



# Eureko 2005 Annual Results

*“Excellent results in 2005”*

*“Successful merger of Achmea and Interpolis”*

28 March 2006



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# **Maarten Dijkshoorn**

*Chairman and Chief Executive Officer*

# **Gerard van Olphen**

*Chief Financial Officer*



## Agenda

- 1. Strategy**
  - Strategy for the Dutch market
  - European expansion
  - Key financials
  - Main events in 2005
  
- 2. Financial developments 2005**
  
- 3. Summary**



## Eureko strategy

**Build a European financial services group based on core business of insurance and on insurance-related business**

**Focus:**

- Consolidate and grow in the well-established Dutch market
- Expand in European growth markets, especially in Central and Eastern Europe



## Consolidate and grow in Dutch market

- **Integrate Achmea and Interpolis**
- **Focus on cost leadership and operational excellence**
- **Strengthen our position in distribution channels**
  - *Exploit leading positions in direct, banking and employer-employee distribution channels*
  - *Grow in intermediary channel and distribution via internet*
- **Capture growth opportunities due to legislative changes**
  - *Offer our clients innovative new products which address new environment and fiscal regulations*
  - *Leverage our strong (and improved) position on the Dutch health insurance market*



## Legislative changes in the Dutch market per 1 January 2006

### Introduction of the 'Levensloop regeling' (Life Cycle plan)

- Provides an alternative to Life products to fund retirement plans and sabbatical leave
- Life Cycle plan will provide considerable potential and opportunities over time

### Introduction of the WIA, 'Werk en Inkomen naar Arbeidsvermogen' (Work and income relative to work ability)

- Work and income payment depends on capacity to work in relation to disability
- Employers are obliged to encourage employees back into the workplace and provide re-integration programmes



## Legislative changes in the Dutch market per 1 January 2006

### Introduction of a new Health insurance system

- Privatisation of the former public health insurance system
- Achmea has consolidated the related public health insurers, with 2005 GWP of €3.3 billion, into the private health company; pro-forma 2005 GWP amount about €5.1 billion
- Additionally, Achmea increased, in 2006, its number of insured by almost 430,000 to a total of 3.3 million insured
- Investment of €175 million will be earned back in three years time by focus on claims reduction and cost efficiency



## Legislative changes in the Dutch market per 1 January 2006

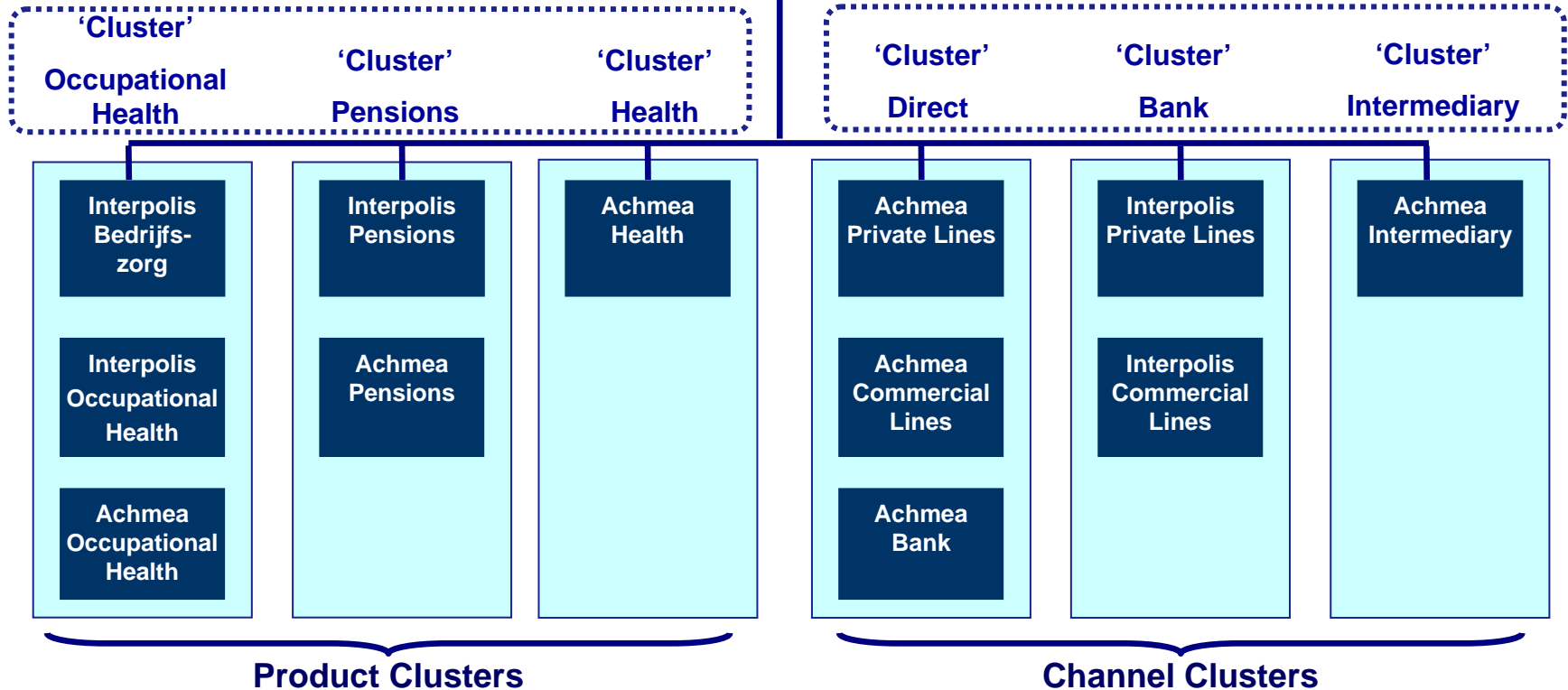
### Introduction of a new Health insurance system

