EUREKO

2009

ANNUAL REPORT

EUREKO HAS A CLEAR AMBITION: TO BE THE MOST TRUSTED INSURER.

It is a high ambition but the foundations are already in place. Started in 1811 as a cooperative to provide mutual insurance at a reasonable premium, in 2010, nothing has changed. Eureko today is customer driven and result oriented. We work to a stakeholder model – customers, (distribution) partners, employees and shareholders, with customers first among equals. And we form an integral part of, and have a responsibility to, the communities in which we operate.

Trust has to be earned. Customers must feel and be well insured. So we must strive to create innovative, transparent solutions that customers understand and that meet their needs. We strive for sustainable growth and above-average performance to create value for customers but also to generate an appropriate return to shareholders. We strive to employ the most committed and customer-focused people. We work with (distribution) partners who recognise their own interests in who we are as an organisation. We strive to ensure that our cooperative shareholders recognise and share the values that drive our ambition. By incorporating the interests of all stakeholders into how we work, value is ultimately created for all.

OUR BRANDS

Avéro Belgium provides a range of non-life products for both individual (property, accident, motor) and corporate (property, casualty, engineering) customers. Avéro Belgium has a significant reputation in the marine (cargo, hull, CMR, trucks) and special risk business.

Currently, Interamerican Bulgaria is a small player but it is also an ambitious one, offering life and non-life products and services through all distribution channels.

Our Interlife Cyprus brand offers a full range of life, non-life and health products and ranks number five in the Cypriot life market.

With a full range of life, non-life and health products and services, Interamerican Greece is the number two player in the Greek market. It is the only insurer in Greece to provide emergency assistance.

Friends First has a long standing presence in Ireland and has built up a reputation as a leading financial services group in this market. We provide a comprehensive range of pension, investment, protection and finance products and services.

One of the few insurers in Romania to offer a full range of life, non-life and health in this growing market. Interamerican is recognized as a pioneer in the health segment.

With a multi-distribution structure throughout Russia, Oranta's main business focus is on motor insurance. Property insurance is a profitable secondary business line, with major growth potential.

Union Insurance offers life, non-life and supplementary health insurance to both individual and corporate customers. It is the top travel insurer in the Slovak market. Union Health offers basic health insurance.

Offering a full range of non-life products, Eureko Sigorta is a top player in the Turkish market. It launched health insurance in 2009.

Achmea unburdens. Health, income for later, work and working conditions or business continuity – Achmea is there, insuring and ensuring. But Achmea is more than a provider of products and services. We invest in solutions to social issues, explore ways to do things differently, better. By continually asking the question: what are we doing?

A vital organisation is dynamic, powerful and keeps personnel on top of business. Achmea Vitale is our sector-focused approach and offers a unique combination of vitality and absentee management services. Achmea Vitale is there for small and medium-sized enterprises (SMEs) and major corporates that aim to be more vital.

Good health is precious. That is why Agis works to improve the care and health of its customers. And at Agis, everyone has a right to good, accessible and affordable care. Customers still rate Agis at 7.4 in satisfaction surveys.

Offers a complete range of insurance and financial solutions. Avéro Achmea offers life, non-life, income protection and health insurance to corporate and private customers as well as mortgages and banking products. Avéro Achmea works with and through independent brokers and advisors. Brokers rate Avéro Achmea at 7.1 in satisfaction surveys, up from 6.8 in 2008.

Provides pensions, life and non-life insurance and offers financial services to private customers, employees and businesses. It also has administrative services and support aimed at non-life and risk management, delivering directly to the client. Private customers rate Centraal Beheer Achmea at 7.8, up from 7.5 in 2008.

Offers insurance for car and motor-cycle, health and accident, savings and investment, liability and legal aid, travel and recreation, home, borrowing and death. Our customers can put together the package of insurances that suits them best so they only pay for what they need. FBTO provides clear insight into customer data. Customers rate FBTO at 7.8 in satisfaction surveys, up from 7.7 in 2008.

Interpolis, through the Rabobank branch network, offers consumers and entrepreneurs concrete and relevant insurance solutions for the risks they run. All Interpolis products are as accessible and simple as we can make them. We call that: Crystal clear. Customers rate Interpolis at 7.5 in satisfaction surveys, up from 7.3 in 2008.

From practical pension services to real estate and asset management. Syntrus Achmea has all three disciplines. Pension Services offers both an efficient administrative process and acts as a trustworthy sparring partner. Syntrus Achmea Real Estate is the largest property investor in the Netherlands while Syntrus Achmea Asset Management ranks in the top three of outsourced pension asset managers in the Dutch market.

Zilveren Kruis Achmea has long been more than a health-insurer alone, offering insured customers opportunities for a healthier and more vital life. Customers benefit through, for example, the health programme. Zilveren Kruis Achmea also works with partners to improve care. Customers rate Zilveren Kruis Achmea at 7.3 in satisfaction surveys, up from 7.1 in 2008.

EUREKO 2009 ANNUAL REPORT

EXECUTIVE BOARD STATEMENT

The reporting year, 2009, was 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 in 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 interests of the future of our Group.

Financial strength preserved

In a sector where financial health is a prerequisite for doing business, we made this our priority in 2009. The capital support from shareholders, Vereniging (Association) 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, ending the year at a reassuring 216% with insurance activities at 251%, also supported by our decisive de-risking 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 during 2009 by 2% to €19.6 billion against €19.3 billion in 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 that were up for renewal have been renewed. The merger of our two pension funds 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 now become apparent. In the relative short term, we said we would reduce operations costs by €100 million. With structural cost reductions of over €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

EXECUTIVE BOARD STATEMENT

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 mainly happened 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 these crises have 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 of any society. At Eureko, we provide health and income protection as well as life and non-life insurance policies. This means we are intimately involved in the lives of people, our customers; we are there when they are ill and when they are unable to work. Our job is to ensure people, customers, feel confident and 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, and 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 our majority shareholder Vereniging Achmea has further developed its members' policy in 2009. 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 represent the interests of customer members.

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 10 of best employers in the Netherlands and it is with good reason that employees are recognised as an important stakeholder of our Group. We would also like to thank our Central Works' Council (COR) for the constructive contacts we had with them in 2009; we appreciate the cooperation with them. The COR has played an important role in representing the interests of employees within our four-stakeholder model.

EXECUTIVE BOARD STATEMENT

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.
26 March 2010

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"IT IS NOT ABOUT EUREKO DEFINING TRUST, BUT ABOUT THE CUSTOMER DEFINING WHAT IT MEANS."

SASKIA JUINEN

Saskia Juinen manages customer claims for a major Dutch financial institution. She participates in client panels at her insurer, Interpolis.

WHAT DOES TRUST MEAN FOR YOU?

I'm an Interpolis customer and have needed my insurer twice. Both experiences were positive. I was treated courteously when I e-mailed and the matters were resolved quickly. Because I've had that experience both times, I have almost blind faith in Interpolis and Achmea. If you add that to other ad hoc contacts, then I'd say I trust my insurer. And that is how it should be. You hear it all the time – you pay your premium, but the insurer's not home when you need help. It's a contract and both parties have to meet their obligations. That obligation involves the insurer being just a phone call away and taking over the problem for you. That's 'unburdening'.

HOW SHOULD EUREKO DEFINE TRUST?

I don't think that this is the right approach. It is not about Eureko defining trust, but about the customer defining what it means. Then Eureko should go with that.

WHAT ARE YOUR EXPECTATIONS FOR 2010?

That they stay open and transparent about policy and about what they are doing. A lot of people feel cheated by the financial services industry. That's a fact. It's been made worse by the economic environment. If customer confidence is to be regained, then Eureko should say what it's doing and do what it says. They could improve communication in practical ways – clearer information through the website would be one way.

PROFILE AND CORE VALUES

Eureko has a clear ambition: to be the most trusted insurer. Eureko pursues this ambition by being customer driven and result oriented in all its operations.

It is different from the majority of insurers, as its main shareholders, Vereniging Achmea and Rabobank, are cooperative organisations. Eureko shares this cooperative background. It is stakeholder driven, with customers rather than shareholders as its primary focus.

With a group of strong insurance brands in 11 countries, the Netherlands is by far the biggest market. Eureko has a modest position in these other markets: Belgium, Bulgaria, Cyprus, France, Greece, Ireland, Romania, Russia, Slovakia and Turkey.

In the Netherlands, the focus is on long-established core competences, Non-life , Health and Income protection. Products and services are marketed by well-known brands, such as Agis, Avéro Achmea, Centraal Beheer Achmea, FBTO, Interpolis, Syntrus Achmea and Zilveren Kruis Achmea, through a full range of distribution channels – direct writing, bank and broker – so that customers can choose the service that suits them best.

From its leading position in the Dutch market, Eureko aims to position itself in Europe as an innovative player in selected markets. It develops international markets based on core competences and the potential for economies of scale.

EUREKO'S CORE VALUES

Our core values have emerged from our cooperative identity and mindset. They are aimed at creating value for stakeholders and achieving financial continuity, now and into the future. In everything we do, we aim to 'unburden' our customers by:

EMPATHISING

Prioritising customers in everything we do. This means it is crucial that we understand what our customers need. We achieve that by involving customers and other stakeholders in developing products and services. This co-creation approach leads to solutions that meet the needs of customers and are relevant to the communities we serve.

INNOVATING

We can only maintain our market-leadership position if we are continually searching for innovative solutions to customer needs. By showing our customers we are always at work for them, they will feel better served and know that, as a Eureko customer, they have continual access to the best products and services.

DELIVERING

Our customers will only feel and be well insured if we deliver on our promises. We do that by being customer driven and result focused.

TO 'UNBURDEN' THE CLIENT

SUPERVISORY BOARD REPORT

It would be counterproductive to offer a report of Supervisory Board activities in 2009 without giving the context at the start of this reporting year. In 2008, the credit crisis had quickly turned into a global financial crisis. Eureko was seriously affected by the ensuing turbulence in financial markets. Equity markets fell abruptly, with significant consequences for Eureko's own capital position. The Group acted rapidly, and measures to bolster Eureko's capital position were a major focus for the Supervisory Board, especially in the first half of 2009. In addition, 2009 was also a period during which Eureko realigned its strategy on the domestic market, the Netherlands. At the same time, a significant change in the international portfolio led to a re-evaluation of the Group's position abroad. All of these developments and actions were discussed in depth and at length with and by the Supervisory Board. Furthermore, in early 2009, the Supervisory Board selected and appointed Willem van Duin as new Chairman of the Executive Board, filling the vacancy that had occurred in December 2008. This section provides insight into these developments.

Monitoring the crisis

In 2008, Eureko's Supervisory Board and its Audit & Risk Committee had already devoted special, unscheduled meetings to monitor the challenging financial environment. These special meetings continued into 2009. Measures aimed at counterbalancing the fall in own capital that had challenged the Group's own equity and solvency positions led to a comprehensive de-risking of the investment portfolio in the first half of 2009. Furthermore, with full support from the Supervisory Board, a capital increase from Eureko's two largest shareholders, Vereniging Achmea (Association) and Rabobank, and from MillenniumBCP, was agreed and effected in early April 2009. In total, €1,028 million was committed, with €600 million from the Vereniging Achmea, €400 million from Rabobank and €28 million from MillenniumBCP. The new capital was issued as common equity. The Supervisory Board supported these agreements, including the dividend construction that is explained more fully in the section on Capital & Liquidity Management. As well as measures to bolster the capital and solvency positions, significant structural cost-reduction action and a comprehensive, customer-driven efficiency programme called SENS, were rolled out throughout the organisation in the reporting year.

Strategic review

During 2009, Eureko's strategy was also a priority for the Supervisory Board. The Group has devoted significant efforts to rediscovering and revitalising Achmea's cooperative roots and resulting in a clear Achmea identity. This led in 2009 to a sharpened strategy that retains the stakeholder model as basis, but puts greater focus on the customer as main priority. It focuses on its core competences as basis for further growth. This also involves rationalising its processes and systems so that customers are better served. Coupled with far-reaching cost-reduction programmes, this will ultimately result in improved customer service and sound returns for shareholders.

Funding activities

Eureko was one of a very small group of Dutch financial institutions that did not resort to state aid to reinforce its capital and solvency positions. However, due to the ongoing crisis, through the reporting year, there was a significant lack of funding opportunities in the capital and financial markets. For this reason, when the Achmea Hypotheekbank issued its $3.25 billion, five-year bond in the third quarter of 2009 to refinance mortgage activities, it opted to make use of a state guarantee. It was considered sound business sense to opt for the guarantee in the prevailing financial climate.

HOW WE ARE SUPERVISED

Developments in 2009

PZU settlement

In October 2009, Eureko finally reached a settlement with the Polish state in the long-running dispute on the privatisation of PZU. (Please see the Executive Board Report for more details on the settlement.) The Supervisory Board devoted a number of unscheduled meetings to the proposals made by the Executive Board and to the final settlement agreement. Eureko had a considerable stakeholding in the Polish insurer acquired 10 years ago. This acquisition formed an important basis for Eureko's international strategy in that period. The rationale was that Poland could be developed into a second home market and act as a starting point for further international expansion. Finding a resolution to the ongoing dispute represented a dilemma for Eureko. An exit from this high-potential market would put an end to Eureko's strategic aim of establishing a second home market. But the Supervisory Board concurred with the Executive Board's conclusion that based on the current situation a friendly exit would be preferable to remaining in Poland in what could only be a hostile environment. However, any settlement with the Polish government had to recognise Eureko's rights at PZU. Ultimately, the decision revolved around the question of certainty of execution. The Supervisory and Executive Boards concurred that the agreed offer of October 2009 and ensuing settlement agreement involving a friendly exit provided the required financial compensation and a satisfactory degree of certainty of execution.

Sharpened strategic focus

Based on its refocused identity and strategic review, Eureko re-evaluated its international presence and strategy in 2009. The alignment of international activities to Eureko's core competences in distribution channels, products and operations expertise played a significant role. The Supervisory Board monitored and approved the revision initiated by the Executive Board which shifts international focus to those operations where the Group can add and create value. The Dutch divisions, under the Achmea umbrella, still form the largest operations within the Group. Key in the strategic review for Achmea is the reduction of complexity in products, administration, IT and legal structure, resulting in standardisation, rationalisation, cost reduction and performance improvement, including enhanced transparency for customers. The Supervisory Board discussed the aim and the planned programmes of Achmea in detail, which will be monitored frequently in the coming years.

International participations

When the current international strategy was first implemented in the early 1990s, the vision was to join forces with a number of like-minded European organisations with strong positions in their home markets to create a pan-European insurance group with mutual backgrounds. This vision has changed and consequently in 2009 it was decided that participation through shareholding in other European organisations was not always necessarily essential to achieving it. As a result, Eureko reduced its exposure to Portugal's MillenniumBCP to 2.5%, also as part of its de-risking programme.

Business planning 2010–2012

The Supervisory Board was fully apprised of and approved the Executive Board's proposed strategy and business plans for the period 2010 to 2012.

Central Works' Council

Through our stakeholder model, employees also play a crucial role in Eureko's continuity. During the year, Supervisory Board members maintain regular contact with the Central Works' Council. This is organised on a rotational basis so that all members have an opportunity for dialogue with this body. As in previous years, all Dutch members attended a Central Works' Council meeting during 2009. The Chairman also had informal meetings with the Chairman of the Executive Board and the Board of the Central Works' Council to discuss items including

HOW WE ARE SUPERVISED

the (re-)appointment of Supervisory Board members. During the meetings several key topics were explored, including business strategy, the implementation of SENS throughout the organisation, cost-savings programmes, ongoing compliance requirements and the annual Employee Satisfaction Survey. The Supervisory Board once again experienced at first hand a Central Works' Council that combines its critical role with a constructive approach.

Supervisory Board meetings

In 2009, there were six regular Supervisory Board meetings and five extraordinary meetings on topical issues such as developments on the PZU dispute and the financial crisis. Members attended the meetings in Zeist, some using conference-call facilities when physical presence was not feasible. A few members were not able to attend all meetings. Where necessary, a mandate was given to other members for voting.

Supervisory Board committees

The Supervisory Board has three dedicated committees: the Audit & Risk, the Remuneration and the Selection and Appointment Committees. The Supervisory Board takes decisions based on, among others, the advice of its committees. Three Supervisory Board members form the Audit & Risk Committee. The Chairman of the Executive Board, who is responsible for audit and compliance, and the CFO, who is responsible for finance and risk, attend Audit & Risk Committee meetings. The Audit & Risk Committee met nine times in 2009 following the decision to monitor developments in financial markets and possible effects for Eureko almost monthly; it also meets annually with KPMG Accountants NV (KPMG) to evaluate management. The Remuneration Committee and the Selection and Appointment Committee both consist of five members drawn from the Supervisory Board. The Chairman of the Executive Board attends the meetings but absents himself during agenda items where his own functioning or remuneration is discussed or in other cases when the Committee Chairman so requests. In 2009, the Remuneration Committee met three times. The Selection and Appointment Committee met twice in 2009.

The Audit & Risk Committee

The Audit & Risk Committee is responsible for monitoring Eureko's financial reporting processes, including risk management, compliance and internal control. It advises on the selection of external auditors and actuaries and monitors both their performance and independence. In 2009, the Audit & Risk Committee met nine times; external auditor KPMG is always present. Regular meetings are scheduled ahead of key reporting dates and on an ad-hoc basis where necessary. As the financial crisis took hold, the Audit & Risk Committee intensified its involvement, specifically on strategies and measures relating to liquidity, solvency, funding, investment policy and risk management. It monitored the de-risking programme further pursued in the first half of 2009 and advised the full Supervisory Board on the capital increase by shareholders. Furthermore, with external auditors, it discussed and fully supported the restructuring of Eureko's finance and risk-management framework which was subsequently implemented during the reporting year.

The Audit & Risk Committee met once with the auditors, KPMG, without management, and furthermore reviewed full-year 2008 results, annual reporting and individual business components, such as actuarial reports on the adequacy of insurance liabilities of all relevant Group legal entities. In addition, they discussed the management letter. These topics, along with risk management, compliance reporting, internal auditing and control plans, and the financial aspects of proposed mergers and acquisitions, are regular agenda points throughout the year. Eureko's preparations on Solvency II and International Financial Reporting Standards on insurance contracts were also important topics during the year. The transition to Market Based Interest Accounting, in preparation for future regulatory requirements, was also a topic during the year, although no policy changes have been made as yet.

HOW WE ARE SUPERVISED

The Remuneration Committee

Monitoring the application of Eureko's remuneration policy is a key task for this Committee. Eureko's policy is aimed at recruiting and retaining the highest calibre executives. A regular review of remuneration is carried out to ensure that reward levels are appropriate to the duties and responsibilities of the role, including a suitable balance between fixed and performance-related elements. In determining salary levels for executives, comparisons are routinely made across the industry, usually every two years. In 2009, the Remuneration Committee began a review of remuneration. However, it should be noted that Eureko already pursues a responsible remuneration policy that focuses on short- and longer-term components. The regular short-term variable remuneration component has a median range of 10–35%, with a maximum of 40% of fixed income. The long-term component consists of awarded options, whose numbers are maximised for the Executive Board and senior management in the Group's divisions.

Through the year, the Remuneration Committee evaluates Executive Board performance against preset targets. These targets represent a balanced four-stakeholder – customers, distribution partners, shareholders and employees – approach. They include net profit; customer satisfaction; cooperation with distribution partners, such as Rabobank and brokers; performance measurement; audit; compliance; risk management; employee satisfaction; and corporate social responsibility. The committee subsequently makes proposals for long-term variable income components. The Central Works' Council receives a report on the remuneration of senior management in the Group, the Executive Board and the Supervisory Board annually.

In 2009, a proposal to the Supervisory Board was submitted by the Executive Board in which its members and senior management waived any variable remuneration. This proposal was accepted by the Supervisory Board. In 2009, the average remuneration amounted to € 0.78 million; there is no variable component in the reporting year due to the senior management waiver. Furthermore, the Supervisory Board decided not to allocate share options in 2009.

AVERAGE REMUNERATION
EXECUTIVE BOARD MEMBERS (€ MILLION)

	2009	2008
Fixed remuneration	0.60	0.62
Short-term employee benefits	0.00	0.21
Post-employment benefits active board members	0.18	0.40
Total	**0.78**	**1.23**

The Selection and Appointment Committee

As its name suggests, this Committee is focused on recruiting Executive Board members and evaluating the performance of the Executive Board as a team and individually. Performance targets for the Executive Board as a whole and its members are established under its supervision. Furthermore, the Committee evaluates interaction between the Supervisory and Executive Boards. The Committee also evaluates the functioning of the Supervisory Board itself and advises on nominations for (re-)appointment of members. In the first quarter of 2009, this committee met frequently as part of the appointment process of a new Chairman of the Executive Board. In close cooperation with major shareholders, Vereniging Achmea and Rabobank, and the Central Works' Council, the Supervisory Board appointed Mr Willem van Duin following the formal nomination by the Holder of the A share, Vereniging Achmea.

HOW WE ARE SUPERVISED

Changes in Supervisory Board composition

Three new members of the Supervisory Board were nominated in 2009. At the end of 2008, the Supervisory Board had 10 members; in 2009, Mr Lense Koopmans decided not to seek reappointment. The Supervisory Board is grateful for his contribution. In the reporting year, three new members were appointed: Messrs Urs Berger, Bernard Bijvoet and Aad W. Veenman. The Supervisory Board welcomes these new members. The Supervisory Board now consists of 12 members.

2009 financial statements and dividend

The financial statements have been audited by KPMG. They have issued an unqualified opinion. In accordance with the proposal of the Executive Board and the recommendation of the Audit & Risk Committee, the Supervisory Board endorses the adoption by shareholders of the 2009 Financial Statements. Based on the revised dividend policy and the agreement with the main shareholders, we propose to the Annual General Meeting that upon adoption of the Financial Statements, ordinary shareholders will receive a dividend of €1.43 per ordinary share, payable in cash and/or stock, according to shareholder preference. As well as adopting the Financial Statements and the profit appropriation, the General Meeting of Shareholders is requested to discharge the members of the Executive Board from all liability in respect of their management and to discharge the members of the Supervisory Board from all liability in respect of their supervision for the year under review, 2009.

We would like to take this opportunity to thank the Executive Board, the Central Works' Council and all Eureko employees across Europe for all their hard work and commitment during the reporting year.

Arnold Walravens
Chairman of the Supervisory Board
26 March 2010

"I'D LIKE TO SEE EUREKO FURTHER PROMOTING SUSTAINABILITY IN ITS OWN ORGANISATION AND, WORKING IN HARNESS, HELPING OUR CUSTOMERS DO THE SAME."

ADRIAAN VISSER

Adriaan Visser is CEO of Sita Nederland, a major waste collection, processing and recycling company. Sita is both a customer, insuring health and pensions with Eureko, and a partner as it manages our waste.

WHAT DOES TRUST MEAN FOR YOU?

Obviously, in a business relationship, you're talking about the assurance you are getting a good product for a reasonable price. But any definition of trust has to include the subjective. Yes, we feel we get the best service for our premium. Yes, the way Achmea handles vitality in the work place shows respect for individuals. But then there is the subjective part: our people feel they can trust Achmea's people. It makes for a good relationship. That is important for me. I want our people to be properly taken care of. What kind of trust could I expect as CEO if I didn't? So, I would say trust is about the relationship you have, the partnership, the sense of reliability, and whether there is healthy respect there.

HOW SHOULD EUREKO DEFINE TRUST?

They have a cooperative background. Any definition should reflect that.

WHAT ARE YOUR EXPECTATIONS FOR 2010?

This is a tough period. A lot of our customers are SMEs – as much as 90% of the client base. It is especially hard for the smaller businesses. Eureko has a similar corporate client base. We all need each other to get through this economic situation. But there's an opportunity here as well. For Sita, sustainability is everything – it's not just a slogan, it's in everything we do. You could see us as the end of the chain. We collect and process waste. But we are also the start of a new chain because a lot of that waste is recycled into reusable products. So we really see ourselves as an essential link in an ongoing chain. I'd like to see Eureko further stimulating and promoting its role in the sustainability chain, both in its own organisation and, working in harness, helping our customers do the same.

EXECUTIVE BOARD REPORT

We are market leader in the Dutch insurance sector; the Dutch organisation, Achmea, is a household name. Achmea has a broad product offering and a full range of distribution channels to support its market-leading position. Outside the Netherlands, we have a more modest position in a number of international markets. In the past, growth in the Netherlands was often driven by mergers. As a result, Achmea has a high level of complexity in its product range, processes and systems and a relatively high cost base in some areas. The financial crisis put real pressure on results and on our own capital position; it showed that results were strongly dependent on investments and participations. It also coincided with a general loss of customer confidence in the financial services sector. As an organisation with cooperative roots, we aim to take the lead in restoring that confidence. Our ambition is to be the most trusted insurer. This section explores the strategic shifts that have resulted from this reality.

GOALS 2010 AND BEYOND

- Maintain market leadership in the Dutch Non-life and Health businesses and at least a top-three position in Income Protection
- Develop international operations based on core competences and potential for economies of scale
- Reduce complexity in the Dutch divisions by reducing FTEs by 2,500 and reducing costs by €300 million by end-2011 compared to end-2008

Eureko was not immune to the turmoil of the financial crisis; it had significant effects on the Group's capital position and solvency. Rapid and decisive action was taken to restore the business to financial health, including de-risking the investment portfolio and a capital increase from shareholders. However, the crisis coincided with a deep point in public trust in financial services providers. In combination with financial turmoil, this led to a crisis of confidence. As an organisation that started almost two centuries ago as a cooperative insurer and which remains committed to those roots, we believe we have to take the lead in regaining and restoring that trust. We have long pursued a stakeholder model. Now, customers are first among equals. One direct result is that in 2009 we began developing a so-called integrity scan for all products, testing their compliance with both regulations and social expectations and, above all, with the Group's ambition to become the most trusted insurer. This customer-confidence priority has been an integral component in the 2009 strategic review. Restoring and building trust also requires confidence in financial strength and continuity. We have set financial targets to generate returns on capital that are in line with our risk profile, our cooperative identity and at least a single-A rating for the Group.

Strategic priorities – the Netherlands

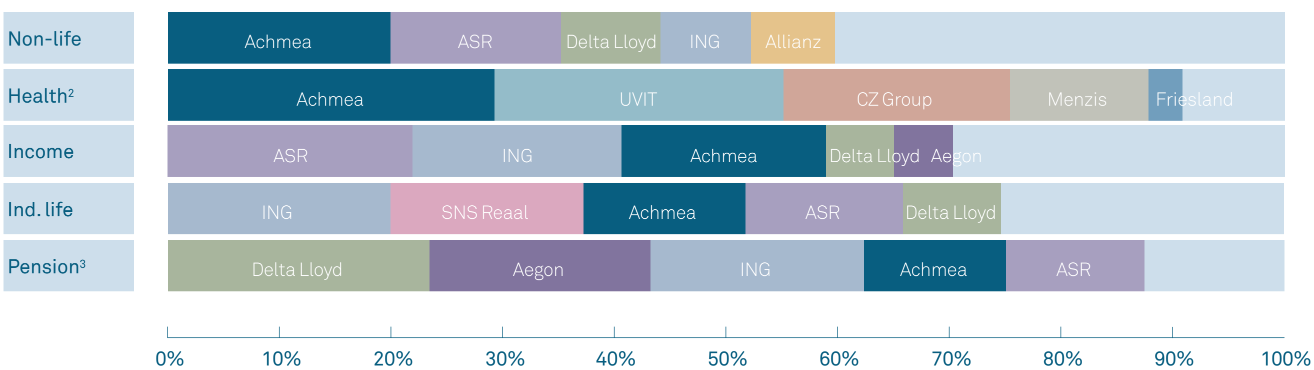
The overall strategic objective of maintaining and growing Eureko's dominant position in the Netherlands is sound. The Netherlands is one of the most mature insurance markets in the world; it ranks in the global top 10 for gross written premiums. This is by far our largest and original domestic market under the Dutch Achmea umbrella. All short- to medium-term indications are that the total Dutch insurance market 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.

EXECUTIVE BOARD REPORT

EUREKO'S STRATEGY

(EXPECTED) MARKET DEVELOPMENT IN THE NETHERLANDS

ACHMEA'S MARKET POSITION IN THE NETHERLANDS IN 2008[1]



1 Sources: DNB figures 2008, Market Concerns, Pension insurance, Syntrus and Income Protection divisions.
2 Based on the number of insured people or participants.
3 Large one-off effects (pension contracts shifting between insurers) cause fluctuations.

EUREKO'S STRATEGY

STRATEGIC CHOICES FOR THE DUTCH PORTFOLIO

<table>
<tr><th>BUSINESS LINES</th><th colspan="4">DISTRIBUTION</th></tr>
<tr><th></th><th>Bank distribution</th><th>Direct distribution</th><th>Broker distribution</th><th>Coop. with social partners</th></tr>
<tr><td>Non-life</td><td colspan="2" rowspan="3">Core proposition: Strengthen</td><td rowspan="5">Increasing scale core proposition</td><td rowspan="7">Strengthen partnership</td></tr>
<tr><td>Health</td></tr>
<tr><td>Income</td></tr>
<tr><td>Pension – standard</td><td colspan="2" rowspan="2">Develop to core proposition</td></tr>
<tr><td>Life – standard</td></tr>
<tr><td>Occupational Health Services</td><td colspan="2" rowspan="2">In function of core proposition</td><td rowspan="2"></td></tr>
<tr><td>Health Services</td></tr>
<tr><td>Pension Services</td><td></td><td></td><td></td><td>Providing entrance</td></tr>
<tr><td>Bank products</td><td></td><td>Complementary to insur. prod.</td><td></td><td>Complementary to insur. prod.</td></tr>
<tr><td>Pension – not standardised</td><td colspan="3" rowspan="2">Separate and manage internal or external</td><td></td></tr>
<tr><td>Life – not standardised</td><td></td></tr>
</table>

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. With the cooperative identity and ambition to be the most trusted insurer as baseline, the 2009 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 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 aims to offer more transparent products at lower cost, improved service and real focus on innovation while maintaining financial continuity. This has led to strategic choices.

The overview shows in which product lines and distribution channels Achmea is already very strong. By identifying and defining the (innovative) action that is required for each business line, Achmea will be better equipped to pursue growth and continuity.

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. In addition, 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 contribute to reducing the claims ratio and increase sales.

EUREKO'S STRATEGY

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

Achmea is pursuing a comprehensive strategic change programme to achieve operational synergies and efficiencies aimed at improved performance and, compared to 2008, 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 was accelerated in 2009, not least through the development of common process optimalisation. SENS, a comprehensive set of systems, tools and behaviours, dictates a new way of working within the Dutch operations that enables us to evaluate and improve the way processes work from the client's perspective. SENS has already been implemented successfully in Achmea's Health business and has now been rolled out in other businesses. SENS is a long-term endeavour. 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. All business entities have been active in improving performance relative to peers. At Group level, we are already seeing results. This is an ongoing process. The years 2010 and 2011 have been designated as 'transitional years', during which processes will be further streamlined, positioning Achmea businesses even more firmly as the trusted insurer of choice for customers.

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, not least because growth in these countries is greater than in the Netherlands. A significant share of value will be generated in European markets that offer opportunities for growth. Forecasts are that, in the longer term, there will be consolidation in the European insurance sector. Eureko's strategy is to position in the new European constellation and to develop a substantial base over time. The ultimate goal is to be a significant player in a limited number of markets rather than a small player in many markets. This will be in line with our core competence strategy.

Strategic choices

A major development took place in our international presence during 2009. In the autumn of 2009, Eureko and the Polish state reached a settlement on the long-running PZU dispute. When we first acquired a stake in PZU back in the late 1990s, the underlying strategic aim was to build a second home market. The thinking was that Poland would also act as a jumping off point for other, newly emerging markets in Central and Eastern Europe. Unfortunately, through a dispute with the Polish state, which lasted over a decade, this ambition was foiled. Ultimately, the settlement with the Polish state has enabled us to end the dispute and achieve a friendly exit. However, that exit has consequences for international strategy into the future.

EXECUTIVE BOARD REPORT

EUREKO'S STRATEGY

STRATEGIC CHOICES FOR THE INTERNATIONAL PORTFOLIO

<table>
<tr><th>PRODUCT GROUPS</th><th colspan="4">CHANNELS</th></tr>
<tr><th></th><th>Bank distribution</th><th>Direct distribution</th><th>Broker distribution</th><th>Partnerships (supporting)</th></tr>
<tr><td>Non-life</td><td colspan="2" rowspan="3">Core proposition: Export Dutch expertise</td><td rowspan="5">Supplementary channel</td><td></td></tr>
<tr><td>Health</td><td>Agreements with hospitals</td></tr>
<tr><td>Income</td><td></td></tr>
<tr><td>Pension – standard</td><td colspan="2" rowspan="2">Position complementary proposition in deregulating/growth markets</td><td></td></tr>
<tr><td>Life – standard</td><td></td></tr>
</table>

Our 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 will be used to further develop international strategy. We have significant core competences, such as our knowledge of Non-life, Health, and banking and direct-channel distribution. All our existing international markets have been reviewed thoroughly and a choice has been made to develop those operations where value can be created and added through using 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 our 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. Moreover, we have an option to acquire 35% of Garanti Emeklilik, partner Garanti Bank's life and pension business. We currently hold a 15% stake. The option can be exercised from the end of June 2010 through the end of June 2012. In turn, Garanti Bank has a put option on 20% of the shares in Eureko Sigorta that can be exercised from the end of June 2010. In Greece, Interamerican is a well-known label and ranks number two in the market with strong positions in Health, Non-life and Life. This provides potential for attractive results in the future. Our 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 we want to be. Expectations are that developments in the market, such as changing demographics and a growing economy will contribute to meaningful results for us in the future.

