</b>	<b>363</b>
<b>Net Results</b>	<b>(523)</b>	<b>252</b>
<b>Contribution to Eureko <sup>3</sup></b>	<b>(543)</b>	<b>244</b>

1 Including release of provisions in 2002 of € 201 million

2 Long-term return on equity investments of 6%

3 Difference between Net Results and Contribution to Eureko is the balance of service fees charged by Eureko and dividend to preference shareholders

- **Continuation of the cost reduction exercise, which has reduced the fixed operating costs of the Life business by over 20% since the start of the programme in 2002**
- **Continued success rollout of additional products through the bancassurance channel, adding Property and Casualty products to the existing life range**
- **Finalisation of the sale of Intertrust, Interamerican's asset management company, to Eureko (subject to regulatory approval)**
- **Interamerican's holding of BCP shares was sold to Eureko, to reduce the high concentration within Interamerican's portfolio**

# Profit before tax by Operating Company

€ m

	<u>2002</u>	<u>2003</u>
Technical Result Life	(27)	(2)
Technical Result Non-Life	(9)	4
Technical Result Health	(4)	(1)
Technical Results	(40)	1
Investment Income <sup>1</sup>	10	7
Asset Management	13	2
Other Non-Technical Results	(7)	3
Other	(6)	2
<b>Profit before Tax <sup>1</sup></b>	<b>(30)</b>	<b>15</b>
Short Term Fluctuations	(93)	15
<b>Profit before Tax</b>	<b>(122)</b>	<b>29</b>
<b>Net Results</b>	<b>(87)</b>	<b>18</b>
<b>Contribution to Eureka</b>	<b>(84)</b>	<b>19</b>

<sup>1</sup> Long-term return on equity investments of 6%

- **Improved sales margin on life new business and improved interest margins on new lending despite increased competition in both areas**
- **Successful delivery of Phase two of Life subsidiary efficiency programme. This involved a 10% headcount reduction along with automation of key business processes**
- **Friends First International wins Mediolanum Italian Business**
- **Retention of First Active Tied Agency**
- **First Life Company in Ireland to receive Quality accreditation the Q Mark – a valuable external endorsement of the processes and systems in a business. The Q Mark is the National Symbol of Quality and is similar to ISO 9000/2000**

# Profit before tax by Operating Company

€ m

	<u>2002</u>	<u>2003</u>
Technical Result Life	9	12
Technical Result Non-Life	1	2
Technical Results	10	14
Investment Income <sup>1</sup>	3	4
Financing	2	2
Other Non-Technical Results	0	0
Other	(1)	0
<b>Profit before Tax <sup>1</sup></b>	<b>14</b>	<b>20</b>
Short Term Fluctuations	0	0
<b>Profit before Tax</b>	<b>14</b>	<b>20</b>
<b>Net Results</b>	<b>14</b>	<b>20</b>
<b>Contribution to Eureka</b>	<b>14</b>	<b>20</b>

<sup>1</sup> Long-term return on equity investments of 6%

- **Established locally based sales teams in Germany and France**
- **Launched a series of single strategy hedge fund products whose first year performance is both marketable and is being marketed**
- **Further strengthening the talent pool with key hires in fixed income, US equities, Asian equities, compliance, client services, marketing and sales**
- **Implemented the outsourcing of institutional fund administration and processing support functions in partnership with Mellon Global Securities Services. This involved the transfer of nearly 100 employees from the 'back-office' of F&C to the 'front office' of Mellon. The functions that F&C has outsourced to Mellon include: fund administration; trade communication; reconciliation; data services and information delivery. Transfer of F&C's back-office functions onto Mellon's global technology platform will take place over the course of 2004**
- **Raised the ratio of variable costs as a percentage of total expenses from 19% in 2002 to 25% in 2003**
- **Lowered the operating cost / revenue ratio further to 64% - amongst the best in the industry**

## Profit before tax by Operating Company

€ m

	<u>2002</u>	<u>2003</u>
Management Fees	205	201
Other Income	2	3
Operating Expenses	(157)	(150)
Other Expenses	(2)	(0)
<b>Result before Tax</b>	<b>48</b>	<b>54</b>
<b>Net Results</b>	<b>30</b>	<b>40</b>
<b>Contribution to Eureko</b>	<b>31</b>	<b>43</b>

**Ordinary results before tax (based on long term investment results)**

## Ordinary results before tax (based on long term investment results)

€ m	2002 <sup>1</sup>	2003	Δ 2003 / 2002
Technical Result Life <sup>2</sup>	168	243	75
Technical Result Non-Life	61	163	102
Technical Result Health	40	52	12
Investment Income Non-Technical <sup>3</sup>	184	144	(40)
Other Non-Technical Result	(1)	(19)	(18)
<b>Insurance</b>	<b>452</b>	<b>583</b>	<b>131</b>
<b>Asset Management</b>	<b>70</b>	<b>67</b>	<b>(3)</b>
<b>Banking</b>	<b>9</b>	<b>(22)</b>	<b>(31)</b>
Other Business & Intra Group adjustments	(185)	(180)	5
<b>Ordinary Result before Tax based on long-term investment returns</b>	<b>346</b>	<b>448</b>	<b>102</b>
Short Term Fluctuations <sup>4</sup>	(1,081)	(24)	1,057
<b>Ordinary Result before Tax</b>	<b>(735)</b>	<b>424</b>	<b>1,159</b>