- New Health system is a major operational process
  - 20% - 25% of insured has changed to another insurance company
  - New IT systems were implemented
  - 1,000 temporary employees
  - In February 2006:
    - Achmea received more than 1,000,000 telephone calls (50,000 a day)
    - More than 90,000 e-mails
    - 65,000 visitors in service offices
    - Received during November 2005 – March 2006, more than 3.4 million visitors on Achmea internet websites



## New organisational structure by 1 July 2006

### Achmea



Pro forma figures, €million

2005	Occupational Health	Pensions	Health	Direct	Bank	Intermediary	Total
<b>GWP</b>	681	1,340	5,050 *	1,344	3,039	1,217	<b>12,671 *</b>
<b>Services</b>	227	243	31	98			<b>599</b>

\* Health includes GWP for public health (GWP 2005: €3.3 billion), consolidated in Achmea health insurance since 1 January 2006;



## Key merger principles

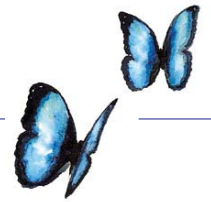
- **‘Show must go on’: client focus prevails**
- **Cost leadership and operational excellence**
  - **Continuously improving efficiency: expected job reduction of 2,500 – 3,000 within the next three years**
  - **ICT as vehicle for change and synergy capture**
- **Managing complexity through ‘step by step’ approach**



## Expand in European growth markets

### Focus:

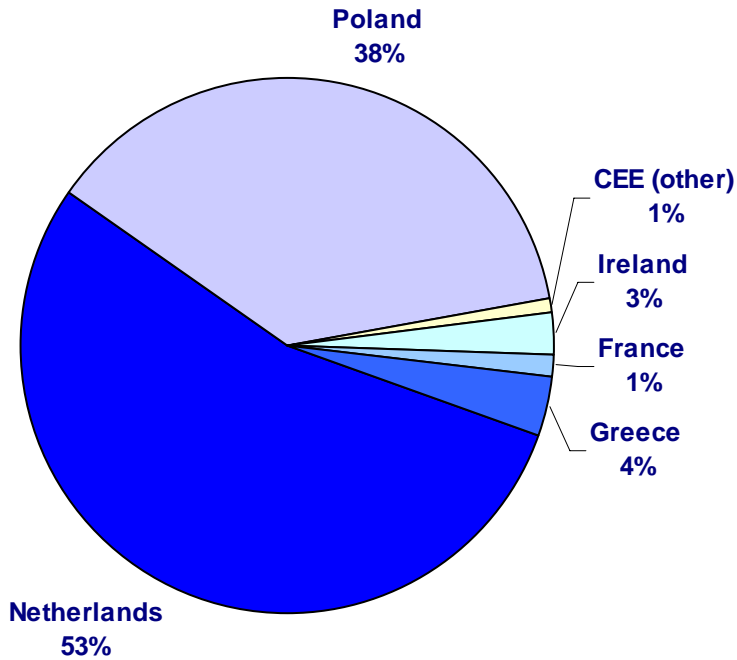
1. Strengthening of Eureko's European Operating Companies through organic growth and selective M&A
2. Resolving the PZU situation
3. Leveraging Associate Companies and partnerships



## PZU provides a major opportunity for Eureko

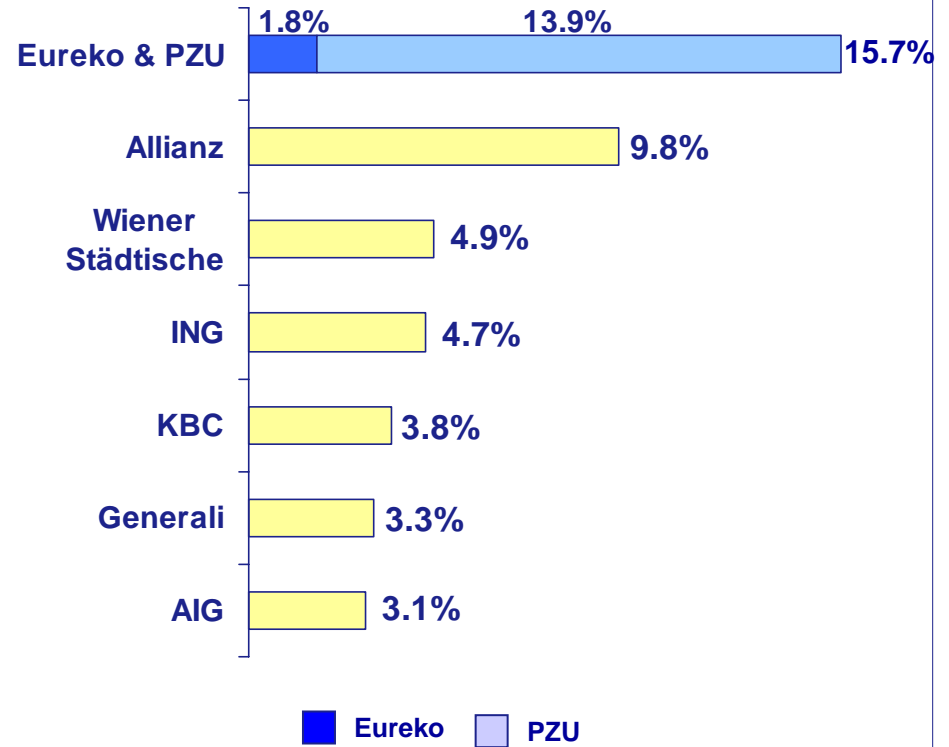
### Eureko diversification would strongly improve ...

