

PRESS RELEASE

16 MARCH 2010 - EUREKO ANNOUNCES 2009 RESULTS

SOLID PROFIT, FURTHER BOOSTED BY PZU SETTLEMENT

- NET PROFIT AT €1.4 BLN (2008: €-2.1 BLN), OF WHICH €1.1 BLN DUE TO THE PZU SETTLEMENT
- IMPACT FINANCIAL MARKETS €-337 MLN (2008: €-2,697 MLN)
- STRUCTURAL COST REDUCTIONS OF €183 MLN; TARGETS MORE THAN ACHIEVED
- SOLVENCY INSURANCE ACTIVITIES AT 251%
- DEBT LEVERAGE IMPROVED
- STRATEGY SHARPENED

Willem van Duin, Chairman of the Executive Board comments:

"We are encouraged by the improvements in performance we are presenting today. However, this is only the beginning and we still have a long way to go. The reporting year 2009, should be seen as a period of recovery. The financial services sector is still caught up in a far-reaching crisis in customer confidence. Restoring that trust is a priority. In 2010, our aim is to live up to what is expected of us. Today's results give the Executive Board confidence that our Group is on track to realise its ambitions. As an important step in that direction, we have sharpened our strategic focus. We are concentrating first on our home market and secondly on those international markets where we see most potential for the future."

ANNOUNCEMENT OF 2009 FULL YEAR RESULTS ON 16 MARCH 2010:

A press conference starts at Eureko's headquarters at Handelsweg 2 in Zeist at 11:00 CET.

A conference call for international media starts at 13.00 CET. Please dial +31 10 294 4271.

A conference call for analysts starts at 14:00 CET. Please dial +31 10 294 4291. More details can be found on Eureko's website: www.eureko.com.

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Eureko's financial statements are prepared in accordance with the International Financial Reporting Standards - including International Accounting Standards (IAS) and Interpretations - as at 31 December 2009 and as adopted by the European Union. All figures in this press release are unaudited.

Results 2009

The reporting year 2009, has been an eventful time for Eureko. Following unprecedented market conditions in 2008, numerous initiatives were started throughout the Group in the knowledge that every crisis offers the opportunity for a new beginning. While part of the sizeable loss over 2008 can be attributed to the global financial crisis, it was also evident that, at operational level, improvements were necessary. Eureko benefited from the economic recovery that started tentatively in early 2009 and picked up during the year. At the same time, we also saw the first positive results of our own structural changes. At year-end 2009, we are reporting a net profit of €1.4 billion compared to a negative result of €2.1 billion over 2008, helped by the stabilisation of financial markets and further supported by the financial compensation following our settlement on PZU. We certainly did not enter the Polish market thinking we would leave it a decade later. However, the financially acceptable exit, after years of fruitless negotiations, ultimately proved to be in the best future interests of our Group.

Financial strength preserved

In a sector where financial health is a prerequisite for doing business, we made preserving financial strength our priority in 2009. The capital support from shareholders, Vereniging Achmea and Rabobank, a clear sign of confidence in the Group, took effect in April and laid the foundation for the subsequent firm rise in solvency. The timely investment helped Eureko overcome turbulent economic times as one of a select group of institutions that did not resort to state support.

As a result, our Group solvency position rose steadily through 2009 and ended the year at a reassuring 216%, and for the insurance entities at 251%, also supported by our decisive derisking strategy. Eureko's total equity improved 36%, from €7.5 billion at year-end 2008 to €10.1 billion at year-end 2009.

The already successful commercial cooperation with Rabobank, both a strategic shareholder and important distribution partner, has been intensified. We share a cooperative background and similar social position. By jointly offering financial services to our customers, all benefit.

Gross written premiums increased slightly over 2009 by 2% to €19.6 billion against €19.3 billion over 2008, although this number was impacted by the merger of our two pension funds. From an operational perspective our Health and Non-life

business performed well. Non-life premiums were up 6% to €4.0 billion from €3.8 billion, supported by the contribution of Oranta in Russia which was acquired at the end of 2008. At our Health division, gross written premiums were down 6% to €10.6 billion from €11.3 billion. The decrease is mainly related to lower government contributions in the Dutch Health business. We are pleased to report that in 2009 the total number of customers insured by our Health division in the Netherlands has risen and that all our large group insurance contracts which were up for renewal have been renewed. The merger of our two pension funds has led to a non-recurring increase of €1.1 billion in gross written premium at Life. As a result, gross written premiums at Life rose 18% to €5.0 billion from €4.2 billion. Excluding the exceptional inflow, Life premiums declined 8% due to growing competition from bank savings products and Avéro Achmea's decision to cease selling Life policies.

Operations

Although the Group's financial strength has now convincingly been restored, Eureko still faces the continued challenge of raising our operational efficiency. In 2009, we started various programmes, with different durations, and the first results have become apparent. In the relative short term, we said we would reduce operations costs by €100 million. With structural cost reductions of €183 million, we have more than achieved that target. This significant cutback positions us well to meet our cost reduction target for 2011 of €300 million. But if Eureko is to grow further and maintain its position as market leader in the Netherlands, many more changes will have to be made. Our efficiency programme, SENS, designed to raise operational performance, has been rolled out across almost all of our divisions. Over the coming years it will optimise all our processes so that we work smarter and with more focus on the customer's needs. Both will generate cost efficiencies.

In March 2009, we said greater efficiency would lead to an estimated reduction of 2,500 FTEs. Compared to last year, the total number of employees at Eureko, internal as well as external, decreased by 1,207 from 24,883 to 23,676 of which 1,084 in the Netherlands. This happened mainly as a result of a reduction in external staff and, most importantly, without compromising our high level of quality and services.

Most trusted insurer

The financial crisis coincided with a far-reaching crisis in customer confidence. If this crisis has taught us anything, it is that in the insurance sector, there

are no greater assets than trust and reputation. Both have been damaged in recent years. Insurance is a cornerstone in any society. At Eureko, we provide health and income protection as well as life and non-life insurances. This means we are intimately involved in the lives of people, customers. We are there when they are ill, when they are unable to work. Our job is to ensure people, customers, feel confident, well-insured, as they go about their daily lives. You do that by being just as closely involved in the whole of society, by accepting responsibility and the duty of care it involves. You do it by committing to social responsibility in the way you work. And you do it by tirelessly searching for solutions to issues in the world around you. And there are many – greying populations, changes in social security, diversity, illiteracy.

Through our mutual background, we have always had our cooperative identity as our moral compass. Nothing has changed. Based on this identity, we have made it our ambition to become the most trusted insurer. These are not just words. Our identity will be the benchmark against which all our choices are measured; what we do and how we do it must fit with who we are and who we want to be. If we say the customer is central to everything we do, then if we are to regain trust and help restore the reputation of our industry, then we have to show customers that their interests come first. We have to keep our promises.

That is why in 2009, our majority shareholder Vereniging Achmea has further developed its members policy. Every customer of one of the Achmea brands is automatically a ‘customer member’ of Vereniging Achmea. Besides safeguarding the continuity of Eureko, a second purpose of Vereniging Achmea is to promote the interests of customer members. Vereniging Achmea thus promotes the interests of all customers. At Eureko, we have initiated an integrity scan that examines all products and services based on our duty of care to customers. We believe this is the right action to show our customers we are working for them. This scan will be embedded in our product development and in our processes. Furthermore, it ensures products are compliant with regulations.

These are our own initiatives that build on and are in addition to efforts that have been rolled out by our sector through the Dutch Association of Insurers. One example worth mentioning is the launch of clear guidelines for fair and understandable information to customers. The guidelines also deal with duty of care, service levels and accessibility. Needless to say, we wholeheartedly support these initiatives to restore trust.

Becoming the most trusted insurer is an ambition that we cannot achieve without the commitment from our people in the Netherlands and throughout Europe. I thank all for their efforts and dedication in achieving the goals we set in 2009; I also realise this has not been the easiest of time for some of our people. We attach great value to our leading position in the top ten of best employers in the Netherlands and it is with good reason that employees are recognized as an important stakeholder of our Group. We would also like to thank our Central Work’s Council for the constructive contacts we had with them in 2009 and we appreciate the cooperation we have had with them. They played an important role in representing the interests of employees within our four-stakeholder-model.