<sup>1</sup> Pro-forma, excluding Seguros e Pensões

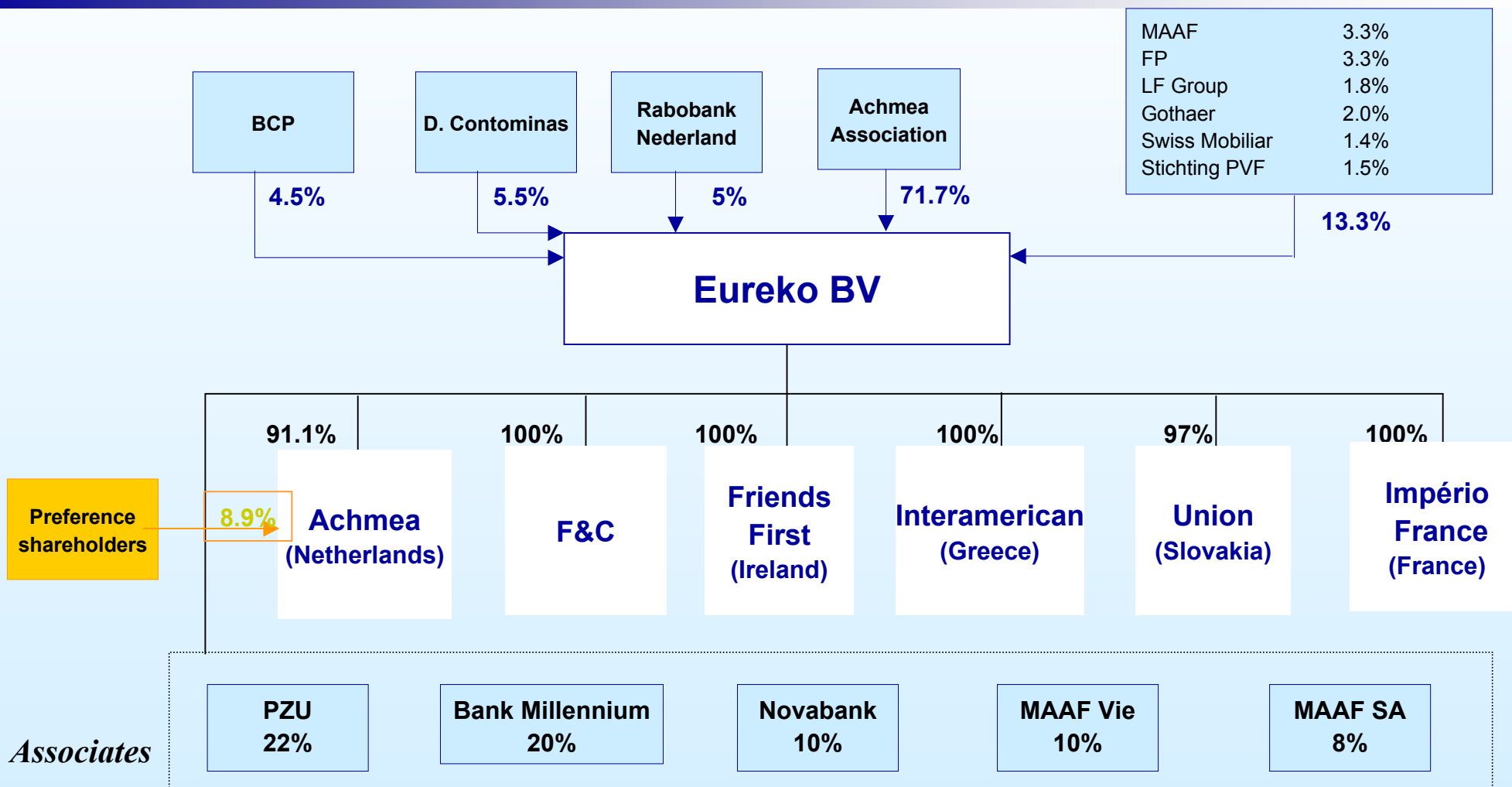
<sup>2</sup> Including release of provisions in 2002 of € 201 million

<sup>3</sup> Long-term return on equity investments of 6%

<sup>4</sup> Including capital gains in 202 on the sale of associated companies

### Eureko shareholders' structure pro – forma

# Eureko shareholders' structure pro – forma<sup>1,2</sup>



<sup>1</sup> Includes the envisaged transactions with Rabobank

<sup>2</sup> Presented percentages for Eureko's shareholders are voting rights