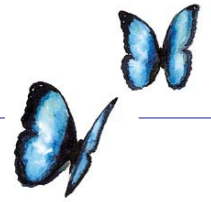
Eureko GWP 2005, including 100% of PZU



### ... with leading position in CEE

International Players in Central and Eastern Europe  
Market share (based on GWP for 2003)





## **Eureko's commitment to PZU**

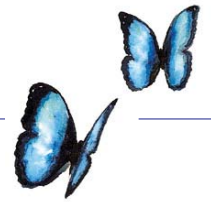
*PZU is an excellent company and it could be even better if it would be allowed to develop as an independent, listed company*

*Our commitment to PZU remains strong, as shown by our increased stake, at the end of 2004 of 10% and the agreement to purchase a further 4.33%, early 2006. Eureko currently holds 33% (minus 1 share) and would move to 36% after regulatory approval*

*Eureko has won phase 1 of the International Arbitration*

*We are disappointed that we have been unable to reach an amicable settlement with the State Treasury over the agreed sale, to Eureko, of a further 21% of PZU shares, as well as the agreed flotation*

*Eureko remains willing to continue discussions with the Polish government to seek for a solution to the situation*

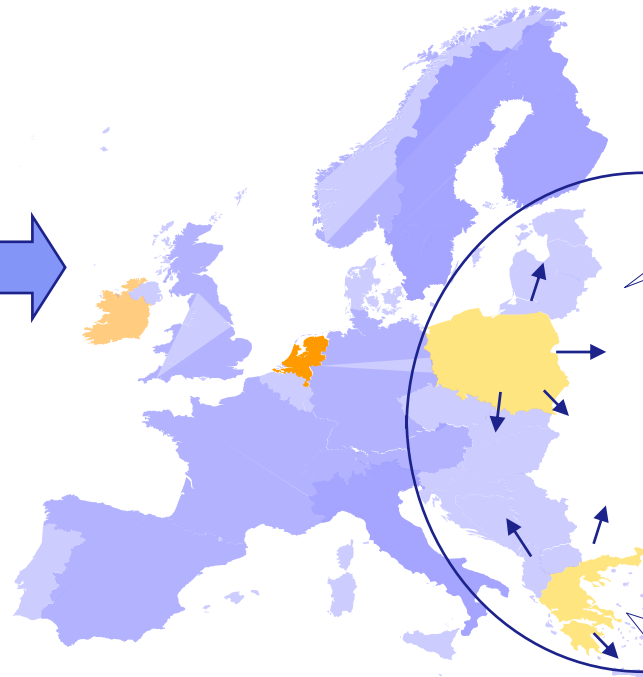
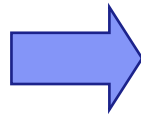


## European expansion strategy

### Mature markets:

partnership approach

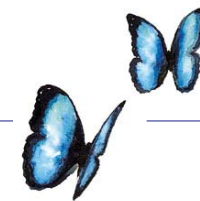
- EurAPCo
- Rabobank
- BCP & F&C



**PZU** as the springboard for expansion in Central and Eastern Europe; Eureko in charge

**Emerging markets:** business development approach

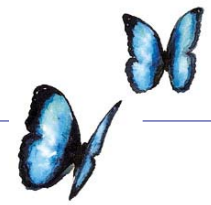
Leverage of **Interamerican** for expansion in the Balkans



## Results in 2005 are very satisfying



(€million)	2004	2005	%
<b>Profit before tax and discontinued operations</b>	<b>474</b>	<b>826</b>	<b>74%</b>
<b>Net profit</b>	<b>356</b>	<b>706</b>	<b>98%</b>
<b>Gross Written Premiums</b>	<b>5,524</b>	<b>6,577</b>	<b>19%</b>
<b>Total Equity</b>	<b>4,041</b>	<b>8,525</b>	<b>111%</b>
<b>Return on Adjusted Equity</b>	<b>16.6%</b>	<b>19.2%</b>	
<b>Debt Leverage</b>	<b>12.8%</b>	<b>9.6%</b>	