- In the other markets the objective is to maximise financial value creation. Over the coming years, we will continue to support operating companies in that objective. The aim is for them to further develop into core operations. However, if operations do not achieve both added value through core competences and essential economies of scale, we may consider divestment. Cyprus is one example that does not meet the criteria. In February 2010, Eureko announced that Interlife will be divested through a management buyout.

"TRUST IS BASED ON MUTUAL UNDERSTANDING, EMBEDDED IN A LONG-TERM RELATIONSHIP"

PIET MOERLAND

Piet Moerland is chairman of the Executive Board of Rabobank Nederland. Rabobank operates on cooperative principles and is both a shareholder and a distribution partner for Eureko.

WHAT DOES TRUST MEAN FOR YOU?

To me, trust is based on mutual understanding, embedded in a long-term relationship. It implies personal commitments between Achmea and Rabobank people to act as a joint winning team in the distribution of insurance products through the bank channel.

HOW SHOULD EUREKO DEFINE TRUST?

In my view Eureko should define trust in the same way because of its inherent mutuality. In a complex business like insurance it is probably not possible to spell out all or any circumstances in advance, so you are always left with unresolved or discretionary issues that need deliberation and interpretation. For delivering customer value, both partners have to act closely together on a basis of mutual trust and confidence. I hope that our collaboration will intensify even further.

WHAT ARE YOUR EXPECTATIONS FOR 2010?

For 2010 in general, I expect another challenging year with many of our core customers going through a tough period. Our employees are fully aware of this and try to jointly arrange workable solutions to get through the crisis. Hopefully, the tide will turn during the second half of this year, heading for a more modest and probably sustainable growth path for the future. For Rabobank, it is reasonable to expect we will be affected by all this, but nevertheless we will remain solid and robust as we have been for already more than a century right now.

For Eureko, I welcome the idea of developing an integrity scan for all Eureko products and services. This is how you show customers – and Eureko's customers are Rabobank's customers – that you are very serious about trust. This scan is in development. I expect to see it rolled out through the coming year. That's how you regain customer trust.

GROUP PERFORMANCE

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 HAS BEEN PUT IN PLACE, DESIGNED TO COUNTERACT THE EFFECTS OF THE CHANGED FINANCIAL ENVIRONMENT.

NET PROFIT

€1,381 MILLION

SOLVENCY – INSURANCE ENTITIES

251%

GROSS WRITTEN PREMIUMS

€19.6 BILLION

EQUITY

€10.1 BILLION

February: Willem van Duin appointed as new Chairman of Eureko

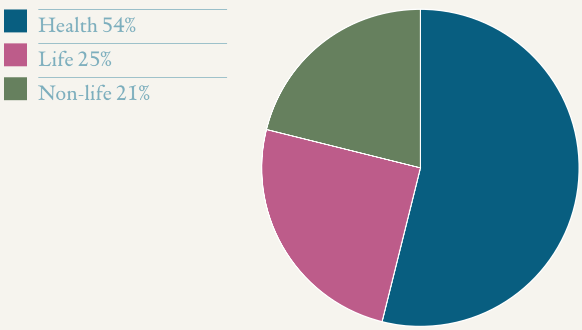
April: Capital increase from shareholders

May: Reduction in participation MillenniumBCP from 10% to 2.5%

May: Unit-linked policy settlement offered

October: Settlement with Polish Government on PZU

GROSS WRITTEN PREMIUMS



GROUP PERFORMANCE

RESULTS

(€ MILLION)

	2009	2008	Δ %
Gross written premiums	19,645	19,306	2%
Investment income	1,048	-172	n.m.
Fee and commission income	594	632	-6%
Other income	3,514	-2,840	n.m.
Total income	**24,801**	**16,926**	**47%**
Claims and movements in insurance liabilities	18,861	14,475	30%
Operating expenses	3,284	3,664	-10%
Other expenses	1,149	1,407	-18%
Total expenses	**23,294**	**19,546**	**19%**
Profit before tax	**1,507**	**-2,620**	**n.m.**
Income tax	126	-502	n.m.
Net profit	**1,381**	**-2,118**	**n.m.**

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 de-risking 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 €10.1 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.

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 for guaranteed segregated investment contracts 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. In addition, profit before tax benefited from the measures taken to reduce our cost base.

NET PROFIT

(€ 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

EXECUTIVE BOARD REPORT

GROUP PERFORMANCE

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 investment contracts	-14	-136	+122
Fair value Equity hedge	-31	251	-282
Total	**-337**	**-2,697**	**+2,360**

NET PROFIT PER OPERATING COMPANY (€ MILLION)

	2009	2008
Achmea Benelux (including 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**

In Non-life, results improved to €282 million (2008: €-95 million), not only due to better investment results, but also due 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 primarily due 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 the cost-reduction programmes and the PZU settlement. In Europe, Friends First 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.

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. Economically, Eureko holds 33% less one share in PZU's shares and a Total return swap on 4.14% of PZU shares. 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. This first part of the financial compensation Eureko received compensates Eureko for relinquishing specific rights it had acquired relating to PZU. 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 a 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

GROUP PERFORMANCE

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 a net profit 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 the Non-life business. Organic growth amounted to 4%. The acquisition of Oranta at the end of 2008 resulted in a positive contribution to gross written premiums of €78 million. In our Health business we achieved growth in new customers. However, this was more than offset by lower contributions received from the Dutch state. Our sales in 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 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 interim 2009 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 1,207, from 24,883 to 23,676, of which 1,084 in the Netherlands. The number of external employees in the Netherlands decreased by 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, at 21,209, our number of internal FTEs was almost stable. Within the Dutch businesses, our FTEs increased slightly, mainly to replace external employees. In our European businesses, FTEs decreased by 123.

GROUP PERFORMANCE

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
Foreign exchange results 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 profit for the reporting year, complemented by the issue of share capital to our main shareholders in April and positive revaluations on our investments.

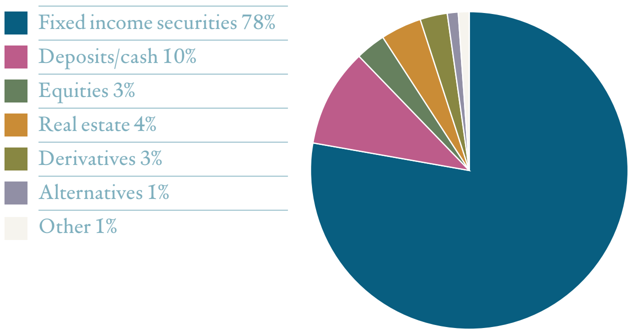
Compared to year-end 2008, Eureko's Group solvency position improved by 66% points to 216% of the minimum regulatory requirements. The solvency of our insurance entities improved to 251% from 197%. With solvency ratios for Non-life at 246%, Health at 201% and Life at 220%, Eureko's minimum requirements (Non-life: 160%, Health: 150% and Life: 170%) were significantly outperformed.

At the end of 2009, the Tier 1 ratio of Achmea Hypotheek-bank and Staalbankiers was 10.4% and 14.7%, respectively. Both are considerably higher than the minimum 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.

Investment portfolio

TOTAL INVESTMENT PORTFOLIO YEAR-END 2009 (€39 BILLION)



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

GROUP PERFORMANCE

reasons for this development are the implementation of our de-risking 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 moved 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 mainly consists of savings accounts related to mortgages and pension products with Rabobank.

RELATIVE POSITION OF FIXED INCOME BY NATURE, TOTAL €30 BILLION (2008: €28 BILLION)

	31 DECEMBER 2009	31 DECEMBER 2008
Government bonds		
• AAA	59%	49%
• Other rating	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.

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 mainly due to the sale of equities as part of the de-risking 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.

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. The value of direct Investment property is determined by the property's occupancy rates, which in the current economic climate puts pressure on the value development of these investments. Impairments amounted to €94 million.

EXECUTIVE BOARD REPORT

GROUP PERFORMANCE

OTHER ACTIVITIES

(€ MILLION)

	2009	2008	Δ %
PZU settlement	1,238	–	–
Associated companies & participating interests	241	-553	n.m.
Other income	93	96	-3%
Total income	**1,572**	**-457**	**n.m.**
Operating expenses	256	399	-36%
Other expenses	255	296	-14%
Total expenses	**511**	**695**	**-26%**
Profit before tax	**1,061**	**-1,152**	**n.m.**

Other activities consists 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 26% 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 Group-wide programme (SENS) in the Netherlands to optimise processes and to reduce the cost base. SENS aims to reduce the operational costs significantly. Costs for the SENS project were €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 on our solvency ratio and of €1,238 million on our profit before tax. 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 amounted to €1,301 million (31 December 2008: €1,968 million) and its share in net profit for 2009 amounted to €285 million.

MillenniumBCP

In line with Eureko's de-risking 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 was accounted for during 2009 (2008: €-693 million). Dividends amounted to €2 million.

F&C Asset Management

As a consequence of F&C Asset Management's increasing share price, we recorded a reversal-of-impairment charge 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 the end of June 2010 until the end of June 2012. In turn, Garanti Bank has a put option on 20% of the shares in Eureko Sigorta that can be exercised from the end of June 2010.

BUSINESS LINE | NON-LIFE

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.

PROFIT BEFORE TAX

€282 MILLION

SOLVENCY

246%

GROSS WRITTEN PREMIUMS

€4,030 MILLION

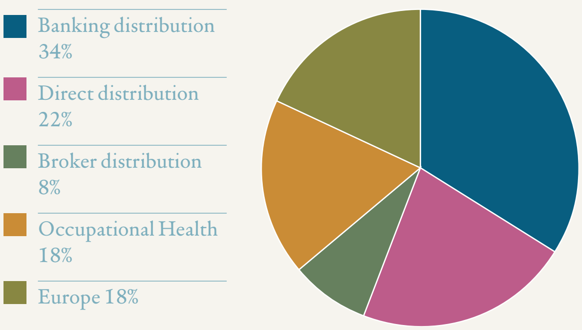
COMBINED RATIO

96.8%

GOALS 2010 AND BEYOND

- Increase profitable market share in the Netherlands
- Reduce expense ratio, mainly through complexity reduction in IT systems
- Build on our competences and expand in Europe (roll out our Dutch core competences in core markets)

GROSS WRITTEN PREMIUMS



EXECUTIVE BOARD REPORT

BUSINESS LINE | NON-LIFE

RESULTS

(€ MILLION)

	2009	2008	Δ %
Gross written premiums	4,030	3,816	6%
Investments	180	-131	n.m.
Other income	-237	-179	32%
Total income	**3,973**	**3,506**	**13%**
Claims and movements in insurance liabilities	2,573	2,287	13%
Operating expenses	1,088	1,144	-5%
Other expenses	30	170	-82%
Total expenses	**3,691**	**3,601**	**3%**
Profit before tax*	**282**	**-95**	**n.m.**

* 2008 figures adjusted for comparison reasons

Our Non-life business comprises a full range of Property and 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 nine 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 buyout.

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 the coming years 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 negatively 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 the final months of the year added to claims.

MARKET REVIEWS AND OPERATING RESULTS

The 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 and Casualty

Achmea is market leader in Property and Casualty (estimated at 21% in 2009) in the Netherlands with number one positions in both bank and direct distribution. Achmea's

BUSINESS LINE | NON-LIFE

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 the 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 and Casualty). Direct distributors, Centraal Beheer Achmea, which celebrated its centenary in early 2009, 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). The 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. A significant group of the most professional brokers has underwriting agency facilities which enables the tailoring of products and services to their own needs. Avéro Achmea supports these facilities with capacity and expertise. 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 insurance policies will be offered to brokers. Transparency continues to be a major issue in the broker business, especially on fees and commissions. Following recommendations from the Dutch Association of Insurers, we take the view that a fundamental change is needed to serve the best interests of the customer. One way would be the implementation and legal regulation of a system of Customer Agreed Remuneration (CAR) for all products and services after a reasonable transition period. If CAR is introduced by the sector, the customer will really be in control of remuneration and there would be no question of conflict of interest between insurer and broker. 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 our broker division , with 22%. Income Protection matches our cooperative background and approach. This is recognised by both social partners and customers. We have significant experience in this field. Our expectation for the coming years is that the market will contract. This has a number of drivers. The current recession has led to higher unemployment, reducing the number of employees in need

EXECUTIVE BOARD REPORT

BUSINESS LINE | NON-LIFE

of insurance. Restrained wage negotiations in collective labour agreements will also have an impact, as premiums are usually a percentage of gross pay. At the same time, there is continual price pressure in the market for Income Protection. Competition here is also fierce. Premiums are under constant scrutiny by employers, who are increasingly aware of cost. Ongoing pressure on premiums could be offset by a shift from public to private management of disability. Currently, many employers seek Income Protection insurance from the public-implementing body of employee insurance schemes, the UWV. However, this body announced in 2009 that it would be doubling its premiums for partial inability to work (WGA) and full disability (WIA). This has led to cost-aware employers shopping around for less expensive options, also as part of their own de-risking activities in uncertain economic times. Given that insurers are able to offer more competitive, stable premiums, the incentive for employers to leave the public sector and opt for insurers could lead to growth in the near term. 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. 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 among 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 insurance, 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 currently in the top 30 by gross written premiums, which stood at €78 million in 2009. Acquired at the end of 2008, Oranta's performance has been 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.

EXECUTIVE BOARD REPORT

BUSINESS LINE | HEALTH

HEALTH IS ONE OF OUR CORE BUSINESSES AND A CORE COMPETENCE, REPRESENTING A SIGNIFICANT SHARE (54%, DOWN FROM 58% IN 2008, AS OTHER BUSINESS LINES INCREASE THEIR SHARE) OF TOTAL EUREKO GROSS WRITTEN PREMIUMS. 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%.

PROFIT BEFORE TAX

€319 MILLION

SOLVENCY

201%

GROSS WRITTEN PREMIUMS

€10.6 BILLION

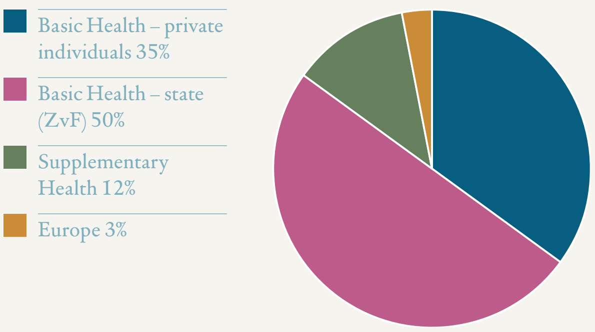
COMBINED RATIO BASIC HEALTH

99%

GOALS 2010 AND BEYOND

- Use our market-leading position in the Netherlands to retain and build current market share based on our size and reputation as the most trusted provider
- Improve the risk-equalisation system
- Achieve an expense ratio in basic Health of <3%
- Improve access to a sustainable health system (affordable quality)
- Develop strategic cooperation with Philips

GROSS WRITTEN PREMIUMS



EXECUTIVE BOARD REPORT

BUSINESS LINE | HEALTH

RESULTS

	2009	2008	Δ %
Gross written premiums	10,617	11,259	-6%
Investments	155	57	172%
Fee and commission income	199	265	-25%
Other income	-30	-340	n.m.
Total income	**10,941**	**11,241**	**-3%**
Claims and movements in insurance liabilities	9,746	10,321	-6%
Operating expenses	764	858	-11%
Other expenses	112	90	24%
Total expenses	**10,622**	**11,269**	**-6%**
Profit before tax*	**319**	**-28**	**n.m.**

* 2008 figures adjusted for comparison reasons

Under the Achmea umbrella in the Dutch market, we offer basic and supplementary Health insurance and Health Services. Health Service activities include disability prevention, healthcare 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 related to prior years. These contributions concern 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 results for basic and supplementary Health insurance. This is due primarily to the (semi-final) settlement for 2006 from the equalisation pool – for a fuller description of the payment system in the Netherlands, see 'Market Reviews and operating results'. Furthermore, we received the final payment for 2005 from the former healthcare system, generating €28 million. Excluding these releases and the final payment for 2005, profit before tax amounted to €130 million, an improvement of €158 million generated primarily through improved efficiency, lower costs and higher interest income. There were many uncertainties surrounding the new healthcare system introduced in 2006 that we were cautious in our provisioning. Now that 2006 has been finalised, we were also able to re-evaluate and adjust our provisions over the last four years; 2006 to 2008 were loss years in basic Health. The risk-equalisation fund payout in 2006 enabled the release of €161 million provisions, also for subsequent years.

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

MARKET REVIEWS AND OPERATING RESULTS

The Netherlands

In 2006, the Dutch Government introduced a new Health insurance structure. It is designed to transform the provision of healthcare into a demand-driven system

BUSINESS LINE | HEALTH

with everyone insured for basic care through a mandatory flat-rate premium and own risk, regardless of health status or age. Customers can choose for supplementary insurance packages in addition to their basic healthcare. The system works through risk equalisation, whereby insurers are compensated for higher-risk groups through an equalisation pool. However, calculating the amount of 'compensation' due remains a slow process. At the end of 2009, the equalisation pool finally paid out on 2006. Delays in payouts mean that insurers have increasingly become risk bearers. One result is that the capital requirement imposed on insurers by the Dutch Central Bank (DNB) will increase from 8% to 9% in 2010. A further customer-related cause for concern is the increase in bad debtors, specifically on the mandatory own risk that has to be recouped by the insurer. The government has responded by establishing a system whereby insurers are only obliged to carry the default risk for six months. After that period, it can be transferred to a government body. Eureko takes the view that significant improvements must be made to the (equalisation) system and is proactively involved in this process to avoid further increase in solvency requirements and ensuing rise in premiums.

Market forces in Health

In the Health Services chain, there now exists a so-called 'triangle of care' comprising customers, insurers and providers. The role of insurers has changed with the system. Increasingly, they act as procurers of care, not least through the leverage they have with providers. Leverage is used to increase quality and efficiency in medical providers. It is also applied to pricing, whereby insurers and providers agree on cost for specific treatments. In the current system, hospitals charge insurers for the complete treatment package and Eureko advances funds against future invoices. Some hospitals are currently in financial difficulty and Eureko has assessed the financial risk due to a backlog in repayments of loans and overpayments through an 'early warning system'. Additional provisions for bad debts have been made to cover this risk. The current system represents both an opportunity and a challenge for insurers to continually improve the quality of care on offer to customers, making them the insurer of choice. This has become even more important in the saturated Dutch market where healthcare was once again ranked as best by the authoritative 2009 Euro Health Consumer Index. If this status is to be maintained and our market-leading position retained, then it is crucial that costs are managed and controlled. This cost control has rapidly become the responsibility of insurers. Our aim is to manage costs while continuing to offer customers choices. One example in 2009 is the new medication policy. We have reached agreement with pharmacists on dispensing medication. The basis is generic medication where possible (i.e. a lower price for the same active substance) and more expensive brands where necessary. Customers can now discuss the right medication with their pharmacists based on this policy. Another example is the initiative to work with two hospitals on lean projects. The projects focused on improving quality while simultaneously reducing costs. Both pilots were successful and will be continued in the coming years. More hospitals will probably adopt the programme. Moreover, we have joined forces with Philips, the global technology group, to develop innovative solutions for care in the home. By finding ways to deliver distance care and telecare, the chronically ill can receive more medical attention at home. Philips has already invested in these types of solutions. From 2009, Achmea and Philips have agreed to a five-year programme.

Achmea in the market

Health is both a core business and a core competence. Through the merger with Agis, Achmea became the market leader in Health insurance in 2007. We offer basic and supplementary insurance through a number of household-name Achmea brands and a full range of distribution channels – bank, direct and broker. Our market share and number of insured grows slightly every year (+30,000 in 2009) in what can only be described as a

BUSINESS LINE | HEALTH

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. And even though customers can change their insurer quite easily, in 2009 only 3.5% switched. Although this indicates that customers are generally satisfied, in this market environment, insurers must distinguish themselves through the quality and efficiency of their offering and through the provision of supplementary insurance and services.

Health policies for groups

Our customers are individuals and collectives. Traditionally, Achmea has focused on providing collective 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 76% of Achmea policies are group contracts. Through our cooperative background, we recognise a duty of care in the way we structure our health and related insurance policies. The majority of customers arrange their health insurance packages when they are well. It is our challenge to put in place high-quality medical care for when they are ill. However, our biggest challenge is to help them remain in good health. This is why we provide Health Services, including insurance solutions for disability, illness prevention and workforce vitality. There is a growing recognition among employers that a vital workforce generates real benefits. At the same time, the way occupational Health legislation is regulated means it is complex for employers to manage alone. Achmea Occupational Health has pioneered a combined, no-nonsense approach to insurance solutions that stimulates prevention and workforce vitality in a single package with no overlap. Achmea's labels and full range of distribution channels enables us to offer this kind of package in any way the customer wants. Innovations of this kind are designed to improve quality of service, but also to combat growing competition in this segment.

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 re-evaluate and adjust our provisioning for 2006 through 2008, releasing €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%. On basic Health insurance, of every €1 in premium 96% is paid out in cost of providing healthcare; around 3% is the cost of administering the system and around 1% is profit. Discounting, however, the one-off items noted above, the claims ratio increased slightly to 97.8% (2008:97.6%).

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 insurance 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 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.

EXECUTIVE BOARD REPORT

BUSINESS LINE | HEALTH

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 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 all countries, the offering is tailored to fit with or supplement the existing social Health system. This, combined with differences in market maturities and healthcare-provider market characteristics, compels Eureko to offer a variety of different products and propositions. However, within this broad context, Eureko's strategy is always based on the fundamental principle of facilitating and enabling access to quality healthcare. We currently offer basic and supplementary Health insurance in Slovakia, and private alternatives to state-provided care in Greece, Romania, Turkey and Russia. 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 and leading 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 at the beginning of 2010 in the Slovakian market, Union currently offers both basic and supplementary health insurance. However, from the final quarter of 2006, several amendments have been made to the liberalisation initiated by a previous government in 2004. These amendments have imposed measures that effectively discriminate against private health insurance companies, and effectively prevent Eureko from recovering its investment in Union Health Insurance. We are currently seeking protection for our investment and Union's business by challenging the amendments under European law and the Bilateral Investment Treaty that exists between Slovakia and the Netherlands.

Gross written premiums improved by 19% to €181 million in 2009 (€152 million in 2008), 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 incomes of the insured, higher unemployment and, in particular, more unpaid premiums, increase in net premium income did not match the increase in healthcare costs per customer.

Other European Countries

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

"ENABLING A WORKING ENVIRONMENT WHERE YOU CAN THINK OUT OF THE BOX IS ANOTHER WAY OF SHOWING TRUST"

EMIL VERHEIJEN

Emil Verheijen is an IT team manager for Achmea.

WHAT DOES TRUST MEAN FOR YOU?

I'm convinced trust can be a key to success. Trust is not only a situation, but especially a verb; create, maintain and prove! It's about giving people responsibilities. I am convinced that giving responsibilities stimulates employee involvement and results in more intrinsically motivated colleagues. People work with more pleasure and satisfaction. That generates better results – for everyone. That's why I find it easy to trust. What's harder is getting other people's trust and confidence.

HOW SHOULD EUREKO DEFINE TRUST?

By always seeing that trust is about people, and vice versa. Eureko has quite some track record when it comes to trusting its people. One example is the option of flexible working at home. A lot of people make use of that option and I'm convinced the whole Group benefits. Enabling a working environment where you can think out of the box is another way of showing trust. And this happens at Achmea. Working together with the Health business unit and Microsoft, my team developed an innovative game for children to help them learn about unhealthy food. It has already been rolled out at junior schools. That's thinking out of the box.

WHAT ARE YOUR EXPECTATIONS FOR 2010?

You mean what do I expect from myself? I think we all have to work harder on making connections with colleagues in other business areas. In my opinion, there's still too much internal focus by the individual divisions. We should try to see the bigger picture. We need better ways of putting all our efforts together and working together so that everyone benefits from the creativity we have in the organisation.

EXECUTIVE BOARD REPORT

BUSINESS LINE | LIFE

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 AN ESTIMATED MARKET SHARE IN THE NETHERLANDS OF 12% IN LIFE AND 11% IN PENSIONS, THE ACHMEA LABELS ARE ESTABLISHED NAMES IN THIS BUSINESS.

PROFIT BEFORE TAX

€-108 MILLION

SOLVENCY

220%

GROSS WRITTEN PREMIUMS

€3,906*

* EXCLUDING MERGER OF PENSION FUNDS

VNB MARGIN

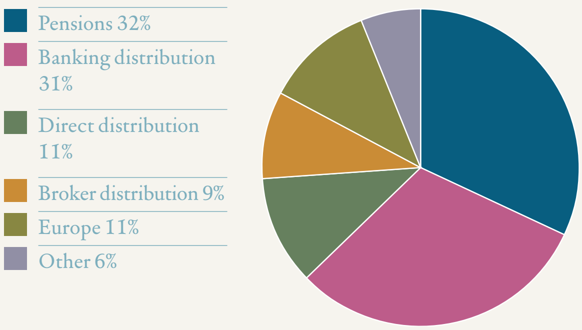
1.6%*

* EXCLUDING MERGER OF PENSION FUNDS

GOALS 2010 AND BEYOND

- Retain top-three and top-five positions in individual Life and Pension insurance, respectively, in the Netherlands
- Improve our Value New Business (VNB) margin
- Increase trust in financial services products

GROSS WRITTEN PREMIUMS*



* EXCLUDING MERGER OF PENSION FUNDS

EXECUTIVE BOARD REPORT

BUSINESS LINE | LIFE

RESULTS

(€ MILLION)

	2009	2008	Δ %
Gross written premiums	4,998	4,231	18%
Fee and commission income	385	350	10%
Investments	467	545	-14%
Other income	1,709	-3,283	n.m.
Total income	**7,559**	**1,843**	**310%**
Claims and movements in insurance liabilities	6,542	1,858	252%
Operating expenses	997	1,077	-7%
Other expenses	128	289	-56%
Total expenses	**7,667**	**3,224**	**138%**
Profit before tax	**-108**	**-1,381**	**n.m.**

Eureko operates its Life and Pensions business in the Netherlands, Ireland, Greece, France, Slovakia, Romania, Bulgaria and Cyprus. In February 2010, Eureko announced a management buyout 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 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%).

MARKET REVIEWS AND OPERATING RESULTS

The Netherlands

Achmea has a top position in this saturated market. In 2009, estimated market share in Life insurance declined to 12% (2008: 14%) due to increasing competition. Our share of the Pension insurance market remained stable at 11%. The merger of two Achmea personnel pension funds is not included in the calculation of this market share. 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. For Achmea, whose Interpolis label is fully focused on Rabobank as a distribution partner, the effects were significant when, in 2009, the bank announced it would no longer market insurance products if there were comparable banking alternatives. At the same time, there has been a steady decline in customer confidence in recent years. 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. This issue has given rise to a greater demand for transparency. Single-premium policies, once popular for their tax advantages, are showing a steady decline. The same applies to unit-linked

BUSINESS LINE | LIFE

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. Pension insurance is a key activity and our combined brands have an estimated 11% of the market. The problem of greying populations and longevity is also affecting the Netherlands. In combination with the current economic climate, the Dutch Government has proposed raising the age for state pension to 67. Employers are trying to control costs and are increasingly shifting from defined benefit to defined contribution. However, they are also seeking the best possible security for their employees. Achmea is meeting these new customer requirements by adjusting our offering accordingly. In 2009, gross written premiums grew 95% to €2,331 million (2008: €1,197), due mainly to the creation of SPA. Excluding this item, premiums increased by 3%; single premiums decreased by €50 million to €470 million while annual premiums increased by €72 million to €739 million.

Pension services

Pension services is an attractive and dynamic market comprising three components: asset management, pension administration and real estate. It is also an increasingly complex market, especially in asset management and related regulation. This complexity demands significant expertise from managers in a market where customers are demanding more transparency, information and flexibility. There is a clear trend towards merging of pension managers to reduce related costs and complexity. This trend is stimulated by both trades unions and employers as part of their demands for greater efficiency and affordability. Our Syntrus Achmea brand is an integral provider of all three pension services components.

From 2009, Pension services has been reclassified from Holding activities to the segment Life. Pension services is a highly competitive business. By definition, the management of a pension fund is a long-term activity. 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 Achmea, 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 leaving 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 of 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. Achmea labels have an estimated 12% (2008: 14%) of the Life market, provided through our direct and bank distribution channels. 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.

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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 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 our 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 mainly due 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.

BUSINESS LINE | LIFE

EMBEDDED VALUE

The following information offers a high-level overview of how Embedded Value developed in 2009. Eureko publishes a separate Embedded Value report, which can also be reviewed on our website, www.eureko.com. Tables in this section compare results in 2009 with results in 2008 on a statutory basis, except where otherwise stated.

EMBEDDED VALUE SUMMARY

(€ MILLION)

	2009	2008
Required capital	1,815	1,787
Embedded Value free surplus	1,921	935
Shareholder net worth	**3,736**	**2,722**
Value of in-force Life business before cost of required capital	1,864	2,071
Cost of required capital	-690	-670
Value of in-force Life business after cost of required capital	1,174	1,401
Embedded Value	**4,910**	**4,123**

Embedded Value increased by 19% to €4,910 million. Shareholder net worth explains €1,014 million of this growth following a capital increase of €619 million in Eureko's Life business.

The decline in value of in-force business is partly explained by de-risking the investment portfolio. The asset mix's risk profile is lower than in 2008, which will also reduce future investment returns.

EMBEDDED VALUE EXPLAINED

Embedded Value provides an estimate of the value of the shareholders' interest in a life insurance operation, excluding any value that may be generated from future new business. The Embedded Value is the sum of the shareholders' net worth (required capital plus free capital surplus) and the value of in-force business. Eureko applies the European Embedded Value (EEV) principles published by the CFO Forum, a group representing a number of large European insurers, for the valuation of its Life business. The Life business is that reported as such to the local regulators in the territories in which Eureko operates, excluding on grounds of materiality, the value of Interamerican Bulgaria.

EMBEDDED VALUE PROFIT – LIFE BUSINESS

(€ MILLION)

	2009	2008
Embedded Value at start of year (before model changes)	4,123	6,374
Model changes	-146	-43
Embedded Value at start of year (after model changes)	3,977	6,331
Operating profit after tax	290	-129
Economic profit after tax	24	-2,604
Embedded Value profit after tax	314	-2,733
Dividends and capital movements	619	525
Embedded Value at year-end	**4,910**	**4,123**

The Embedded Value profit of €314 million is the change in Embedded Value of the Life operation from start of year to end of year, adjusted for any dividends from, or capital transfers to, the Life operation, and for exceptional items.

As a result of the turmoil on the financial markets, economic profit was negative at the end of 2008. In 2009,

BUSINESS LINE | LIFE

investment returns are higher than expected (€82 million) and lower interest-rate volatility improved the Embedded Value by €154 million. Actively de-risking the investment portfolio is also defined as economic profit and had a negative effect (€-185 million).

The main contributors to the operating profit of €290 million are the expected return (€175 million), variances in persistency (€72 million) and lower assumed administration expenses (€95 million). This was partly offset by the agreement made by Achmea to compensate expenses on unit-linked policies.

VALUE ADDED BY NEW BUSINESS

(€ MILLION)

	2009	2008
Value added by new business (excluding SPI)	**36**	**41**
Present value of new business premiums (PVNBP)	2,267	3,191
Value added by new business as a % of PVNBP	1.6%	1.3%
New business APE (annual premiums +10% of single premiums)	280	408
Value added by new business as a % of APE	12.8%	10.0%
Value added by new business (including SPI)	**10**	**41**
Present value of new business premiums (PVNBP)	4,033	3,191
Value added by new business as a % of PVNBP	0.3%	1.3%
New business APE (annual premiums +10% of single premiums)	415	408
Value added by new business as a % of APE	2.5%	10.0%

Value New Business (VNB) is an important part of 'operating profit'. It is the value-at-outset at the risk discount rate of the projected flow of after-tax distributable profits from business sold in the relevant year. A positive VNB means that the after-tax return on new business written is expected to exceed the risk discount rate, based on the assumptions made. New business margins are calculated as the ratio of the VNB to the present value of new business premiums.

In 2009, Interpolis's pension fund (SPI) merged with Achmea's pension fund. This contract shows a negative VNB of €26 million. This effect is considered to be an exceptional item. The merger also led to an increase of €1 billion in pension liabilities, which has significant positive unit-expense implications for future VIF development.

At Group level, VNB decreased by 12% to €36 million (2008: €41 million). The decrease is due to lower sales. The VNB margin improved to 1.6% (2008: 1.3%). When the SPI contract is factored in, VNB was €10 million.

VNB in the Netherlands

VNB is under pressure in the Dutch divisions. In the current financial markets, sales are too low to cover expenses and improve VNB results. VNB margins improved through cost reductions and a focus on profitable product categories. However, VNB still decreased from €33 million in 2008 to €22 million in the reporting year. Including the SPI contract, VNB was negative at €4 million.

VNB in Europe

VNB outside the Netherlands increased from €8 million in 2008 to €14 million at the end of 2009. VNB margins improved from 0.7% to 1.7%. Friends First was the main contributor of new business, although the amount has declined due to lower sales and ensuing lower expense coverage. VNB still remains at a satisfying level of €10 million. Interamerican Greece improved its VNB significantly, from €1 million to €4 million, due to greater sales effort in its Medisystem business. Sales were in line with last year, but margins improved.

Other operating companies in Europe show stable results.