Focus

We feel that demanding times require us to make clear choices. That is why we have sharpened our strategic intentions, both in our home market as well as in Europe. Complexity reduction forms a key driver at this process. There is room for improvement in efficiency and effectiveness, and we can make more and better use of economies of scale by working together, by standardising and by cutting costs.

In the Netherlands, Non-Life, Health and Income protection, delivered through market-leading banking and direct channels, are already core competences. Broker distribution will contribute to economies of scale in core propositions. In the Life and Pension business our aim is to form a range of standardised and transparent products.

Abroad, with the disappearance of Poland as our envisioned second home market, we will concentrate our attention and resources on the fast-growing market in Turkey. Eureko Sigorta has a strong position in the market and we cooperate closely there with Garanti Bank as major distributor of our products.

The year ahead

Although we are encouraged by the first signs of improvements we present today, we still have a long way to go to where we want to be as a Group. The year 2009 can be characterised as one of recovery as we laid the foundations for improving our operational performance. In 2010, our aim is to live up to what is expected of us, and more. The results over 2009 give the Executive Board confidence that our Group is on track to realise its ambitions.

Willem van Duin
Chairman of the Executive Board, Eureko B.V.
16 March 2010

GROUP PERFORMANCE EUREKO

	(€ million)					
	2009	2008	Δ %	H2 2009	H2 2008	Δ %
Results						
Gross written premiums	19,645	19,306	2%	9,143	8,499	8%
Of which Health	10,617	11,259	-6%	4,851	5,263	-8%
Of which Non-Life	4,030	3,816	6%	1,662	1,568	6%
Of which Life	4,998	4,231	18%	2,630	1,668	58%
Investment income including associated companies and participating interests	1,048	-172	n.m.	1,162	-667	n.m.
Fee and commission income	594	632	-6%	306	287	7%
Other income	3,514	-2,840	n.m.	3,819	-1,082	n.m.
Total income	24,801	16,926	47%	14,430	7,037	105%
Claims and movements in insurance liabilities	18,861	14,475	30%	10,700	7,150	50%
Operating expenses	3,284	3,664	-10%	1,685	1,951	-14%
Other expenses	1,149	1,407	-18%	632	650	-3%
Total expenses	23,294	19,546	19%	13,017	9,751	34%
Profit before tax	1,507	-2,620	n.m.	1,413	-2,714	n.m.
Income tax	126	-502	n.m.	147	-472	-69%
Net profit	1,381	-2,118	n.m.	1,266	-2,242	n.m.
Profit before tax by segment						
Health	319	-28	n.m.			
Non-Life	282	-95	n.m.			
Life	-108	-1,381	92%			
Banking	-47	36	n.m.			
Other activities	1,061	-1,152	n.m.			
Total	1,507	-2,620	n.m.			
Balance sheet						
	31-12-09	31-12-08				
Total assets	93,189	92,453	1%			
Total equity	10,127	7,451	36%			
Investments	39,115	36,251	8%			
Insurance liabilities	35,112	36,471	-4%			
Solvency						
EU solvency cover Group	216%	150%	66%pts			
Solvency insurance entities*	251%	197%	54%pts			
FTEs						
Internal staff	21,209	21,256	0%			
External staff (Netherlands)	2,467	3,627	-32%			
Total FTEs	23,676	24,883	-5%			
Total staff (headcount)	27,681	28,327	-2%			

n.m. not meaningful

2008 figures adjusted for comparison reasons

*Includes the allowed excess of insurance liabilities above liability adequacy test.

General

In the reporting year, Eureko's focus was to return to a healthy base for the near-term and into the future. A series of both strategic and operational measures have been put in place designed to counteract the effects of the changed financial environment. The measures taken and the major efforts made by the whole Group are already generating promising results. In 2009, these are clear. Solvency and liquidity are both strong and solid, due primarily to rapid action in derisking the investment portfolio, a capital increase by our main shareholders, and the high net profit achieved in 2009. Eureko's equity has improved to over €10 billion (2008: €7.5 billion). The focus is on achieving economies of scale rather than growth. As a result, specific measures were implemented to reduce our operational costs considerably, specifically by streamlining processes. Furthermore, the phased reduction in the workforce of our Dutch business is on track.

RESULTS 2009

Net profit

In 2009, Eureko's net profit improved to €1,381 million compared to a loss of €2,118 million in 2008. Profit before tax amounted to €1,507 million (2008: €-2,620 million). Profit in 2009 was impacted positively by the settlement reached with the Polish government on the PZU dispute. The effect on net profit was €1,064 million and on profit before tax €1,238 million. At €337 million in 2009, the negative impact of the financial markets was considerably lower than in 2008 (€-2,697 million). Total impairments especially were lower at €188 million in 2009 compared to €1.9 billion in 2008. At €123 million, realised losses on the equity portfolio were €306 million less than in 2008. Part of the annuity portfolio is valued at fair value through profit and loss. In 2008, significant losses of €462 million were incurred; in 2009 we realised a profit of €19 million. The loss on guaranteed for segregated investments accounts was €14 million, also considerably lower than in 2008 (€-136 million). In the first half of 2009, part of the equity investment portfolio was hedged via a collar. This fair value hedge resulted in a loss of €31 million due to higher share prices and loss of time value of the collar. Excluding the impact of the PZU settlement and financial markets, profit before tax amounted to €606 million, up from €77 million in 2008.

Specification of profit before tax	(€ million)		
	2009	2008	Change
Profit before tax	1,507	-2,620	4,127
Impact financial markets	-337	-2,697	2,360
PZU settlement	1,238	0	1,238
Adjusted profit before tax	606	77	529

Specification of impact financial markets (€ million)

	2009	2008	Change
Realised gains & losses equity portfolio	-123	-429	306
Impairments investment portfolio	-161	-1,125	964
Impairments strategic portfolio	-27	-796	769
Negative results from fixed income at fair value through P&L	19	-462	481
Guarantees on segregated investments accounts	-14	-136	122
Fair value Equity hedge	-31	251	-282
Total	-337	-2,697	2,360

In Non-Life, results improved to €282 million (2008: €-95 million), not only due to better investment results, but also to higher premiums in combination with a lower cost base. This was partly offset by higher claims. The result for basic and supplementary health insurance activities increased considerably compared to last year with profit before tax up to €319 million (2008: €-28 million). This is due primarily to the (semi-final) settlement for 2006 from the equalisation pool. With some recovery in equity markets, results in our Life operations improved to €-108 million (2008: €-1,381 million). In Banking, profit before tax decreased to €-47 million (2008: €36 million). Results in Dutch Banking were offset by the necessary additions to loan loss provisions at Friends First Finance.

Net profit per country

In 2009, the greater share of results was generated in the Netherlands, specifically due to cost-reduction programmes and the PZU settlement. In Europe, Friends First's made a significant loss, mainly through essential additions to loan loss provisions. Furthermore, Oranta's results were consolidated for the first time following its acquisition at year-end 2008.

Net profit per operating company (€ million)

	2009	2008
Achmea Benelux (incl. Holding)	1,504	-2,085
Friends First Ireland	-105	-21
Interamerican Greece	6	7
Union Slovakia	-15	-7
Eureko Sigorta Turkey	22	32
Oranta Russia	-28	-
Other Operating Companies	-3	-44
Total	1,381	-2,118

PZU settlement

Following a dispute with the Polish state that lasted more than a decade, in 2009 Eureko finally reached settlement with the Polish state on PZU. Eureko holds economically

33% less one share of the shares in PZU. As part of the settlement, in November 2009, €1.9 billion was paid to Eureko, of which €1.0 billion was regular dividend on our shareholding in PZU and €0.9 billion represented 50% of the special dividend that had been paid to the Polish treasury in 2009. The first part of the financial compensation Eureko is to receive in return for giving up specific rights in relation to PZU it acquired earlier. This latter component has been added to profits. As a result, the settlement had a positive impact on our solvency ratios and enabled us to reduce outstanding debt. The settlement further provides for an Initial Public Offering (IPO) of PZU before 2012 that will further improve our liquidity and solvency position. In the IPO, Eureko will offer at least 15% of which 10% through the special purpose vehicle of the outstanding PZU shares as agreed in the settlement. The Polish Treasury will sell 4.9% of the shares in PZU through the special purpose vehicle and Eureko will receive fixed proceeds on these shares. This will constitute the second part of the above mentioned financial compensation. The regular dividend payment, the financial compensation received from the Polish Ministry of State Treasury, the fixed proceeds from 4.9% of the shares and other economic interests in PZU via derivative contracts resulted in total in a net profit in 2009 of €1,064 million.