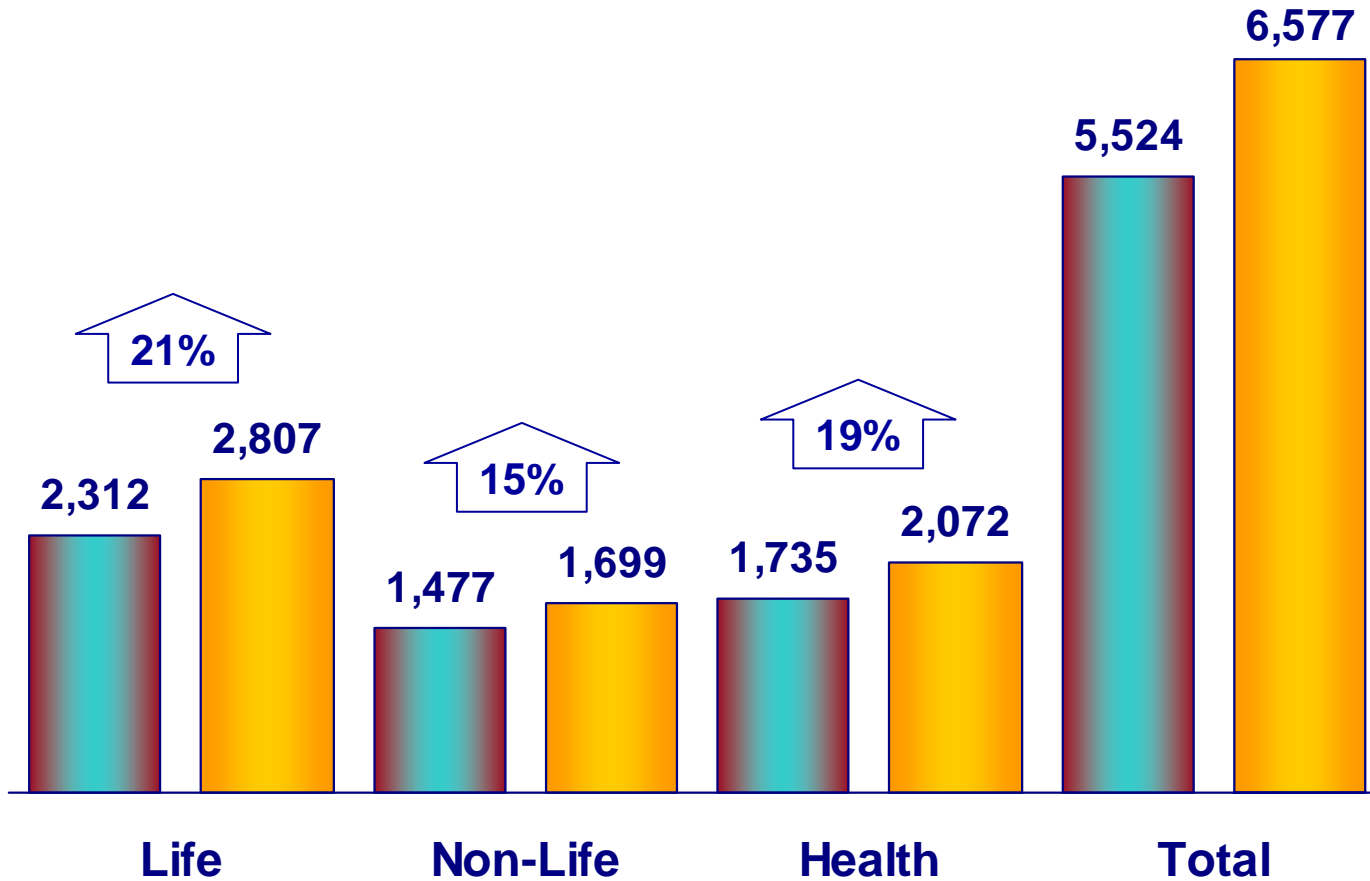
*Notes: All financials are statutory: Interpolis is included in the Balance Sheet for 2005 and included in the Income Statement from November 2005 onwards. Net profit for 2004 excludes, in the table above, the capital gain on the sale of F&C Asset Management of € 667 million. Including this capital gain, net profit would be € 1,023 million. Profit before tax and discontinued operations and Total equity for 2004, excludes the effects of shares subject to repurchase agreements, see also slide 21 and slide 22. Return on Adjusted Equity is excluding goodwill hybrid capital and preference shares*

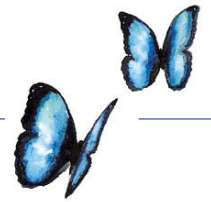


*Gross written premiums increased by 19% ...  
... from € 5,524 million to € 6,577 million*

€million

 2005  
 2004





## Main events in 2005

- 1. Successful Merger of Achmea and Interpolis**
- 2. PZU**
- 3. Successful hybrid capital issue**
- 4. Great operational and financial results in 2005**