EXECUTIVE BOARD REPORT

BUSINESS LINE | BANKING

FOR EUREKO, BANKING IS A COMPLEMENTARY BUSINESS IN THE NETHERLANDS TO ENSURE A COMPLETE SERVICE OFFERING FOR CUSTOMERS. 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

€ -47 MILLION

TIER 1 RATIO

11.3%

CREDIT PORTFOLIO

€ 19.3 BILLION

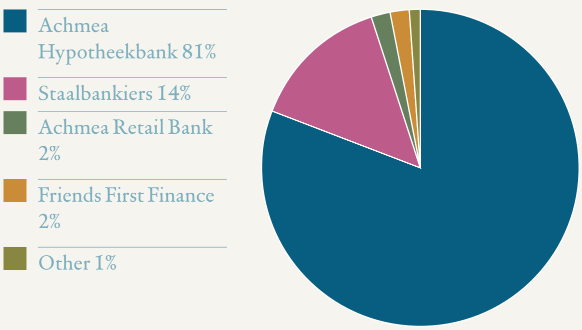
NET INTEREST INCOME

€ 185 MILLION

GOALS 2010 AND BEYOND

- Streamline organisation at Achmea Hypotheekbank and Achmea Retailbank
- Achieve assets under management of at least €4 billion at Staalbankiers in 2012

CREDIT PORTFOLIO



BUSINESS LINE | BANKING

RESULTS

(€ MILLION)

	2009	2008	Δ %
Net interest margin	185	191	-3%
Net commission income	4	4	0%
Other income	20	23	-13%.
Total income	**209**	**218**	**-4%**
Expenses	134	135	-1%
Additions to loan loss provisions	122	47	160%.
Total expenses	**256**	**182**	**41%**
Profit before tax	**-47**	**36**	**n.m.**
Cost-income ratio	64%	62%	–

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. Operating 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%).

MARKET REVIEWS AND OPERATING RESULTS

The Netherlands

Achmea Hypotheekbank

The slowdown 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, 29% less mortgages were closed than in the previous year. All mortgage providers tightened their underwriting criteria due to market conditions. Achmea Hypotheekbank offers mortgages through our direct channel brands, Centraal Beheer Achmea and FBTO, and Woonfonds. In 2009, our broker brand Avéro Achmea decided to stop selling life insurance 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 $3.25 billion bond issue to refinance its mortgage portfolio.

Profit before tax in 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 €13.6 billion (2008: €14.1 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. Saving through internet providers is also increasingly popular; both Centraal Beheer Achmea and FBTO offer web-based savings products. Total savings at the end of 2009 amount-

BUSINESS LINE | BANKING

ed 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 our client-focused strategy, Staalbankiers was cautious in its investment recommendations, resulting in a lower transaction volume and lower commission income.

In 2009, banks were again obliged to contribute to the Netherlands' Deposit Guarantee Programme following the collapse of DSB Bank; contributions were also required in 2008. The liquidity premium on funding, a reality in current market conditions, was not passed on to our clients for long-term strategic reasons; it was the major cause of the reported loss before tax of €29 million.

Despite this loss, Staalbankiers remains 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 was severly impacted by the global credit crisis and its business model of borrowing from the inter-bank market was no longer sustainable in the prevailing 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 was a loss of €93 million in 2009, mainly as a result of loan loss provisions of €101 million.

"CLOSE CONTACT WITH CLIENTS AND A REAL EMPATHY FOR THEIR NEEDS IS CRUCIAL..."

GIJS SWALEF

Gijs Swalef is Chairman of Vereniging Achmea, Eureko's largest shareholder.

WHAT DOES TRUST MEAN FOR YOU?

Trust means for me that there is no explicit need to check your partner. Parties operate as partners and the aim and motives of both are transparent. For instance, mergers only succeed in my opinion, when both companies focus on the sum of the two and not on selfish interests, which happens too often. But it also relates to the client approach of a company. Eureko, its subsidiaries, brands and shareholders have their roots in the cooperative tradition. The first activities of the current Achmea – the Dutch daughter company of Eureko - started in 1811, when farmers in the Netherlands decided to cooperate to spread their risks and exercise solidarity and trust by starting an own mutual insurer. From that moment the ultimate aim of Eureko/Achmea and its predecessors has been to seek the benefits for its clients, in continuity and solidarity. These elements still form the basis in the mission and ambition of Eureko. Trust is key for companies in the financial services industry, whether banks or insurance companies. Moreover, the companies in the sector with cooperative structures and shareholders, like Eureko and its partner Rabobank, have an obligation par excellence and a unique position in proving that trust, because they are the pure client driven companies.

HOW SHOULD EUREKO DEFINE TRUST?

Some say trust is about image and reputation, but that is just the outcome. Trust starts with knowing your clients, then delivering the needed products and services, and finally showing transparently your role as a reliable partner. Therefore, a close contact with clients and a real empathy for their needs is crucial. Eureko has a distinctive identity, because the shareholders represent the clients' interest with a full focus on continuity. This counts for Association Achmea as well as the cooperative Rabobank and the other shareholders of Eureko. The essentials of the historical roots of these companies are still valid today and have to take a central position in the way Eureko carries out trust.

WHAT ARE YOUR EXPECTATIONS FOR 2010?

The effects of the turbulence in the world's economy and the financial sector will not be over soon. At the same time governments face huge challenges in restoring the national budget deficits. This could influence the markets of public-private businesses like Pensions and Health where Eureko has strong positions. The company has to participate in the discussions in order to be able to continue the deliverance of the required products and services in the interest of the clients. Looking at 2009, Eureko recovered strongly and is vital again. Stable returns will be important to strengthen the position for the future.

CAPITAL AND LIQUIDITY MANAGEMENT

Eureko began the reporting year in the midst of unprecedented turmoil on financial markets. Ongoing and reinforced strong, structured capital and liquidity management was, therefore, a prerequisite for achieving continuing goals: ensuring continuity for stakeholders, maintaining a very strong Standard & Poor's (S&P) capital position and maintaining Eureko B.V.'s credit rating in the A category. At the end of the reporting year, our capital position more than met regulatory requirements and is comfortably above even more stringent internal requirements. Liquidity positions are also strong. This section describes the active measures taken to secure our current status and how the dedicated team works to maintain our positions.

GOALS IN 2010 AND BEYOND

- Ensure continuity for stakeholders
- Maintain very strong S&P capital position (AA-level) and a credit rating of Eureko B.V. in A category

Capital

Eureko was not immune to the global financial crisis. At the beginning of 2009, the crisis had impacted our capital position through massive falls in equity markets and widening of credit spreads. Both put pressure on our own equity and, therefore, our solvency. We took immediate action. We de-risked the investment portfolio in the first half of 2009. Furthermore, our shareholders povided a capital increase of €1,028 million, which was effected in April 2009. Of the capital increase, €610 million was used to improve the insurance entities' solvency position. In combination, these two actions restored our capital position above our minimum targets. It was further improved in the second half of the reporting year through the PZU settlement. We ended the reporting year with a Standard & Poor's (S&P) capital position in line with our target AA level.

EQUITY POSITION

(€ MILLION)

	2009	2008
Share capital	11,861	10,833
Own shares	-45	-45
Legal reserves	1,250	1,548
Revaluation reserve	758	-2
Retained earnings	-5,989	-3,841
Profit for the year	1,381	-2,119
Other equity instruments	1,325	1,325
Other reserves	-420	-254
Equity attributable to holders of equity instruments	**10,121**	**7,445**
Non-controlling interest	6	6
Total equity	**10,127**	**7,451**

CAPITAL COMPOSITION

(€ MILLION)

	2009	2008
Shareholders' equity	8,491	5,815
Preference shares	311	311
Group hybrid capital	1,325	1,325
Total equity	**10,127**	**7,451**
Holding core debt	867	1,387

CAPITAL AND LIQUIDITY MANAGEMENT

The current European Union solvency regime for insurers, Solvency I, has not changed significantly since the 1970s. As this regime is not risk based, Solvency II is under development and will be implemented by the end of 2012. To guarantee continuity for policy-holders, Eureko has developed its own internal levels; these are much higher than Solvency I. In addition, Eureko steers on the S&P capital adequacy model. S&P capital requirements are consistent with an AA-target capital level that is much higher than internal regulatory capital targets. Furthermore, we also take an internally developed capital model into account, (ECAP, please see 'Risk Management').

Regulatory solvency

At the start of 2009, the Group solvency ratio had declined to 150%. Although this ratio is well above regulatory requirements, which are monitored at least monthly, as with capital adequacy, Eureko sets its own internal ratios higher. Our goals are to ensure continuity for all stakeholders, so we have conservative and prudent policies in place. Based on the conservative swap curve, minimum internal solvency targets must equal 170% and 160% of the minimum regulatory solvency requirements for the Life and Non-life businesses, respectively. For Health insurance, the minimum coverage ratio is 125% for basic Health insurance and 150% for supplementary insurance coverage. Linked to ECAP outcomes (please see 'Risk Management') and Solvency II developments, the solvency target levels will be recalculated. At year-end 2009, solvency levels of the insurance entities were well above internal requirements, increasing to 251%, and above pre-crisis level. Non-life was at 246%, Health at 201% and Life at 220%. For our banking activities, the Tier 1 ratio increased to 11.3% (2008: 11.1%), based on the standardised approach. The PZU settlement resulted in an increase of Group solvency levels of 27%-points.

EUREKO GROUP REGULATORY SOLVENCY LEVELS (€ MILLION)

	2009	2008
Available capital (a)	8,700	5,921
Required capital (b)	4,036	3,960
Solvency level (a)/(b)	216%	150%

SOLVENCY LEVELS INSURANCE ENTITIES (€ MILLION)

	2009	2008
Available capital, including surplus value in Liability Adequacy Test according to regulatory requirements (Wft) (a)	8,913	6,855
Required capital (b)	3,546	3,481
Solvency level (a)/(b)	251%	197%

The calculations are based on the swap curve.

DUTCH BANKING ACTIVITIES (€ MILLION)

	2009	2008
Core capital – Tier-1	695	664
Available capital	869	869
Risk-weighted assets	6,129	5,987
Tier-1 ratio	11.3%	11.1%
BIS ratio	14.2%	14.5%

CAPITAL AND LIQUIDITY MANAGEMENT

RECONCILIATION BETWEEN IFRS GROUP EQUITY AND REGULATORY CAPITAL BASE

(€MILLION)

	2009	2008
Total group equity (excluding perpetuals)	8,802	6,126
Other by DNB recognised equity components		
• perpetual capital securities	1,325	1,325
• adjustments		
– intangible assets	-1,533	-1,640
– other	-8	-7
Subordinated loans	114	117
Group solvency base	8,700	5,921

DIVIDEND POLICY

Eureko's dividend policy, formulated and implemented in 2004, consists of a stable (or slightly increasing) dividend per share, based on a payout ratio of 35–45% of net profit attributable to ordinary shareholders. In the context of the capital increase, executed in April 2009, it was agreed with shareholders that dividend payments will be 45% of net profit attributable to ordinary shareholders. All proposed dividends are subject to approval by the Annual General Meeting of Shareholders.

Solvency II preparations

Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry that will come into force in a few years time. It aims to establish a revised set of EU-wide capital requirements and risk-management standards that will replace the current Solvency I requirements. Eureko is actively participating in the development of Solvency II through representation in national and international industry groups and by providing information through quantitative impact studies. We have a dedicated international team preparing the Group for Solvency II, but also for other related developments, such as IFRS4 phase II. Capital requirements under Solvency II may be calculated using a standard formula or, if there is supervisory approval, using capital models developed in-house. Eureko will participate in the pre-application on internal models arranged by the DNB, starting as per 1 July 2010.

Eureko will also participate in the Quantitative Impact Study 5 starting in August 2010. Eureko participated in the former Quantitative Impact Studies (QIS1 to QIS4). By means of these studies, Eureko gets used to the methodology of the Solvency II standard model and gets valuable input for improvements needed towards Solvency II compliancy.

Stress testing

One of the key consequences of the financial crisis is reinforced focus on so-called stress testing of the capital adequacy of financial institutions. During the reporting year, Eureko participated in two such stress tests. The first, in spring 2009, based on numbers per 31 December 2008, was arranged by the DNB, a second, in December, based on numbers per 30 June 2009, was carried out by the EU. The EU stress test showed that the measures, such as de-risking, taken in early 2009 had been successful in reducing sensitivity to market turmoil. In both tests, even in the most stressed scenario, Eureko would still meet the regulatory capital requirements.

Funding and liquidity

In 2009, Eureko's liquidity position improved significantly due to the capital increase and to the PZU settlement. The external debt position was reduced considerably due to the PZU settlement and the redemption of our stake in MillenniumBCP.

CAPITAL AND LIQUIDITY MANAGEMENT

Funding strategy

Eureko's funding strategy is based on assuring access to international capital and credit markets at low cost, underpinned by credit ratings in line with its peers. In principle, each operating subsidiary is responsible for financing its own activities. However, Eureko, as the holding company, coordinates all these activities and, in this role, may participate in financing the operations of certain subsidiaries, usually through subordinated debt funding and other forms of capital and loans. As a holding company, Eureko, and its major Dutch holding entities, rely for funding needs principally on distributions of internal dividends and short-term excess liquidity from operating subsidiaries and associated companies. Such distributions and internal funding are usually subject to regulatory restrictions, and, in the case of associated companies, by the dividend policies as determined by those companies.

OVERVIEW CASH FLOW AND REALLOCATION OF CAPITAL

(€ MILLION)

	2009
Cash remitted by business	
Life	30
Associates	2,004
Re-insurance	46
Financing/corporate activities	
Proceeds from divestments	182
Net interest paid (Eureko)	-8
Dividend and coupons on capital securities paid	-106
Net proceeds from issuance of shares	1,028
Net change in borrowings	-840
Tax settlements	68
Corporate activities	-244
Investments in business and associates	
Non-life	-65
Life and Pensions	-609
Other	-40
Associates and participating interests	0
Net change in cash	**1,446**

Eureko and its principal holding entities' cash flow gives a comprehensive, high-level overview of the Group's sources of capital as a complement to the cash flow statement in the financial statements. In combination with sound access to capital markets, the Group's financial flexibility is considered very strong. The cash position will further improve in 2010–2012 through the agreed IPO of PZU.

Liquidity – holding

For liquidity purposes, Eureko and its principal Dutch holding entities maintain committed and uncommitted credit facilities with a variety of international banks. At year-end 2009, those committed credit lines (€750 million) were

CAPITAL AND LIQUIDITY MANAGEMENT

undrawn. Those facilities do not contain banking covenants with the obligation to redeem in case of a rating downgrade. Lower rating levels could result in slightly higher interest rates. In June 2009, a €750 million senior issue took place. Eureko's external borrowings not allocated to its banking and finance operations decreased to €867 million at year-end 2009 (2008: €1,387 million), primarily as a result of the PZU-settlement. As a consequence, debt leverage, measured as non-banking debt and perpetuals as a percentage of the sum of total equity, non-banking debt, perpetuals and minus goodwill improved from 36.4% to 22.8%. Non-banking debt excludes debt related to reinsurance contracts at Eureko Re, amounting to €14 million (2008: €38 million). In 2009, Eureko reduced its strategic shareholding in MillenniumBCP and the financing facilities used for this investment were redeemed. In addition, internal funding was reduced significantly in 2009. Through the redemption of loans and the PZU-settlement, at year-end 2009, Eureko as holding had no double leverage.

Liquidity – insurance entities

The liquidity position of our insurance entities is sound, as we maintain a high level of liquid investments in the investment portfolio, including short-term deposits, liquid government bonds and listed equities. Liquid assets, i.e. assets that can be made readily available, represent 87% of the investment portfolio.

Liquidity – banking

Funding remained scarce in 2009 for the whole banking sector. To stimulate lending, the Dutch state introduced a guaranteed funding scheme. Achmea's banking operations were able to maintain their position, with liquidity well above regulatory requirements. However, taking into account future liquidity, in autumn 2009 Achmea Hypotheekbank decided to arrange and closed a $3.25 billion funding transaction under the Dutch Government guarantee funding scheme, creating significant additional liquidity. Regular refinancing will take place in 2010. The (mortgage) banks can also make use of the European Central Bank (ECB) repo facility (€555 million at year-end 2009) and savings. Staalbankiers has an adequate liquidity position.

Ratings

In December 2008, Standard & Poor's revised its outlook on core entities from stable to negative, emphasising the need for an improvement in operational performance, specifically in the Life and Pension business. The rating and outlook were maintained during the year. Given market developments in the insurance sector during the reporting year, maintaining the rating at the same level can be called an achievement. Achmea Hypotheekbank's A- rating with stable outlook was affirmed in January 2010.

STANDARD & POOR'S RATINGS

	TYPE	
Eureko B.V.	CCR	A-
Achmea Holding N.V.	CCR	A-
Achmea core Insurance entities	CCR/IFSR	A+
Achmea Hypotheekbank N.V.	CCR (long term)	A-
	ACCR (short term)	A-2
	Secured debt programme	A+
	Covered bond programme	AAA*/Aa2**
	(S&P/Moody's)	

* Watch negative | ** Review for possible downgrade

CCR: Counterparty Credit Rating | IFSR: Insurer Financial Strength Rating

In January 2009, the Moody's rating for the Achmea Hypotheekbank Covered Bond Programme was set at 'review for possible downgrade' and was downgraded per 23 April 2009, maintaining the 'review for possible downgrade'. As of 16 December 2009, S&P set the Achmea Hypotheekbank's covered bond rating at 'watch negative'. The aim is to bring the covered bond programme into line with new regulatory and rating agency requirements.

RISK MANAGEMENT

As a financial institution, risk management is essential for our business. As an insurer, we must, by definition, work to a long-term horizon. For Eureko this is specifically so because of our commitments to customers, employees, shareholders and distribution partners. Our risk management is, therefore, organised and driven by that long-term view. This section describes how we identify, assess, measure, manage, monitor and report on the risks to which we are exposed.

GOALS 2010 AND BEYOND

- Develop a more explicitly stated risk appetite
- Strengthen our risk management organisation
- Develop risk budgeting based on economic principles
- Continue developing a (partial) internal model in the context of Solvency II

Managing risk

The financial crisis has once again demonstrated just how crucial it is to have insightful, prudent and sound risk management. The risk management of the future requires a high level of interaction and embedding into decision-making. At the beginning of 2009, the Executive Board decided to strengthen the risk management organisation, incorporating lessons learned from the crisis. In September 2009, we implemented a reinforced finance and risk organisation that facilitates a better view of risks within the Eureko Group. We centralised our risk management at Group level into a Group Risk Management department and, from 1 January 2010, our risk management committees have been restructured.

Other goals for 2009 were ensuring 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 measures on de-risking the portfolio. Equity holdings have been reduced significantly. Monitoring of the counterparties from a Group perspective was improved. The capital and liquidity position were closely monitored.

The risk managers are deeply involved in developments on Solvency II, the new risk-based regulatory regime for European insurance companies, and IFRS4 Phase II, which, among others, will require insurance companies to report insurance liabilities at market value in the balance sheet. While much has been achieved on our 2009 goals, the aims set for 2010 and beyond represent further development of our insight into areas for improvement.

Risk governance

Risk governance is based on a three-line defence model that ensures risk management processes are embedded at every relevant level of the organisation.

The first line of defence is Division and Operating Company management and some Group staff departments. The second line of defence is the risk and compliance officers and actuaries in Divisions and Operating Companies, the Group Risk Management department and Group Compliance & Regulatory Affairs. Group Internal Audit Services acts as a third line of defence and provides independent assurance on the effectiveness and efficiency of the overall internal control infrastructure. Audits include the assessment of Internal Control Statements and Operational and Compliance Audits.

At the highest level of the organisation the Executive Board and the Supervisory Board's Audit & Risk Committee have an important role in risk management. The Executive Board is responsible for ensuring that effective internal risk management and control systems are in place. This includes defining risk appetite and establishing the annual risk budgeting and monitoring process. The Audit & Risk

RISK MANAGEMENT

Committee oversees that there is an appropriate risk structure across the Eureko Group which is geared to the organisation, and discusses finance and risk issues.

The Executive Board is supported by the Finance & Risk Committee, which is responsible for the preparation of risk budgeting decisions, risk monitoring and will approve risk-management policies defined for managing risk budgets. The CFO chairs this Committee and two other board members participate to guarantee top-level commitment. Participants are directors from Eureko's Finance and Risk departments and Eureko Re. Directors of Compliance and Internal Audit are present when their reports are discussed. Further delegation to divisions and departments occurs through clear charters and policy documents.

Banking operations have several committees in place with specific risk management responsibilities, such as the Asset and Liability Committee, the Credit Committee, the Pricing Committee and the Operational Risk Committee.

To control our risk position, several policies and procedures, including risk limits, are in place, and our risk position is reviewed and evaluated through regular reporting. Risk reporting assesses whether our risk profile is within predefined risk limits, and action is taken when necessary. A Eureko Risk Dashboard provides an overview of all key risk indicators, and is reported quarterly to the Finance & Risk Committee, the Executive Board and the Audit & Risk Committee.

Due to the financial crisis, monitoring frequency was increased substantially and several risks were monitored on a daily basis. Eureko applies several methods and models to measure our risk profile, including regulatory and rating models. Furthermore, an Economic-Capital model has been developed to provide an overall view of our Group risk profile.

THREE-LINE DEFENCE MODEL

FIRST LINE

Controls embedded in business (operational)	Line management Achmea divisions and OpCos

SECOND LINE

Managerial and supervisory control	- Finance & Risk Committee - Group Risk Management, Group Compliance and Regulatory Affairs - Divisions/business level: Finance & Risk Committees, actuarial departments, and compliance and (operational) risk managers

THIRD LINE

Internal Audit Controls	Group Internal Audit Services

RISK MANAGEMENT

Economic Capital

Our Economic-Capital model allows us to quantify our risks per risk category, product group, division and legal entity, and for the Group as a whole, using comparable measures of risk in a consistent and transparent way using market-consistent principles. The results are increasingly used as input for business decisions, for our investment and re-insurance strategies, but also as input for Embedded Value analyses. The model was further improved during 2009, taking into account the requirements of Solvency II, as we aim to use the Economic-Capital model as a (partial) internal model for Solvency II purposes.

Economic Capital by business area

Economic Capital after the impact of diversification as of 31 December 2009 amounted to €3.9 billion (2008: €3.5 billion). This outcome is based on a maximum loss over a one-year period using a confidence level of 99.95% and after allowance for taxes (i.e. it represents the maximum after-tax loss Eureko is expected to incur following one (or a series of) extreme event(s) which, in the aggregate, occur with a probability of 1/2000). Economic Capital is categorised by each major business activity. All risks (insurance, market, credit and operational risk) within each major business activity are aggregated.

ECONOMIC CAPITAL AT 99.95% (€ BILLION)

	2009 YEAR END	2008* YEAR END
Life segment	2.5	1.8
Non-life segment	2.6	2.4
Health segment	0.3	0.3
Other	0.2	0.3
Banking segment	0.4	0.2
Total Eureko before diversification	**6.0**	**5.0**
Diversification	-2.1	-1.5
Total Eureko after diversification	**3.9**	**3.5**

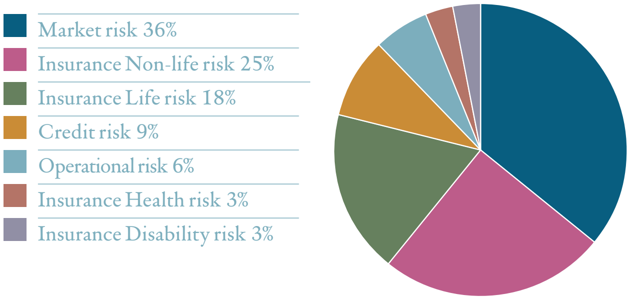
* Restated

The investment in PZU is allocated to Life and Non-life, based on the estimated contribution of PZU's Life and Non-life businesses to the combined market value. Eureko's investments in MillenniumBCP and F&C Asset Management are included in 'Other'. Diversification benefits accrue from operating in different business areas, resulting from the notion that not all potential losses will materialise across all businesses at the same time. The increase of our Economic Capital is mainly due to a lower expected tax compensation (difference €0.8 billion), which was partly offset by a lower exposure to investments risks.

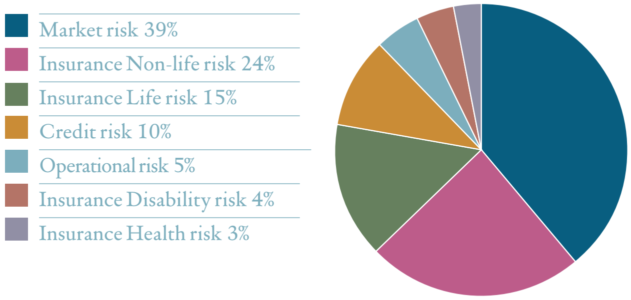
EXECUTIVE BOARD REPORT

RISK MANAGEMENT

ECONOMIC CAPITAL BY RISK TYPE AT 99.95% YEAR-END 2009



ECONOMIC CAPITAL BY RISK TYPE AT 99.95% YEAR-END 2008



Economic Capital by risk type

Market risk and the insurance risk associated with the Non-life business dominate Economic Capital. Market risk reflects the net exposure to the capital markets, including equity, property and interest-rate risk. The risks resulting from our non-consolidated strategic investments are also included in market risk. Non-life insurance risk mostly concerns exposure to European storm risk. Eureko has chosen to arrange reinsurance up to the 99.5% confidence level. The gap between the 99.5% and 99.95% confidence level, which is quite substantial, is retained within Eureko.

Risk categories

Our main risk categories are insurance risk, market risk, credit risk, liquidity risk, operational risk and compliance risk. Liquidity risk and compliance risk are not taken into account in the Economic-Capital model.

Insurance risk

Eureko is engaged in selling a full range of Life, Non-life, Disability and Health insurance products. The risks are primarily managed through standard underwriting policies, reserve adequacy testing and our re-insurance policy. Underwriting includes product design review processes, and risk limitations related to insurance policy terms and conditions with the customer.

In the Life insurance business the main risks are longevity, mortality and morbidity, policy lapses and expense risk. These risks are regularly monitored based on historic and current data. We regularly make sensitivity analyses to calculate the impact on our Embedded Value.

SENSITIVITIES EMBEDDED VALUE

(€ MILLION)

	2009	2008
Embedded Value	4,910	4,123
- 5% Mortality and morbidity (Life insurance)	+59	+ 54
- 5% Mortality and morbidity (Annuity business)	-74	- 91
- 10% Maintenance expenses	+201	+ 238
- 10% Lapses, Paid up policies, early retirements	+53	+ 67

In the Non-life, Disability and Health sectors the main risks are fire, hail, storm, motor accident, disability risk and health risk. Mitigation of these risks is managed primarily through risk diversification within and between business lines and, for larger risks, through re-insurance. Although measured in gross written premiums, Health is our largest business, health risk is very limited due to the equalisation funds in the Dutch health system. The equalisation reserve is funded by the government and income-dependent contributions paid by employers, social

RISK MANAGEMENT

security and the self-employed. All health insurers receive a contribution from the fund based on differences in the healthiness of their portfolio (people insured).

PROFIT BEFORE TAX SENSITIVITY TO SHIFTS RELATED TO NON-LIFE

(€ MILLION)

	MAINTENANCE EXPENSES +10%	GROSS CLAIM RATIOS +5%
Non-life insurance	-104	-74

Re-insurance

In general, large risks are covered by excess-of-loss treaties. Risks that exceed the treaty limit are re-insured on a facultative basis. Catastrophe risks, such as windstorm, hail or earthquake, are covered by catastrophe excess-of-loss treaties. The main peril in the Netherlands is windstorm risk. The upper limits of the catastrophe programmes are based on 1-in-200-year events. The upper limits for the three different programmes below the umbrella layer are €1,220 million for property, €140 million for greenhouses and €60 million for motor.

Market risk

Our main sources of market risk are the investment portfolio and our strategic investments. Eureko manages market risk positions on its investment portfolio within an Asset and Liability Management framework. It is a key tool in determining the investment mix, management of interest-rate exposure and regulatory solvency. The main risks are a decline in equity prices and an equally rapid increase in credit spreads. Others are regular interest-rate, property and foreign-exchange-rate risk. Eureko has an investment policy in place to manage market risk.

Equity risk

In 2009, our exposure to equity risk, excluding strategic investments, was decreased significantly through prompt de-risking of listed equity to €1.1 billion; at the start of the reporting year, our exposure in this portfolio was €2.5 billion. The 70/130% equity collar to hedge against significant decreases in share prices expired in the first half of 2009. The current portfolio is not hedged.

SENSITIVITIES TO EQUITY MARKETS

	IMPACT ON SHAREHOLDERS' EQUITY	IMPACT ON SOLVENCY LEVELS
Equity markets -10%	-0.8%	-2.1 pts

Indirect unquoted investments in Europe and the US have a diversifying effect. We have no exposure to the US sub-prime market.

Interest-rate risk

Eureko bears interest-rate risk with many of its insurance and investment products. Investing in assets that closely match the expected cash flow of the insurance liabilities of each major legal entity can and generally does mitigate this risk. Our duration matching is managed on an economic, rather than accounting basis. Duration mismatch must remain within a bandwidth. Derivative instruments, such as swaps and swaptions, are used to mitigate the risk that changes in interest rates can affect the market value of liabilities in a different way than the related assets. Some Life products contain minimum guarantees. If the return on the underlying assets is insufficient to cover the guarantee, then Eureko is obliged to supplement the shortfall. Eureko has a hedging programme in place for these interest-rate risks.

EXECUTIVE BOARD REPORT

RISK MANAGEMENT

Property risk

As part of our diversification strategy we also invest directly and indirectly in property. At year-end 2009, total investments in direct investment property amounted to €1.7 billion (4%) of the total investment portfolio. The greater part is invested in direct real estate in the Netherlands, with a sound spread over all major categories, including residential, office, retail and industrial premises.

PROPERTY PORTFOLIO BY TYPE

	2009	2008
Residential	28%	26%
Office	30%	29%
Retail	23%	20%
Industrial	3%	2%
Property funds	16%	23%
Total equity	**100%**	**100%**

SENSITIVITIES TO PROPERTY MARKETS

	IMPACT ON SHAREHOLDERS' EQUITY	IMPACT ON SOLVENCY LEVELS
Property values -10%	-1.3%	-3.4%-pts

Foreign-exchange-rate risk

As an international group, Eureko is exposed to foreign-exchange risk. With the exception of a part of the investment in PZU, Eureko has not hedged the net investment in, or the income streams from, its non-euro operations, because those operations are regarded as part of our long-term strategy. The main exposures are the Polish zloty, through the investment in PZU; the Turkish lira, through the investments in Eureko Sigorta and Garanti Emeklilik; the Russian rouble through Oranta, acquired at the end of 2008; and the UK pound, through our investments in F&C Asset Management. In addition, Eureko invests part of its regular investment portfolio, both equities and fixed income, in non-euro-denominated assets, particularly in US dollars. At the end of 2009, the foreign-exchange risk in our investment portfolio was fully hedged. As part of the process to reach a settlement on the PZU dispute, hedging of the Polish zloty took place in April 2009 and additional hedging was arranged in the second half of 2009. At the end of November 2009 the hedge was terminated after receiving the dividend cash flows. As from 2010, Eureko has hedged the foreign-exchange rate risk on the expected cash flow from PZU's Initial Public Offering.

SENSITIVITY TO SHIFTS IN FOREIGN CURRENCY RATES (€ MILLION)

	IMPACT ON SHAREHOLDERS' EQUITY	IMPACT ON PROFIT BEFORE TAX
Euro versus all other foreign currencies -10%	+253	+125
Euro versus all other foreign currencies +10%	-253	-125

The sensitivities are mainly linked to the zloty exposure.

Credit risk

Reduction of credit risk was an important aim in the first quarter of 2009, specifically on the high-yield, high-risk areas, and in order to achieve a higher share of Tier 1 and Tier 2 capital. Credit risk associated with Eureko's investment activities and banking activities is managed within diversified investment portfolios and generic and specific risk limits. Eureko deals with counterparties of good credit standing and, when appropriate, obtains collateral. The financial crisis showed us that even counterparties with good credit standing were not immune and we have increased our counterparty monitoring procedures and frequency

RISK MANAGEMENT

considerably. In a limited number of special cases, we bought protection with credit-default swaps. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. Credit risk in the fixed-income portfolio is managed based on limits for each rating category. However, impairments in 2009 still amounted to €23 million (2008: €71 million).

The following table provides information on the aggregated credit-risk exposure for financial assets with external credit ratings, demonstrating a clear and significant increase in the AAA category:

CREDIT RATING

	2009	2008
AAA	76%	68%
AA/A	15%	23%
BBB	5%	4%
<BBB/Not rated	4%	5%
Total	**100%**	**100%**

The counterparty exposures on reinsurers are managed by a set of limits per reinsurer and thresholds per rating category, based on a weighted exposure of claim reserves, re-insurance premiums and catastrophe capacity. The minimum rating is A- (S&P or AM Best) for short-tail contracts and A+ (S&P) for long-tail contracts.

Liquidity risk

We distinguish between funding and market-liquidity risk. The former is the risk that counterparties will withdraw or not roll over on short-term funding. An overview of how we manage our funding and related risk is included in 'Capital and Liquidity Management'. Eureko's banking subsidiaries have access to a diversified funding base. Funds are raised through a range of instruments. In 2010, as in the reporting year, we expect liquidity will be tight but manageable. The aim is to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

Market-liquidity risk

This is the risk that general disruption in asset markets will make normally liquid assets illiquid. Contingency planning enables Eureko holding companies to operate for a minimum of 90 days without any access to financial markets. The insurance entities must hold sufficient liquid/marketable assets of their own.