While Eureko welcomed the amicable resolution of this long-running dispute, it also means that the strategic goal of positioning Poland as a potential second domestic market is no longer feasible. Although regrettable, the settlement and the gradual divestment create flexibility at a time when the insurance industry is in flux. This change was a key component in the strategic review of the international portfolio during 2009.

Gross written premiums

Gross written premiums increased slightly to €19.6 billion (2008: €19.3 billion). Eureko has been able to increase premiums in our Non-Life business. Organic growth amounted to 4%. The acquisition of Oranta at the end of 2008 resulted in a positive contribution in gross written premiums of €78 million. In our Health business we achieved a growth in new customers. However, this was more than offset by lower contributions received from the Dutch state. Our sales in the Life business were impacted by the entry of banks and pension funds that are now offering similar products. The resulting decrease in premiums was, however, more than compensated by the merger of our two pension funds which has led to a non-recurring increase of €1.1 billion in gross written premiums. Excluding this one-off, premiums in Life declined 8%.

Expenses

Total operating expenses are down by 10% to €3,284 million (2008: €3,664).

In the first half of this year, Eureko began implementing programmes to achieve a reduction of €100 million by the end of 2009. When we reported our semi annual results, we indicated we were confident that we would achieve this goal. In view of our actual performance, the implemented programmes are successful so far. Of the decrease, €183 million can be attributed to structural cost reductions. This relates mainly to lower procurement, IT, marketing and external FTE costs. We are also seeing the first impacts of the SENS programme. Around €121 million relates to one-offs, such as delayed project costs, lower costs due to the current economic climate and no bonuses. The divestment in 2008 of two of our medical facilities in Greece decreased our operating expenses by €58 million. The acquisition of Oranta increased operating costs by €43 million. Lower sales resulted in €69 million lower acquisition costs.

Programmes to achieve operational excellence by improving performance for our customers while reducing expenses were implemented in several Dutch divisions in 2009. The first solid results are expected to materialise in 2010 and 2011.

FTEs

As a result of cost reduction programmes, the mix between our internal and external personnel improved significantly compared to last year. The total number of employees (both internal and external) for Eureko decreased with 1,207 from 24,883 to 23,676 of which 1,084 in the Netherlands.

The number of external employees in the Netherlands decreased more than 30% or 1,160 in 2009. We expect that the external workforce will decrease in 2010 as part of the ongoing efficiency programmes.

During 2009, our number of internal FTEs was almost stable, with a total of 21,209. Within the Dutch businesses, our FTEs increased slightly, mainly to replace external employees. In our European businesses, our FTEs decreased by 123.

CAPITAL MANAGEMENT

Development of total equity	(€ million)	
	2009	2008
Total equity start of year	7,451	10,375
Issue share capital	1,028	-
Issue hybrid capital	-	225
Net profit	1,381	-2,118
Cash dividend and coupons		
hybrid capital	-106	-113
Revaluation	760	-868
FX and hedge	-166	-183
Other	-221	133
Total equity end of year	10,127	7,451

In 2009, our capital base grew significantly (36%) and is now again over €10 billion. This is due mainly to our improved net income for the reporting year complemented by the issue of share capital to our main shareholders in April and positive revaluations on our investments. Compared to year-end 2008, Eureko's Group solvency position improved 66%-points to 216% of the minimum regulatory requirements. The solvency of our Insurance entities improved to 251% from 197%.

With solvency ratios for Non-Life at 246%; Health at 201% and Life at 220%, Eureko's minimum requirements (Non-Life: 160%; Health: 150%; and Life: 170%) were significantly outperformed.

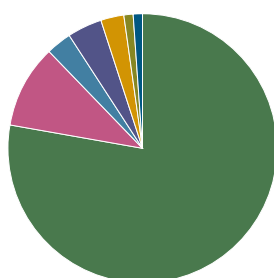
At the end of 2009, the Tier 1 ratio of Achmea Hypotheekbank and Staalbankiers was 10.4% and 14.7%, respectively. Both are considerably higher than the minimum 4% regulatory requirement, again underlining that the solvency of all our businesses is solid.

Eureko's external borrowings excluding banking and finance operations was reduced significantly mainly as a result of the cash inflow from the PZU settlement. Debt leverage (debt including perpetuals divided by total equity and debt minus goodwill) improved from 36.4% in 2008 to 22.7% in 2009.

The dividend proposal to the General Annual Meeting will be to pay a final dividend of €585 million or €1.43 per ordinary share in either cash and/or stock according to shareholder preference.

INVESTMENT PORTFOLIO

Fixed income securities	78%
Deposits/cash	10%
Equities	3%
Real Estate	4%
Derivatives	3%
Alternatives	1%
Other financial investments	1%



Eureko's investment portfolio increased €2.8 billion in 2009 to €39.1 billion. This is excluding investments related to cash collateral received in securities lending and investments in PZU and MillenniumBCP.

Throughout 2009, Eureko has systematically divested higher risk instruments in favour of less volatile investment products. As a result, the share of equity instruments was reduced in favour of fixed income securities. Impairments amounted in 2009 to €161 million compared to €1,125 million in 2008.

Fixed-income portfolio

The share of fixed income securities in our total investments portfolio grew throughout the year from 76% at the end of 2008 to 78% at the end of 2009. This corresponds to an increase in value of €2 billion to €30 billion. The main reasons for this development are the implementation of our derisking strategy and the improving economic climate.

Throughout 2009, we have selectively divested equity investments and credits to reinvest in high grade fixed income securities. To reduce our counterparty risk, we also changed the composition of the fixed income portfolio to predominantly government bonds with an AAA-rating (mostly Dutch and German government bonds). Our total government exposure to Greece, Italy, Portugal and Spain is limited to less than 2% of the total fixed income portfolio. The exposure to Greece is primarily through our subsidiary Interamerican.

The position in loans consists mainly of savings accounts related to mortgages and pension products with Rabobank.

Relative position of fixed income by nature (total €30 billion)

	31-12-2009	31-12-2008
AAA sovereign	59%	49%
Other rating sovereign	5%	12%
Total government bonds	64%	61%
Covered bonds	8%	6%
Credits	14%	17%
Convertibles	1%	1%
High yield	1%	1%
Asset backed securities	2%	1%
Loans	10%	13%
Total	100%	100%

Despite having divested part of our corporate bonds, reducing credit spreads generated positive revaluations of €557 million on Eureko's corporate bond portfolio. In 2009, Eureko impaired €23 million on the fixed income portfolio of which €8 million during the second half.

Equity portfolio

The relative share of equities in our total investment portfolio is limited and amounts to 3% or €1.1 billion as of 31 December 2009 compared to €2.5 billion at the end of 2008. The decrease is due mainly to the sale of equities as part of the derisking programme. Eureko's equity portfolio has an acceptable risk profile. The portfolio is not hedged. Eureko impaired €44 million on the equity portfolio in 2009 of which €18 million in the second half.

Real estate portfolio

Our real estate portfolio amounted to €1.7 billion (year-end 2008: €1.7 billion) of which 100% is unlisted. The portfolio consists of €1.4 billion direct real estate and €0.3 billion indirect real estate. Impairments amounted to €94 million (second half €7 million).