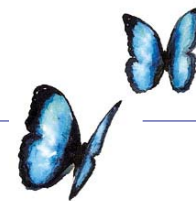
## Agenda

### 1. Strategy

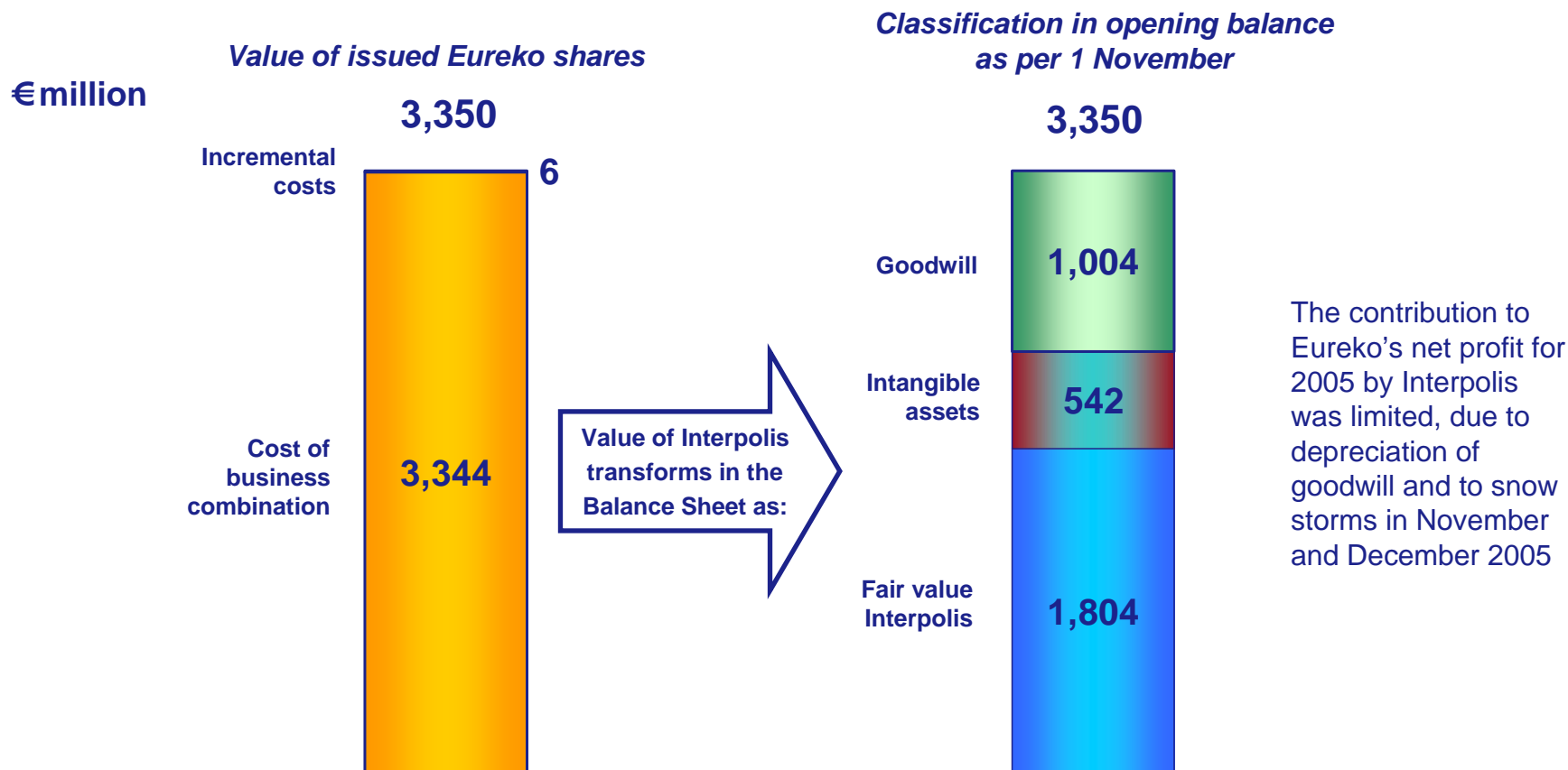
### 2. Financial developments 2005

- Group development
- Merger accounting
- Financial Highlights per Business Line
- Associate Companies & Strategic Investments
- Pro forma 2005

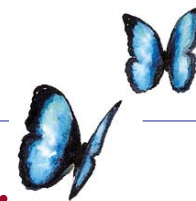
### 3. Summary



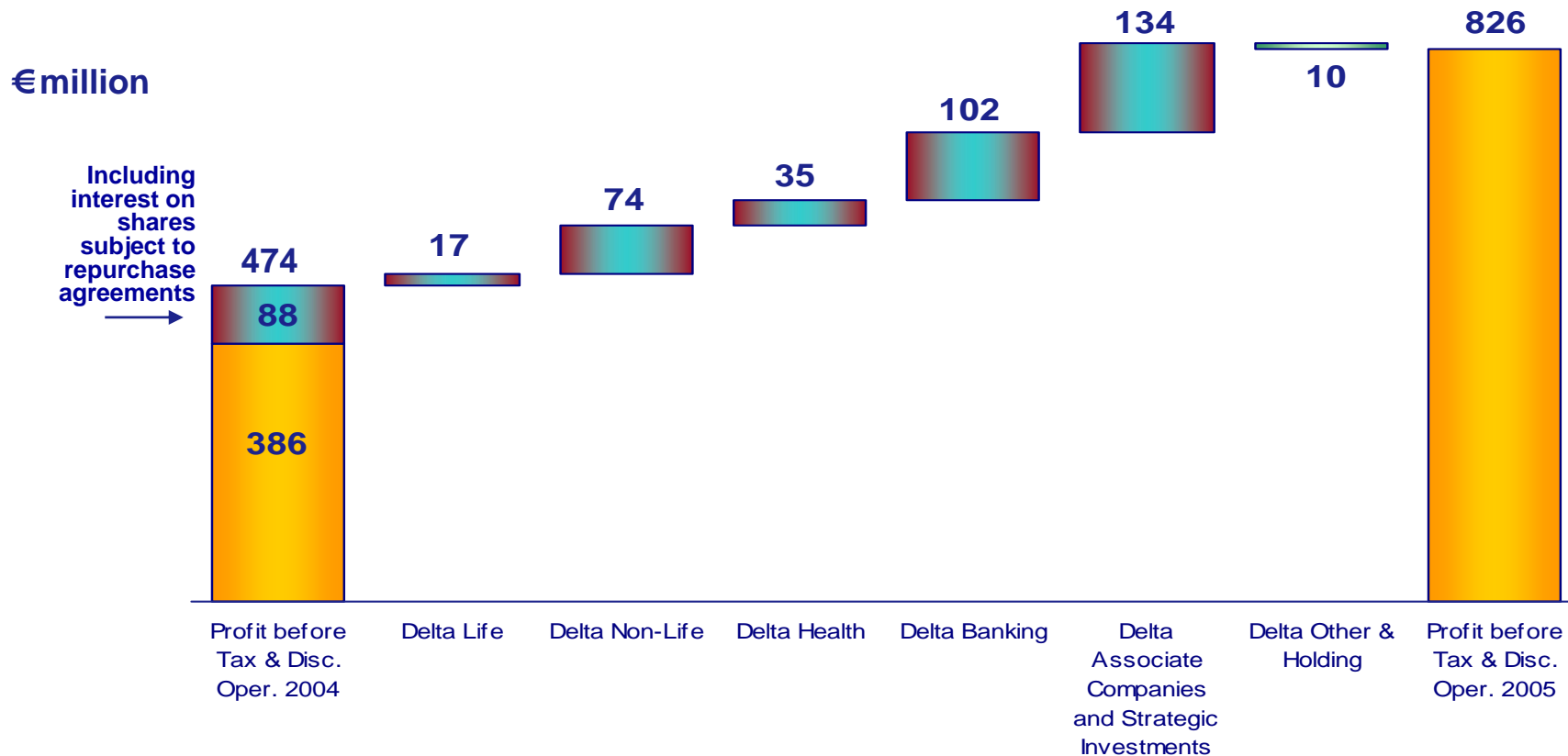
## Merger accounting as a result of including Interpolis in Eureko's accounts



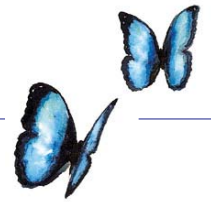
Depreciation of intangible assets impacted net profit 2005 €-11 million (after tax)