Operational risk

We define operational risk as the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risks, as specified in the risk-control framework used throughout Eureko, encompass a wide variety of risk arising from, among others, processing risk, security risk, financial crime, business-continuity risk and information-security risk.

Governance of operational risk is managed in the same way as all risk management within Eureko. The same three lines of defence are in place. During 2009, several functions of the second line of defence that assist in managing specific types of operational risk merged into Group Risk Management. The integration process will be continued in 2010. Operational risk management will improve through this integration and alignment of various operational risk areas. At Group level, Group Risk Management is responsible for policy setting. Group Compliance & Regulatory Affairs is responsible for managing compliance risk and internal and external (financial) crime ('integrity') in cooperation with Group Risk Management.

RISK MANAGEMENT

Operational risk standards are based, among others, on the Committee of Sponsoring Organisations' (COSO) best-practice that is applied worldwide and facilitates our operational risk-management cycle.

Operational risk management contains a wide variety of activities, including:

- An annual Internal Control Statement (ICS) was compiled, providing a fair view of Eureko's risk exposure and level of control. A second objective is that by performing the self assessments necessary to provide this fair view, the organisation will be obliged to continually reassess its risk and risk exposure, thereby raising risk awareness. The ICS report gives the management actions of the risk categories that require special attention.

- In 2009, a pandemic risk project team was founded to prepare for a possible breakout of swine flu. The team advised on measures to prevent a large-scale breakout. In addition, it focused on solving problems that could arise for our business through high rates of employee absence due to illness. The opportunities and disadvantages of working at home were investigated, and a 'checklist for large-scale employee illness' was distributed.

- An improved procedure for reporting incidents was implemented in 2009. It facilitates the process in which all employees can report on any incident they may encounter.

- Remuneration policy also falls under the scrutiny of operational risk management. In 2009, the Dutch Central Bank and Financial Markets Authority published a restrained remuneration policy. Reflecting its cooperative background, Eureko subscribes to the notion that remuneration policy should support the Group's integrity and solidarity. Remuneration policy is a priority within Eureko. An important focus point is that remuneration policy reflects Eureko's identity. This is reflected, among others, in a variable remuneration that is not excessive and is based on financial and non-financial parameters. Eureko is confident that its remuneration policy already largely meets the main guidelines in 'Principles of restrained remuneration policy'. The process of reviewing our remuneration policy in line with these principles will be finalised in the first quarter of 2010.

Compliance risk

This is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that a financial institution may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities.

Eureko Compliance Programme

The Eureko Compliance Programme is the well-developed risk framework with which we manage and mitigate compliance risk. At Group level, Group Compliance and Regulatory Affairs is responsible for policy setting. Within this framework, compliance with rules and regulations and their integration into procedures is secured through three integrated lines of defence. The ambitious Compliance Programme is characterised by an entrepreneurial and risk-based approach. The emphasis lies on embedding compliance into daily business practice, also at process level, by translating applicable internal regulation and external legislation into compliance themes prescribing norms and values that are fully understood by all personnel. Our central values are customer orientation, trust and expertise.

Regulatory relations

Eureko aims for a transparent relationship with all regulators and supervisory bodies. This means that, besides required reporting, all developments and trends

RISK MANAGEMENT

can be discussed in a timely manner. In the reporting year, we agreed with the regulators, the Financial Markets Authority, to customised supervision. This has led to a more intense relationship with the regulators.

Demonstrably compliant

Group Compliance has developed a reporting model for compliance risks, based on the status of compliance themes, incidents, supervisory investigations and the implementation of legislation. Eureko works with compliance on the basis that strict adherence can both reduce operational risk and also improve perceptions of the insurance industry as a whole and Eureko in particular. A regulatory prerequisite is that Eureko must be able to prove compliance in accordance with applicable legislation. To this end, compliance controls were linked to important operational processes.

Integrity

Integrity and compliance are interlinked. In 2008, an integrity awareness campaign was launched that continued in 2009. The campaign started by introducing an integrity thermometer to monitor compliance. The aim was to identify focus areas of compliance for all business entities. This campaign resulted in individual Compliance Awareness Plans for these entities. Progress on the plans will be monitored regularly.

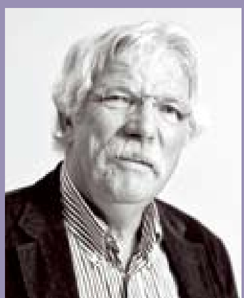
Product development

Product development is an essential and integral part of an insurer's business as products define the commitments with policyholders entered in to by the insurer. In product development many factors play a role, including legal, compliance, transparency and communication, financial and commercial. Product development policy is established to ensure that all these components are incorporated in a careful and timely manner. In this way, all related risks are charted so that they are taken into account in decision-making on new and changed products.

Policy product development applies to all cases of new product-development activity or any changes in existing products and is obligatory for all the Group's insurance entities. The product development policy describes the approval process that must be followed by any new product or change to an existing product. The division or entity concerned must describe the product fully and provide full information through a so-called core-point minute. Minor changes are managed within the division or entity and reported to Group Risk Management (GRM). Medium to larger-sized changes must first be approved by GRM. Major changes are submitted to the Executive Board with a recommendation from the GRM. GRM prepares a quarterly list of all product adjustments and offers information on the process and the products to the Executive Board.

"TREAT YOUR EMPLOYEES AND COLLEAGUES THE WAY YOU WOULD TREAT CUSTOMERS."

WIM TER WELLE



As representative for members of De Unie, a large trades union in the Netherlands, Wim ter Welle represents a significant number of Eureko personnel in discussions on collective labour agreements and other employee-related matters.

WHAT DOES TRUST MEAN FOR YOU?

In the customer context, it can mean feeling confident you are buying a product from a Eureko employee that will reduce rather than add to your worries. From an employee perspective, it should mean that you can do your job with a sense of security but that you also have responsibilities. In both contexts, it means consistent behaviour in everything you and your employer does.

HOW SHOULD EUREKO DEFINE TRUST?

That's about mindset. Treat your employees and colleagues the way you would treat customers.

WHAT ARE YOUR EXPECTATIONS FOR 2010?

This is a follow on from the previous question. Eureko has a quality workforce. That is a given. If you want to create a trusting environment, then you have to trust your people, you have to give them the space and freedom to do their job in a responsible way. It starts with the managers. Most importantly, the employees have to know they are being given that trust and freedom. The theory is there at Eureko. But practice tends to lag a little. The Executive Board should be pushing this harder.

HUMAN RESOURCES

Our employees are key to everything we do at Eureko. It is our people who drive our customer-oriented strategy and goals, forming an essential part of Eureko. People at Eureko have to be performance driven, but with a difference. Everything we do has to be focused on exceeding customer expectations. If we deliver on customer expectations, we will achieve sound results. This thinking means Eureko must attract the best, most customer-oriented and innovative employees. And we do that by creating a strong, stimulating and innovative working environment for and by our people. This section explores what we are doing to maintain our top position as preferred employer.

GOALS 2010 AND BEYOND

- Employee commitment score at 70% or above
- Keep absenteeism below 4%
- Training at 3% of total salary costs
- Achieve Achmea Transfer Centre reassignment percentage of 65% in 2010

Preferred employer

The labour market in Europe is changing rapidly, becoming increasingly challenging. Although the financial crisis has led to higher overall unemployment, the kind of highly-educated and skilled people we need are in short supply. As a predominately Dutch organisation with some international activities, we must also be aware and prepare for changing demographics, ageing populations and diversity. In 2010, the labour force in the Netherlands is expected to decrease for the first time in modern history; other European countries are in the midst of similar demographic change. What does that mean for an organisation whose ambition is to be the most trusted insurer? Eureko must be a preferred employer characterised by social innovation where employees can use and develop their skills and talents to full effect.

Employee satisfaction

The majority of Eureko people work in the Netherlands (75%) under the Achmea umbrella. In an independent national survey in the Netherlands, our Dutch Achmea organisation ranks third overall as best employer and has the top position among insurers. Achmea is also rated as one of the preferred employers for working parents. Both ratings have significantly increased media attention for Achmea as an employer. Every year, Achmea carries out an Employee Satisfaction and Commitment Survey (ESCS). The aim is to discover employees' perceptions of the organisation, how committed they feel to Achmea and how effective measures implemented following previous surveys have been. In 2009, it is gratifying to conclude that employee commitment and general satisfaction has grown significantly and response levels of 79% (2008: 69%) are the highest in our history.

EMPLOYEE SATISFACTION AND COMMITMENT SURVEY

	2009 (%)	Δ COMPARED TO 2008 (% POINT)
Response	79	+10
Employee commitment	66	+3
Commitment to Achmea	59	+4
Commitment business line	73	+2
Satisfaction	78	+2
Motivation	81	+1
Confidence	63	+1

EXECUTIVE BOARD REPORT

HUMAN RESOURCES

KEY GOALS 2009

	2009 (%)	Δ COMPARED TO 2008 (% POINT)
Familiarity ambitions and goals	65	+4
Talent development/use of skills	58	+3
Quality line management	73	+3

Social innovation

One of the biggest improvements compared to 2008 (+3% points) is in use of talent and development. We had a number of goals for 2009. The first was the ongoing roll out of the Achmea Work Concept (AWC). This concept aims to create a working environment in which employees can use their talents more successfully, thereby performing more strongly and developing their employability. It is based on flexibility in working times and places, individually and in teams; on changing the managerial attitude to a focus on results rather than 'presence'; on the provision of IT tools that facilitate flexibility, combined with the way we reorganise our workplace; and on how technology can be used for customer interaction. In essence, it offers employees freedom and opportunities to determine where and when they work and how they share knowledge and information. AWC further provides solutions to social issues such as mobility and sustainability by reducing travel time and CO_2 emissions. In the reporting year, we piloted two AWC projects. The first, at Group Human Resources, has already been evaluated and 87% of personnel declared they would not like to return to the 'old' way of working.

The AWC is being further developed now. The challenge is to find smart ways to organise this approach for a broader group of Achmea employees.

Preferred employer in the Netherlands

We work consistently on becoming the kind of preferred employer that not only establishes the best possible terms and conditions for employees to perform, such as agreeing Collective Labour Agreements (CAO in Dutch) with trades unions, but also has a clear focus on growing their employability. However, Eureko employees increasingly represent the growing diversity in society. Our response is to nurture this diversity. One example is the joint 'life-stage diversity' programme we have launched in the Netherlands with trades unions and the works' council. In a competitive environment, with an ageing and culturally diverse labour market, we aim to recognise and value the diverse qualities of individuals. In 2009, alongside major strides in improving diversity, Achmea endorsed the Talent to the Top Charter designed to get more women into senior positions.

Women to the top

In line with our social innovation and diversity goals, we aim to create a working environment in which the rise of women through the organisation is self-evident. At present, the percentage of women in senior management positions hovers around 25%. However, in 2009, there has been a significant increase in top management ratios. At year-end 2009, 23% of director-level positions were held by women (2008: 16%).

DIVERSITY AT SENIOR LEVEL

	2009			2008		
	MALE	FEMALE	PERCENTAGE OF FEMALE	MALE	FEMALE	PERCENTAGE OF FEMALE
Executive Board	5	0	0%	6	0	0%
Directors	49	15	23%	58	11	16%
Senior management	258	56	18%	241	49	17%
Management	1,318	458	26%	1,205	421	26%

HUMAN RESOURCES

Absenteeism

One of our goals is absenteeism below 4%. In 2009, absenteeism fell to 4.2% (2008: 4.3%), excluding maternity leave. In September and October there was a peak in absenteeism due to swine flu and this was the main reason we did not reach our target.

Central Works' Council and social planning

Part of our responsibility as employer is to ensure that there is a sound social plan in place for employees whose job has changed or those who have become redundant through our ongoing search for improvements in efficiency. Programmes such as SENS, a comprehensive set of customer-based systems, tools and behaviours, dictate a new way of working for our employees. This has meant there have already been and will be further reductions in FTEs in our total workforce in the Netherlands. All efficiency programmes are expected to generate an estimated 2,500 FTE reduction organisation-wide, as was announced in early 2009. The Achmea Transfer Centre (ATC), which aims to find new jobs for employees affected by (organisational) change, is already in place. It has already found new positions for close to 60%. Furthermore, together with trades unions and the Central Works' Council, we have established the Silver Pool programme for an estimated 70 employees in the ATC aged over 57.5 years. Silver Pool aims at retaining the skills and valuable experience of these senior professionals for the organisation. They are employed by Silver Pool and seconded throughout the Group.

The Central Works' Council (COR) is formed by representatives from all Achmea Works' Councils. It reviews topics that affect all Achmea employees or issues that concern more than one Works' Council. In 2009, this consultative body had various meetings with board members and had regular discussions with trades unions. Moreover, throughout 2009, there were weekly informal meetings between the COR executive committee, the Chairman of the Executive Board and the director of Group HR. During 2009, the COR received a total of 24 requests for advice and requests for approval. Requests for advice, minutes and agendas are published on the Group's intranet. The consultative intranet provides a forum where related issues can be discussed. Once again in 2009, Achmea provided the COR with more information than legally required.

RESULTS ACHMEA TRANSFER CENTRE (IN FTE)

Begin 1-1-2009	420
Flow in	483
Reassigned internal	-84
Reassigned external	-71
Reassigned other	-170
Total reassigned	-325
Made redundant with financial compensation	-260
Flow out	-585
Total 31-12-2009	**318**

Management development

Another Human Resources goal pursued forcefully in 2009 was the implementation of an extended management development programme. We further accelerated the Management Development (MD) programme by reviewing and profiling every manager and specialist in the top 1,600 (2008: 1,000), generating an Individual Development Path (IDP; IOT in Dutch) for all. This is an ongoing process because we believe that developing our individual specialists and managers is a very important element in our efforts to develop the organisation. The MD programme is driven by MD Committees in every division, (European) operating company, at Achmea and Eureko levels and in the functional disciplines. In 2009, succession planning was rolled out Europe-wide; in 2010, the IDP process will be launched in our European operating companies and we will be implementing IDPs for senior management.

HUMAN RESOURCES

Education and training

Our people have to be assured of our commitment to and investment in growing their skills. Eureko offers a wide range of education and training programmes. Currently, 2.68% of total salary costs are devoted to training; the aim is to spend 3% per year. Ensuring the right people are in the right place and equipped with the most appropriate skills is an ongoing commitment. So coaching, action-learning and on-the-job learning are important for personal and professional development. In 2009, one of our goals was to introduce e-learning facilities. It remains a objective; however, creating the infrastructure is taking longer than anticipated.

In the reporting year, 963 employees (2008: 926) participated in dedicated courses and programmes. Group-wide, our strategic programmes include:

The Eureko Academy

The Eureko Academy focuses on stimulating the exchange of knowledge and expertise, also through e-learning, within Eureko. This is seen as essential in a knowledge-intensive industry. The Academy aims to improve the expertise of our people through continual training and education so they increase their professional skills. It is part of our duty of care to employees. In addition to the Eureko Group, it also works with Eurapco partners, arranging workshops, meetings and seminars. All programmes, designed in cooperation with academic partners from around the world, are tailored to meet organisational business objectives. In 2009, 512 employees (2008: 443) followed courses at the Academy.

Within the Eureko Academy framework, we have developed a number of dedicated 'business schools' that focus on specific disciplines, such as marketing, HR and finance alongside existing programmes for actuaries. In 2009, the Life & Pensions business school trained over 4,400 employees in all the requirements of the Act on Financial Supervision. This is a permanent learning course leading to qualifications recognised in the industry and is designed to continually improve professional insurance knowledge. This is considered essential at Eureko. Furthermore, over 1,000 other professional courses and knowledge-building workshops were offered.

Management programmes

We have an extensive range of management development programmes, including leadership and accelerated learning to fast-track managers. The Eurekans Management Development Programme (EMDP) has been specially created for young, ambitious managers. Through a variety of training modules and both individual and team assignments, participants can gain a broad range of management skills. Participants in the EMDP must be willing to work outside their home market for a two-year period and must work on a major project for a minimum of six months. The programme requires personal investment by the participant. In 2009, 27 employees joined the EMDP.

Traineeships

Eureko's International Management Traineeship is an award-winning programme, with international opportunities throughout Eureko for ambitious starters with a background in general or financial management. The growth in international opportunities for employees and Eureko's increasing internationalisation go hand-in-hand. The advantages are clear: we are able to attract more people with international ambitions; more of our people gain international experience; the employer-of-choice strategy in mature job markets is reinforced; and international solutions for local labour markets become feasible.

CORPORATE SOCIAL RESPONSIBILITY

As an organisation whose identity is based on cooperative roots, Eureko is firmly committed to corporate social responsibility (CSR). We report annually and in depth on developments in our CSR. Achmea's full report on 2009 can be found on www.eureko.com and, from 2008, our Greek Interamerican operation's CSR report can also be found on the website. This section looks at the main CSR developments within the Group in 2009.

GOALS 2010 AND BEYOND

- Further roll out full integrity scan for all products and services
- Sharpen sustainable and responsible investment programme
- Further expand micro-insurance activities in developing countries
- Reinforce structure internal CSR organisation to selected Global Reporting Initiative standards
- Expand and deepen stakeholder dialogue
- Become climate neutral by 2012

CSR AND EUREKO

The Group has a clear ambition: to become the most trusted insurer. CSR has an integral role to play in this ambition. In our Dutch business under the Achmea umbrella we aim to take a leading role here that fits with our market-leading position and, more specifically, with our identity. We believe we have a responsibility and a duty of care as part of a wider social community. That means CSR is not a sideline. Rather, it is interwoven in our organisation, our mindset, the way we conduct our business and how we express our commitment to the world around us. Every year, we further embed CSR into our organisation and operations. This endeavour has again been recognised by a top 10 position in the annual government Transparency Benchmark. In 2009, Achmea moved up from 11th to sixth place. In the Banks and Insurer category, we are number three. Outside the Netherlands, the Greek Interamerican operating company produced its first CSR report in 2008.

CSR in 2009

The financial crisis that started in 2008 coincided with a far-reaching crisis in customer confidence. In 2009, the priority was supporting a return of customer confidence by restoring and building trust. We started a number of initiatives designed to evaluate all aspects of our business, including an integrity scan on our products. Our top Interpolis label has also further reinforced its programme of helping customers cut out unnecessary cover.

Stimulating prevention

In calculating any premium, an insurer has to estimate the precise risk involved. Prevention is one of the most important measures we can take to reduce the occurrence of events leading to a claim and keep the premium paid by our customers reasonable. Achmea is firmly committed to prevention and has set up numerous programmes to help customers prevent and limit risk. Often, the simple change of locks or the purchase of a fire detector can prevent or limit the effects of a break-in or fire. The same applies to prevention of illness and disability. Achmea offers a full programme of 'vitality' services to employers and employees. In terms of performance on this package, we are, to some extent, a victim of our own success. By stimulating a growing awareness of the need for Health and vitality in the workplace, sales and profits on these prevention services is gradually decreasing. However, we see this decline as a success.

CORPORATE SOCIAL RESPONSIBILITY

Sustainable and responsible investment

Another goal in 2009 was to further pursue sustainable and responsible investment. As an institutional investor with an equity portfolio of around €1 billion, Eureko's investment strategy can influence sustainability in investee companies. An exclusion on controversial manufactures, including weapons, has long been in place. Furthermore, we require specific sustainability and CSR commitments. We have adopted the 'enhanced engagement' philosophy within our investment strategy. This implies that, as investors, we include predefined environmental, sustainability and governance (ESG) goals. As shareholder (and, from 2010, also as bond holder), we enter into dialogues with companies. If the dialogue is not successful within three years, we exit the company involved. This enhanced engagement was launched at the start of 2008 in close cooperation with our asset managers F&C Asset Management and Robeco.

Foster initiatives to reduce climate change

Eureko aims to actively contribute to reducing the effects of climate change. We can have most impact on our own footprint, including the design of our products. Furthermore, we require environmental commitments from the companies we invest in. In our own organisation, we are committed to minimising our footprint. We have already made the move to 'green' energy; our aim is to be CO_2 neutral by 2012. We are investing in energy-saving in our offices, including recycling almost all (98%) materials from demolitions or renovations of existing buildings. New builds incorporate energy-efficient climate control, motion detection and automated heating and lighting regulation. Furthermore, our motor pool manager, Wagenplan, is the first CO_2 neutral fleet manager in the Netherlands.

Supporting micro-insurance in developing countries

This was a key goal in 2009 and remains a priority. Our micro-insurance activities focus on the poorest people in developing countries. This group has little or no access to insurance. We work through two dedicated Knowledge and Service Centres. By funding an academic chair in micro-insurance at Nyenrode University, we support innovation and cooperative forms of insurance in the Netherlands and in developing countries. Furthermore, the Knowledge Centre promotes the exchange of cooperative insurance knowhow, including risk management, in developing countries. The Service Centre was set up in 2009. It facilitates projects in developing countries, also by matching, training and seconding volunteer Achmea employees. Our colleagues work with local people to set up micro-finance projects. In 2009, we set a number of firm goals on signing memoranda of understanding with key micro-finance partners. This resulted in agreements with the DHAN (Development of Humane Action) Foundation in India; Oxfam Novib (worldwide) and Terrafina in Africa. A second goal was to start two new micro-finance projects. This was achieved with projects launched in Senegal and in India. Both projects are described extensively in the Achmea CSR report, www.eureko.com.

Investing in our community

As a major insurer of Health, Income Protection and Pensions, Achmea has an important role in society. Our customers rely on us. We take our role and that reliance very seriously by reflecting on social issues and entering into social dialogue. In this way, we invest in solutions to issues that are both topical and relevant to people in the world around us. Through our 'what are we doing' campaign, we chart real social issues, such as the work-life balance, diversity and greying populations. Our commitment is also clear from our sponsorship policy. The international art exhibition, *Not Normal: Difference on Display*, is just one example of our sponsorship. The exhibition tackles the issue of what is normal and who decides by questioning and focusing attention on perceptions of normality.

CORPORATE SOCIAL RESPONSIBILITY

The Eureko Achmea Foundation

Established in 2006 as part of Eureko's 'social dividend' concept through which we give back to the national and international community, the independent Foundation normally receives 0.5% of the Group's net profit.The financial crisis that began in 2008 had serious effects on Eureko's position and no net profit was achieved. This could have led to difficulties for the Foundation. However, the Foundation's Board had anticipated this challenge and retained reserves, used, among others, for long-term projects to ensure its work could continue in 2009. As a result, donations during the reporting year supported, among others: recalcitrant youth in the Netherlands, young mothers with HIV in Russia, legal aid to the poorest in Bolivia, water supplies in Ghana and medical help for abused children in India. Funding projects is the Foundation's primary task, but it must be assured that donations are used effectively. In 2009, Intrac monitored and evaluated five completed projects. The audit was positive, reinforcing the Foundation's conviction that current policies and selection criteria are sound. A copy of the Eureko Foundation's annual report can be downloaded at www.eurekoachmeafoundation.nl.

Vereniging (Association) Achmea in society

A major shareholder and guardian of our cooperative tradition, Vereniging Achmea is an association for and by our customers. It grew out of the mergers that brought numerous cooperative insurers under the Achmea umbrella. It guarantees our continuity and forms a platform that takes care of the interests of customer members. Customer members are all companies and individuals over the age of 18 who have bought one or more policies from any of Achmea's labels. This gives Eureko and Achmea a unique structure. As part of its commitment to the interests of customers, the Association is closely involved in social issues and initiatives through a range of member, policyholder and advisory bodies. Moreover, it takes initiatives; for example the town hall meetings it organises for its grass-roots membership. The idea is to create a forum for discussion on key social issues, such as raising the retirement age to 67 and new initiatives in healthcare. Another example is the Victim and Society Foundation (SASS – Stichting Achmea Slachtoffer en Samenleving). The aim is to research and support projects that improve the position of victims and whose outcomes are practical and broadly applicable.

Insurers and the literacy challenge

At first sight, this could appear a rather strange combination. After all, insurers are closely associated with 'small print', an association that does little to promote trust and confidence. Even the highly educated often have difficulty in understanding policies so that they can make an informed decision on whether a specific insurance policy is right for them. Achmea has the stated ambition of becoming the most trusted insurer. Against this background, we feel it is incumbent on us to help the more than 600,000 customers whose reading abilities prevent them from fully understanding essential documents, such as the information provided with medication. Nor can they grasp the correspondence relating to their mandatory own risk, or make sound choices when it comes to selecting care providers. This is a serious issue and contributes considerably to costs. This is why we have joined forces, also financially, with the Read-Write Foundation. For the next three years, we will guarantee the National Literacy Public Prize, which recognises a project that contributes to improving literacy in new and demonstrable ways. We have also committed to looking at the way we communicate in our own business to find ways to make information more accessible. And we will bring this issue to the attention of the whole insurance sector.

CORPORATE GOVERNANCE

Eureko B.V. is a private company with limited liability with its statutory seat in Amsterdam and head offices in Zeist, both in the Netherlands. Our main shareholders are unlisted European companies and associations with cooperative roots. Our Dutch customers are represented in Eureko's largest shareholder, the Vereniging (Association) Achmea through the Stichting Administratiekantoor Achmea (STAK). The Stichting Administratiekantoor Achmea is the shareholder that has, in its turn, issued depository receipts to Vereniging Achmea. Rabobank, the largest bank on the Dutch market, is Eureko's second largest shareholder; it is also a cooperative association. Vereniging Achmea and Rabobank hold in total 94.6% of the ordinary shares. Although in real terms Eureko is governed, organised and managed in the same way as many listed organisations, its cooperative origins contribute to the way governance is structured at Supervisory Board and shareholder level.

SHAREHOLDERS	CAPITAL RIGHTS OF ORDINARY SHARES (%)
Vereniging Achmea (via STAK)	55.2%
Rabobank	39.4%
BCP Group	2.7%
LF Liv Forsakringsab (publ)	0.5%
LF SAK Forsakringsab	0.4%
Gothaer Allgemeine Versicherung A.G.	0.5%
Gothaer Finanz Holding A.G.	0.6%
Schweizerische Mobiliar Holding A.G.	0.7%
Total	**100%**

Corporate Governance Code

From 2004, the Dutch Corporate Governance Code (the Code) became applicable for all listed companies in the Netherlands. The Code sets out clear governance principles on a 'comply or explain' basis. Although Eureko is not a listed company, it has adopted and embedded the majority of Code principles in its governance structure. Where appropriate, principles and best practices are adhered to on, for example, the Executive Board's role and procedures, remuneration, conflicts of interest, the role of and relationship with the Supervisory Board, shareholders and other stakeholders, and the principles on financial reporting. Eureko, however, deviates from the Code in, for example, the duration of the appointment of members of the Executive Board. The Code advises four-year periods. Given that Eureko Executive Board members are recruited primarily from within the organisation and given the Group's long-term horizon, a formal four-year term is not considered appropriate. Furthermore, most members of Eureko's Supervisory Board are nominated by the shareholders and are also board members of Vereniging Achmea or Supervisory Board members of Rabobank. This is considered highly appropriate for Eureko due to its cooperative identity and the relationship with shareholders. Moreover, the Supervisory Board members are appointed by the General Meeting of Shareholders based on their expertise and independence. For a review of compliance with risk-assessment principles and best practices, please see the 'Risk Management' section.

Governance principles

In addition, when Eureko's Dutch activities, Achmea, merged with Rabobank's insurer, Interpolis, in 2005, the Group further adopted new Corporate Governance Principles aimed specifically at its post-merger divisional structure and the accountabilities and responsibilities of each division, staff department and the Executive Board. At the end of the reporting year, the Dutch Central Bank (De Nederlandsche Bank – DNB) was in the process of carrying out governance reviews of all financial institutions, including the Eureko Group.

HOW WE ARE GOVERNED

Transparency directive

The European Union directive on transparency was included in the Dutch Financial Supervision Act (Wft) on 24 December 2008 with immediate effect. From 2008, all annual reports and financial statements must meet the directive requirements. Eureko has adjusted its annual financial reporting accordingly. In addition, tighter publication timing is required. Publication processes have been adapted to meet these requirements. The Transparency Statement is published in the annual report; the required description of Eureko's main risks and uncertainties are included in the risk management section.

Eureko's shares

On 2 April 2009, a capital increase took place that increased both authorised and issued share capital. The financial crisis was the driver behind the capital increase. The crisis had a significant negative impact on Eureko's capital position, primarily due to extreme turbulence on equity markets and widening credit spreads. Eureko issued new shares to the amount of €1,028 million, that were taken up by a number of existing shareholders. The table shows the authorised and issued share capital by type of share at 31 December 2009. Each share has a nominal value of €1.00.

AUTHORISED CAPITAL (NUMBER OF SHARES)

	2009	2008
A share	1	1
M shares	10,000,000	10,000,000
Ordinary shares	1,499,999,999	739,999,999
Preference shares	60,000,000	60,000,000
Total	**1,570,000,000**	**810,000,000**

ISSUED CAPITAL (NUMBER OF SHARES)

	2009	2008
A share	1	1
M shares	0	0
Ordinary shares	408,884,541	333,418,540
Preference shares	23,904,060	23,904,060
Total	**432,788,602**	**357,322,601**

Our shareholders

The main shareholder, through Stichting Administratiekantoor Achmea, is Vereniging Achmea. Vereniging Achmea is a legal entity that has members and its role is to represent the collective interests of our customers and policyholders, a primary stakeholder group for Eureko. Vereniging Achmea's objectives include promoting the interests of customers and members and participating in financing (participations in) activities that are conducive to Eureko's goals. In 2010, member involvement will be further expanded through activities, such as themed meetings and specific services for customer-members.

As per 31 December 2009, Vereniging Achmea, through Stichting Administratiekantoor Achmea, holds 55.20% of the ordinary shares (2008: 54.49%) and the 'A' share. Stichting Administratiekantoor Achmea's shareholder rights in Eureko are executed by its board, consisting of the chairman and two vice-chairmen of the board of Vereniging Achmea.

Rabobank holds 39.43% (2008: 39.54%) of the ordinary shares. Other shareholders include MillenniumBCP and members of the Eurapco Alliance of independent European financial services providers (for more information see www.Eurapco.com).

Besides ordinary shares, 5.52% of Eureko's entire issued share capital are preference shares, for which share certificates are issued to investors.

CORPORATE GOVERNANCE

HOW WE ARE GOVERNED

General Meeting of Shareholders

In addition to the Annual General Meeting of Shareholders, extraordinary meetings can be called based on legislation, statutes and corporate documentation if deemed necessary, such as ahead of the capital increase in early 2009, and can also be convened by a shareholder with more than 10% of voting rights. No extraordinary meeting was convened for the latter reason in 2009. Due to the legal structure regime that applies to Eureko, the power of the General Meeting of Shareholders is constrained; based on legislation and corporate agreements certain responsibilities are allocated to the Supervisory Board. Nevertheless, shareholder approval is required for primarily corporate decisions, such as amendment of the Articles of Association; adoption of the Financial Statements, including profit allocation and dividend (see below); decisions on share issues or on the granting of rights to subscribe for shares (or to designate the Executive Board to resolve on such issues or grants); reduction of the share capital of Eureko; appointment and dismissal of members of the Supervisory Board; and decisions to dissolve, merge or divide Eureko.

Voting rights

Additionally, specific rights are attributed to the A shareholder, Vereniging Achmea, including the right to make a non-binding nomination to the Supervisory Board for the appointment of members of the Executive Board, the approval of a decision on dissolution, merger and division of Eureko, and the issuance and transfer of shares in Eureko. The holders of depository receipts issued on the A share and the preference shares are entitled to attend the general meetings but they do not have any voting rights. This provision, however, does not apply to holders of a right of usufruct and holders of a right of pledge with voting rights. Shareholders and holders of depository receipts can be represented by written proxy. Members of both the Executive Board and Supervisory Board are authorised to attend general meetings; they have an advisory and informative role at these meetings.

Dividend policy

The distribution of profits is laid down in article 34 of Eureko's Articles of Association, described in the section 'Other information'. Dividends are due and payable four weeks after the General Meeting has declared them (unless any other date is determined). The General Meeting may resolve that distributions shall be made in whole or in part in a form other than cash. The General Meeting may resolve to distribute all or any part of the net result. Interim distribution can be effected if the General Meeting so decides, following a proposal by the Executive Board. Eureko's dividend policy is described fully in 'Capital and Liquidity Management'.

Co-ordination Committee

In the merger between Achmea and Interpolis in 2005, it was decided to establish a Co-ordination Committee with representatives from the Achmea Association and Rabobank. The Co-ordination Committee's role is to act as an advisory body on important issues for both the Supervisory Board and Executive Board. Issues could be amendments to Eureko's strategy and fundamental strategic transactions that could impact Eureko's strategy. The underlying principle is that the committee in no way influences the relationship between Eureko's Supervisory Board and Executive Board or their tasks and powers, as set out in Eureko's Articles of Association, legislation and regulations. Furthermore, the Co-ordination Committee takes shareholder interests into account at all times. Within this context, in 2009, the Co-ordination Committee offered advice on solvency, liquidity and the capital increase; the PZU settlement; the funding of Achmea Hypotheekbank N.V.; and the commercial cooperation between Eureko and Rabobank.