- Organic premium growth 4%; strong contribution from banking distribution channel
- Satisfactory results
- Expense ratio down 1.3%-points to 29.0%

	2009	2008	Δ %	H2 2009	H2 2008	Δ %
(€ million)						
Results						
Gross written premiums	4,030	3,816	6%	1,662	1,568	6%
Investments	180	-131	n.m.	129	-197	n.m.
Other income	-237	-179	32%	262	258	2%
Total income	3,973	3,506	13%	2,053	1,629	26%
Claims and movements in insurance liabilities	2,573	2,287	13%	1,306	1,132	15%
Operating expenses	1,088	1,144	-5%	559	601	-7%
Other expenses	30	170	-82%	14	104	-87%
Total expenses	3,691	3,601	3%	1,879	1,837	2%
Profit before tax	282	-95	n.m.	174	-208	n.m.
Key figures			Δ %pts			Δ %pts
Net claims ratio	67.8%	65.3%	2.5	68.5%	64.5%	4.0
Net expense ratio	29.0%	30.3%	-1.3	29.4%	31.6%	2.2
Net combined ratio	96.8%	95.6%	1.2	97.9%	96.1%	1.8
Solvency ratio	246%	199%	47			
Number of internal FTE	7,116					

2008 figures adjusted for comparison reasons

General

A core business and a core competence for Eureko, Non-Life insurance (Property & Casualty and Income Protection) accounts for 21% (2008: 20%) of Eureko's total gross written premiums. In the Netherlands, we are market leader with a market share of 20% and we have ambitions to further improve our profitable market share. Our Non-Life business comprises a full range of property & casualty products and, from 2009, includes occupational health or income protection insurance. Customers are private individuals and businesses. We are active in Non-Life in a number of European markets: the Netherlands, Turkey, Greece, Belgium, Slovakia, Romania, Bulgaria, Cyprus and, since the end of 2008, in Russia. In February 2010, Eureko announced the sale of its Cyprus activities through a management buy out.

Gross written premiums were up 6% from €3,816 million to €4,030 million, due to increased premiums in the Netherlands and Greece and the full year

consolidation of Oranta in Russia. Organic growth amounted to 4%.

Profit before tax recovered significantly from a loss of €95 million to a profit of €282 million. Although partly offset by higher claims, €2,573 million in 2009 (2008: €2,287 million), this was the result of lower realised losses on equities, lower impairments and a considerable reduction in operating expenses. Total operating expenses expressed as a percentage of Net earned premiums (net expense ratio) improved from 30.3% (2008) to 29.0%. The expectation is that the expense ratio will further improve in 2010 as the operational measures and efficiencies, including a reduction of the number of legacy systems, translate into performance. The goal is to reduce the around 80 current systems to less than 20 starting in 2010. The claims ratio for 2009 of 67.8% (2008: 65.3%) was influenced by more regular claims. Another factor is the continuous pressure on price in the market. Specific product groups saw higher claim activity – mobility

and legal. Furthermore, storms and unseasonably heavy rainfall/hail in May 2009 and the severe winter weather at the start and in final months of the year added to claims.

Netherlands

The Dutch Non-Life market is saturated and competition is fierce. New web-based providers, specifically in the motor segment, but also in home insurance, are targeting individual customers, competing on price. There is equally fierce competition in commercial lines. Achmea is leader in Non-Life with an estimated 20% of the market. Gross written premiums in the Netherlands increased 3% to €3,318 million (2008: €3,215 million) mainly as a result of growth in the existing portfolio through price indexing and strong sales in income protection. Market growth is expected to be limited in the coming years. We offer Non-Life products through a range of Achmea brands and all distribution channels. Profit before tax improved to €269 million (2008: €-118 million).

Property & Casualty

Achmea is market leader in property & casualty (estimated at 21% in 2009) in the Netherlands with number one positions in both bank and direct distribution. Achmea's brands are able to maintain their leading position because they have high recognition and offer customers tailored distribution options. Our key target groups are individual customers and small and medium-sized enterprises (SMEs). In spite of fierce competition, gross written premiums in the Netherlands increased 2% to €2,632 million (2008: €2,573 million). The combined ratio in 2009 was 94.5% (2008: 95.5%). The claims ratio was 67.1% against 66.4% in 2008. The expense ratio improved to 27.4% from 29.1% in 2008.

Bank: Our bank distributor Interpolis ranks top of the customer preferred Non-Life insurer table. Interpolis has an estimated market share in Non-Life of more than 11% in 2009. Interpolis works closely with Rabobank which is its almost sole distribution channel. The focus at Interpolis is on prevention and insuring only what is important for the customer without unnecessary cover. The bank distribution channel achieved a gross written premium of €1,376 million (2008: €1,337 million). Net expense ratio in 2009 improved to 28.7% (2008: 30.0%) as a result of higher net earned premiums and lower marketing and sales expenses and project costs.

Direct: We are market leader in direct distribution, with an estimated market share of 7% in Non-Life (property & casualty). Direct distributors, Centraal Beheer Achmea and FBTO, are both household names, achieving high customer satisfaction rates, specifically in the individual market. Centraal Beheer Achmea is also a very strong label in commercial lines. The

new direct InShared concept, that at year-end matches actual claims and premiums and repays the difference to customers, is carving out a position in this market. Direct distribution contributed gross written premiums of €874 million (2008: €892 million). Net expense ratio in 2009 improved considerably to 22.1% (2008: 23.6%), mainly due to a decrease in employee costs and lower marketing and sales expenses.

Broker: Through our Avéro Achmea brand, we serve more than 3,000 brokers. With an estimated market share of 3% Avéro Achmea is a modest player in the Non-Life business. The broker channel will remain important for SME and large corporate segments. The expectation is that private individuals will switch increasingly to the direct channel for simple products. In line with the revised strategy, standard products rather than more complex tailored insurances will be offered to brokers. The broker channel achieved gross written premiums of €323 million (2008: €326 million). Higher net earned premiums and decreasing operating expenses resulted in an improved net expense ratio in 2009 of 37.5% (2008: 44.7%).

Income protection

Often known as occupational health insurance, Achmea is a top three player in income protection, with an estimated 19% market share. This share is divided over our bank distribution channel with 40%, direct distribution with 38% and the broker division with 22%. Our expectation for the coming years is that the market for income protection will contract due to pressure on premiums which could be offset by a shift from public to private management of disability. In the reporting year, gross written premiums increased 7% from €642 million in 2008 to €686 million. Lower absenteeism was offset by growth in (long-term) disability segments, mainly due to non-recurring sales of single-premium policies. Main reason is deteriorating market conditions. The claims ratio increased to 75.6% from 68.3% in 2008, due to greater price pressure. The expense ratio improved from 24.1% in 2008 to 23.6%.

OUR EUROPEAN MARKETS

Turkey

Acquired in 2007, Eureko Sigorta Turkey currently ranks seventh in the top 10 Non-Life providers. The longer-term target is to grow that position to the top five by 2012. Through strong retained links with former parent and historic shareholders, Garanti Bank of Turkey, bank distribution is a key component in our strategy and currently represents 70% of sales. The 2009 gross written premiums (€250 million) are stable compared to last year (2008: €254 million). However, measured in local currency, gross written premiums increased by 13%.

Greece

Interamerican is currently the number two player in the Greek market. Distribution is mainly through agents and brokers, traditionally the way Greek customers buy their insurance. The direct channel, still relatively small and new, selling motor and property has more than tripled turnover in 2009. Non-Life activities achieved growth in gross written premiums, despite downturn in the market. Gross written premiums in 2009 increased 24% to €211 million (2008: €170 million) as a result of increases in business coming from motor hull and third-party liability and the successful launch of a home package. The focus on operational excellence resulted in an improved expense ratio.

Belgium

Avéro Belgium has a significant position in the niche marine (cargo, hull, CMR, trucks) and special risk businesses. In this market, we offer a full range of Non-Life broker-driven products to both individuals and corporate clients. Gross written premiums were stable at €124 million (2008: €126 million) which is an achievement in the shrinking insurance market in Belgium.

Russia

With potential for multi-channel distribution and a mixed portfolio, Oranta represents a platform for further growth through its considerable potential in motor and property insurance. It is presently in the top 30 with gross written premiums of €78 million in 2009. Acquired at the end of 2008, Oranta's performance was consolidated for the first time.

Slovakia

Already the top player in the travel insurance segment with 44% of the market, Union Slovakia entered the motor segment in October 2009. It has ambitious goals. The aim is to achieve 5% market share within three years. In 2009, Union gross written premiums were stable at €22 million.