***Profit before tax and discontinued operations improved 74% ...  
... from € 474 million to € 826 million***

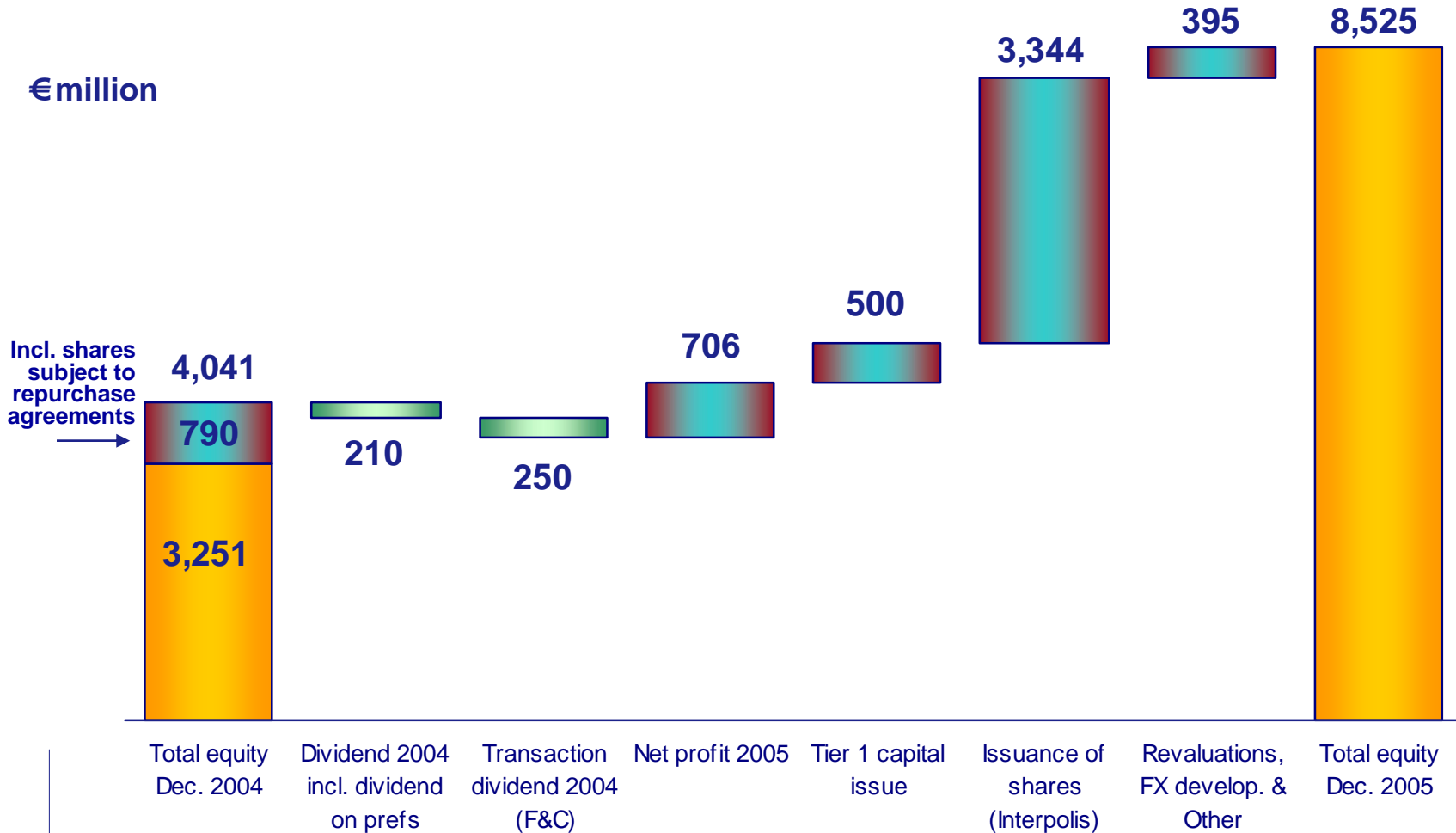


	Life	Non-Life	Health	Banking	Associates	Other/Hold.	Total
<b>2005</b>	202	321	111	36	282	-126	826
<b>2004</b>	185	247	76	-66	148	-116	474
<b>Delta 2005 - 2004</b>	<b>17</b>	<b>74</b>	<b>35</b>	<b>102</b>	<b>134</b>	<b>-10</b>	<b>352</b>



**Total equity strengthened with 111% ...**

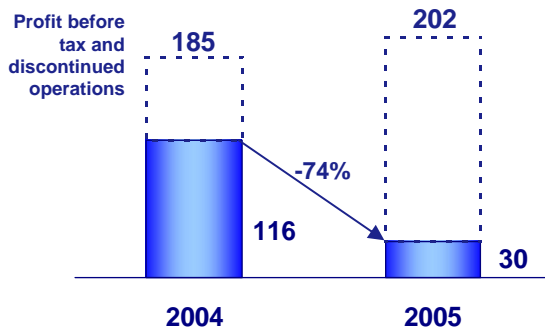
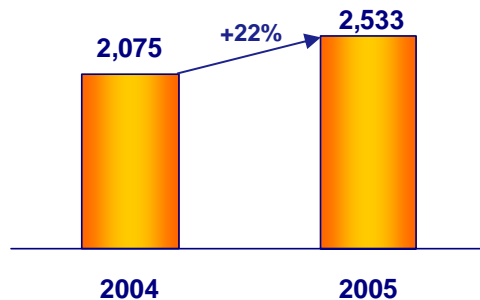
**... from € 4,041 million to € 8,525 million**





## Life performance is improving; technical results are negatively influenced by additional provisions

€million



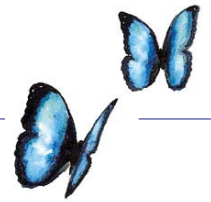
**Net earned premiums** increased by inclusion of *Interpolis* and *Levob*. Autonomous growth has been limited, as the focus is on profitable business, therefore less sales of annuities policies and guaranteed pension agreements. The net earned premium growth is partly offset by a second (and final) reinsurance transaction at *Friends First* in Ireland to enhance capital efficiency