HOW WE ARE GOVERNED

The Supervisory Board

Composition

The composition of the Supervisory Board and nominations for vacancies reflect the cooperative shareholder structure and employee participation through Eureko's Central Works' Council. Supervisory Board members are nominated by this board and appointed by the General Meeting of Shareholders. The Supervisory Board has 12 members. Vereniging Achmea is entitled to nominate candidates for seven seats in the Supervisory Board and nominates the chairman. Rabobank is entitled to four seats and may nominate the vice-chairman. At present, other shareholders are jointly represented with one seat. Profiles, based on requisite expertise, can be reviewed on the website. Any proposed changes to the composition of the Supervisory Board are submitted to the General Meeting of Shareholders, and discussed with the Central Works' Council which has right of recommendation for one-third of members, also on reappointments, as set out in Article 2:268 sub. 6 of the Netherlands Civil Code. The Central Works' Council exercises its right of recommendation through confidential discussions with Supervisory Board members. Any recommendations are passed on to the General Meeting of Shareholders by the Supervisory Board. In their turn, Supervisory Board members individually participate in a meeting of the Central Works' Council at least once a year.

Accountabilities

Eureko's Supervisory Board is responsible for supervising the Executive Board's conduct and general management of the business. The Supervisory Board and its individual members have a responsibility to obtain all relevant information needed to perform their duties. These needs are made known to the Chairman of the Supervisory Board. Usually, sources are the Executive Board, the Company Secretary and external auditors. However, if deemed appropriate by the Supervisory Board, information can be obtained from corporate officers and external advisors who can be invited to attend Supervisory Board meetings.

Governance role

As described above, due to the legal structure regime that applies to Eureko and on the basis of the Articles of Association and corporate agreements, the Supervisory Board plays an important role in Eureko's governance. Supervisory Board approval is required primarily for important business-related decisions, such as appointment and dismissal of members of the Executive Board, strategic decisions, transfer of a significant part of the business, entering into or terminating a long-term cooperation, large participations and investments, and termination of the employment of a considerable number of employees or significant changes in the employment conditions of a significant number of employees.

Supervisory Board committees

In line with the Dutch Corporate Governance Code, the Supervisory Board has three dedicated committees that advise the full Supervisory Board: the Audit & Risk Committee, the Remuneration Committee, and the Selection & Appointment Committee. All Supervisory Board members receive the minutes of the individual committee meetings.

Financial, audit, risk and compliance issues are discussed in the Audit & Risk Committee. Audit & Risk Committee meetings are always attended by the CFO; the Chairman of the Executive Board; and the directors of Internal Audit, Strategy & Performance and Risk Management.The directors of Reporting and Compliance, as well as external auditors, are present when their reports are discussed. In addition to Financial results, the Business Plan, Strategic Plan and the Investment Plan, topics such as liquidity, solvency and the review of the risk structure were discussed. Important issues during the year were the Internal Control Statement, the Audit & Risk Memorandum, Compliance Reports and the external auditors' management letter, which give an overview of the operations and any identified risks. The management letter is also discussed during the Supervisory Board meeting in the presence of the external auditors. Meetings with the external auditor take place at least twice a year. For further information, see also the 'Supervisory Board Report'.

HOW WE ARE GOVERNED

The Executive Board

Composition

Members of the Executive Board are appointed by the Supervisory Board at the non-binding nomination of the A shareholder. The Executive Board can have a maximum of 10 members. As a consequence of the Achmea/Interpolis merger and the capital increase, Rabobank also has non-binding nomination rights for one-third of the members of the Executive Board, including the vice-chairman. All Executive Board members have been selected based on their proven experience and competence in managing a financial services company. All Eureko Executive Board members have been assessed by the Dutch supervisory authorities.

Accountabilities

The Executive Board is responsible for managing Eureko B.V.'s business. It is responsible and has decision-making power for managing the day-to-day business of Eureko in accordance with the principles set out in the Articles of Association. The Executive Board has a comprehensive charter which covers the duties, activities and allocation of tasks to individual members, as well as the decision-making process within the Executive Board. The Executive Board is obliged to notify the Supervisory Board in case of any fundamental differences of opinion between the Executive Board and boards of Eureko companies or Entities – there were no fundamental differences in 2009. It reports directly to the Supervisory Board. In principle, the Executive Board meets at least weekly. Each member has direct responsibility for specific Eureko activities (please see 'Executive Board' biographies), with clear reporting lines from divisional and staff directors. The full Executive Board is involved in risk management – risk is Eureko's business. This involvement is shown by the commitment from three Executive Board members in the Finance & Risk Committee and a full Executive Board meeting on risk every quarter. This committee, started in January 2010, replaces all former risk-management committees.

CORPORATE GOVERNANCE

SUPERVISORY BOARD | BIOGRAPHIES

Arnold H.C.M. Walravens (1940)

Chairman, Dutch nationality, was re-appointed in 2008.

His current term expires in 2012. Mr Walravens is also a member of the Supervisory Board of Rabobank Nederland and Chairman of the Supervisory Board of Sneep Industrie B.V. In addition, he is Vice-Chairman of the Board of Directors of Vereniging Achmea, holds various other positions within Eureko and is a member of the Business Board of Atag B.V.. He is a retired professor from Delft University.

Marinus Minderhoud (1946)

Vice Chairman, Dutch nationality, was re-appointed in 2008.

His current term expires in 2012. Mr Minderhoud is member of the Supervisory Board of Rabobank Nederland, Chairman of the Board of Vodafone International Holdings B.V. and Vodafone Europe B.V., and Chairman of the Agis Supervisory Board.

Urs Berger (1951)

Swiss nationality, was appointed in 2009.

His current term expires in 2013. Mr Berger is CEO of the first private insurer in Switzerland, the Swiss Mobiliar Group. A full-service insurer, Swiss Mobiliar is the market leader in Switzerland for household contents insurance, and term life insurance, as well as for the re-insurance of pension funds. Mr Berger holds a number of executive positions, including membership of the Executive Board of the Swiss Insurance Federation. From 2003, Mr Berger has been a member of the Supervisory Board of EurAPCo A.G., an alliance of independent European financial services industry companies active mainly in insurance and he became its President in January 2009.

Bernard Bijvoet (1940)

Dutch nationality, was appointed in 2009.

His current term expires in 2013. Mr Bijvoet has a background in the agricultural sector and was active as Chairman of the Executive Board at the Dutch cooperative dairy company, Campina. Mr Bijvoet also serves on the Supervisory Board of Rabobank Nederland. He previously served on the Supervisory Board of the Dutch energy company, Essent.

Flip J.F. Buurmeijer (1940)

Dutch nationality, was appointed in 2008.

His current term expires in 2012. A long-time member of the Dutch parliament, most recently he has chaired a number of social-services and care-related bodies, including the Centre for Care Assessment Board and the Supervisory Committee of GGZ Dimence. He holds a number of supervisory positions, including at Alexander Calder Holding, Sallcon (Sheltered Employment), Matchcare and SV Land / SV Support.

Erik A.J. van de Merwe (1950)

Dutch nationality, was re-appointed in 2006.

His current term expires in 2010. Mr van de Merwe holds various Supervisory Board positions, including Chairman of the Supervisory Board of Fornix Bio Sciences, GWK Travelex and Welke Beheer B.V. Furthermore, he is member of the Supervisory Board and Chairman of the Audit & Risk Committee of Mizuho Corporate Bank (Netherlands) and Fortis Bank Nederland, a member of the Advisory Board and Chairman of the Audit & Risk Committee of the Dutch Burns Foundation, jury member of the Sijthoff Award and member of the Arbitration Committee Dutch Security Institute. In addition, he is member of the Board of Directors of Vereniging Achmea and Chairman of the Supervisory Board and Audit & Risk Committee of Achmea Bank Holding N.V. and Staalbankiers N.V.

CORPORATE GOVERNANCE

SUPERVISORY BOARD | BIOGRAPHIES

Paul F.M. Overmars (1945)

Dutch nationality, was re-appointed in 2009.

His current term expires in 2013. Prior to his retirement in 2004, Mr Overmars was CEO of Achmea and Vice Chairman of the Executive Board of Eureko. As from 31 March, he will be the Chairman of Vereniging Achmea. He is also a member of the Supervisory Board of Rabobank Nederland. In addition, he is Vice-Chairman of the Board of Directors of Vereniging Achmea and Chairman of the Eureko Achmea Foundation. Until mid-2005, he was Chairman of the Board of the Dutch Association of Insurers and a member of the Management Board of VNO/NCW.

Henk J. Slijkhuis (1946)

Dutch nationality, was re-appointed in 2008.

His current term expires in 2012. Mr Slijkhuis is an independent farmer. He is Chairman of the Supervisory Board of Countus Accountants-en Belastingadviseurs and a member of the Board of Directors of Vereniging Achmea.

Aad W. Veenman (1947)

Dutch nationality, was appointed in 2009.

His current term expires in 2013. From 2002 through 2008, Mr Veenman was chairman and CEO of Dutch national railways, NS. Before joining the NS, he had a long career with the Dutch industrial enterprise, Stork, where he was CEO from 1998 through 2002. Mr Veenman is also Chairman of the Board of the Holland International Distribution Council (NDL/HIDC), the representative body for the logistics sector in the Netherlands. Additionally, Mr Veenman holds a number of supervisory positions, including membership of the Supervisory Board of Rabobank Nederland.

Antoon J.A.M. Vermeer (1949)

Dutch nationality, was appointed in 2005.

His current term expires in 2010. Mr Vermeer is Chairman of the Board of Directors Zuidelijke Land- en Tuinbouw Organisatie and co-owner of a dairy farm. He is Vice-Chairman of the Supervisory Board of Rabobank Nederland and Chairman of the Supervisory Board of Sovion N.V. In addition, he is member of the curatorium of the ZLTO Chair Food, Farming and Agribusiness, Tilburg University and Chairman of the HAS Supervisory Board.

Bé J. van der Weg (1943)

Dutch nationality, was re-appointed in 2006.

His current term expires in 2010. Mr Van der Weg is also a member of the Board of Stichting PVF Nederland N.V. and of the Board of Directors of Vereniging Achmea.

Bouke Y. Yntema (1943)

Dutch nationality, was re-appointed in 2009.

His current term expires in 2013. Mr Yntema is a stockbreeder. He is Chairman of the Supervisory Board of Rabobank Sneek Zuidwest Friesland and a member of the Supervisory Board of Agis. In addition, he is a member of the Board of Directors of Vereniging Achmea and of the Board of Stichting PVF Nederland.

Company Secretary: Wim Janssens
Deputy Company Secretary: Nynke Hupkens-Sipma

EXECUTIVE BOARD

From left to right: Danny van der Eijk, Willem van Duin, Gerard van Olphen, Thomas van Rijckevorsel and Jeroen van Breda Vriesman

Willem A.J. van Duin (1960)
Chairman of the Executive Board, Dutch nationality.

Joined the Group in 1987. Held various positions at Holding level and in the Health, Broker and Direct-distribution divisions before being appointed to the Executive Board in 2004. After being appointed Vice-Chairman on 1 October 2008, he became Chairman of the Executive Board on 10 February 2009. In addition to his overall responsibility for Eureko, his core responsibilities include HR and MD policy, Communications policy, the Central Works' Council, Group Internal Audit Services and Group Compliance & Regulatory Affairs.

In addition to supervisory directorships of a number of Eureko entities, he is a member of the Board of the European Alliance Partners Eurapco. Furthermore, he is Chairman of the Dutch Association of Insurers (Verbond van Verzekeraars), member of the boards of VNO-NCW and NCR. Mr van Duin is also a board member of a number of charitable foundations in the Netherlands.

Gerard van Olphen (1962)
Chief Financial Officer and Vice-Chairman, Dutch nationality.

Following senior positions in insurance and finance (ABN Amro, Reaal Insurance, NIB Capital), appointed CFO and member of the Eureko Executive Board in 2002. In 2007, he became responsible for Eureko's international strategy, including performance management and innovation. Subsequently, in mid-2008, he was again appointed CFO and, on 1 October 2008, Vice-Chairman of the Executive Board. His portfolio also includes PZU, Poland. He is a Supervisory Director of a number of Eureko entities. In April 2009, Mr van Olphen became Chairman of the Commission on Financial Affairs of the Dutch Association of Insurers and in May 2009 he was appointed Chairman of the ECOFIN committee of CEA, the European insurance and re-insurance federation.

Danny van der Eijk (1958)
Dutch nationality

After obtaining his professional insurance qualifications, Mr Van der Eijk pursued an MBA at Henley (UK). He has worked in different positions in R&SA Benelux from 1984-2002, of which the last two years as CEO. Within Achmea he was a director of Avéro Achmea, Managing Director of Achmea Commercial lines and later Director of the Direct-distribution division. He became a member of the Executive Board as of October 2008. His core responsibilities include the direct, broker and occupational health divisions and re-insurance, Group Communications, Corporate Social Responsibility and Group HR. He has special responsibility for corporate identity and the Non-life business.

Jeroen A.S. van Breda Vriesman (1967)
Dutch nationality

After studying law at the University of Utrecht, he started his career at the ING Group. Within the ING organisation (Nationale Nederlanden) he fulfilled several management positions. In 2004, he joined Achmea as Chairman of the Occupational Health Division. From 2006 till September 2008 he was the Chairman of the Achmea Zorg (Health) Division. As of October 2008, he became a member of the Executive Board of Eureko. His core responsibilities include Health, Life and Pensions and Group Information Management and Technology.

Thomas C.A.M. van Rijckevorsel (1954)
Dutch nationality

Joined ABN Bank after graduating in law at Leiden University. Moved to Rabobank Nederland in 1991. From 1994 to 2001 he was responsible for international private banking; from 2001 to 2004 for marketing for the individual Rabobanks; and between 2004 and 2008, he was head of the Private Clients Department, overseeing the bancassurance activities between Rabobank and Eureko/Achmea (including Interpolis). Appointed to the Executive Board as of 1 April 2008. Responsibilities include the Banking Distribution division, Division Europe, Achmea Bank and Staalbankiers. He is a supervisory director of Greenfee B.V., Rabo Wielerploeg B.V. and VeerStichting.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF PROFIT)

(€ MILLION)

	NOTES	31 DECEMBER 2009	31 DECEMBER 2008
Assets			
Intangible assets	6	2,084	2,266
Investments in associated companies and participating interests	7	1,542	2,517
Investment property	8	1,440	1,529
Investments	9	37,675	34,722
Investments backing linked liabilities	10	21,282	17,416
Investments related to cash collateral received in securities lending	11	1,552	5,057
Banking credit portfolio	12	19,302	18,921
Deferred tax assets	13	799	1,268
Deferred acquisition costs	14	437	486
Income tax receivable			12
Amounts ceded to reinsurers	15	1,011	1,181
Receivables	16	3,765	4,069
Other assets	17	915	1,256
Cash and cash equivalents	18	1,385	1,180
		93,189	**91,880**
Assets classified as 'held for sale'	4		573
Total assets		**93,189**	**92,453**
Equity			
Equity attributable to holders of equity instruments of the Company	19	10,121	7,445
Non-controlling interest	20	6	6
Total equity		**10,127**	**7,451**
Liabilities			
Insurance liabilities	21	35,112	36,471
Insurance liabilities for policyholders	22	19,341	15,452
Investment contracts	23	2,315	2,207
Liabilities related to cash collateral received in securities lending	24	1,584	5,287
Employee benefits	25	1,142	1,194
Other provisions	26	287	322
Banking customer accounts	27	5,050	5,088
Loans and borrowings	28	13,348	13,413
Derivatives	29	1,124	859
Deferred tax liabilities	30	452	526
Income tax payable		198	270
Other liabilities	31	3,109	3,366
		83,062	**84,455**
Liabilities classified as 'held for sale'	4		547
Total liabilities and Total equity		**93,189**	**92,453**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2009	2008
Income			
Gross written premiums Health	35	10,617	11,259
Gross written premiums Life	36	4,998	4,231
Gross written premiums Non-Life	37	4,030	3,816
Gross written premiums		**19,645**	**19,306**
Reinsurance premiums		-638	-922
Change in provision for unearned premiums (net)		15	-56
Net earned premiums		**19,022**	**18,328**
Contributions received for health pooling		58	51
Income from associated companies and participating interests	38	241	-553
Investment income	39	1,494	1,530
Realised and unrealised gains and losses	40	-687	-1,149
Income from investments backing linked liabilities	41	1,781	-3,324
Income from investments related to cash collateral received in securities lending	42	79	260
Banking income	43	905	986
Fee and commission income, and income from service contracts	44	594	632
Other income	45	1,314	165
Total income		**24,801**	**16,926**
Expenses			
Claims and movements in insurance liabilities	46	15,134	17,433
Claims and movements in insurance liabilities ceded to reinsurers	46	-425	-291
Profit sharing and bonuses	47	-172	199
Movements in insurance liabilities for policyholders		4,224	-1,885
Benefits on investment contracts	48	98	-996
Operating expenses	49	3,284	3,664
Interest expenses from liabilities related to cash collateral received in securities lending	50	53	298
Banking expenses	51	723	743
Interest and similar expenses	52	106	132
Other expenses	53	269	249
Total expenses		**23,294**	**19,546**
Profit before tax		**1,507**	**-2,620**
Income tax expenses	54	126	-502
Net profit		**1,381**	**-2,118**
Attributable to:			
Holders of equity instruments of the Company		1,381	-2,119
Non-controlling interest			1
Earnings per share from continuing operations (euros) and diluted earnings per share from continuing operations (euros)	56	3.36	-6.65

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	NOTES	2009	2008
Net profit		**1,381**	**-2,118**
Other comprehensive income			
Currency translation differences on intangible assets and associated companies and participating interests		-82	-244
Net revaluation on property for own use		16	-7
Net unrealised gains/(losses) on available for sale instruments		447	-2,277
Share in other comprehensive income of associated companies and participating interests		9	
Transfer from/to provision for profit sharing and bonuses		-144	-34
Net gains/(losses) on available for sale instruments reclassified to the Income Statement on disposal		18	13
Impairment charges on available for sale instruments reclassified to the Income Statement		131	1,677
Net unrealised gains/(losses) on cash flow hedging instruments		2	-39
Comprehensive income	55	**1,778**	**-3,029**
Attributable to:			
Holders of equity instruments of the Company		1,778	-3,030
Non-controlling interest			1

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2009	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	RETAINED EARNINGS	NET FOREIGN EXCHANGE DIFFERENCE	PROFIT FOR THE YEAR	HEDGING RESERVES	OTHER EQUITY INSTRU-MENTS	EQUITY ATTRIBU-TABLE TO HOLDERS OF EQUITY INSTRU-MENTS OF THE COMPANY	NON-CONTROLL-ING INTEREST	TOTAL EQUITY
Balance at 1 January	**10,833**	**-45**	**1,548**	**-2**	**-3,841**	**-229**	**-2,119**	**-25**	**1,325**	**7,445**	**6**	**7,451**
Comprehensive income				484		-89	1,381	2		1,778		1,778
Appropriations to reserves			-298	-43	-1,778		2,119					
Dividends and coupon payments to holders of equity instruments					-106					-106		-106
Issue, repurchase and sale from/to holders of equity instruments	1,028									1,028		1,028
Other movements				319	-264	-104		25		-24		-24
Balance at 31 December	**11,861**	**-45**	**1,250**	**758**	**-5,989**	**-422**	**1,381**	**2**	**1,325**	**10,121**	**6**	**10,127**

Share capital includes €11,429 million share premium (2008: €10,476 million).
Reference is made to Notes 19 and 20.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2008	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	RETAINED EARNINGS	NET FOREIGN EXCHANGE DIFFERENCE	PROFIT FOR THE YEAR	HEDGING RESERVES	OTHER EQUITY INSTRU-MENTS	EQUITY ATTRIBU-TABLE TO HOLDERS OF EQUITY INSTRU-MENTS OF THE COMPANY	NON-CONTROLL-ING INTEREST	TOTAL EQUITY
Balance at 1 January	**10,398**	**-45**	**1,227**	**866**	**-4,065**	**-85**	**979**	**14**	**1,084**	**10,373**	**2**	**10,375**
Comprehensive income				-728		-144	-2,119	-39		-3,030	1	-3,029
Appropriations to reserves			321	-142	800		-979					
Dividends and coupon payments to holders of equity instruments	427				-540					-113		-113
Issue, repurchase and sale from/to holders of equity instruments									225	225		225
Other movements	8			2	-36				16	-10	3	-7
Balance at 31 December	**10,833**	**-45**	**1,548**	**-2**	**-3,841**	**-229**	**-2,119**	**-25**	**1,325**	**7,445**	**6**	**7,451**

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	2009	2008
Cash flow from operating activities		
Profit before tax and discontinued operations	1,507	-2,620
Adjustments of non-cash items and reclassifications:		
Unrealised results on investments	-996	4,933
Foreign exchange results	-39	155
Amortisation and impairment charges on intangible assets, equipment and property for own use	217	279
Amortisation deferred acquisition costs	106	105
Dividend income investments and investments backing linked liabilities	-186	-246
Rental income net of expenses	-147	-152
Interest income	-2,645	-2,611
Investment expenses	88	98
Interest expenses	674	843
Changes in operating assets and liabilities:		
Capitalised deferred acquisition costs	-51	-43
Changes in receivables and other liabilities	622	602
Changes in insurance liabilities net of reinsurance	2,030	-169
Changes in banking credit portfolio	-200	-285
Changes in banking customer accounts and loans and borrowings related to banking activities	558	-228
Other changes	-29	-1,582
Income taxes paid	214	-27
Changes in income tax	-157	-168
	1,566	**-1,116**
Cash flow from investing activities		
Investments, acquisitions and direct return on investments:		
Subsidiaries, associated companies and participating interests (net of cash acquired)		-309
Investment property	-114	-33
Investments	-42,428	-43,801
Investments backing linked liabilities	-10,968	-8,433
Equipment and property for own use	-85	-124
Dividend income associated companies	1,025	4
Dividend income investments and investments backing linked liabilities	186	246
Rental income net of expenses	147	152
Interest income	2,332	2,417
Investment expenses	-88	-98
	-49,993	**-49,979**
Disinvestments and disposals:		
Subsidiaries, associated companies and participating interests (net of cash disposed)	253	1
Investment property	142	35
Investments	40,090	43,003
Investments backing linked liabilities	8,684	8,502
Equipment and property for own use	163	72
	49,332	**51,613**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	2009	2008
Cash flow related to cash collateral in securities lending		
Investments and acquisitions:		
Cash collateral received in securities lending	1,041	30,730
Investments related to cash collateral received in securities lending	-1,256	-31,142
	-215	**-412**
Disinvestments and disposals:		
Repayment of cash collateral received in securities lending	-4,744	-34,659
Investments related to cash collateral received in securities lending	4,850	35,246
	106	**587**
Cash flow from financing activities		
Issue and sale of shares	1,028	8
Issue of other equity instruments		225
Dividends paid	-106	-113
Interest paid	-573	-859
Other credit facilities	-529	131
	-180	**-608**
Net cash flow	**616**	**85**
Cash and cash equivalents at 1 January	769	663
Change in composition of the Group		21
Net cash and cash equivalents at 31 December	**1,385**	**769**
Cash and cash equivalents include the following items:		
Cash	31	28
Bank balances	1,102	957
Call deposits	252	195
Less: liability bank balances		411
Net cash and cash equivalents at 31 December	**1,385**	**769**

Figures 2008 adjusted for comparison reasons.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

A INTRODUCTION

The Eureko Consolidated Financial Statements, including the 2008 comparative figures, have been 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 (hereafter EU-IFRS). Furthermore, the Eureko Consolidated Financial Statements comply with the requirements of Article 362 (9) Book 2, part 9 of the Netherlands Civil Code.

The exemption pursuant to Article 402 of Book 2, part 9 of the Netherlands Civil Code, applies in the Company Income Statement of Eureko B.V.

In certain cases current presentation differs from the previous year presentation. Where applicable comparative figures have been reclassified in the relevant disclosure notes. These reclassifications do not have an effect on Total equity or Net profit.

All amounts in the Consolidated Financial Statements are in millions of euros unless stated otherwise.

A number of new Standards, amendments to Standards and Interpretations were published by the International Accounting Standard Board (IASB) in 2009 or prior years but are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these Consolidated Financial Statements. This regards:

IFRS 3: Business Combinations and related revisions to IAS 27: Consolidated Separate Financial Statements

On 10 January 2008, the IASB published a revised version of IFRS 3, Business Combinations and related revisions to IAS 27, Consolidated Separate Financial Statements. In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3, the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This amendment is applicable for Eureko for business combinations as from 1 January 2010.

IFRS 9: Financial Instruments

The IASB has issued a new accounting standard on the accounting treatment of Financial Instruments on 12 November 2009. This new accounting standard currently covers phase I of the improvement project of IAS 39 'Financial Instruments: Recognition and measurement' and only deals with recognition and measurement of financial assets. The EU has postponed the endorsement of IFRS 9. For this reason Eureko will not adopt this accounting standard at present, as only part of IFRS 9 is finalised and the discussion surrounding the new IFRS on the accounting of insurance contracts is still pending, which could lead to an accounting mismatch. When Eureko adopts IFRS 9, it will have material impact on the presentation of Financial Instruments in the Financial Statements as the current categories of IAS 39 will disappear. It could have a significant impact on the measurement and accounting of fair value changes of Financial Instruments of Eureko as the 'Available for sale'-category is eliminated and the standard requires the use of amortised cost in certain cases. Consequently adoption of IFRS 9 would have a material effect on Eureko's Total equity and Net profit.

IAS 24: Related Party Disclosures

On 4 November 2009, the IASB issued amendments to IAS 24 'Related Party Disclosure'. The amendments exempt state-controlled entities to disclose certain related party transactions and clarify the definition of a related party and a related party transaction for all entities. The amendments have not been endorsed by the EU at year-end. For this reason Eureko will not early adopt these amendments. The amendments will have no impact on the presentation of related parties nor will it have an impact on Total equity or Net profit of Eureko.

IFRS 2: Share-based payments

On 18 June 2009, the IASB clarified the accounting for group cash-settled share-based payment transactions by amending IFRS 2. The amendments respond to requests the IASB received to clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

those suppliers. The amendments make clear that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The employees of Eureko are provided with share appreciation rights via an equity participation plan. The amendment will not influence the reporting of share-based payments in the Consolidated Financial Statements of Eureko.

IAS 32: Financial Instruments presentation

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendments have not been endorsed by the EU at 31 December 2009 and hence Eureko will not adopt these amendments. Currently Eureko has no rights issues outstanding and there is no impact on the Financial Statements.

IAS 39: Financial Instruments: Recognition and Measurement

On 31 July 2008, the IASB issued an amendment to IAS 39 clarifying how the existing principles underlying hedge accounting should be applied in two particular situations (i.e. a one-sided risk in a hedged item and inflation in a financial hedged item). This amendment is applicable to Eureko as from 1 January 2010. The amendments will have no material effect on Total equity or Net profit of Eureko.

Improvements to International Financial Reporting Standards (affects various standards) – issued April 2009

On 16 April 2009, the IASB issued 'Improvements to IFRSs', a collection of minor amendments to a number of IFRSs. The IASB uses the annual improvements project to make non-urgent, amendments to IFRSs. At the end of 2009, the improvements had not been endorsed by the EU and hence not applied by Eureko. These amendments have different application dates (mostly from 1 January 2010) and have no material effect on Total equity or Net profit of Eureko.

Other

The IASB has issued additional exemptions for first-time adopters (amendments to IFRS 1) and IFRS for small and medium-sized entities. As Eureko has already adopted IFRS since 2005, both the amendments and the standard are not applicable to Eureko and hence have no effect on the Financial Statements of Eureko.

IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction & amendments to termination benefits

On 26 November 2009, the IASB issued Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). Without the amendments, in some circumstances, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. In October 2009 the IASB tentatively decided to publish the amendments to IAS 19 relating to termination benefits together, at the same time as amendments to IFRIC 14 as a convenience to constituents. The IASB proposed that the definition should be amended to clarify that benefits that are payable in exchange for an employee's decision to accept voluntary redundancy are termination benefits only if they are offered for a short period. Furthermore the IASB proposed amendments to recognition of (in)voluntary termination benefits. The amendments have not been endorsed by the EU at 31 December 2009 and hence Eureko will not adopt these amendments. Implementing these changes in accounting standards will have no material impact on Eureko's Total equity or Net profit.

IFRIC 17: Distributions of Non-Cash Assets to Owners

The objective of IFRIC 17 is to standardise practice in the accounting treatment of distribution of non-cash assets to owners. This Interpretation is effective as of (for annual periods beginning on or after) 1 July 2009. The interpretation is expected to have no impact on Total equity or Net profit of Eureko.

IFRIC 19: Extinguishing financial liabilities with equity instruments

The IFRIC issued an interpretation that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. The transaction needs to be measured at fair value (rather than the book value of the liability) and could result in a profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recognised in the Income Statement. Implementing this interpretation will have no material effect on Total equity or Net profit. The amendments have not been endorsed by the EU at 31 December 2009 and hence Eureko will not adopt these amendments.

B CONSOLIDATION FRAMEWORK

Basis for consolidation

The following principles apply to the Financial Statements:

- Operating companies over which Eureko exercises a controlling influence are fully consolidated. Generally, controlling influence is presumed to exist when the interest in the company's share capital or voting rights (including potential voting rights) represents more than 50%. Third-party interests are presented in the Financial Statements as Non-controlling interest within Total equity.
- Operating companies over which Eureko exercises significant influence are accounted for using the equity method, based on Eureko's accounting principles. Generally, significant influence is presumed to exist when the participation in share capital or voting rights (including potential voting rights) is between 20% and 50%. These operating companies are presented as associated companies. Operating companies in which Eureko does not exercise significant influence, but have a similar strategic nature as associated companies, are accounted for in accordance with the accounting principles for financial assets classified as 'Available for sale'. These operating companies are presented as participating interests.
- Operating companies over which Eureko and other entities share joint control by means of contractual arrangements are considered to be joint ventures. Eureko accounts for joint ventures using the proportionate consolidation method.

Intergroup adjustments

Intergroup transactions, balances and results have been eliminated in the Eureko Consolidated Financial Statements.

Results from transactions with associated companies are eliminated to the extent of Eureko's interest in the associated company.

Discontinued operations

Discontinued operations are clearly distinguishable components of Eureko's business which are classified as 'Held for sale', that are abandoned or disposed of, and which represent a separate major line of business or geographical area of operations. These operations are presented separately.

Components of Eureko's business are classified as 'Held for sale' when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than continuing use.

A sale of an asset (or disposal group) is highly probable if:

- Eureko is committed to a plan to sell the asset (or disposal group) and has an active programme to locate the buyer;
- The asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations classified as 'Held for sale' are measured at the lower of their carrying amount and fair value less costs to sell.

C ACCOUNTING FRAMEWORK

All assets and liabilities are measured at fair value unless a different measurement basis is stated hereafter.

Recognition

Assets are resources controlled by Eureko that arise from past events and that are recognised in the Financial Statements if it is probable that any future economic benefit associated with the specific item will flow to Eureko and the cost or value of the item can be reliably measured. Liabilities arise from past events and are recognised in the Financial

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Statements if it is probable that these liabilities result in an outflow of resources embodying future economic benefits and can be reliably measured.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where Eureko has transferred substantially all risks and rewards of ownership. If Eureko neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, Eureko continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Eureko is exposed to changes in the value of the asset.

A financial liability (or a part of a financial liability) is derecognised from the statement of financial position when, and only when, it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement as a realised gain or loss. Any cumulative unrealised gain or loss previously recognised in Total equity is transferred from Total equity to the Income Statement.

Eureko uses the average cost method when derecognising financial assets and financial liabilities.

Foreign currency differences

Items included in the financial statements of all Eureko's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is Eureko's functional and presentation currency.

On consolidation, assets and liabilities of foreign subsidiaries, with a functional currency other than the euro, are translated into euros at the exchange rates at reporting date. The results of non-euro subsidiaries are translated at the weighted average exchange rates for the year. Translation differences arising from the application of year-end exchange rates to the opening balance of the net assets of non-euro subsidiaries and to the results for the year are recognised in Total equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Net profit, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

The net asset value of associated companies, with functional currency other than the euro, is translated into euros at the exchange rates at reporting date. The results of non-euro associated companies are translated at the weighted average exchange rates for the year. Translation differences arising from the application of year-end exchange rates to the opening net asset value of non-euro associated companies and to the results for the year are recognised in Total equity.

Impairment

In general, an impairment of assets exists when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Eureko assesses at each reporting date whether there is an indication that an asset could be impaired and whether it is necessary to recognise an impairment loss.

Intangible assets acquired in a business combination that have a finite life will be tested for impairment when an indication of impairment is identified. Irrespective of whether there is any indication of an event leading to an impairment test, Eureko tests goodwill acquired in a business combination for impairment annually. Intangible assets with an indefinite life will also be tested for impairment annually.

At each reporting date Eureko assesses whether there is objective evidence which may lead to the recognition of an impairment of a recognised asset. In case of investments in equities classified as 'Available for sale', objective evidence that the cost may not be recovered can be demonstrated through a significant or prolonged decline in the fair value

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below its cost. Fixed-income investments are impaired if there is objective evidence, as a result of one or more events, that estimated future cash flows are negatively impacted.

Impairments on investments are recognised as Realised and unrealised gains and losses in the Income Statement. Impairments on other assets are recognised as Other expenses in the Income Statement. Impairments on investments and other assets that are carried at a revalued amount are treated as a revaluation increase to the amount of the revaluation reserve, any excess being charged as Realised and unrealised gains and losses or Other expenses.

For assets classified as 'At fair value through profit or loss', Eureko does not recognise impairment losses, because all changes in the fair value are recognised in the Income Statement.