- Healthy results boosted by non-recurring settlement for 2006 from the equalisation pool
- Stable market share of 29%, group contracts renewed
- Operating expenses further decreased by €94 million
- Combined ratio supplementary health down to 88.9% from 90.3%

(€ million)

	2009	2008	Δ %	H2 2009	H2 2008	Δ %
Results						
Gross written premiums	10,617	11,259	-6%	4,851	5,263	-8%
Of which Basic health insurance	9,082	9,812	-7%	4,117	4,567	-10%
Of which Supplementary health insurance	1,237	1,178	5%	583	553	5%
Of which Europe	298	269	11%	151	143	6%
Investments	155	57	172%	105	5	n.m.
Fee and commission income	199	265	-25%	106	129	-18%
Other income	-30	-340	91%	347	-35	n.m.
Total Income	10,941	11,241	-3%	5,409	5,362	1%
		0				
Claims and movements in insurance liabilities	9,746	10,321	-6%	4,746	4,961	-4%
Operating expenses	764	858	-11%	409	397	3%
Other expenses	112	90	24%	75	75	0%
Total expenses	10,622	11,269	-6%	5,230	5,433	-4%
Profit before tax	319	-28	n.m.	179	-71	n.m.
Key ratios basic health insurance						
			Δ %pts			Δ %pts
Claims ratio	95.7%	97.6%	-1.9	94.9%	97.7%	-2.8
Expense ratio	3.3%	3.2%	0.1	3.6%	3.8%	-0.2
Combined ratio	99.0%	100.8%	-1.8	98.5%	101.5%	-3.0
Key ratios supplementary health insurance						
Claims ratio	77.3%	76.3%	1.0	73.1%	74.6%	-1.5
Expense ratio	11.6%	14.0%	-2.4	13.2%	16.5%	-3.3
Combined ratio	88.9%	90.3%	-1.4	86.3%	91.1%	-4.8
Solvency ratio	201%	162%	39			
Number of internal FTE	5,164					

2008 figures adjusted for comparison reasons

General

Health is one of our core businesses and a core competence, representing a significant share of total Eureko gross written premiums (54%, down from 58% in 2008, as other business lines increase their share). With a 29% market share and 4.8 million insured, Eureko is market leader in health insurance in the Netherlands. The Dutch market accounts for 97% of total Health business gross written premiums, with operations in Europe contributing the remaining 3%.

Under the Achmea umbrella in the Dutch market, we offer basic and supplementary health insurance

and health services. Health service activities include disability prevention, health care and absenteeism prevention. During the reporting year, occupational health insurance, that had long formed part of the Health segment, was reclassified to Non-Life because of the similarity to Non-Life products. Elsewhere in Europe, Eureko offers basic, supplementary and private health insurance in Greece, Russia, Slovakia, Romania and, launched in 2009, Turkey.

Total gross written premiums in the Health business decreased to €10,617 million from €11,259 million in 2008 mainly due to lower contributions (€739 million)

received from the Dutch state, mainly related to prior years. These contributions relate to the risk mitigation introduced in 2006 as part of the new basic health insurance system. Gross written premiums received from private individuals increased by 2% to €5,217 million (2008: €5,120 million), due to slight increases in prices and growth in new customers.

Profit before tax improved from €-28 million to €319 million, due to the increase in the result for basic and supplementary health insurance. This is due primarily to the (semi-final) settlement for 2006 from the equalisation pool, a key compensatory component for insurers in the Dutch basic health care system. Furthermore, we received the final payment over 2005 from the former health-care system, generating €28 million. Excluding these releases and the final payment of 2005, Profit before tax amounts to €130 million, an improvement of €158 million generated primarily through improved efficiency, lower costs and higher interest income. There were so many uncertainties surrounding the new health-care system introduced in 2006, that we had been cautious in our provisioning. Now that 2006 has been finalised, we were also able to reevaluate and adjust our provisions over the last four years; 2006 to 2008 had been loss years in basic health. The risk equalisation fund pay-out on 2006 enabled the release of €161 million provisions, also on subsequent years.

The Achmea Health business completed implementation of SENS (streamlining processes from a customer perspective) in 2008 but continues to apply SENS to further improve efficiency. The reorganisation at Health Services also proved successful with significant cost reductions. As a result, the operating expenses decreased significantly to €764 million (2008: €858 million).

The Netherlands

Through the merger with Agis, Achmea became the market leader in health insurance in 2007 with a market share of 29%. Our market share and number of insured grows slightly every year in what can only be described as a saturated market. Premiums for the insured increase marginally every year. The health insurance market in the Netherlands is also relatively stable in terms of players; there is a high entry threshold. In recent years, only five insurers have had more than one million customers. Our customers are individuals and groups. Traditionally, Achmea has focused on providing group contracts, specifically through employers, industry sectors and umbrella organisations. Agis also has considerable market share in specific target groups, such as the chronically ill and ethnic minorities. Around 77% of Achmea policies are group contracts. Customers can

change their insurer quite easily every year. In 2009, only 3.5% switched.

Operating results

Gross written premiums for basic and supplementary health insurance decreased by €671 to €10,319 million (2008: €10,990 million), primarily through lower contributions (€739 million) from the Dutch state.

Profit before tax from basic health increased €195 million to €203 million (2008: €8 million), primarily due to settlement of 2006 by the equalisation pool, which enables us to reevaluate and adjust provisioning for 2006 through 2009 and release €161 million, and the settlement of 2005 (€28 million).

If these two items are excluded, Profit before tax improved from €8 million in 2008 to €14 million in 2009. Despite the decrease in operating expenses, the expense ratio increased slightly from 3.2% to 3.3% due to lower contributions from the government. The claims ratio improved 1.9%-points to 95.7%. However, discounting the one-off items noted above, the claims ratio increased slightly to 97.8% (2008: 97.6%). In 2009, on basic health insurance, of every €1 in premium 96% is paid out in cost of providing health care; around 3% is the cost of administering the system and around 1% is profit. Receivables on outstanding debtor and default balances, a growing trend since the introduction of a 'mandatory own risk' component in basic health, have increased. Additional provisions for bad debts have been made to cover the risk of bad debts. In the current economic climate it is probable that bad debts will increase although insurers now only have to carry default risk for six months after the government established a risk transfer facility.

Profit before tax from supplementary health insurances increased to €140 million (2008: €102 million), primarily due to increased investment income. The supplementary health expense ratio improved from 14.0% to 11.6% as a result of streamlining our processes. The claims ratio deteriorated from 76.3% to 77.3% due to increasing demand from customers for tailor-made policies reflecting their specific needs.

Income from Health Services decreased €66 million to €199 million mainly as a result of the divestment of the Greek hospitals at the end of 2008. Income in the Netherlands remained stable despite the fierce competition and price pressure. The loss in 2008 of €42 million was considerably reduced to a loss of €22 million as a result of an organisational restructuring.

OUR EUROPEAN MARKETS

Eureko is currently active in various European health insurance markets, with operations in Greece and Slovakia contributing the largest share of European total gross written premiums. In line with 2009 goals, we launched health insurance in Turkey in the reporting year.

Greece

Our Greek company, Interamerican, offers private health insurance as an alternative to state provided care. There are no official market share data, but Interamerican has a strong position. In June 2009, Interamerican announced an important strategic cooperation whereby ING Greece's banking network will sell Interamerican's new health insurance products on a preferred provider basis. The main strategy is to retain and expand our leading health insurance position through the concept of managed care. In 2009, gross written premiums improved to €114 million (2008: €113 million).

Slovakia

Eureko entered the Slovakian health insurance market under its Union label in the first quarter of 2006. Ranked third in the Slovakian market at the beginning of 2010, Union currently offers both basic and supplementary health insurance. Gross written premiums improved by 19% to €181 million in 2009 (2008: €152 million), driven by an increase in number of clients (+10%) and growing market share from 6% to 7%. Due to the negative impact of the economic crisis in Slovakia, which led to lower income of insured, higher unemployment and in particular more unpaid premiums, increase in net premium income did not match the increase in health care costs per customer.

Other European countries

Gross written premiums in other European countries comprise mainly Eureko's developing operations in Romania, Russia and Turkey.