**Technical results** decreased from € 116 million to € 30 million. Excluding one-off items technical results would have increased. One off items have been additional provisioning at *Interamerican* for lower interest rates as well as for 'health rider products' (total € 66 million) and additional expenses (€ 10 million) due to the restructuring program within *Interamerican*

**New business margin** slightly improved as a result of the focus on the profitability of new business. This sustainable improvement is mainly in the Intermediary channel within *Achmea* and successful introduction of new products within *Friends First*. Improvement will be continued through a commercial vitality project (*Achmea*) and a restructuring programme (*Interamerican*). The embedded value has increased with 93% to € 4.5 billion

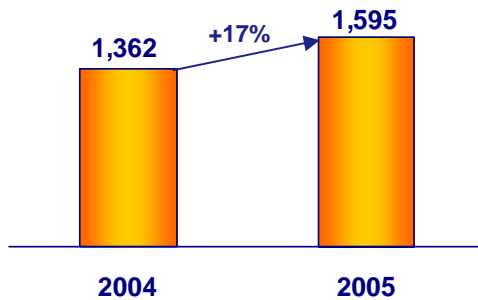
-0.4%  
2004

-0.3%  
2005

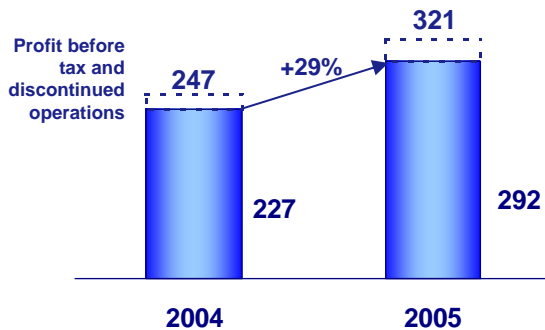


## Non-Life continues very strong results

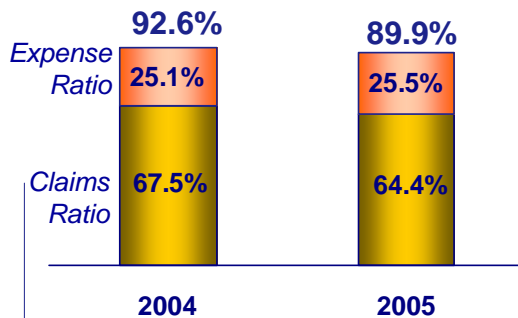
€million



**Net earned premiums** increased at all Operating Companies, especially at Achmea, by the inclusion of *Levob* and *Interpolis*; autonomous growth was 4%. Some pricing pressure is experienced in the Dutch market



**Technical results** improved from € 227 million to € 292 million, due to a relative low level of claims, an increase in investment income and strict cost control

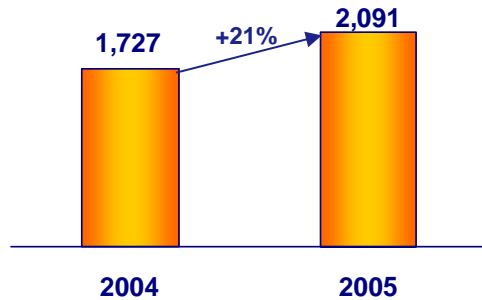


The positive development of the **combined ratio** derives from a declining **claims ratio** due to fewer and smaller claims, as well as sophisticated risk selection and strict claims management. Despite a strict cost control, the **expense ratio** was slightly increased due to higher commission ratio as an effect of the merger with Interpolis. Excluding the merger with Interpolis the expense ratio would have decreased to 24.7%

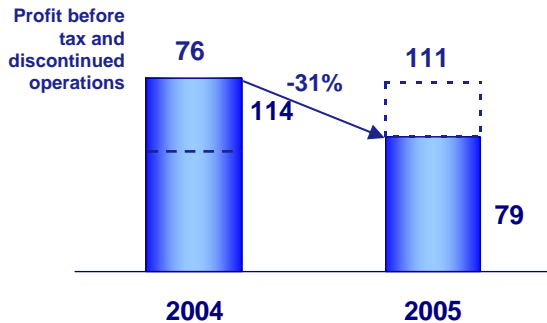


## Private Health growth by acquisitions; Occupational Health shows stable development

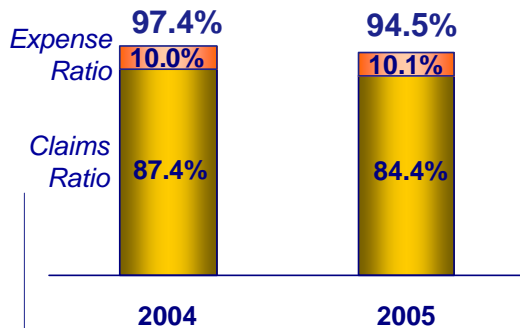
€million



**Net earned premiums** increased from the acquisition of AXA Health portfolio and OZF, as well as from the inclusion of the collective health contracts for Rabobank/Interpolis employees, and an increase of premium rates, in line with market developments



**Occupational health** stabilised premium level. The increase of the premium due to the merger with Interpolis has been off set by premium reimbursement due to the implementation of WIA as per 29 December 2006



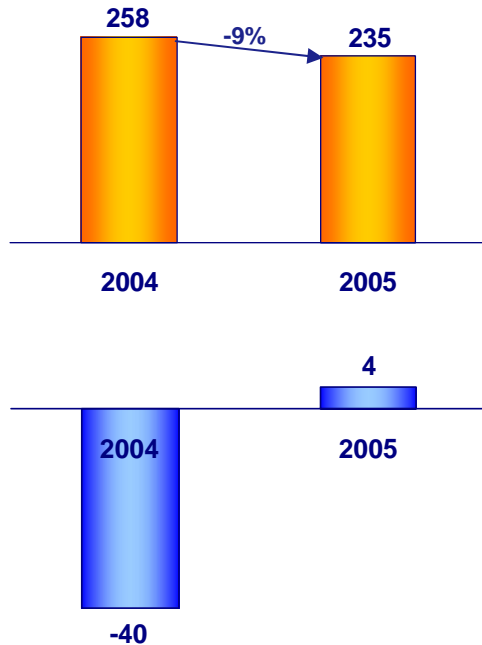
The decline in **technical results** from €114 million to €79 million, due to additional operating expenses for the implementation of the new health system and the additional provisions due to the difficulties in the invoicing from health suppliers. This is in line with market development and on a market level additional actions will be started