Impairment losses recognised for an asset in prior years are reversed if, and only if, the reversal can be objectively attributed to the disappearance or removal of the impairment event since the impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An increase in the carrying amount due to the reversal of the impairment loss will not exceed the carrying amount if no impairment loss would have been recognised in prior years. The increase is a reversal of an impairment loss and is recognised in the Income Statement (in Realised and unrealised gains and losses for reversals on impairments on investments in fixed-income investments and in Other expenses for reversals of impairments on other assets). Impairment losses on equity instruments classified as 'Available for sale' are reversed through the Revaluation reserve, part of Total equity. An impairment loss regarding goodwill and intangible assets with an indefinite life is not reversed.

The impairment process is described in the notes of the respective assets.

Borrowing cost

Eureko includes in the cost of its assets that take a substantial period of time to acquire or construct, the borrowing cost that are directly attributable to the acquisition or construction of the asset. As Eureko borrows funds on a general basis the amount of borrowing costs is based on the weighted average of the borrowing costs applicable to the borrowings of Eureko that are outstanding during the period. Other borrowing costs are expensed in the period in which they incur.

Estimates and assumptions

For the preparation of the Eureko Consolidated Financial Statements estimates and assumptions are used. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent assets and liabilities at the reporting date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.
A more elaborate description is presented in section G of this disclosure note and, if relevant, in the other disclosure notes to the Consolidated Financial Statements.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at the net amount in the Financial Statements when Eureko:
- has a legally enforceable right to set off the recognised amounts; and,
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Finance leases

Finance leases (lessor) are presented in the Financial Statements as either Banking credit portfolio or Receivables at an amount equal to the net investment in the lease. Lease rentals are apportioned between the finance income and the amortisation of the outstanding capital. The recognition of finance income reflects a constant periodic rate of return on the outstanding balance of the finance lease.

D SEGMENT REPORTING

Segment information is presented in respect of Eureko's business and geographical segments. Business segments constitute the primary format. The presentation distinguishes between the following activities:
- Health;
- Life;
- Non-Life;
- Banking; and,
- Other activities.

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E ASSETS AND LIABILITIES

Intangible assets

Goodwill

Goodwill arising on an acquisition (business combination) represents the excess of the cost of the acquisition over the fair value of the net identifiable assets (including separately identified intangible assets), liabilities and contingent liabilities acquired at acquisition date. Goodwill is stated at cost less accumulated impairment losses.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition. The aforementioned excess is a result of a re-assessment with respect to identification and measurement of the acquired identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquired company at acquisition date. Any negative goodwill remaining after that reassessment is recognised in the Income Statement.

The recognised goodwill is subject to an annually applied impairment test, as it is perceived to have an indefinite useful economic life. For the purpose of impairment testing, goodwill is allocated to the Cash Generating Units (CGU) that are expected to benefit from the business combination. This is done on the basis of synergies expected to be realised by the combination. Any excess of the carrying amount over its recoverable amount will be recognised as an impairment loss for goodwill. The test is performed at a fixed moment within the year, and more frequently if triggering events occur. An impairment loss recognised for goodwill will not be reversed in a subsequent period.

Internally developed software

Internally developed software is recognised at cost (including borrowing cost incurred) and is capitalised if the following criteria are met:

- Internally developed software is clearly defined and the costs attributable can be separately identified;
- The technical feasibility can be demonstrated;
- Management has indicated its intention to develop and market, or use, the product or process; and,
- There is a clear indication of a future market for the product or process, or its usefulness can be demonstrated.

Capitalised internally developed software has a finite useful economic life and is amortised using the straight-line method over a maximum useful life of five years (or up to ten years when related to base system software).

Brand name

When Eureko enters into a business combination, it recognises brand names as an intangible asset. The initial value of this intangible asset is based on the application of the relief of royalty method, with the use of market observable variables and management expectations. The valuation techniques used are commonly applied.

Based on management expectations Eureko assesses whether the useful life is either finite or indefinite. When the useful life is finite, an amortisation expense is recognised. Eureko will decide on a case-by-case basis the appropriate useful life, with a maximum of 20 years. The amortisation policy is straight-line unless a different method is more appropriate. When the useful life is indefinite, an annual impairment test is performed to assess the recoverability of the carrying amount.

Value of business acquired

Eureko recognises the value of business acquired (VOBA) as part of the acquisition of a portfolio of (insurance) contracts. VOBA is equal to the present value of estimated future profits of insurance policies in force related to business acquired at the time of the acquisition or business combination. The VOBA is straight-line amortised over the expected life, with a maximum of 15 years and is subject to impairment testing.

Distribution networks

When Eureko enters into a business combination, it recognises distribution networks as an intangible asset. The initial value of this intangible asset is based on the application of multi-period excess earnings method, with the use of market-observable variables and management expectations. The valuation techniques used are commonly applied within the industry.

Based on management expectations, Eureko assesses on a case-by-case basis the appropriate useful life, generally not exceeding 20 years. The amortisation policy is straight-line, unless a different method is more appropriate.

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Other intangible assets

Other intangible assets that are acquired by Eureko are stated at cost less accumulated amortisation and impairment losses. Acquisition costs paid to a third party and related to Greenfield operations are included under Other intangible assets. Greenfield operations are activities that are at a start-up phase, where Eureko sets up a business activity itself and does not acquire a company or portfolio of insurance contracts. Greenfield operations usually do not exceed a period of more than one year.

Based on management expectations, Eureko assesses whether the useful life is either finite or indefinite. When the useful life is finite, an amortisation expense is recognised. Eureko will decide on a case-by-case basis the appropriate useful life, generally not exceeding 20 years. The amortisation policy is straight-line, unless a different method is more appropriate. When the useful life is indefinite, an annual impairment test is performed to assess the recoverability of the carrying amount.

Internally developed intangible assets

Expenditures on internally generated goodwill, brands and research costs are recognised in the Income Statement as an expense when incurred.

Subsequent expenditures

Subsequent expenditures on capitalised intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised as an expense in the Income Statement.

Amortisation charges

Amortisation charges on Intangible assets are recognised as Other expenses in the Income Statement.

Impairments

An intangible asset is impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The 'fair value less costs to sell' is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
At each reporting date Eureko asseses if an impairment loss for an intangible asset (other than intangible assets with an indefinite useful life) recognised in a prior period may not longer exist or may have decreased. Eureko considers the various indicators, such as whether the asset's market value has increased significantly during the period; whether significant changes with a favourable effect on Eureko have taken place during the period (technological, market, economic or legal environment); and whether market interest rates have decreased and are likely to effect the discount rate used in calculating value in use and increase recoverable amount materially.

Impairment losses are recognised as Other expenses in the Income Statement.

Investments

Classification of investments

When Eureko becomes a party to the contractual provision of an investment, Eureko recognises the investment at the fair value plus transaction cost.

Investments classified as 'Available for sale'

The classification 'Available for sale' is used for all investments of Eureko that are backing insurance liabilities not measured at fair value or market based interest. Furthermore, investments related to Total equity are classified as 'Available for sale'.

Equity investments classified as 'Available for sale'

Equity investments are measured at fair value. Unrealised fair value changes are transferred to separate components of Total equity net of deferred taxes. Realised fair value changes are transferred to the Income Statement. Unrealised foreign currency results on equity instruments are transferred to the Net foreign exchange differences within Total equity.
When optional dividends are taken up as shares, an amount equal to the cash dividend is credited to income.

Fixed-income investments classified as 'Available for sale'

Fixed-income investments (bonds, loans and mortgages and deposits with credit institutions) are measured at fair value. Unrealised fair value changes are transferred to separate components of Total equity net of deferred taxes. Realised fair value changes are transferred to the Income Statement.

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Foreign currency results on fixed-income investments are transferred to the Income Statement. Interest income is determined by using the effective interest rate method.

For investments in fixed-income investments related to insurance liabilities of which the cash flows are based on locked assumptions within the Dutch life insurance business, the unrealised fair value changes are subsequently transferred through Total equity to Profit sharing and bonuses as part of the Insurance liabilities. This transfer is halted whenever Profit sharing and bonuses is negative. Unrealised losses on the fixed-income investments included in the Income Statement, in case the transfer to Profit sharing and bonuses is halted, will be reversed through the Income Statement if the fair value of the investments subsequently increases. When the reversal is complete, the transfer to Profit sharing and bonuses is resumed.

When a decline in the fair value of an 'Available for sale' financial asset has been recognised in Total equity and there is objective evidence that the asset is impaired, the cumulative net loss that has been recognised shall be transferred from Total equity to the Income Statement.

Impairment losses on fixed-income investments will be reversed through the Income Statement; impairment losses on equity instruments classified as 'Available for sale' are not reversed through profit or loss and subsequent increases in fair value is recognised in the Revaluation reserve, part of Total equity.

Investments classified as 'At fair value through profit or loss'

The classification 'At fair value through profit or loss' is used for investments that are either designated at initial recognition to be measured at fair value with changes in fair value transferred to the Income Statement, or as 'Held for trading'.

All derivatives are defined as 'Held for trading'. Eureko can designate an investment as 'At fair value through profit or loss' whenever: This designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; financial assets, financial liabilities or both are managed as a group, and their performance is evaluated by management on a fair value basis in accordance with a documented risk management or investment strategy; or financial instruments contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is obvious with little or no analysis that separation is prohibited. Eureko does not invest in financial instruments principally for the purpose of selling or repurchasing them in the near term (i.e. for trading purposes).

Investments classified as 'Loans and receivables'

The classification 'Loans and receivables' is used for investments backing financial liabilities measured at amortised cost and for mortgages that are directly linked to insurance liabilities not measured at fair value or market based interest. These investments are stated at amortised cost, less any allowance for uncollectability. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

A new amortised cost schedule is determined which governs the future interest income recognised in the Income Statement. The interest income recognised on an impaired loan is disclosed separately. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the impairment loss is recognised in the Income Statement.

Derivatives

Eureko uses derivatives to manage its exposure to foreign exchange rates, interest rates, and commodity price risks arising from operating, investing and/or financing activities.

Derivatives embedded in other financial instruments are separated if they are not closely related to the host instrument. These derivatives are disclosed and measured separately.

A convertible bond is separated into a bond part, classified as 'Available for sale', and an equity conversion option, classified as a derivative. The bond part is measured according to the

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valuation of a similar bond with the same characteristics. The fair value of interest rate swaps is the estimated amount that would be received or paid to terminate the swap at reporting date, taking into account current interest rates and creditworthiness of the swap counter parties.

Depending on their value, derivatives are either presented as Investments (assets) or as Derivatives (liabilities).

For certain portfolios Eureko applies hedge accounting to mitigate the effects of changes of the carrying amount of investments due to changes in the spot rates of foreign currencies and interest rates. See also Hedge accounting (section H).

Venture capital investments

Venture capital investments which are part of an investment portfolio as administered by asset managers are classified in accordance with the framework as described above either 'At fair value through profit or loss' or 'Available for sale' depending on the measurement basis of the related insurance liabilities.

Venture capital investments which are made through the use of a Venture capital organisation, and which are not considered to be a subsidiary are classified as 'At fair value through profit or loss'.

Investment property

Investments in real estate are measured at fair value. The fair value is based on current prices in similar properties in the same location and condition or on commonly used valuation models and assumptions. All fair value changes are recognised in the Income Statement.

Rental income from Investment property is recognised as Investment income in the Income Statement.

Property that is being constructed or developed for future use as Investment property is classified as 'Property in development' and stated at cost until either its fair value can be reliably determined or construction or development is complete.

Investments backing linked liabilities

Investments backing linked liabilities are investments where the policyholder bears the investment risk or which are backing 'Investment contracts'. These investments comprise segregated investment contracts, deposits for group life contracts with full profit sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked. These investments are designated as 'At fair value through profit or loss' to reduce a measurement inconsistency which would arise because related liabilities are measured at fair value and both are managed as a group.

Accounting for securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the Consolidated Statement of Financial Position and are measured in accordance with the accounting policy for assets 'At fair value through profit or loss' or 'Available for sale' as appropriate.

Allocation of investment income to the non-technical account

All investment income and expenses are included in the technical account, of which part is allocated to non-technical account, based on the level of the related insurance liabilities and allocated capital.

Investments related to cash collateral received in securities lending

Investments related to cash collateral received in securities lending are directly related to invested collateral under securities lending programs. The investments are not at free disposal of Eureko. The investments can only be used to repay the collateral provided by the borrower regarding the securities lending transaction. The repayment obligation with respect to the collateral provided is included in the Consolidated Statement of Financial Position as Liabilities related to cash collateral received in securities lending. These investments are measured at fair value. Unrealised fair value changes are, net of taxes, transferred to separate components of Total equity, unless defaults in the investment funds occur which will be treated as an impairment loss.

Banking credit portfolio

The banking assets consist of loans and advances to customers and loans and advances to credit institutions. These assets

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are either measured at amortised cost and classified as 'Loans and receivables' or measured at fair value and classified as 'At fair value through profit or loss'. The classification 'At fair value through profit or loss' is used for assets of Eureko that are either designated at initial recognition to be measured at fair value, with changes in fair value transferred to the Income Statement, or as 'Held for trading'. Assets are designated as 'At fair value through profit or loss' whenever this designation eliminates, or significantly reduces, a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. Foreign currency results are recognised in the Income Statement. The amortised cost of the Banking credit portfolio is adjusted by an allowance account to reflect identified incurred losses within the portfolio and incurred but not yet reported losses within the portfolio. Eureko applies hedge accounting for some of its banking and treasury operations. See also Hedge accounting (section H).

Deferred acquisition costs

Acquisition costs are expenses of insurance companies, which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies (including investment contracts). They include commissions paid and expenses for processing of proposals.

Acquisition expenses that are directly or indirectly related to the selling of insurance contracts (or investment contracts), that are not measured at fair value, are deferred to the extent that they are deemed recoverable from future revenues. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and included in the liability adequacy test of insurance liabilities at the end of each reporting period. Eureko does not consider anticipated investment income in the determination of the recoverability.

Any unrecoverability as a result of loss recognition testing leads to a subsequent impairment loss. The impairment loss is included in the operating expenses.

Deferred acquisition costs are amortised over the lifetime of the insurance contracts.

Deferred acquisition costs related to Greenfield operations are not part of Deferred acquisition costs, but are included within Other intangible assets.

Amounts ceded to reinsurers

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Prepaid reinsurance premium represents the ceded portion of unearned premiums. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured risk. Eureko adjusts these amounts with the credit risk characteristics associated with the reinsurer. Accordingly, revenues and expenses related to reinsurance agreements are recognised consistently with the underlying risk of the business reinsured.

Receivables

Receivables are measured at nominal value of the receivables less any allowance for uncollectability.

Other assets

Equipment

Equipment is measured at cost (including borrowing costs incurred) less accumulated amortisation and impairment losses. If equipment comprises major components having a different useful life, they are accounted for as separate items.

Expenditure incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the equipment. All other expenditure is recognised in the Income Statement as an expense when incurred.

The amortisation method and useful life of equipment is reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the amortisation charge for the current and future periods.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life of items of equipment and major components that are accounted for separately. The estimated useful life is: equipment (three to six years), fixtures and fittings (five to ten years) and major components (three to five years).

Property for own use

Property for own use is measured at the revalued amount, which is its fair value (including borrowing costs) at the date of the revaluation less any (subsequent) accumulated amortisation and (subsequent) accumulated impairment losses. Changes in the carrying amount resulting from revaluations of the property are recorded in Total equity net of deferred taxes.

Property under construction is stated at cost until construction or development is complete, or its fair value can be reliably determined. Property under construction or in development for future use as investment property is reclassified to Investment property at date of completion.

Subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the item of property. All other expenditures are recognised in the Income Statement as an expense.

If an item of property comprises major components with a different useful life, they are accounted for as separate items.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful economic life of items of property and the major components separately accounted for. Land is not amortised. For each building the useful economic life is determined separately, with a maximum of 50 years. The amortisation method and useful economic life of items of property are reviewed periodically and altered if circumstances or expectations have changed significantly.

When an item of Property for own use is revalued, the depreciation charge is eliminated against the gross carrying amount of that item of Property for own use.

If the carrying amount is increased as a result of a revaluation, the increase will be credited to Total equity. However, the increase is recognised in the Income Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. If the carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Income Statement. However, the decrease shall be debited to Total equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Impairment of Property for own use is treated as a revaluation decrease; a reversal of impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and call deposits. For the purpose of the Consolidated Statement of Cash Flows, bank overdrafts that are repayable on demand and form an integral part of Eureko's cash management are included as a component of Cash and cash equivalents.

Total equity

Parent company (treasury) shares are accounted for by a reduction of Total equity at the moment of purchase by Eureko or its subsidiaries on the basis of purchase price paid at the time of acquisition. Any results upon the subsequent sale of such treasury shares are directly recognised within Total equity.
Any non-controlling interest related to subsidiaries of Eureko is presented as a separate component within Total equity and is equal to the non-controlling interest share in the subsidiary's equity.

Insurance liabilities

General measurement principles

Gross written premiums for Life insurance contracts are generally recognised as premium income when due. Premiums for Non-Life insurance contracts are generally recognised in proportion to the amount of insurance coverage provided.

A loading for expenses is included in premiums. When the premiums are actually received or become receivable, the loadings emerge and are included in Insurance liabilities and subsequently released in future periods to offset actual expenses, including operating expenses, non-deferrable acquisition costs and amortisation of the deferred acquisition costs.

When premiums are recognised, liabilities for future contract benefits are recorded, resulting in benefits and expenses being

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matched with the revenues and profits being recognised over the lifetime of the contracts. The assumptions used in the calculation of the provisions are conservative based on the prudency guidelines of the supervisory authorities and/or contractually agreed. Most of the variables used in the models for the insurance liabilities are based on objective externally published data or, when not available, sufficient internal data.

Where Eureko has a participation in underwriting pools, co-insurance or guarantee fund agreements, an amount equal to the proportionate share in these agreements is recognised under the respective liability. The information used is received from the administrators of these agreements.

Options, guarantees and other derivatives embedded in an insurance contract that do not bear any insurance risk, and that are not clearly and closely related to the host insurance contract, are separately recognised as a derivative. Options and guarantees that are closely related to the insurance contract are included in the measurement of Insurance liabilities.

Eureko tests the adequacy of the recognised insurance liabilities and related assets always at reporting date and more often if deemed necessary. The Liability Adequacy Test applies to value in force/value of business acquired, deferred acquisition costs and insurance liabilities. The test considers current estimates of all contractual cash flows of the insurance liabilities, including expected cost for claim handling and guarantees/embedded options. If the test shows that the insurance liabilities are inadequate, Eureko will recognise a loss by first reducing any recognised value in force/value of business acquired. Any remaining deficit is either compensated by reductions of deferred acquisition costs or by adding to the Provision for premium deficiency or unexpired risk.

Profit sharing and bonuses (Life and Non-Life)

A provision is made for any profit share that the policyholder or beneficiary is entitled to. Vested rights that have not yet been credited to policyholder accounts are reported separately as Provision for profit sharing and bonuses. Other vested rights are included in the provision for life policy liabilities. The calculation of the provision depends on the extent to which policyholders benefit from any surpluses earned on insurance policies.

The provision includes amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders.

The provision also includes amounts arising from the valuation of certain fixed-income investments of Eureko at market value and derivatives held to mitigate the interest rate risk inherent in the related insurance liabilities. Unrealised gains and losses in connection with the valuation of these investments are recognised in Total equity and subsequently transferred to the insurance liabilities to the extent that the policyholder will participate in such gains and losses on the basis of statutory or contractual regulations when they are realised.

Provision for unearned premiums (Health and Non-Life)

Premiums written attributable to income of future years, are accrued in unearned premiums. The provision for unearned premiums is determined in proportion to the duration of the contract.

Provision for premium deficiency (Health and Non-Life)

The provision for premium deficiency is calculated individually for each insurance portfolio on the basis of estimates of future claims, costs, premium earned and proportionate investment income. For insurance policies covering a risk which increases during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision.

Outstanding claims provision including Incurred but not reported claims (Health and Non-Life)

The outstanding claims provision relates to insurance claims that have not been settled at reporting date. These claims are determined either case by case or statistically. This provision includes also estimated amounts for incurred but not reported claims. In determining the provisions, reliable estimates of costs still to be incurred for claims handling are taken into account.

The outstanding claims provision is based on estimates of expected losses and unexpired risks for all lines of business. This takes into consideration management's judgement on the anticipated level of inflation, regulatory risks and trends in claims. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims

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experience, other known trends and developments, and local regulatory requirements. No deductions are made for salvage, subrogation and other expected recoveries from third parties. These are accounted for under non-insurance assets acquired by exercising rights to recoveries, as part of Other assets.

The outstanding claims provision is undiscounted except for disability insurance policies. For this type of insurance contract the provision reflects the present value of the expected claim payments, calculated on the basis of a fixed interest rate (3%). Waiting periods are taken into account when determining the provision. The average term has been estimated taking into account the probability of rehabilitation.

For some risk exposures no adequate statistical data are available, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Provisions have been made for such claims, following an analysis of the portfolio in which such risks occur.

Provision for life policy liabilities

Insurance liabilities for traditional life insurance contracts are established by the net-level premium method, and based on the actuarial and economic assumptions used in pricing the contracts. The assumptions on which the calculations are based vary, particularly with regard to mortality, morbidity and interest rates. These assumptions are initially based on best estimates of future experience at policy inception date, in some cases taking into account a margin for the risk of adverse deviation. The assumptions used are regularly reviewed, compared to actual experience and, if necessary, depending on the type of products, updated. The Provision for unearned premiums, Provision for premium deficiency and unexpired risks and Provision for outstanding claims are included to the extent that these relate to the life insurance business.

Mortality and morbidity rate assumptions are based on the current tables used in the industry, which are adjusted to reflect Eureko's own experience and to allow for the trend in the mortality risk over the coming years. Persistency assumptions are based on historical experience.

Based on the matching characteristics between (financial) assets and the life policy liabilities and the specific nature of the portfolios, profit sharing features and embedded options, different accounting principles are used to measure the life policy liabilities.

– Insurance liabilities measured at fair value. All assumptions used are based on actual assumptions and current market interest rates. Fair value changes are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.
– Insurance liabilities of which the cash flows are discounted using market based interest rates. The related financial investments are classified as 'At fair value through profit or loss'. All fair value changes are transferred to the Income Statement.
– Insurance liabilities of which the cash flows are based on locked assumptions are discounted at fixed discount rates (3% or 4% depending on their starting date). The fair value changes of related interest sensitive financial instruments, classified as 'Available for sale', are transferred through Total equity to Profit sharing and bonuses. The value of Profit sharing and bonuses may not be negative.
– Insurance liabilities of which the cash flows are directly influenced by profit sharing features are adjusted through the application of EU-IFRS shadow accounting. Unrealised fair value changes of investments (classified as 'Available for sale') backing these insurance liabilities are transferred to Total equity. The related change in the value of the insurance liabilities is also transferred to Total equity.

Deferred interest surplus rebates

The deferred interest surplus rebates in the Dutch life insurance industry are netted with the Provision for life policy liabilities of which the cash flows are based on locked assumptions and which are discounted at a fixed discount rate. These rebates are granted in any year on regular or single premiums for pension and life insurance, which are based on the expectation that actual investment yields will exceed the discount rate applied in the pricing of the policies. The rebates are amortised over a ten year period on the basis of annually rising amounts, which is consistent with the manner in which the interest surplus is realised.

Insurance liabilities for policyholders

The insurance liabilities for annual life funds and insurance products where the policyholder bears the investment risk, are accounted for at the value of the associated investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The insurance liabilities for segregated investment contracts are generally calculated on the same basis as the provision for life policy liabilities.

Investment contracts

Investment contracts are contracts with insignificant insurance risk. These contracts are measured at fair value with changes through the Income Statement.

The fair value is the higher of the fair value of linked investments (if applicable), the surrender value (adjusted for surrender penalties) or the discounted maturity value (using risk free interest rates). This fair value is adjusted for directly related transaction costs, which are amortised over the life of the contracts.

Some specific investment contracts are measured at amortised cost, based primarily on local circumstances.

Liabilities related to cash collateral received in securities lending

As there is an obligation to repay the cash received by the lending agent, Eureko recognises the cash collateral received from the borrowers as a financial liability.
These liabilities are measured at amortised cost. As no premiums or discounts are received on the collateral, the amortised cost equals the nominal value.

Employee benefits

Contributions payable to a defined contribution pension plan are recognised as an expense in the Income Statement when incurred.

The net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan using the projected unit credit method. In accordance with this method, the future benefits that employees have earned in return for their service in the current period and prior periods is estimated. The rates used for salary developments, interest discount factors, and other pension adjustments reflect the specific country conditions. The liability is then discounted to determine the present value, and the fair value of any qualifying plan assets is deducted.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement.

The actuarial gains and losses related to the differences between the actuarial and financial assumptions used in the calculations and the actual amounts obtained, are recognised following the 10%-corridor method.
Eureko's net obligation in respect of other long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current period and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

The present value of defined benefit assets at the reporting date is recognised to the amount of the economic benefit that will be available to Eureko in the form of refund from the plan of reduction in future contributions.

Other provisions

Other provisions are recognised when a legal or constructive obligation, which can be reliably estimated, exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the provision is to be used over a period longer than a year, cash flows are discounted.

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced prior to reporting date to the parties concerned. Costs relating to the ongoing activities of Eureko are not provided for.

The employees of Eureko are provided with an equity participation plan. This plan is classified as a cash-settled share-based payment. The liability is measured at an estimation of the fair value.

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Banking customer accounts and Loans and borrowings

Deposits and other funds entrusted are recognised under Banking customer accounts. These liabilities are measured at amortised cost.
Loans and borrowings include all loans from external parties to Eureko, financial lease liabilities and financial reinsurance liabilities. These are measured at amortised cost.
Fair value hedge accounting is applied to some loans when this is in accordance with the financial risk management policy. See also Hedge accounting (section H).
Some financial liabilities are measured at fair value when these liabilities are recognised due to the termination of insurance contracts and the future sale of related financial assets.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in equity, in which case it is recognised in Total equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to current tax in respect of previous years.

Deferred tax assets and liabilities are recognised for the estimated future tax effect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

F STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows has been set up according to the indirect method, with a breakdown into cash flows from operating, investing and financing activities, and cash flows related to cash collateral in securities lending.

G KEY ACCOUNTING ESTIMATES

For the measurement of certain items of the Statement of Financial Position, Eureko uses assumptions and estimates concerning future results or other developments, including the likelihood, timing or amounts of future transactions or events. There can be no assurance that the actual results will not differ materially from those estimates. The accounting policies that are most critical to Eureko's business operations and to the understanding of its results, and which involve complex or subjective decisions or assessments, are presented below.

Impairment testing of intangible assets

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters. EU-IFRS requires management to undertake an annual test for impairment of assets with an indefinite life (including goodwill) and, for assets with a finite life, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is subjective in nature and significant judgement is involved in projecting the cash flows related to the intangible assets.

Assumptions regarding goodwill impairment testing are further disclosed in Note 6 Intangible assets.

Fair value of financial assets determined using valuation techniques

In the absence of an (active) market, the fair value of non-quoted investments in financial assets is estimated by using present value or other valuation techniques. For example, the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of non-quoted fixed-interest debt instruments is estimated by discounting expected future cash flows, using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics. Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding the pricing factors. The use of different valuation techniques and assumptions could have an effect on fair value.

When discounting cash flows Eureko uses the risk free interest rate as a benchmark curve, adding the relevant credit risk spread. The benchmark curve used is the zero curve as derived from the risk free swap curve, supplied by external independent pricing providers. For accounting purposes Eureko uses the 'mid swap' of the last working day of each reporting date. Eureko uses similar curves for non-euro subsidiaries.

Impairment of financial assets

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if impairment exists. These risks and uncertainties include the risk that Eureko's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated.

A fixed-income investment is impaired if there is objective evidence that an event has occurred, after the initial recognition of the asset, that has a negative impact on the estimated future cash flows. A specific fixed-income investment is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled.

Objective evidence of impairment of an investment in an equity instrument classified as 'Available for sale' includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Equity securities held in an unrealised loss position that are below cost for over 12 months, or significantly below cost (20%) at reporting date, are impaired. When determining the impairment, the quantitative factors are also used to determine if an impairment is required before these thresholds are met.

In the banking credit portfolio, future cash flows are evaluated for impairments for a portfolio of financial assets, on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Recognition of deferred tax assets

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry-forwards of unused tax losses, carry-forwards of unused tax credits and income subject to the participation exemption when, in the judgment of management, it is likely that Eureko will receive the tax benefits. Since there is no absolute assurance that these assets will ultimately be realised, management reviews Eureko's deferred tax positions periodically to determine if it is likely that the assets will be realised. Furthermore, management considers tax-planning strategies it can utilise to increase the likelihood that the tax assets will be realised.

Other receivables - Health segment

From 1 January 2005, settlement of medical care costs between health insurers and Dutch hospitals is based on 'Diagnose Behandel Combinaties' (Diagnosis treatment combinations, DBCs) that cover the whole duration of a medical treatment. As a medical treatment on average takes a half year and claims are only settled at the end of the treatment period, Eureko is obliged by law to provide Dutch hospitals with upfront funding. This upfront funding is included in Other receivables.

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The private health insurance system in force in the Netherlands consists of two parts: basic health and supplementary health insurance. Coverage within basic health insurance is influenced by political processes. The basic health system (inherently) comprises of uncertainties due to the calculation methods applied. A system of risk mitigating features is in force to reduce the uncertainties raised by the system. For more details regarding the uncertainties and the risk mitigating factors in health insurance, reference is made to Risk management (Note 57).

As part of the Dutch Health care system, an equalisation fund is established to neutralise insurance risk for the branche (macro neutrality). This fund is managed by the College voor Zorgverzekeringen (CVZ) and is funded by the government. In respect of Eureko's health insurance portfolio it is expected that Eureko will receive contributions from this equalisation fund. Estimates are made for 2007, 2008 and 2009 as only 2006 has been (provisionally) settled.

Some hospitals have been over-financed since the introduction of the DBCs, meaning that hospitals received more income from the health insurers in comparison to what they are entitled to, based on actual DBCs. As hospitals need to reimburs this over-financing, hospital invoices are adjusted for these amounts. The over- or underfinancing position will be settled after the settlement has been determined by the Dutch Healthcare Authority/Nederlandse Zorgautoriteit (NZa). Presently, NZa is in the process of calculating the total impact as well as the appropriate allocation of amounts to health insurers. Preliminary settlements have been received from NZa for 2006 and 2007. For 2008 and 2009 the adjustments to the hospital invoices are based on estimates. Estimates are made for the nature of DBCs (fixed tariff versus variable tariff). Furthermore the macro-neutrality and the final settlement as determined by the CVZ are taken into account.

Insurance liabilities including deferred acquisition costs (DAC) and value of business acquired (VOBA)

The valuation of insurance liabilities, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as changes in laws; social, economic and demographic trends; inflation; investment returns; policyholder behaviour; and other factors, and, in the Life and part of the Non-Life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these items that could have a material impact on financial results include interest rates, mortality, morbidity, property and casualty claims, foreign currency exchange rates and assumptions used in the liability adequacy test.

The data used to calibrate the system is based on historical information gathered from public health care, private health care and estimates. This may result in a flawed distribution of the equalisation fund among health insurers, for the years until 2008. From 2009 onwards the system is calibrated on information from the basic health insurance.
The insurance liabilities Health are short-term in nature. An adequacy test has been performed as per reporting date. When appropriate, Eureko has made additional provisions.

In addition, the adequacy of the provision for Life policies, net of DAC and VOBA, is evaluated regularly. The assumptions used are based on a combination of experience within Eureko and market benchmarks such as those supplied by the statistics department of the Dutch Association of Insurers and the Dutch Society of Actuaries (for example mortality tables) and similar bodies throughout Europe. If possible, Eureko uses market observable variables and models/techniques which are commonly used in the sector. The use of different assumptions in this evaluation could lead to a different outcome.

Insurance liabilities also include the impact of minimum guarantees, which are included in certain insurance products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions about these factors could have an effect on insurance provisions and underwriting expense.

Valuation of defined benefit plans

The liability recognised in the Statement of Financial Position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at reporting date, less the fair value of the plan assets, together with adjustments for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unrecognised actuarial gains and losses, and unrecognised past service costs. The determination of the defined benefit plan liability is based on actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, health care costs trend rates, consumer price index, and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets, and are updated annually. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have an impact on the valuation of defined benefit plans and the level of pension expenses recognised in the future may be affected.

Recognition of other provisions

Other provisions are established for contingent liabilities when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. Management exercises judgment in evaluating the probability that a liability will be incurred. The estimate of the amount of a liability requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

Recognition of contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

H HEDGE ACCOUNTING

Eureko may apply fair value hedge accounting for its banking and treasury operations and certain investment portfolios. For this fair value hedge accounting, Eureko recognises a fair value adjustment to reflect the changes in fair value of the hedged items attributable to the hedged risk. These changes are recognised in the Income Statement. Eureko assesses the effectiveness of the hedge relationship at each reporting date. Eureko discontinues the hedge relationship when the effectiveness is not between the 80% and 125% range or when the hedge is terminated or revoked. After discontinuance of the hedge relationship, Eureko starts amortising the related fair value adjustment over the remaining duration of the hedged item.

When Eureko may apply cash flow hedge accounting or accounts for hedging a net investment in a foreign operation, the fair value changes of the hedging instruments (derivatives) are recognised (effective part of the hedge relationship) in Total equity into a separate component. Only the fair value changes related to the unused part of the hedging instrument and ineffective part of the hedge relationship are recognised in the Income Statement. Amounts accumulated in Total equity are recycled to the Income Statement in the periods in which the hedged item affects Net profit.

I FAIR VALUE

The following summarises the major methods (and assumptions used) in estimating the fair values of financial instruments reflected in the Eureko Consolidated Financial Statements.