- In a shrinking Life market results improved but remain under pressure
- Gross written premiums down 8% mainly due to bank saving
- Lower sales resulted in lower Value New Business but margins improved

(€ million)

	2009	2008	Δ %	H2 2009	H2 2008	Δ %
Results						
Gross written premiums	4,998	4,231	18%	2,630	1,668	58%
Fee and commission income	385	350	10%	194	166	17%
Investments	467	545	-14%	735	287	156%
Other income	1,709	-3,283	n.m.	1,610	-1,774	n.m.
Total income	7,559	1,843	310%	5,169	347	n.m.
Claims and movements in insurance liabilities	6,542	1,858	252%	4,648	1,057	n.m.
Operating expenses	997	1,077	-7%	470	593	-21%
Other expenses	128	289	-56%	45	97	-54%
Total expenses	7,667	3,224	138%	5,163	1,747	196%
Profit before tax	-108	-1,381	n.m.	6	-1,400	n.m.
Key figures						
Embedded value*	4,910	4,123	19%			
Value added by new business**/***	36	41	-12%	25	13	92%
New business APE***	280	407	-31%	139	185	-25%
PVNB***	2,267	3,191	-29%	1,839	1,518	21%
New business margin***	1.6%	1.3%				
Value added by new business as a % of APE***	12.8%	10.0%				
Solvency ratio	220%	160%				
Number of internal FTE	3,027					

* Eureko applies the European Embedded Value Principles

** After effect of economic assumptions

*** without the effect of the merger of two of Eureko's pension funds

General

Life, including pension insurance and, from 2009, pension services, is a major business for Eureko and represents 25% (2008: 22%) of Eureko's total gross written premiums. With estimated market share of 12% in Life and 11% in pensions in the Netherlands, the Achmea labels are established names in this business. Eureko further operates its Life and Pensions business in Ireland, Greece, France, Slovakia, Romania, Bulgaria and Cyprus. In February 2010, Eureko announced a management buy-out of its Cyprus activities.

Gross written premiums (including pension insurance) improved 18% to €4,998 million (2008: €4,231 million). The main contributor to growth

was the merger of our two pension funds, Stichting Pensioenfonds Interpolis (SPI) and Stichting Pensioenfonds Achmea Personeel (SPAP), into Stichting Pensioenfonds Achmea (SPA). This resulted in an increase in gross written premiums of €1.1 billion. Excluding this item, premiums declined 8% due to growing competition from so-called bank savings products. Moreover, Achmea broker label Avéro ceased selling individual life policies as of September 2009.

Following a significant loss of €1,381 million in 2008, Profit before tax improved, but is still a loss of €108 million, mainly due to some recovery from the long-running downturn in financial markets. Compared to 2008 impairments, realised losses and

negative results from fixed income through P&L were €1,267 million lower at €- 164 million. Furthermore, a decrease in operating expenses of 7% to €997 million (2008: €1,077 million) contributed to a better result.

Value new business (VNB) 2009 declined to €10 million (2008: €41 million). If the SPI contract is excluded, the VNB would have been €36 million. The decline of €5 million is explained by fewer sales; the VNB margin improved to 1.6% (2008: 1.3%).

Embedded value

The Embedded Value of Eureko's life business has increased over 2009 mainly due to large operating profits and capital movements. The Embedded Value is €4,910 million at 31 December 2009, compared to €4,123 million at the end of 2008, a rise of €787 million, or 19%. The main drivers are operating profits (€290 million) and capital injections (€619 million).

Embedded Value Development	(€ million)
	2009
EmVa at year-end 2008	4,123
Restatements	-146
EmVa at start of 2009	3,977
Operating profit	290
Economic profit	24
Dividends and capital movements	619
EmVa at year-end 2009	4,910
Of which Value in Force	1,174
Of which ANAV*	3,736

* Adjusted net value is the market value of the shareholders' net assets excluding intangible assets, deferred acquisition costs, pre-paid commission and goodwill.

The Netherlands

Achmea has a top position in this saturated market. Competition is fierce with providers no longer limited to traditional insurers. Banks and Pension funds are now offering similar products with comparable tax advantages. All insurers are affected by this move. At the same time, in recent years there has been a steady decline in customer confidence. All insurers in the market are challenged by the lack of trust. The original issue was cost-loading of unit-linked products. Like its peers, Achmea also established a financial compensation arrangement that was approved by the Financial Services Ombudsman in May 2009. Eureko has offered total compensation of €315 million. Single-premium policies, once popular for their tax advantages, are showing a steady decline. The same applies for unit-linked contracts as a consequence of poor performance in financial markets and market sentiment about cost loading. Profit before tax amounted to €-80 million compared to €-1,358 million in 2008, mainly due to better investment results.

Pension insurance and management

Pension insurance in the Netherlands has a three-pillar structure. The first pillar is the state pension and the third is private pension plans. The second pillar comprises industry and sector pensions. In pension insurance, Achmea brands focus primarily on the second pillar of this structure. In 2009, gross written premiums grew 95% to €2,331 million (2008: €1,197 million), due mainly to the creation of SPA. Excluding this item, premiums increased by 3%; single premiums decreased €50 million to € 470 million while annual premiums showed an increase of €72 million to €739 million.

Pension services

Pension services includes asset management and pension administration. Services are offered by our Syntrus Achmea brand. From 2009, pension services has been reclassified from Holding activities to the Life segment. Pension services is a highly competitive business. In recent years, there has been increased competition from asset managers set up by pension funds, international managers, banks and insurers. This resulted in a loss of market share for Syntrus, from 39% to an estimated 26% in early 2010, based on number of pension participants. Assets under management on behalf of institutional clients amounted to €58 billion (2008: €55 billion) mainly due to better investment results. This included Syntrus Achmea Vastgoed's real estate portfolio which remained stable at €14 billion. Total fee and commission income increased 5% to €343 million (2008: €328 million) due to one-off income generated by departing customers. Syntrus Achmea transferred several administration contracts to other providers at the end of 2009 and will put its house in order in 2010 following the departure by a number of customers. The effects of reduced customer numbers on fee and commission income will be visible in 2010.

Life Insurance

The Achmea brands offering individual life will focus on more standardised products, more efficient processes and a reduction of systems in use. This will facilitate transparency and enables our brands to market their products more in line with customer demand. Broker brand Avéro Achmea withdrew from the individual life market in 2009.

Bank: With an estimated market share of 6% (2008: 9%), Interpolis still generates the largest part of our life insurance premiums. However, this is changing, as the decline in market share shows. Bank partner Rabobank has decided to phase out its current savings and mortgage-linked life products. Interpolis will focus on developing complementary insurance products creating a full package in tandem with Rabobank. Bank distribution contributed gross written premiums of

€1,228 million to our Life business, a decrease of 22% compared to 2008.

Direct: We offer life insurance products through our brands Centraal Beheer Achmea and FBTO. We have a moderate, stable market share (estimated at 3%) primarily because individual life insurances are often complex and customers tend to prefer personal advice. Direct distribution contributed gross written premiums of €442 million (2008: €393 million).

Broker: Through our Avéro Achmea brand we offer life insurance products to the broker channel where the focus is on advice-driven, more complex life products. In 2009, Avéro decided to withdraw from the individual life insurance market. We are realigning our strategy to meet the pension insurance needs of SMEs and large corporates.

Our market share was slightly lower at an estimated 2% (2008: 2%). Gross written premiums through our brokerage channel decreased to €339 million in 2009 (2008: €390 million) due mainly to the withdrawal from certain life insurance products.

OUR EUROPEAN MARKETS

Ireland

The economic recession had a considerable impact on the market for new life and pensions sales in Ireland which are estimated to be down in excess of 30% compared to 2008. Friends First's new sales declined approximately 15% compared to 2008. As a result, market share increased to an estimated 7%; Friends First ranks sixth in the market.

Gross written premiums were €238 million, down slightly on €253 million in 2008. Current market conditions strongly affected the level of new deposits on investment contracts, however, new deposits increased to €291 million compared to €249 million in 2008.

Greece

Our Interamerican brand has a top three position in the Greek market (2008: top four position). The life and pensions market is beginning to decline, particularly in investment-related business. Gross written premiums decreased to €114 million (2008: €120 million). The contribution of investment contracts is up 7% to €61 million (2008: €57 million).