The decrease of the **combined ratio** has been artificial through the accounting of the premium reimbursement within occupational health. Excluding the reimbursement, the combined ratio would show a slightly increase. The expense ratio includes €8 million for acquisition costs. Excluding the merger with Interpolis the expense ratio would have been 9.8%



## Health Services restructured and presents black figures

€million



**Revenues** at Health services decreased due to the sale of Argonaut in 2005. Change in legislation and less absenteeism have led to a reduction in the need of reintegration services

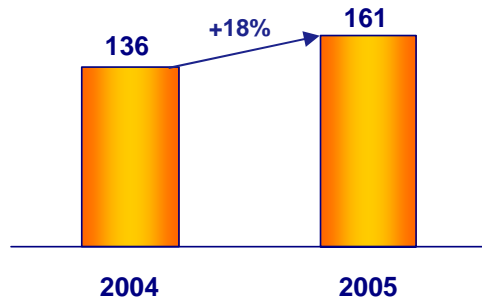
**Interamerican Romania** opened a private hospital in Bucharest

**Profit before tax and discontinued operations** strongly improved after major restructuring in 2004. The reintegration services in The Netherlands and the Greek clinics contributed positively to this improvement. The 2005 result includes a provision for further restructuring, necessitated by the difficult market environment

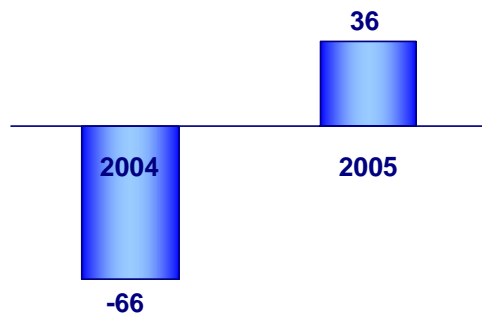


## Banking and Consumer Finance in healthy shape

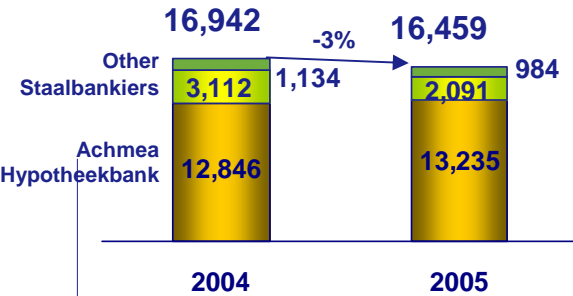
€million



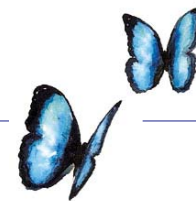
The increase of the **net interest margin** stems from penalty interest on mortgage prepayments in The Netherlands, partly offset by limited commercial performance; and from an improved performance at Friends First Finance in Ireland




The **profit before tax and discontinued operations** increased from € -66 million in 2004 to € 36 million. This was supported by improving the risk profile and restructuring of the Bank in 2004. But has also been positively effected by the effect of the interest movement on the derivatives position. Through the implementation of IFRS the volatility of the result increased



After the downsizing of the Staalbankiers' portfolio in 2004, the **banking credit portfolio** stabilised by limited growth in the mortgage portfolio due to higher prepayments due to the low level of market interest rate. Friends First Finance in Ireland have increased their portfolio in 2005 by 13%. The mortgage portfolio of Achmea Hypotheekbank is mostly low risk residential mortgages

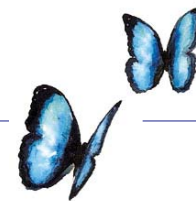


## Associate Companies and Strategic Investments

€ million		<b>2004</b>	<b>2005</b>	<i>delta</i>
<b>PZU</b>		111	270	143%
<b>Other Associates</b>		38	12	-68%
<b>Total</b>		<b>149</b>	<b>282</b>	<b>89%</b>

**PZU** The increase in PZU's contribution is due to a 10% increase in Eureko's shareholding (January 2005) to 31.8% as well as by a strong performance improvement and an increase of the Polish Zloty

**Other** The other associates include contribution from MillenniumBCP, F&C and Friends Provident



## Eureko pro-forma 2005 (Including 12 months Interpolis)

€million

Gross written premiums	Eureko Stand-alone	Interpolis Stand-alone	Eureko Pro forma *
Life	2,369	2,466	4,771
Non-Life	1,543	1,117	2,643
Health	2,048	379	2,432
<b>Total GWP</b>	<b>5,960</b>	<b>3,962</b>	<b>9,846</b>

Profit before tax	Eureko Stand-alone	Interpolis Stand-alone	Eureko Pro forma *
Life	194	195	389
Non-Life	309	176	485
Health	109	46	156
Other	220	-16	87
<b>Total profit before tax</b>	<b>833</b>	<b>401</b>	<b>1,117</b>

\* Differences appear due to consolidation



## Agenda

1. Eureka strategy
2. Eureka performance in more detail
3. Summary



## Summary

- **Life** insurance shows improving results
- **Non-Life** insurance continues to present strong results
- **Health** insurance has shown further growth
- **Banking** is in healthy shape
- **Associates and strategic investments** show their importance to Eureko's result

**Overall, the results in 2005 are very satisfying**