The fair value measurement of investments follows a fair value hierarchy. Valuation is related to the existence of an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Fair value is defined in terms of a price agreed by a willing buyer and a willing seller in an arm's-length transaction.

The fair value for fixed-income investments is calculated based on quoted market prices or if not available, a discounted cash flow model is used, based on an appropriate current yield curve.

The estimated fair value for venture capital investments is based on the models as advised by the European Venture Capital Association. Venture capital investments are transferred to Investments or Investments in associated companies and participating interests at the moment when they are listed on an accepted stock exchange. If the valuation techniques are

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inappropriate, Eureko uses a discounted cash flow model based on a current yield curve appropriate for the credit risk and other risk characteristics of the investment.

The Banking credit portfolio is net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The fair value of floating rate inter-bank placements and overnight deposits is their nominal amount. The estimated fair value of fixed-interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

The fair value of investment contracts is the higher of the fair value of the financial assets linked to the investment contract, the surrender value (adjusted for any surrender penalties) and the discounted maturity value (against a risk-free interest rate). The fair value for non-linked investment contracts is the higher of the discounted maturity value using a risk-free interest rate or the surrender value (adjusted for surrender penalties).

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed-interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The valuation principles applied reflect the way management reports internally, and are subject to a governance and controls structure over the valuation process within Eureko (e.g. application and verification of fair value measurement by internal or external experts, calibration and back testing of valuation models, analysis of valuation movements).

The fair value of Investment property is based on appraisals by independent surveyors. Their appraisals are based upon agreed procedures within their industry. Techniques used are discounted cash flow techniques with adjustments based on comparable investment properties.

Foreign currencies

The principal euro exchange rates are summarised in the following table:

		Closing rates		Average rates	
		2009	2008	2009	2008
Australian dollar	AUD	1.6025	2.0250	1.7732	1.7395
Canadian dollar	CAD	1.5150	1.7080	1.5854	1.5577
Danish kronar	DKK	7.4410	7.4500	7.4461	7.4560
Japanese yen	JPY	133.0000	126.4000	130.4200	152.2631
Polish zloty	PLN	4.1040	4.1700	4.3432	3.5093
Pound sterling	GBP	0.8875	0.9542	0.8909	0.7952
Russian rouble	RUB	43.6478	41.2830	44.1294	38.6345
Swedish kronar	SEK	10.2500	10.9100	10.6190	9.6045
Swiss franc	CHF	1.4835	1.4880	1.5096	1.5867
Turkish lira	TRY	2.1550	2.1470	2.1625	1.9041
US dollar	USD	1.4400	1.4000	1.3948	1.4698

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1 EXCEPTIONAL EVENTS

During 2009, Eureko faced some exceptional events that have had a major impact on Eureko's financial position and the 2009 Financial Statements. Below, these events are described, and an analysis is given on how these events are incorporated in the 2009 Financial Statements.

PZU settlement

On 2 October 2009 the State Treasury of the Republic of Poland and Eureko B.V. concluded an agreement (the PZU settlement), whose subject is to establish the rules for amicably ending the arbitration dispute between the Republic of Poland and Eureko B.V., Eureko's gradual divestment from its participation in PZU S.A. and Eureko receiving payments for waiving certain earlier granted rights. The agreement contains provisions amongst others leading to the following:

– discontinuing the arbitration proceeding conducted before the Arbitration Tribunal;
– having Eureko B.V. waive all other claims raised in the past with respect to the State Treasury of the Republic of Poland or PZU S.A. and their representatives;
– having Eureko B.V. waive certain corporate governance rights in which it is vested in PZU S.A., entailing in particular the appointment of the number of PZU S.A. Supervisory Board and Management Board members;
– having Eureko B.V. contribute a 10% stake in PZU S.A. and having the State Treasury of the Republic of Poland contribute a 4.9% stake in PZU S.A. to a special-purpose vehicle organised under Polish law in the form of a joint-stock company whose sole purpose is to conduct a public offering of these shares;
– having Eureko B.V. and the State Treasury of the Republic of Poland undertake mutual obligations to conduct a public offering to sell shares in PZU S.A. in which, in addition to the shares held by the special-purpose vehicle, at least a 5% stake in PZU S.A. held by Eureko B.V. will also be offered to the public;
– having PZU S.A. disburse an amount of PLN 12.75 billion as an interim dividend by the end of November 2009;
– having the State Treasury of the Republic of Poland establish in favour of Eureko B.V. a usufruct right on 24,034,345 shares in PZU S.A., without transferring, however, any voting rights or other corporate governance rights to Eureko B.V. for a finite period up to 31 January 2010.

Furthermore, The State Treasury of the Republic of Poland has given the right to Eureko B.V. to receive PLN 1.224 billion as a fixed amount from the sale of 4.9% by the special-purpose vehicle in the Initial Public Offering (IPO). Adjusted for the time value of money this amount is recognised as a receivable and included in Other income in the Income Statement.

Recognition and measurement of Eureko's stake in PZU S.A.

Eureko did not change the recognition and measurement principles of its 33% stake in PZU S.A. As Eureko retains all risks and rewards on the PZU shares transferred to the special-purpose vehicle, the transfer does not qualify for derecognition.

From the moment that the public offering of PZU S.A.'s shares is highly probable, Eureko will classify its stake (including the stake currently held by the special-purpose vehicle) offered to the public as 'Held for sale'.

Eureko's share in the PLN 12.75 billion interim dividend, that was received on 26 November 2009, is treated as a deduction on the book value of Eureko's stake in PZU S.A.
Eureko's share in PZU S.A.'s 2009 result is included in the Income Statement as Income from associated companies and participating interests.

Eureko has entered into a total return swap on 3,575,488 PZU S.A. shares. The total return swap is measured 'At fair value through profit or loss' and the value as at 31 December 2009 is €-19 million.

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INCOME AND EXPENSES RELATED TO PZU SETTLEMENT

(€ MILLION)

Other income	**1,145**
Income from usufruct right PZU S.A. shares	862
Fixed amount on the 4.9% stake	283
Realised and unrealised gains and losses	**107**
Direct return on a total return swap on PZU S.A. shares	115
Fair value change on a total return swap on PZU S.A. shares	-12
Fair value changes on foreign exchange contracts	4
Operating expenses	**-14**
Staff and other expenses related to PZU settlement	-14
Impact on Profit before tax	**1,238**
Impact on Income tax expenses	174
Impact on Net profit	**1,064**

Income and expenses related to the PZU settlement

The table provides an overview of income and expenses related to the PZU settlement with the State Treasury of Poland and the way these are incorporated in the Income Statement.
Impact on income tax expenses is calculated taking into account the Dutch corporation tax rate and if applicable the participation exemption.

Disputes related to the privatisation of PZU

On 2 December 2009, the International Court of Arbitration received documents that facilitated instigation of a procedure for effective completion of the arbitration proceedings. At that date, Eureko also requested that the institutions that were carrying out proceedings related to the long-lasting dispute end the proceedings. The institutions include the Polish Financial Supervision Authority, the Supreme Administrative Court, competent Regional Courts and the European Commission, which investigated the case ex officio. On 4 December 2009, the Chairman of the International Court of Arbitration ended the dispute instituted by Eureko against the Republic of Poland regarding the PZU privatisation agreement, as the terms and conditions specified in the Settlement Agreement had been met. Along with the steps taken to end the arbitration dispute, the Republic of Poland, as well as Eureko, took steps to end all other disputes related to the privatisation of PZU.

Merger pension funds

The pension schemes of the majority of Eureko's Dutch employees were executed by two pension funds: Stichting Pensioenfonds Achmea Personeel (SPAP) and Stichting Pensioenfonds Interpolis (SPI). Both funds merged on 1 July 2009 into Stichting Pensioenfonds Achmea (SPA).

Pension fund SPAP had reinsured its pension liabilities with Achmea Pensioen & Levensverzekeringen N.V. (AP&L) a Dutch life insurance company and a subsidiary of Eureko. Premiums paid by pension fund SPAP to AP&L were included in Eureko's Income Statement as Gross written premiums. Pension Fund SPI on the other hand had not reinsured its pension liabilities. Plan assets of both funds were included in Eureko's Employee benefits calculations under IAS19.

The merged pension fund SPA entered into a new reinsurance agreement, guarantee contract, with AP&L combined with a segregated investment contract. The risks (i.e. investment risk, mortality risk) are born by pension fund SPA. The reinsured liabilities of pension fund SPA amount to €2 billion by the end of 2009.

The new situation impacts the accounting of Investments, Insurance liabilities and Gross written premiums in Eureko's Consolidated Financial Statements. Employee benefits and Pension expenses included in Operating expenses are not materially impacted by the merger of the pension funds.

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Investments

Before the merger the investment risks of pension fund SPAP were born by AP&L and consequently the related investments were recognised as Investments in Eureko's Statement of Financial Position. As the merged pension fund SPA bears the investment risks itself a reclassification of €1.1 billion from Investments to Investments backing linked liabilities has been accounted for. Furthermore, the Investments backing linked liabilities increased by approximately €1.0 billion as a consequence of the inclusion of the Investments of the former pension fund SPI in the segregated investment contract.

Insurance liabilities

Within insurance liabilities a reclassification of €1.2 billion from Insurance liabilities to Insurance liabilities for policyholders has been processed related to the liabilities of the former pension fund SPAP. The inclusion of the pension fund SPI have the Insurance liabilities for policyholders increased by €1.0 billion.

Gross written premiums

Gross written premiums (single premiums) in the Life segment are positively impacted by €1.1 billion due the inclusion of pension fund SPI.

Unit-linked policies

With respect to Dutch individual unit-linked life insurances, Eureko established a financial compensation arrangement that was approved by the Financial Services Ombudsman in May 2009. Eureko has proposed to compensate policyholders in the Netherlands for costs in excess of the cost level stated by the Ombudsman. The maturity value of the total estimated amount of compensation, €315 million was partly accounted for as an insurance liability at the end of 2009 for an amount of €80 million (2008: €70 million), and partly seen as a charge against future profits.

Eureko also reviewed other products in the Life business, especially industry and sector pension plans, aimed to detect issues regarding the level of charged costs and information provided at the sale. Eureko intends to compensate policyholders in line with the compensation provided to the individual unit-linked policyholders. The maturity value of the estimated amount of compensation is accounted for as an Insurance liability, and partly as a charge against future profits.

The current and future financial consequences of both the individual life policies and the industry and sector pension plan products are fully included in Eureko's liability adequacy test on the insurance liabilities at 31 December 2009.

Guaranteed debt investments

On 27 October 2009 Achmea Hypotheek N.V., a subsidiary of Eureko, successfully issued $3.25 billion in medium term notes. As capital markets in 2009 were still weak this issue was placed under the Credit Guarantee Scheme of the Dutch Government. The notes are rated by Standard & Poors (AAA), Moodys (Aaa) and Fitch (AAA) and are placed among a variety of financial institutions in Europe, the United States of America, the Middle East and Asia. The proceeds received by Achmea Hypotheekbank N.V. were used to refinance its funding for residential mortgage portfolio.
The medium term notes can be split into two tranches:
- A fixed rate tranche of $2.75 billion with a fixed coupon of 3.2%, being 35 basis points over mid-swap;
- A floating rate tranche of $0.5 billion with a variable coupon at 3-month USD LIBOR plus 35 basis points.

The foreign exchange rate risk has been fully hedged and furthermore both tranches have been swapped to six-month EURIBOR plus 11 basis point to limit interest rate risk.

The medium term notes will mature in October 2014.

Eureko B.V. has provided the Dutch government with indemnity for amounts, due to the above mentioned participation of Achmea Hypotheekbank N.V. in the Credit Guarantee Scheme of the Dutch Government.

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2 SEGMENT REPORTING

Eureko has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of Eureko that are regularly reviewed by the Executive Board in order to allocate resources to the segment and to assess its performance.

Eureko Group's operating segments relate to the internal segmentation by business lines. Eureko recognises the business lines Health, Life, Non-Life, Banking and Other. Due to the specific characteristics of the segments identified, no aggregation of segments has been applied.

The activities of each operating segment are described below:

1. Eureko's Life business operates in the Netherlands, Ireland, Greece, France, Slovakia, Romania and Cyprus. The principal activities are life insurance, unit-linked insurance, pensions and pension services, asset management and annuity business. Business outside the Netherlands also includes investment contracts containing no or minimal insurance risk.

2. Eureko's Non-life business operates in the Netherlands, Turkey, Greece, Belgium, Slovakia, Romania, Bulgaria, Russia and Cyprus. The Non-Life segment provides private and corporate customers insurance for risks associated mainly with motor vehicles, property, general liability, occupational health and accident. Eureko also has reinsurance operations in Ireland and Luxembourg.

3. Eureko's Health business covers private health insurance and health services in the Netherlands, Greece, Romania, Turkey, Russia and Slovakia. Health service activities in the Netherlands include disability prevention, healthcare and absenteeism prevention.

4. Eureko is active in banking in the Netherlands through Achmea Bank (Achmea Hypotheekbank and Achmea Retail bank) and Staalbankiers and in Ireland with consumer finance operations through Friends First Finance. The principal activities of this segment are providing private mortgage loans and life cycle products and private and retail banking.

5. 'Other' mainly consists of the Holding entities of Achmea Holding N.V. and Eureko B.V. and the investments in associated companies and participating interests of Eureko. Shared service centres like Group Treasury, Group HR, Group Facility Services and staff departments are also included, net of their recharges to the business lines.

During the second half of 2009, a decision was made to manage Eureko's Occupational Health business as part of the Non-Life segment (2008: Health segment) and to manage Eureko's Pension Services and Asset management business as part of the Life segment (2008: Other segment), due to the nature of these businesses. The 2008 comparative figures have been adjusted accordingly.

At the beginning of the year 2010 Eureko decided to sell its subsidiaries Interlife Cyprus Company Ltd and Interamerican Assistance Ltd in Cyprus, which is included both in the Life and Non-Life segment. Both companies combined reported for 2009 Gross written premiums of €34 million, Net result of €-4 million and Total assets of €82 million.

Eureko's Executive Board sets goals and targets for the business activities throughout the company. The business lines formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board.

The accounting policies of the business segments are the same as those described under Accounting policies for the Consolidated Statement of Financial Position and Statement of Comprehensive Income. All the segment revenues reported relate to external customers. Segmental revenues are allocated to individual countries based on the country where the revenue originates. No customer has an impact of greater than 10% of Eureko's revenues and as such is not identified separately. The majority of revenues is derived from the Dutch market.

Transfer prices for intersegment transactions (if any) are set at arm's-length. Segment's result represents the profit earned by each segment minus operational and other costs allocated to the segment. Expenses for shared service centres are allocated to business lines based on fixed amounts. These expenses are determined at arm's-length and represent; i.e., expected time spent by personnel, expected activities performed and expected transactions processed.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2009

(€ MILLION)

2009	HEALTH	LIFE	NON-LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL 2009
Assets							
Intangible assets	100	422	182		1,380		2,084
Investments in associated companies and participating interests	2	48	6		1,486		1,542
Investment property		1,367	4	9	60		1,440
Investments	4,025	26,367	6,689	629	2,037	-2,072	37,675
Investments backing linked liabilities		21,261	21				21,282
Investments related to cash collateral received in securities lending	220	879	453				1,552
Banking credit portfolio				19,302			19,302
Deferred tax assets	7	14	-11	15	774		799
Deferred acquisition costs	16	280	141				437
Income tax receivable	1	3	2	6	-12		
Amounts ceded to reinsurers	60	591	360				1,011
Receivables	1,717	572	1,085	6	773	-388	3,765
Other assets	69	216	90	87	464	-11	915
Cash and cash equivalents	630	1,090	489	183	120	-1,127	1,385
	6,847	**53,110**	**9,511**	**20,237**	**7,082**	**-3,598**	**93,189**
Assets classified as 'held for sale'							
Total assets	**6,847**	**53,110**	**9,511**	**20,237**	**7,082**	**-3,598**	**93,189**
Equity							
Equity attributable to holders of equity instruments of the Company	1,760	3,900	1,068	614	2,779		10,121
Non-controlling interest		1	5				6
Total equity	**1,760**	**3,901**	**1,073**	**614**	**2,779**		**10,127**
Liabilities							
Insurance liabilities	4,023	25,090	6,611			-612	35,112
Insurance liabilities for policyholders		19,330	11				19,341
Investment contracts		2,315					2,315
Liabilities related to cash collateral received in securities lending	224	898	462				1,584
Employee benefits	5	9	3		513	612	1,142
Other provisions	67	42	16	24	138		287
Banking customer accounts				5,846		-796	5,050
Loans and borrowings	15	14	17	12,660	2,292	-1,650	13,348
Derivatives		244	42	720	118		1,124
Deferred tax liabilities		47	51		354		452
Income tax payable	3	6	9	20	160		198
Other liabilities	750	1,214	1,216	353	728	-1,152	3,109
	5,087	**49,209**	**8,438**	**19,623**	**4,303**	**-3,598**	**83,062**
Liabilities classified as 'held for sale'							
Total liabilities and Total equity	**6,847**	**53,110**	**9,511**	**20,237**	**7,082**	**-3,598**	**93,189**

The intersegment adjustments consist primarily of the elimination of intersegment finance activities.
The following capital expenditures are included in segments: Health €31 million (2008: €6 million), Life €119 million (2008: €43 million), Non-Life €9 million (2008: €9 million), Banking €0 million (2008: €18 million) and Other activities including intersegment adjustments €43 million (2008: €78 million).
The presentation of deferred and current tax positions across segments has changed in line with the centralisation of the tax accounting of the Dutch fiscal unity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2008

(€ MILLION)

2008	HEALTH	LIFE	NON-LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL 2008
Assets							
Intangible assets	118	385	205		1,558		2,266
Investments in associated companies and participating interests	2	22	4		2,489		2,517
Investment property	4	1,440	13	17	55		1,529
Investments	3,511	26,219	6,652	723	473	-2,856	34,722
Investments backing linked liabilities		17,392	24				17,416
Investments related to cash collateral received in securities lending	173	3,992	892				5,057
Banking credit portfolio				18,921			18,921
Deferred tax assets	33	517	48	47	38	585	1,268
Deferred acquisition costs	23	327	136				486
Income tax receivable	28	330	32	5	49	-432	12
Amounts ceded to reinsurers	15	690	476				1,181
Receivables	2,835	817	777	76	541	-977	4,069
Other assets	206	21	366	187	495	-19	1,256
Cash and cash equivalents	409	1,472	312	179	311	-1,503	1,180
	7,357	**53,624**	**9,937**	**20,155**	**6,009**	**-5,202**	**91,880**
Assets classified as 'held for sale'		573					573
Total assets	**7,357**	**54,197**	**9,937**	**20,155**	**6,009**	**-5,202**	**92,453**
Equity							
Equity attributable to holders of equity instruments of the Company	1,776	3,206	1,153	644	666		7,445
Non-controlling interest		6					6
Total equity	**1,776**	**3,212**	**1,153**	**644**	**666**		**7,451**
Liabilities							
Insurance liabilities	4,218	26,292	6,552			-591	36,471
Insurance liabilities for policyholders		15,442	10				15,452
Investment contracts		2,207					2,207
Liabilities related to cash collateral received in securities lending	184	4,165	938				5,287
Employee benefits	37	6	2	1	557	591	1,194
Other provisions	52	66	12	11	181		322
Banking customer accounts				6,436		-1,348	5,088
Loans and borrowings	46	14	92	11,938	2,304	-981	13,413
Derivatives				782	77		859
Deferred tax liabilities	11	430	93	2		-10	526
Income tax payable	52	7	3	53		155	270
Other liabilities	981	1,809	1,082	288	2,224	-3,018	3,366
	5,581	**50,438**	**8,784**	**19,511**	**5,343**	**-5,202**	**84,455**
Liabilities classified as 'held for sale'		547					547
Total liabilities and Total equity	**7,357**	**54,197**	**9,937**	**20,155**	**6,009**	**-5,202**	**92,453**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2009

(€ MILLION)

	HEALTH	LIFE	NON-LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL 2009
Income							
Gross written premiums	10,617	4,998	4,030				19,645
Reinsurance premiums	-191	-156	-291				-638
Change in provision for unearned premiums (net)	18		-3				15
Net earned premiums	**10,444**	**4,842**	**3,736**				**19,022**
Contributions received for health pooling	58						58
Income from associated companies and participating interests					241		241
Investment income	177	1,171	223		41	-118	1,494
Realised and unrealised gains and losses	-22	-704	-42	4	77		-687
Income from investments backing linked liabilities		1,778	3				1,781
Income from investments related to cash collateral received in securities lending	5	57	17				79
Banking income				905			905
Fee and commission income, and income from service contracts	199	385	5		13	-8	594
Other income	80	30	31	2	1,200	-29	1,314
Total income	**10,941**	**7,559**	**3,973**	**911**	**1,572**	**-155**	**24,801**
Expenses							
Net claims and movements in insurance liabilities	9,746	2,432	2,533			-2	14,709
Profit sharing and bonuses		-212	40				-172
Movements in insurance liabilities for policyholders		4,224					4,224
Benefits on investment contracts		98					98
Operating expenses	764	997	1,088	134	256	45	3,284
Interest expenses from liabilities related to cash collateral received in securities lending	4	38	11				53
Banking expenses				801		-78	723
Interest and similar expenses	15	10	1		121	-41	106
Other expenses	93	80	18	23	134	-79	269
Total expenses	**10,622**	**7,667**	**3,691**	**958**	**511**	**-155**	**23,294**
Profit before tax	**319**	**-108**	**282**	**-47**	**1,061**		**1,507**
Income tax expenses							126
Net profit							**1,381**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2008

(€ MILLION)

	HEALTH	LIFE	NON-LIFE	BANKING	OTHER ACTIVITIES	INTERSEGMENT ADJUSTMENTS	TOTAL 2008
Income							
Gross written premiums	11,259	4,231	3,816				19,306
Reinsurance premiums	-462	-187	-273				-922
Change in provision for unearned premiums (net)	-3		-53				-56
Net earned premiums	**10,794**	**4,044**	**3,490**				**18,328**
Contributions received for health pooling	51						51
Income from associated companies and participating interests					-553		-553
Investment income	59	1,207	345		44	-125	1,530
Realised and unrealised gains and losses	-2	-662	-437		-61	13	-1,149
Income from investments backing linked liabilities	-5	-3,319					-3,324
Income from investments related to cash collateral received in securities lending	19	187	54				260
Banking income				988		-2	986
Fee and commission income, and income from service contracts	265	350	-2		28	-9	632
Other income	60	36	56		85	-72	165
Total income	**11,241**	**1,843**	**3,506**	**988**	**-457**	**-195**	**16,926**
Expenses							
Net claims and movements in insurance liabilities	10,322	4,548	2,278			-6	17,142
Profit sharing and bonuses		191	8				199
Movements in insurance liabilities for policyholders	-1	-1,885	1				-1,885
Benefits on investment contracts		-996					-996
Operating expenses	858	1,077	1,144	130	399	56	3,664
Interest expenses from liabilities related to cash collateral received in securities lending	18	211	69				298
Banking expenses				770		-27	743
Interest and similar expenses	11	11	4		190	-84	132
Other expenses	61	67	97	52	106	-134	249
Total expenses	**11,269**	**3,224**	**3,601**	**952**	**695**	**-195**	**19,546**
Profit before tax	**-28**	**-1,381**	**-95**	**36**	**-1,152**		**-2,620**
Income tax expenses							-502
Net profit							**-2,118**

The following amortisation charges are included in the segments: Health €5 million (2008: €33 million), Life €48 million (2008: €50 million), Non-Life €15 million (2008: €66 million), Banking €4 million (2008: €1 million) and Other activities €9 million (2008: €83 million).

The following sum of all impairments were recognised in the segments: Health €11 million (2008: €53 million), Life €145 million (2008: €736 million), Non-Life €10 million (2008: €348 million), Banking €29 million (2008: €21 million) and Other activities €53 million (2008: €819 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TECHNICAL ACCOUNT HEALTH

(€ MILLION)

	2009	2008
Income		
Gross written premiums Health	5,217	5,120
Contribution received from ZvF*	5,400	6,139
Gross written premiums	**10,617**	**11,259**
Reinsurance premiums	-1	-18
Reinsurance premiums HKC**	-190	-444
Net written premiums	**10,426**	**10,797**
Change in provision for unearned premiums	18	-3
Net earned premiums	**10,444**	**10,794**
Contributions received for health pooling	58	51
Investment income	179	61
Realised and unrealised gains and losses	-22	-2
Other technical income	48	24
Total income	**10,707**	**10,928**
Expenses		
Gross claims	9,971	10,321
Reinsurer's share	-190	-420
	9,781	**9,901**
Gross change in outstanding claims provisions	-35	429
Reinsurer's share		-9
	-35	**420**
Claims, net of reinsurance	**9,746**	**10,321**
Operating expenses	589	536
Investment expenses	2	2
Interest and similar expenses	15	2
Investment income allocated to the non-technical account	-53	-46
Other technical expenses	77	22
Total expenses	**10,376**	**10,837**
Result technical account Health	**331**	**91**

** Health insurance fund (ZvF: Zorgverzekeringsfonds)*

*** High Cost Compensation (HKC: Hoge Kosten Compensatie)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NON-TECHNICAL ACCOUNT HEALTH

(€ MILLION)

	2009	2008
Income		
Result technical account Health	331	91
Allocated investment income	-53	-46
Fee and commission income, and income from service contracts	199	265
Income from investments related to cash collateral received in securities lending	5	14
Other income	638	582
Total income	**1,120**	**906**
Expenses		
Investment and interest expenses	1	9
Operating expenses	175	322
Interest expenses from liabilities related to cash collateral received in securities lending	4	18
Other expenses	621	585
Total expenses	**801**	**934**
Profit before tax	**319**	**-28**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TECHNICAL ACCOUNT LIFE

(€ MILLION)

	2009	2008
Income		
Gross written premiums Life	4,998	4,231
Reinsurance premiums	-156	-187
Net written premiums	**4,842**	**4,044**
Change in provision for unearned premiums		
Net earned premiums	**4,842**	**4,044**
Investment income	1,226	1,298
Realised and unrealised gains and losses	-704	-662
Income from investments backing linked liabilities	1,778	-3,319
Other technical income	10	11
Total income	**7,152**	**1,372**
Expenses		
Gross claims	4,259	4,711
Reinsurer’s share	-133	-92
	4,126	**4,619**
Changes in provisions for Life insurance	-1,718	-50
Reinsurer’s share	24	-21
Claims net of reinsurance	**2,432**	**4,548**
Profit sharing and bonuses	-212	191
Movements in insurance liabilities for policyholders	4,224	-1,885
Benefits on investment contracts	98	-996
Operating expenses	646	729
Investment expenses	55	91
Interest and similar expenses	10	11
Investment income allocated to the non-technical account	-297	-648
Other technical expenses	36	48
Total expenses	**6,992**	**2,089**
Result technical account Life	**160**	**-717**

NON-TECHNICAL ACCOUNT LIFE

(€ MILLION)

Income		
Result technical account Life	160	-717
Allocated investment income	-297	-648
Fee and commission income, and income from service contracts	385	350
Income from investments related to cash collateral received in securities lending	57	187
Other income	20	25
Total income	**325**	**-803**
Expenses		
Operating expenses	351	348
Interest expenses from liabilities related to cash collateral received in securities lending	38	211
Other expenses	44	19
Total expenses	**433**	**578**
Profit before tax	**-108**	**-1,381**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TECHNICAL ACCOUNT NON-LIFE

(€ MILLION)

	2009	2008
Income		
Gross written premiums Non-Life	4,030	3,816
Reinsurance premiums	-291	-273
Net written premiums	**3,739**	**3,543**
Change in provision for unearned premiums	-35	-57
Reinsurer's share	32	4
Net earned premiums	**3,736**	**3,490**
Investment income	237	353
Realised and unrealised gains and losses	-42	-437
Income from investments backing linked liabilities	3	-5
Other technical income	9	13
Total income	**3,943**	**3,414**
Expenses		
Gross claims	2,668	2,336
Reinsurer's share	-241	-136
	2,427	**2,200**
Gross change in outstanding claims provisions	12	109
Reinsurer's share	94	-30
	106	**79**
Claims, net of reinsurance	**2,533**	**2,279**
Profit sharing and bonuses	40	8
Operating expenses	1,088	1,144
Investment expenses	15	8
Interest and similar expenses	1	4
Investment income allocated to the non-technical account	-159	-335
Other technical expenses	-7	33
Total expenses	**3,511**	**3,141**
Result technical account Non-Life	**432**	**273**

NON-TECHNICAL ACCOUNT NON-LIFE

(€ MILLION)

Income		
Result technical account Non-Life	432	273
Allocated investment income	-159	-335
Fee and commission income, and Income from service contracts	5	-2
Income from investments related to cash collateral received in securities lending	17	59
Other income	22	43
Total income	**317**	**38**
Expenses		
Interest expenses from liabilities related to cash collateral received in securities lending	11	69
Other expenses	24	64
Total expenses	**35**	**133**
Profit before tax	**282**	**-95**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT BANKING

(€ MILLION)

	2009	2008
Interest income	876	948
Interest expenses	-691	-757
Net interest margin	**185**	**191**
Commission income	14	17
Commission expenses	-10	-13
Net commission income	**4**	**4**
Realised and unrealised results	17	16
Other operating income	3	7
Operating income	**209**	**218**
Operating expenses	134	130
Loan loss provision	122	47
Other expenses		5
Total expenses	**256**	**182**
Profit before tax	**-47**	**36**

INCOME STATEMENT OTHER ACTIVITIES

(€ MILLION)

	2009	2008
Income		
Income from associated companies and participating interests	241	-553
Investment income	41	44
Realised and unrealised gains and losses	77	-61
Fee and commission income, and income from service contracts	13	28
Other income	1,200	85
Total income	**1,572**	**-457**
Expenses		
Operating expenses	256	399
Interest expenses	121	190
Other expenses	134	106
Total expenses	**511**	**695**
Profit before tax	**1,061**	**-1,152**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS

(€ MILLION)

	BENELUX	IRELAND	GREECE	SLOVAKIA	TURKEY	RUSSIA	OTHER	**TOTAL 2009**	TOTAL 2008
Gross written premiums Health	10,319		114	181			3	10,617	11,259
Gross written premiums Life	4,561	238	114	13			72	4,998	4,231
Gross written premiums Non-Life	3,441		211	22	250	78	28	4,030	3,816
Total gross written premiums	**18,321**	**238**	**439**	**216**	**250**	**78**	**103**	**19,645**	**19,306**
Banking income	855	50						905	986
Fee and commission income, and income from service contracts	555	5	34					594	632
Total assets	84,907	5,001	1,801	147	442	91	800	93,189	92,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into three levels (fair value hierarchy) based on the significance of the inputs used in making the fair value measurements:

– Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation, such as venture capital investments, private equity investments, private sector loans and advances which are part of the Banking credit portfolio.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (€ MILLION)

				2009				2008
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets								
Investments								
equities and similar investments	1,165	491	370	2,026	2,206	857	372	3,435
bonds	19,363	7,185		26,548	16,832	7,093		23,925
loans and mortgages	7	561		568		457		457
deposits with credit institutions	3,816	8		3,824	1,002	537		1,539
derivatives	1	1,276		1,277		1,914		1,914
other financial investments	265	12		277	76	141		217
Investments backing linked liabilities								
equities and similar investments	9,591	498	41	10,130	7,909	585	117	8,611
bonds and other fixed-income investments	7,512	612		8,124	5,317	224		5,541
derivatives	13	98		111		277		277
cash and other financial investments	1,790	204		1,994	1,987			1,987
Investments related to cash collateral received in securities lending	791	761		1,552	897	4,160		5,057
Banking credit portfolio			453	453			489	489
Cash and cash equivalents	1,385			1,385	1,180			1,180
Total financial assets measured at fair value	**45,699**	**11,706**	**864**	**58,269**	**37,406**	**16,245**	**978**	**54,629**
Liabilities								
Liabilities related to cash collateral received in securities lending	1,190	394		1,584	4,520	767		5,287
Loans and borrowings		3		3		3		3
Derivatives		1,124		1,124		859		859
Other liabilities					411			411
Total financial liabilities measured at fair value	**1,190**	**1,521**		**2,711**	**4,931**	**1,629**		**6,560**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial instruments measured at fair value based on Level 3

The movements of Level 3 financial instruments are as follows:

ASSETS (€ MILLION)

	2009	2008
Balance at 1 January	978	750
Investments and loans granted	24	
Disinvestments and disposals	-90	-49
Fair value changes	-11	16
Changes in fair value hierarchy	-37	261
Balance at 31 December	**864**	**978**

During the year of 2009 financial instruments with a value of €222 million were transferred from Level 3 to Level 2 due to the recovery of the financial markets in 2009. Observable market data have been used to determine the fair value of these financial instruments.

During 2009 financial instruments with a value of €185 million were transferred from Level 2 to Level 3. Eureko has opted for a Level 3 classification due to the fact that these financial instruments are no longer traded on the financial markets.

The total amount of gains and losses accounted for in 2009 of financial instruments with a Level 3 fair value still held at the end of 2009 amounted to €-11 million (2008: €16 million), of which €-18 million (2008: €16 million) was included in the Income Statement and €7 million (2008: €0 million) in Comprehensive income. The amounts related to financial instruments still held at the end of 2009 included in the Income Statement are presented as Realised and unrealised gains and losses (€-16 million, 2008: €-6 million) and as Banking income for an amount of €-2 million (2008: €22 million). The amounts included in Total equity are presented as Comprehensive income of the Revaluation reserve.