Other European Countries

The operations in other European countries, Romania, Slovakia, Bulgaria, Cyprus and France, contributed gross written premiums of €85 million (2008: €110 million) or 2% on the total Life gross written premiums. In February 2009, the French regulatory authorities (CEA) withheld final approval of the sale of Império France. This was due mainly to the economic environment. As a consequence, the 'held for sale' classification of Império France is no longer applicable. Our strategic intentions, however, remain unchanged.

- Good results Achmea Hypotheekbank thanks to improved interest margin
- Friends First Finance ceases operations and incurred loan loss provisions of €101 million
- Tier 1 ratio robust

(€ million)

	2009	2008	Δ %	H2 2009	H2 2008	Δ %
Results						
Net interest margin	185	191	-3%	75	96	-22%
Net commission income	4	4	0%	2	0	
Other income	19	23	-17%	17	17	0%
Total income	208	218	-5%	94	113	-17%
Expenses						
Expenses	134	135	-1%	75	65	15%
Additions to loan loss provisions	121	47	157%	79	37	114%
Total expenses	255	182	40%	154	102	51%
Profit before tax	-47	36	n.m.	-60	11	n.m.
Key ratio						
Cost/income ratio	64%	62%		80%	58%	
Banking Credit Portfolio						
	31-12-09	31-12-08				
Achmea Hypotheekbank*	13,586	14,133	-4%			
Staalbankiers	2,939	2,813	5%			
Achmea Retail Bank	385	458	-16%			
Friends First Finance	466	721	-35%			
Other	114	148	-23%			
Total	17,490	18,273	-4%			
Tier 1 ratio						
Achmea Hypotheekbank**	10.4%	9.6%				
Staalbankiers**	14.7%	16.1%				
Number of internal FTE	568					

* Nominal values of the mortgage portfolio

** Based on statutory basis

General

For Eureka, banking is a complementary business in the Netherlands to ensure customers have a complete services offering. Banking products and services are provided through Achmea Bank (Achmea Hypotheekbank and Achmea Retailbank) and private-banker Staalbankiers and in Ireland where Friends First Finance used to offer consumer finance.

Profit before tax declined to €-47 million (2008: €36 million). As in the previous year, the decrease is mainly due to higher loan loss provisions in Ireland (total loan loss provisions of €101 million have been taken) and lower interest margins of €24 million at Staalbankiers. The cost/income ratio was 64%. The net interest margin decreased 3% to €185 million (2008: €191

million). Commission income was stable at €4 million. Operational expenses were slightly lower at €134 million (2008: €135 million). Costs were negatively impacted by the mandatory contribution to the Netherlands Deposit Guarantee Programme. This was offset by a reduction of FTEs at Achmea Hypotheekbank (-20%) and Staalbankiers (-15%).

THE NETHERLANDS

Achmea Hypotheekbank

The slow-down in the number of Dutch new mortgages that started in the second half of 2008 as a result of the financial crisis continued into the reporting year. In 2009, our broker brand Avéro Achmea decided to stop selling life insurances and as a result mortgages are no

longer marketed through this label. Our market share in new production fell to 0.6% (2008: 2.0%) because we are focusing on selling profitable mortgages rather than achieving volume. Capital market conditions remained difficult and tight liquidity led Achmea Hypotheekbank to seek a state guarantee on its 2009 five-year USD 3.25 billion bond issue to refinance its mortgage portfolio. Profit before tax over 2009 improved to €77 million (2008: €43 million). The Tier 1 ratio is 10.4%. Due to the shrinking number of new mortgages in the Netherlands and the redemption of mortgages, Achmea Hypotheekbank's mortgage portfolio decreased to €14.1 billion (2008: €14.6 billion).

Achmea Retailbank

Achmea Retailbank offers loans and savings products to consumers through direct-channel brands Centraal Beheer Achmea and FBTO, and through broker brand Avéro Achmea. Consumer behaviour in the Netherlands continues to be conservative. The shift from investment funds to savings products that began in 2008 continued even though interest rates have fallen significantly. Total savings at the end of 2009 amounted to €1.3 billion (2008 €1.2 billion). Profit before tax in 2009 was €5 million (2008: €7 million), including a mandatory €2 million contribution to the Netherlands' Deposit Guarantee Programme following the collapse of DSB Bank in the autumn of 2009.

Staalbankiers

Private bank Staalbankiers continued to focus on long-term relationships with its clients. Even in the challenging reporting year, Staalbankiers was able to further increase its client base and grow its assets under

management. This gives Staalbankiers a strong base for the years to come. Assets under Management increased over 84% to €2.9 billion in 2009 especially in the second half of the year. Both funds entrusted and financing facilities to clients were stable at €1.7 billion.

Due to uncertain markets, Staalbankiers refrained from issuing housing partnerships. Furthermore, and fully in line with the client-focused strategy, Staalbankiers was cautious in its investment recommendations, resulting in a lower transaction volume and ensuing lower commission income. In 2009, banks were again obliged to contribute to the Netherlands' Deposit Guarantee Programme following the collapse of DSB Bank; contributions had also been required in 2008. Staalbankiers is a strong and stable bank with a solvency ratio of almost 19% (significantly above the 8% minimum requirement of the Dutch Central Bank), a Tier 1 ratio of 14.7%, an ample liquidity position and a modest risk profile.

IRELAND

Friends First Finance

In August 2009, it was announced that Friends First Finance would cease operations. It had been impacted extremely by the global credit crisis and its business model of borrowing from the inter-bank market was no longer sustainable in the current climate. It is estimated that the closure will take between five and seven years to complete with the phased loss of 98 FTEs in Ireland.

Profit before tax is a loss of €93 million in 2009, mainly as a result of loan loss provisions of €101 million.

OTHER ACTIVITIES

	(€ million)					
	2009	2008	Δ %	H2 2009	H2 2008	Δ %
Results						
PZU settlement	1,238	-	n.m.	1,238	-	n.m.
Associated companies & participating interests	241	-553	n.m.	24	-674	n.m.
Other Income	93	96	3%	-32	-163	-80%
Total income	1,572	-457	n.m.	1,230	-837	n.m.
Operating expenses	256	399	-36%	-54	47	n.m.
Interest and similar expenses	121	190	-36%	74	102	-27%
Other expenses	134	106	26%	95	50	90%
Total expenses	511	695	-27%	115	204	-43%
Profit before tax	1,061	-1,152	n.m.	1,115	-1,041	n.m.
Number of internal FTE	5,353					

General

Other activities consist mainly of the following: shared service centres, the Holding entities of Achmea Holding N.V. and Eureko B.V. and strategic shareholdings and participations.

Profit before tax was €1,061 million (2008: €-1,152 million), due primarily to the PZU settlement. Total expenses were down 27% to €511 million (2008: €695 million). Almost all expenses showed a decline; operating expenses decreased by 36% due to lower personnel costs and lower project spending. Eureko is currently implementing and rolling out a major programme (SENS) in the Netherlands to optimise processes and to reduce the cost base. SENS aims to reduce the operational costs by between €350 and €450 million annually. Costs for the SENS project are €50 million in 2009.

PZU settlement

In 2009, the settlement reached with the Polish state on the long-running PZU dispute had a positive impact of €1,238 million. For the measurement of Eureko's investment in PZU S.A. (PZU), as per 31 December 2009, financial data provided by PZU was available. Eureko calculated its share in PZU's total equity as per 31 December 2009 and net profit for the year. Total equity as at 31 December 2009 amounts to €1,301 million (31 December 2008: €1,621 million)

and its share in net profit for 2009 amounts to €285 million.

MillenniumBCP

In line with Eureko's derisking strategy, we decided to reduce our interest in MillenniumBCP in Portugal from 9.95% to 2.52%. As a result, a loss of €40 million was realised. An additional impairment charge of €11 million has been accounted for during 2009 (2008: €-693 million). Dividends amounted to €2 million.

F&C Asset Management

As a consequence of F&C Asset Management increasing share price, we have recorded a reversal of impairment charges of €15 million on our interest. In 2009, F&C was demerged from Friends Provident, achieving full independence. Eureko has a direct shareholding of 10.5%.

Garanti Emeklilik

In Turkey, we currently have a 15% stake in Garanti Emeklilik, partner Garanti Bank's life and pension business. We have the option to acquire a further 35% of this business in 2010. The option can be exercised from mid-June 2010 through mid-June 2012. In turn, Garanti Bank has a put option on 20% of the shares in Eureko Sigorta that can be exercised from July 2010.

In September 2009, we implemented a reinforced finance and risk organisation that facilitates a better view of risks within the Eureko Group.

The financial crisis demonstrated just how crucial insightful, prudent and sound risk management is. To further embed risk management in our decision making process, we centralised our risk management at Group level into a Group Risk Management department and, from 1 January 2010, restructured our risk management committees.

Other goals for 2009 were to ensure the continuity and solvency of the Group thus optimising the balance between risk and return to create long-term value for our stakeholders. We pursued those goals by taking major derisking measures on our investment portfolio as well as closely monitoring and managing our capital and liquidity position.

With regards to our investment risks we significantly reduced our equity exposure and we decreased our exposure to corporate fixed income instruments in favour of triple-A Western European Union government bonds.

If equity investments decline by 10%, total equity will be 0.8% lower and solvency 2.1%-points lower. The impact of a 10% decrease in real estate would result in a 1.3% decrease in equity and a 3.4%-points decrease in the solvency ratio.

The Group real estate portfolio remained stable at €1.7 billion. Of this, €1.4 billion was invested in direct investment property. The value of direct investment property is determined by the property's occupancy rates. With decreasing occupancy rates, specifically in offices, the value development of these investments is under pressure in the current economic climate. Impairments amounted to €94 million.

In 2009, we also unwound our strategic investment in MillenniumBCP and hedged around 50% of the Polish zloty exposure. Following the PZU settlement on 1 October 2009, Eureko received the equivalent of €1.9 billion in dividend on PZU in Polish zlotys in November 2009 which results in a decrease of Eureko's strategic risk exposure. This will further decrease after PZU's Initial Public Offering (IPO) scheduled for 2010.

General

The financial crisis had significant effects on the Group’s capital position, solvency and results in 2008. The crisis made it clear that results were highly dependent on investments and participations. Moreover, the crisis coincided with a general loss of customer confidence in the financial services sector. In combination with financial turmoil, this led to a crisis of confidence. Eureka believes it must take the lead in regaining and restoring trust. Against this background, Eureka carried out a thorough and far-reaching strategic review. Eureka has long pursued a stakeholder model. Now, customers are first among equals. This customer confidence priority was an integral component in the 2009 strategic review, culminating in the ambition to be the most trusted insurer. Restoring and building trust also requires confidence in financial strength and continuity. Eureka has set financial targets to generate returns on capital that are in line with our risk profile and our cooperative identity and at least a single-A rating for the Group. This is achieved through a strategic focus on core competences that will enable the Group to grow, even in its saturated main domestic market, the Netherlands, and in its international portfolio.

Strategic priorities – The Netherlands

The overall strategic objective of maintaining and growing Eureka’s dominant position in the Netherlands is sound. This is by far Eureka’s largest and original domestic market under the Dutch Achmea umbrella. All near- to medium-term indications are that the total Dutch insurance market, one of the most mature in the world, can achieve only limited growth and even a decline in some business lines. This market reality forms Achmea’s, strategic multi-brand, multi-distribution channel approach; the aim is quality rather than price leadership and retention and increase of

market leadership in Health and Non-Life, and at least a top-three position in Income protection.

Strategic choices

In the past, Achmea’s growth was driven largely by merger and acquisition. This has given Achmea scale and market-leading positions in many business lines. However, it has also resulted in a significant and complex legacy, specifically in the product range, processes, systems, and a comparatively high cost base in some areas. The strategic review was based on two points of departure. One is Achmea’s core competences and how these can be deployed to best effect. A realistic and practical review of core competences has been translated into strategic action. The overview shows where Achmea is already very strong and which distribution channels are most appropriate for those business lines.

Non-Life, Health and Income protection, delivered through market-leading banking and direct channels, are already core competences. The strategy is to reinforce the offering by proactively investing and innovating in these product lines and distribution channels. Broker distribution will contribute to economies of scale in core propositions as it will migrate to a marketing and sales organisation plus it gives us access to market segments where brokers are strong. In turn, brokers have access to first-class, standard products developed by Achmea. This should help attract the brokers that share Achmea’s ambition. Occupational Health and Health services must support insurance activities. These services should contribute to reducing the claims ratio and increase sales.

In individual Life insurance and Pensions the aim is to develop new propositions which focus on current market developments, such as the shift from defined

Strategic choices for the Dutch portfolio

BUSINESS LINES	DISTRIBUTION			
	Bank distribution	Direct distribution	Broker distribution	Coop. with social partners
Non-life	Core proposition: Strengthen		Increasing scale core proposition	Strengthen partnership
Health				
Income				
Pension – standard	Develop to core proposition			
Life – standard				
Occupational Health Services	In function of core proposition			
Health Services				
Pension Services				Providing entrance
Bank products		Complementary to insur. prod.		Complementary to insur. prod.
Pension – not standardised	Separate and manage internal or external			
Life – not standardised				

benefit to defined contributions and greater longevity. This is a highly complex business. Usually tailor-made, these products, primarily legacy, result in high costs and are not sustainable into the future. For this reason, Achmea will develop a range of standardised, simple and transparent products for this market. Those products that cannot be fitted into standardised processes will be gradually phased out.

Banking products will serve the total proposition and offering, specifically in Direct distribution. In Pension Services, Syntrus Achmea will seek further cooperation with social partners and identify economies of scale. This is driven by and is a strong fit with Achmea's mutual heritage.

Improved efficiency and performance

A second is that in a saturated market, efficiencies can be gained primarily from synergies, specifically in processes, systems and the combination of back offices, thus utilising economies of scale. Achmea is pursuing a comprehensive strategic change programme to achieve operational synergies and efficiencies aimed at improved performance and cost reductions of €300 million at the end of 2011. The programme is based on the Lean programme that has been adapted for Achmea. This process, called SENS, was accelerated in 2009. A number of short-term cost reduction programmes, such as centralised procurement, and cost-awareness programmes, have also been implemented. In combination with SENS these have already proved successful in reducing costs by €183 million in 2009. The years 2010 and 2011 have been designated as 'transitional years' in which processes will be further streamlined.

Strategic priorities - international

The key driver behind Eureko's long-term European strategy remains the recognition that a greater geographic and risk spread is in the interests of all

stakeholders. The ultimate goal is to be a significant player in a limited number of markets rather than a small player in many markets. Eureko's international component is comparatively small (7% or €1.4 billion of total Group gross written premiums). However, the same strategic focus on core competences applied in the Netherlands has been used to develop international strategy. All existing international operations have been reviewed thoroughly and a choice has been made to develop those operations where value can be created and added through exporting expertise in core competences. Furthermore, there are opportunities for markets to reinforce each other, for example through knowledge exchange, economies of scale and risk diversification.

An international operating company must generate a return in line with its risk profile and activities must have sufficient scale or have the potential to build that scale. For Eureko's current international portfolio, this means:

- Strategic focus on Turkey, Russia and Greece. Eureko's operating company in Turkey, Eureko Sigorta, meets all criteria and activities will be further developed there. In Greece, Interamerican is a well-known label and ranks number two in the market with strong positions in Health, Non-Life and Life. Eureko's Oranta operation in Russia does not yet meet all the criteria. However, it is considered an operation that should be managed for future growth as it is active in a market where Eureko wants to be in.
- In the other markets the objective is to maximise financial value creation through further development into core operations. However, if operations do not achieve both added value through core competences and essential economies of scale, Eureko may consider divestment.

Strategic choices for the international portfolio

PRODUCT GROUPS	CHANNELS			
	Bank distribution	Direct distribution	Broker distribution	Partnerships (supporting)
Non-life	Core proposition: Export Dutch expertise		Supplementary channel	
Health				Agreements with hospitals
Income	Position complementary proposition in deregulating/growth markets			
Pension – standard				
Life – standard				