The fair value of Level 3 Equities and similar investments is determined using an adjusted equity value method. The fair value of private sector loans and advances part of the Banking credit portfolio is based on the present value of expected future cash inflows, using current interest rates for loans with a similar risk profile and a similar remaining term to maturity. The interest rate is based on the money-market and swap curves, both of which are in the public domain. A mark-up for liquidity and default risks has been applied to the effective rate of interest, based on transactions in the market. Expected future cash inflows are based on contracted cash flows adjusted for estimates of prepayments. In determining fair value, Eureko also considers the specific loan characteristics and inherent credit risk of the loan portfolio and risk mitigating factors such as collateral arrangements.

Although Eureko believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The effect on the fair value of Equities and similar investments was calculated using different estimates of the cash flows for the last quarter of 2009 for the related investments. Although this could be considered to be a reasonable other assumption, Eureko is of the opinion that the actual assumption used gives a better indication of the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the Banking credit portfolio was calculated using different assumptions relating to prepayment risk (+1%) and the default rate of our counterparties (increase of 10 base points). It should be noted that in case the actual prepayment ratio and the default rate differs from the estimate, this will also have an impact on the interest rate risk. This interest rate risk will be mitigated in line with the investment risk policy.

EFFECT ON FAIR VALUE (€ MILLION)

	2009	2008
Equities and similar investments	18	6
Banking credit portfolio		-1

4 HELD FOR SALE AND DISCONTINUED OPERATIONS

Império France S.A.
In February 2009, the French regulatory authorities (CEA) withheld their final approval of the sale on Império France. This was mainly due to the disruptions in the economic environment. As a consequence the sales contract was terminated and the 'Held for sale' classification of Império France is no longer applicable. Eureko's strategic intentions regarding Império France however remain unchanged.

5 BUSINESS COMBINATIONS

Business combination Eureko Eastern Europe B.V. – Oranta
On 11 September 2008 the agreement was signed to acquire 100% of the shares in LLC Insurance Company Oranta and CJSC Insurance Company Oranta-M (collectively known as 'Oranta') from PromSvyazGroup. Oranta is a Non-Life insurance company in the Russian market, providing mostly motor and property insurance. The closing took place on 9 December 2008; the provisional purchase price was €96 million, subject to a post-closing price adjustment mechanism. In April 2009 this price adjustment mechanism resulted in an amount of €9 million being received by Eureko, leading to a final purchase price of €87 million.

Due to limited time available between the closing of the transaction and reporting date, the business combination was included in the Annual report 2008 on a provisional basis. During 2009, further analysis has been performed and this resulted in an update of the fair value of net assets acquired and goodwill.

Updated details of the fair value of net assets acquired and goodwill are the following:

COST OF THE BUSINESS COMBINATION (€ MILLION)

	UPDATED COST	PROVISIONAL COST
Total provisional cost paid in cash	87	96
Less: Fair value of the net assets acquired	1	-8
Goodwill	**86**	**104**

The goodwill paid for Oranta reflects future economic benefits to Eureko due to access to the Russian insurance market which, despite the recent economic downturn, is still an attractive market in terms of scale and growth potential.
As a part of the Eureko Group, Oranta is well positioned to benefit from financial and operational synergies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The updated fair value amounts of the assets and liabilities are:

(€ MILLION)

	UPDATED FAIR VALUE 9 DECEMBER 2008	PROVISIONAL FAIR VALUE 9 DECEMBER 2008
Assets		
Investments	40	46
Other assets	36	31
Cash and cash equivalents	21	6
Total assets	**97**	**83**
Liabilities		
Insurance liabilities	84	80
Other liabilities	12	11
Total liabilities	**96**	**91**
Net assets acquired	**1**	**-8**

The change in Cash and cash equivalents is caused by a reclassification of deposits from Investments.

The carrying amount of net assets acquired at acquisition date is not substantially different from the fair value as Oranta applies IFRS except for the insurance liabilities which were adjusted to reflect Eureko accounting policies. The increase in the fair value of the net assets acquired is mainly caused by improved insights in Oranta’s financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	INTERNALLY DEVELOPED SOFTWARE	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	OTHER INTANGIBLE ASSETS FINITE	**TOTAL 2009**	TOTAL 2008
Cost								
Balance at 1 January	1,399	261	116	737	281	96	2,890	2,810
Acquisitions						4	4	116
Adjustment intangible assets	-18						-18	
Change in composition of the Group	**-18**					**4**	**-14**	**116**
Internally developed		19					19	38
Other movements	-1						-1	27
Foreign currency differences	-52			3	9		-40	-101
Balance at 31 December	**1,328**	**280**	**116**	**740**	**290**	**100**	**2,854**	**2,890**
Amortisation and impairment losses								
Balance at 1 January	3	210	32	310	51	18	624	421
Amortisation charge for the year		22	12	56	33	5	128	157
Impairment loss recognised in Income Statement		4		14			18	46
Balance at 31 December	**3**	**236**	**44**	**380**	**84**	**23**	**770**	**624**
Carrying amount								
At 1 January	1,396	51	84	427	230	78	2,266	2,389
At 31 December	**1,325**	**44**	**72**	**360**	**206**	**77**	**2,084**	**2,266**

The acquisition within Other intangible assets relates to the purchased right to manage and service the pension contracts of contributing participants of the pension fund in Romania.

The adjustment in goodwill is related to the updated net assets acquired of Oranta.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Goodwill

Eureko has allocated the acquired goodwill due to business combinations to the lowest level of cash generating units (CGUs) at which the goodwill is monitored. For the purpose of these Consolidated Financial Statements, Eureko has aggregated these CGUs to its divisions.

GOODWILL AT DIVISIONAL LEVEL (€ MILLION)

	2009 GOODWILL	2009 RECOVERABLE AMOUNT (METHOD)	2008 GOODWILL	2008 RECOVERABLE AMOUNT (METHOD)
Division Health	10	Value-in-use	10	Value-in-use
Division Agis	9	Value-in-use	9	Value-in-use
Division Occupational Health	139	Value-in-use	139	Value-in-use
Division Pension Insurance	189	Value-in-use	189	Value-in-use
Division Pension Services	213	Value-in-use	213	Value-in-use
Division Bank Distribution	373	Value-in-use	373	Value-in-use
Division Broker Distribution	167	Value-in-use	167	Value-in-use
Division Europe	225	Value-in-use	296	Value-in-use
	1,325		**1,396**	

Recognised goodwill is tested annually for impairment losses. An impairment is recognised when the recoverable amount of a CGU is lower than the carrying amount of the CGU. The recoverable amount is the higher of the 'fair value less cost to sell' and the 'value-in-use'. The assumptions are assessed at each reporting date and adjusted when appropriate. The movement in goodwill at Division Europe is caused by the adjustment on goodwill of Oranta due to updated net assets acquired and currency fluctuations on the goodwill related to Eureko Sigorta and Oranta.

The 'value-in-use' of the CGU's is determined using the Discounted Dividend Model (DDM). For the Life operations Eureko uses an appraisal based model. For the first three years Eureko is using the cash flow projections as based on budgeting and forecasting models as endorsed by the Executive Board of Eureko. After this period Eureko extrapolates the cash flows up to five years. To reflect the business-specific circumstances a forecast period is sometimes extended. Eureko uses the leveraged cost of capital as the basis for the applied discount rate. Within the DDM techniques Eureko determines the terminal value by applying a perpetual growth rate to the perpetual dividend. The following are the most sensitive key assumptions:

KEY ASSUMPTIONS (%)

	2009 DISCOUNT RATE	2009 GROWTH RATE	2008 DISCOUNT RATE	2008 GROWTH RATE
Division Health	9.28	3.0	12.39	3.0
Division Agis	9.28	3.0	12.39	3.0
Division Occupational Health	9.28	3.0	12.39	3.0
Division Pension Insurance	9.28	3.0	10.80	3.0
Division Pension Services	9.19	3.0	10.80	3.0
Division Bank Distribution	9.28	3.0	12.39	3.0
Division Broker Distribution	9.28	3.0	12.39	3.0
Division Europe	14.3–16.1	3.5–4.5	21.99	3.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Where possible Eureko calibrates the assumptions used to external sources. The discount rate is determined by reference to variables, which are used in the industry. The growth rates applied are on a gross basis (not adjusted for inflation) and reflect either expected industry averages or expectations of management. Although Eureko believes that its estimates of the recoverable amounts are appropriate, use of different assumptions could lead to different values of the recoverable amounts. Changing the discount rates by plus one-percent-point would result in an impairment charge for Division Occupational Health (€33 million). Although this increase in the discount rate could be considered a reasonable other assumption, Eureko is of the opinion that the actual assumption used gives the better indication of the recoverable amount.

7 INVESTMENTS IN ASSOCIATED COMPANIES AND PARTICIPATING INTERESTS

(€ MILLION)

	NET EQUITY METHOD	AVAILABLE FOR SALE	**TOTAL 2009**	TOTAL 2008
Associated companies	1,442		1,442	2,135
Participating interests		100	100	382
	1,442	**100**	**1,542**	**2,517**

ASSOCIATED COMPANIES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION	% OWNERSHIP 2009	NET ASSET VALUE 2009	**BOOK VALUE 2009**	BOOK VALUE 2008
PZU S.A.	Poland	Insurance	1999–2006	33.00% 1)	940	1,301	1,968
F&C Asset Management plc	United Kingdom	Asset management	2004	10.49%	44	44	31
Garanti Emeklilik ve Hayat A.S.	Turkey	Insurance	2007	15.00%		74	85
Hippokrates B.V.	Greece	Healthcare	2008	25.00%	19	19	20
Other						4	31
						1,442	**2,135**

Reconciliation measurement of Eureko's stake in PZU

Eureko's stake in PZU has been measured at €1,301 million. The table below shows the reconciliation of PZU's 2009 Net asset value as published by PZU to the amount recognised by Eureko.

RECONCILIATION EUREKO'S STAKE IN PZU

(€ MILLION)

Net asset value based on IFRS published by PZU		PLN	11,267
Adjustments to Eureko IFRS		PLN	406
Net asset value PZU based on Eureko IFRS		**PLN**	**11,673**
Eureko's share in Net asset value PZU on Eureko IFRS in PLN	33% 1)	PLN	3,852
Eureko's share in Net asset value PZU on Eureko IFRS in EUR	4.104 2)	EUR	939
Adjustment related to preliminary reported PZU net asset value		EUR	1
Goodwill paid on acquisitions in 1999 up to 2006		EUR	361
Net asset value PZU recognised in Eureko's Consolidated Statement of Financial Position		**EUR**	**1,301**

1) Eureko's stake in PZU less one share including the 10% stake that has been transferred to a special-purpose vehicle

2) Closing rate PLN/EUR

The adjustment to Eureko IFRS is related to a different treatment of Property for own use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As part of the PZU settlement Eureko has transferred a 10% stake in PZU to a special-purpose vehicle (SPV). As Eureko retains all risks and rewards on the PZU shares transferred to the SPV, the transfer does not qualify for derecognition. For further details regarding the PZU settlement reference is made to Note 1 (Exceptional events).

Eureko measured its interest in F&C Asset Management plc at the recoverable amount based on quoted prices. At year-end 2009 unreversed impairment losses of €88 million are taken into account (2008: €103 million). Eureko has significant influence over F&C Asset Management plc as it is committed to support the long-term development of F&C Asset Management, in line with its own strategy and in addition to its interest of more than 10% it can appoint one non-executive board member thus overcoming the rebuttable presumption that no significant influence exists due to lack of holding 20% or more of the (potential) voting power.

Although Eureko holds less than 20% of the shares of Garanti Emeklilik ve Hayat A.S., Eureko exercises significant influence by virtue of its strategic interest in the company and contractual right to appoint one board member and one board attendee. Furthermore, Eureko has a call option on 35% of the shares (to be exercised between 21 June 2010 and 21 June 2012) which will lead to joint control with the current majority shareholder if exercised.

MOVEMENTS IN THE ASSOCIATED COMPANIES

(€ MILLION)

	2009	2008
Balance at 1 January	2,135	2,189
Investments and loans granted		22
Annual results	266	242
Revaluations	22	55
Dividend received	-1,025	-4
Foreign currency differences	54	-290
Impairments		-103
Reversal of impairments	15	
Changes due to reclassifications	-25	
Other changes		24
Balance at 31 December	**1,442**	**2,135**

Regarding the associated companies, the summarised Financial Statements are included in the table below. As the 2009 Financial Statements are not yet publicly available, values are based on the published Financial Statements of the associated companies for the 2008 financial year and calculated in accordance with the accounting principles of the associated companies. The amounts are translated into euros at the exchange rate at reporting date. Total revenue and Total profit are translated using the weighted average exchange rate for the year.

(€ MILLION)

2008	ASSETS	LIABILITIES	TOTAL REVENUE	TOTAL PROFIT
PZU S.A.	13,959	9,386	6,386	668
F&C Asset Management plc	2,086	1,426	289	-66
Garanti Emeklilik ve Hayat A.S.	561	489	65	34
Hippokrates B.V.	80			

Eureko applied hedge accounting on its net investment in the foreign operation PZU in the period 27 April 2009 until 26 November 2009. The risk hedged is the risk of changes in the value of the carrying amount in Eureko's reporting currency due to changes in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the EUR/PLN spot exchange rate associated with the investment in PZU. In applying hedge accounting, Eureko designates the PLN value in respect of the first billion euro value of its investment as the hedged item. Eureko decided to hedge the currency risk with the use of cross currency swaps. Eureko designates the swaps in its entirety as the hedging instruments. The hedging relationship is not perfectly effective, because the fair value of the swaps includes time value. The ineffective portion of the fair value change of the cross currency swaps that is recognised in the Income Statement (Realised and unrealised gains and losses) amounted to a loss of €-12 million.

INVESTMENTS IN PARTICIPATING INTERESTS

(€ MILLION)

NAME OF COMPANY	COUNTRY	2009	2008
MillenniumBCP	Portugal	100	382
		100	**382**

(€ MILLION)

	2009	2008
Balance at 1 January	382	1,145
Investments and loans granted		130
Disinvestments and disposals	-253	
Fair value changes	-29	-799
Changes due to reclassification		-94
Balance at 31 December	**100**	**382**

In 2009, Eureko reduced its interest in MillenniumBCP. Eureko continues to hold a direct shareholding and voting interest of 2.52% in MillenniumBCP. Eureko and MillenniumBCP will continue to develop joint business initiatives in complementary European domains. Eureko maintains limited exposure to the share price performance of MillenniumBCP through cash-settled derivative instruments.

The free marketability of 116,335,744 shares in MillenniumBCP is restricted due to shareholders' agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INVESTMENT PROPERTY

(€ MILLION)

	2009	2008
Balance at 1 January	1,529	1,600
Purchases	114	33
Disposals	-142	-35
Fair value changes recognised in profit or loss	-99	-115
Accrued rent	1	-4
Other movements	3	1
Transfer from property for own use	34	49
Balance at 31 December	**1,440**	**1,529**

The carrying amount of investment property is fair value. The fair value of investment property, included in Note 8 and Note 10, is fully based on appraisals by indepent qualified valuators (2008: 95%).

9 INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

2009	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equities and similar investments	1,702	324		2,026
Bonds	22,019	4,529		26,548
Loans and mortgages	542	26	3,155	3,723
Deposits with credit institutions	3,773	51		3,824
Derivatives		1,277		1,277
Other financial investments	277			277
	28,313	**6,207**	**3,155**	**37,675**

2008	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equities and similar investments	3,229	206		3,435
Bonds	19,660	4,265		23,925
Loans and mortgages	421	36	3,234	3,691
Deposits with credit institutions	1,501	38		1,539
Derivatives		1,914		1,914
Other financial investments	212	5	1	218
	25,023	**6,464**	**3,235**	**34,722**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The investments designated as 'At fair value through profit or loss' amounts to €4,930 million (2008: €4,550 million). Derivatives are used for hedging purposes. Eureko does not hold financial instruments for trading purposes.

The carrying value of securities lent amounts to €1,552 million (2008: €5,103 million). Eureko has a variety of collateral policies in place.

Collateral requirements vary depending on the type of facility. The minimum level varies by collateral type, more risky facility types demanding a higher degree of collateralisation. The fair value of the accepted collateral related to securities which were lent amounted to €1,584 million as at 31 December 2009 (2008: €5,287 million). Reference is made to Note 11 (Investments related to cash collateral received in securities lending) and to Note 24 (Liabilities related to cash collateral received in securities lending).

INVESTMENTS MEASURED AT FAIR VALUE

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	DERIVATIVES	OTHER FINANCIAL INVESTMENTS	**TOTAL 2009**	TOTAL 2008
Balance at 1 January	3,435	23,925	457	1,539	1,914	217	31,487	32,151
Acquisitions								74
Disposals								-1
Change in composition of the Group								**73**
Investments and loans granted	1,280	33,018	544	9,834	975	422	46,073	42,259
Disinvestments and disposals	-2,784	-31,292	-420	-7,521	-1,183	-366	-43,566	-40,975
Fair value changes	-46	496	-9	-32	-470	5	-56	-1,784
Foreign currency differences	39	-21	-5	-1	-2	-1	9	156
Accrued interest		44	1	5	43		93	12
Changes due to reclassification	107	388					495	-387
Other movements	-5	-10					-15	-18
Balance at 31 December	**2,026**	**26,548**	**568**	**3,824**	**1,277**	**277**	**34,520**	**31,487**

Changes due to reclassification in 2009 are mainly related to the reclassification of Assets classified as 'Held for sale'.

The fair value of fixed-income investments measured 'At fair value through profit or loss' is amongst others subject to changes in credit risk of the counterparty (issuer) of Eureko. The impact on the fair values of the investments is €92 million (2008: €-314 million).

Eureko applies cash flow hedge accounting on its investments in equities and similar investments that are denominated in foreign currencies. The risk that is being hedged is the risk of changes in cash flows attributable to the disposal of investments in equities and similar investments resulting from exchange differences.

In applying cash flow hedging, Eureko designates the total investment in shares per portfolio as the hedged item. For each portfolio per currency, the (highly probable) forecasted cash flows are hedged and not the individual equities in the portfolio. Eureko decided to hedge the foreign currency risk associated with equities and similar investments with the use of derivatives (i.e. forwards and futures). The total fair value of the financial instruments designated as hedging instruments is €-31 million (2008: €125 million).

The fair value change of the contracts used to hedge the foreign currency risk, that is determined to be an effective hedge, is recognised in Other comprehensive income and amounts to €2 million (2008: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The effective portion of the fair value change of the hedge contracts will be released to the Income Statement in the same periods when the forecasted cash flows are recognised (i.e. when the investments in equities are sold). The release is based on the historic turnover per portfolio per foreign currency. In 2009, an amount of €18 million is released to the Income Statement (2008: nil).

As part of Eureko's derisking strategy the cash flow hedge on equities that are denominated in foreign currency has been revoked as per 1 January 2010.

EQUITIES AND SIMILAR INVESTMENTS

(€ MILLION)

	2009	2008
Equity investments	1,781	3,200
Venture capital investments	108	147
Other	137	88
	2,026	**3,435**

BONDS

(€ MILLION)

	2009	2008
Issued by:		
Government	17,463	15,661
Other public sector issuers	1,325	99
Other issuers	7,760	8,165
	26,548	**23,925**

LOANS AND MORTGAGES

(€ MILLION)

	2009	2008
Investment loans	433	292
Loans and mortgages to policyholders	131	161
Other loans and mortgages	4	4
	568	**457**

DEPOSITS WITH CREDIT INSTITUTIONS

(€ MILLION)

	2009	2008
Deposits within the European Union	3,690	1,375
Other	134	164
	3,824	**1,539**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DERIVATIVES

(€ MILLION)

	2009	2008
Interest rate derivatives	799	1,403
Currency derivatives	386	166
Equity derivatives	92	309
Other derivatives		36
	1,277	**1,914**

Details of the nature of the derivative instruments outstanding at reporting date are set out in Note 57 (Risk Management).

ANALYSIS OF FIXED-INCOME INVESTMENTS CARRIED AT FAIR VALUE BY EXPECTED REMAINING TIME TO MATURITY

(€ MILLION)

2009	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	OTHER FINANCIAL INVESTMENTS	TOTAL
Under 3 months	78	227	3,621	254	4,180
3–12 months	518	34	187	5	744
1–2 years	2,291	6	12		2,309
2–3 years	3,954	33			3,987
3–4 years	1,777	1			1,778
4–5 years	3,111	19			3,130
Over 5 years	14,819	248	4	18	15,089
Balance at 31 December	**26,548**	**568**	**3,824**	**277**	**31,217**

2008	BONDS	LOANS AND MORTGAGES	DEPOSITS WITH CREDIT INSTITUTIONS	OTHER FINANCIAL INVESTMENTS	TOTAL
Under 3 months	293	24	985	4	1,306
3–12 months	912	30	545	23	1,510
1–2 years	2,497	101	1		2,599
2–3 years	3,176	94			3,270
3–4 years	1,427	24			1,451
4–5 years	1,917	14			1,931
Over 5 years	13,703	170	8	190	14,071
Balance at 31 December	**23,925**	**457**	**1,539**	**217**	**26,138**

IMPAIRMENTS

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	2009	2008
Impairment loss during the year	-138	-23	-161	-1,130
Reversal of impairment loss				2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impairment losses for 2009 are mainly related to the turbulence on the financial markets in the first half of the year. The nominal value of the impaired Bonds amounts to €35 million (2008: €71 million). No interest income was recognised on impaired Bonds. Impairment losses are included in Realised and unrealised gains and losses.

INVESTMENTS MEASURED AT AMORTISED COST (€ MILLION)

	2009	2008
Balance at 1 January (excluding Allowance account)	3,235	3,243
Investments and loans granted	294	503
Disinvestments and disposals	-357	-501
Foreign currency differences	-17	-1
Other movements		-9
Balance at 31 December (excluding Allowance account)	**3,155**	**3,235**

Investments measured at amortised cost are mainly saving accounts held at Rabobank Group, related to life insurance policies in force.

Based on the credit risk of counterparties the reduction of amortised cost is considered not material and therefore the allowance account is not presented separately.

ANALYSIS OF FIXED-INCOME INVESTMENTS BY REMAINING TIME TO MATURITY (EXCLUDING ALLOWANCE ACCOUNT) (€ MILLION)

	2009	2008
Under 3 months	30	23
3–12 months	161	138
1–2 years	546	333
2–3 years	349	510
3–4 years	202	325
4–5 years	190	186
Over 5 years	1,677	1,720
Balance at 31 December	**3,155**	**3,235**

10 INVESTMENTS BACKING LINKED LIABILITIES

Investments backing linked liabilities comprise segregated investment contracts, deposits for group life contracts with full profit-sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked.

Investments backing linked liabilities are separated from other investments and are invested in accordance with the requirements towards the policyholders. Investments are held on account for the life insurance policyholders and holders of investment contracts. Therefore policyholders and holders of investment contracts are entitled to all gains recorded and to the total amount of the investments shown under this heading, but they also have to carry any losses. For this reason insurance liabilities on behalf of policyholders and investment contracts are related to this account. These investments are classified as ‘At fair value through profit or loss’.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INVESTMENTS BACKING LINKED LIABILITIES (€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	BONDS AND OTHER FIXED-INCOME INVESTMENTS	DERIVATIVES	CASH AND OTHER FINANCIAL INVESTMENTS	**TOTAL 2009**	TOTAL 2008
Balance at 1 January	1,000	8,611	5,541	277	1,987	17,416	21,122
Investments and loans granted	261	3,661	6,054	838	154	10,968	8,433
Disinvestments and disposals	-188	-3,735	-3,734	-862	-165	-8,684	-8,502
Fair value changes recognised in profit or loss	-149	1,548	42	-142	-4	1,295	-3,738
Foreign currency differences		9	1			10	-30
Accrued interest and rent			220		2	222	188
Changes due to reclassification	-1	36			20	55	-57
Balance at 31 December	**923**	**10,130**	**8,124**	**111**	**1,994**	**21,282**	**17,416**

11 INVESTMENTS RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

Based on a securities lending programme, Eureko lends securities to borrowers, who in turn pay cash collateral. This cash collateral is invested in shares of money market funds. These funds have been established for the reinvestments of such cash collateral. The investment objective of the funds is to provide investors with as high a level of income as is consistent with the preservation of capital and the maintenance of adequate liquidity to meet the anticipated needs of the investor. Eureko bears the full economic risks and rewards of the investments in these funds.

The investments in the money market funds are subject to a risk of change in value. The majority (87%) of the funds' investments has a S&P rating of AAA, 2% AA and 11% A.

At this moment no new business is conducted with cash collateral because of the reinvestment risk involved. The remaining securities in the money market fund are expected to expire in 2018 and accordingly the programme will end at that stage.

The investments in the money market funds are not at free disposal of Eureko. The investments in these funds can only be used to repay the collateral provided by the borrower regarding the securities lending transaction. The repayment obligation with respect to the collateral provided is included in Liabilities related to cash collateral received in securities lending.

(€ MILLION)

	2009	2008
Balance at 1 January	5,057	9,201
Investments	1,256	31,142
Disinvestments	-4,850	-35,076
Fair value changes	89	-210
Balance at 31 December	**1,552**	**5,057**

The shares of the money market funds are measured using the net asset value based on the underlying investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 BANKING CREDIT PORTFOLIO

BANKING CREDIT PORTFOLIO CLASSIFIED BY NATURE

(€ MILLION)

2009	LOANS AND RECEIVABLES	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions	1,437		1,437
Loans	17,412	453	17,865
	18,849	**453**	**19,302**

2008	LOANS AND RECEIVABLES	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions	518		518
Loans	17,914	489	18,403
	18,432	**489**	**18,921**

(€ MILLION)

	2009	2008
Credit institutions		
Loans and advances to banks	1,418	257
Treasury bills and other bills eligible for rediscounting with Central Banks	19	220
Cash advances, overdrafts and other balances due on demand		41
	1,437	**518**
Loans		
Secured by mortgages	15,389	15,610
Other loans and advances to private sector	1,182	1,155
Other corporate loans	1,326	1,658
Non-performing	126	60
	18,023	**18,483**
Total (excluding Allowance account)	**19,460**	**19,001**
Allowance account	158	80
	19,302	**18,921**

All 'Assets at fair value through profit or loss' are designated as such. Mandatory reserve deposits at Central Banks amounting to €820 million (2008: €304 million), as included in loans and advances to banks, are not available for use in day to day banking operations. Balances with Central Banks are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BANKING CREDIT PORTFOLIO MEASURED AT AMORTISED COST

(€ MILLION)

	CREDIT INSTITUTIONS	LOANS	**TOTAL 2009**	TOTAL 2008
Balance at 1 January (excluding Allowance account)	518	17,994	18,512	17,586
Investments and loans granted	1,530	1,702	3,232	2,735
Disinvestments and disposals	-611	-2,301	-2,912	-2,398
Amortisation		-2	-2	-6
Change in value due to fair value hedge accounting		185	185	585
Other movements		-8	-8	10
Balance at 31 December (excluding Allowance account)	**1,437**	**17,570**	**19,007**	**18,512**
Balance at 1 January (Allowance account)		80	80	67
Additional allowances		122	122	61
Allowances used		-51	-51	-32
Amounts released				-14
Recoveries		6	6	-3
Effect of changes in assumptions		1	1	1
Balance at 31 December (Allowance account)		**158**	**158**	**80**
Carrying amount				
At 1 January	518	17,914	18,432	17,519
At 31 December	**1,437**	**17,412**	**18,849**	**18,432**

Results on hedge accounting

Eureko applies fair value hedge accounting on its investments in the Banking credit portfolio that are measured at amortised cost. The results on fair value hedge accounting are as follows:

(€ MILLION)

	GAINS	LOSSES	**NET 2009**	NET 2008
Fair value hedges				
Fair value changes of the hedged item attributable to the hedged risk	185		185	585
Fair value changes of the related derivatives (including discontinuation)		98	-98	-539
Cash flow hedges				
Fair value changes of the hedging instrument - ineffective portion	n.a.	n.a.	n.a	n.a.

The fair value of the Banking credit portfolio measured at amortised cost at year end is €18,659 million (2008: €18,241 million). The fair value is determined based on the discounted value of the expected cash flows. No significant changes were identified during the financial year in assumptions used to determine these fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Eureko applies fair value hedge accounting on its investments in the Banking credit portfolio that are measured at amortised cost. The risk that is being hedged is the interest rate risk. In applying hedge accounting, Eureko designates derivatives to hedge the interest rate risk. The fair value of the derivatives designated as hedging instruments amounts to €-79 million (2008: €-524 million).

In accordance with hedge accounting policies, Eureko designates the hedge relationship per month. The change in fair value of the Banking credit portfolio that is determined to be an effective hedge and that is recognised as part of the Banking credit portfolio is subsequently amortised to profit or loss over the remaining life of the portfolio base. Amortisation is based on the effective interest rate method. Any ineffectiveness resulting from the hedge relationships is directly accounted for in profit or loss.

As at 31 December 2009, the carrying amount of the loans is affected by impairment losses amounting to €176 million (2008: €122 million). The carrying amount is reduced through use of an allowance account. The impairment loss is mainly a result of individual assessments of the expected cash flows in relation to the loans.
For the year ending 31 December 2009, the interest income related to impaired financial instruments was €5 million (2008: €5 million).

BANKING CREDIT PORTFOLIO MEASURED AT FAIR VALUE

(€ MILLION)

	2009	2008
Balance at 1 January	489	516
Disinvestments and disposals	-34	-49
Fair value changes	-2	22
Balance at 31 December	**453**	**489**

The fair value is determined based on the discounted value of the expected cash flows. No significant changes were identified during the financial year in assumptions used to determine these fair values.

The fair value of the Banking credit portfolio measured at fair value is subject to changes in credit risk of the counterparty (issuer) of Eureko. The impact on the fair values of the Banking credit portfolio is as follows:

FAIR VALUE CHANGE RELATED TO CHANGES IN CREDIT RISK

(€ MILLION)

	2009	2008
Current period	3	
Cumulatively	19	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANALYSIS OF BANKING CREDIT PORTFOLIO (EXCLUDING ALLOWANCE ACCOUNT) BY EXPECTED REMAINING TIME TO MATURITY (€ MILLION)

	CREDIT INSTITUTIONS 2009	LOANS 2009	**TOTAL 2009**	CREDIT INSTITUTIONS 2008	LOANS 2008	TOTAL 2008
On demand	330	1,285	1,615	253	860	1,113
Under 3 months	271	565	836	259	1,038	1,297
3–12 months	414	840	1,254	5	1,283	1,288
1–2 years		912	912		973	973
2–3 years		909	909		1,234	1,234
3–4 years		848	848		1,168	1,168
4–5 years		813	813		1,137	1,137
Over 5 years	422	11,851	12,273	1	10,790	10,791
	1,437	**18,023**	**19,460**	**518**	**18,483**	**19,001**

As at 31 December 2009 €13,004 million (2008: €13,843 million) of the government-guaranteed and/or mortgage backed loans was not freely disposable because of money market and capital market pledges.

These pledges can be analysed as follows: (€ MILLION)

	2009	2008
Pledge by means of trust arrangements	2,158	3,050
Pledge by means of securitisation	5,713	5,342
Third-party pledge	5,133	5,451
	13,004	**13,843**

13 DEFERRED TAX ASSETS

The movements during the year can be specified as follows: (€ MILLION)

	BALANCE AT 1 JANUARY 2009	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	**BALANCE AT 31 DECEMBER 2009**
Intangible assets	40			-20	20
Investments backing linked liabilities				1	1
Bank assets	3				3
Deferred acquisition costs	135			-84	51
Other assets		-33		36	3
Insurance liabilities	346	-10		47	383
Employee benefits	151			-12	139
Other provisions	15	-1		-4	10
Amortisation	2	-1			1
Impairments	28	-1		-27	
Other liabilities		1		-1	
Securities lending	33			-33	
Loss carry-forwards	515	-97	12	-242	188
	1,268	**-142**	**12**	**-339**	**799**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(€ MILLION)

	BALANCE AT 1 JANUARY 2008	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	**BALANCE AT 31 DECEMBER 2008**
Intangible assets	66			-26	40
Investments	10	12	-17	-5	
Bank assets	4	-1			3
Deferred acquisition costs	67			68	135
Other assets	24			-24	
Insurance liabilities	127	87		132	346
Employee benefits	110			41	151
Other provisions	10	2		3	15
Amortisation	2				2
Impairments	28				28
Other liabilities	3	3		-6	
Securities lending				33	33
Loss carry-forwards	18	497			515
	469	**600**	**-17**	**216**	**1,268**

The tax rates used in calculating Eureko's deferred tax assets are the applicable national rates, which in 2009 and 2008 ranged from 10.0% to 34.0%. Changes in tax rates already enacted as at 31 December 2009 are taken into account.

To reconcile the Consolidated Income Statement with movement schedule information, reclassifications have been made within the comparative figures from 'Other movements' to 'Recognised in income' in insurance liabilities (€88 million) and in loss carry-forwards (€493 million).

The other movements are primarily related to changes from deferred to current tax positions.

UNRECOGNISED DEFERRED TAX ASSETS

(€ MILLION)

	2009	2008
Tax losses	26	22
	26	**22**

The unrecognised deferred tax assets do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available, against which the temporary difference can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DEFERRED ACQUISITION COSTS

(€ MILLION)

2009	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	440	46	486
Addition of deferred acquisition costs	46	5	51
Amortisation	-98	-8	-106
Foreign currency differences	1		1
Other movements	5		5
Balance at 31 December	**394**	**43**	**437**

2008	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	495	47	542
Addition of deferred acquisition costs	37	6	43
Amortisation	-98	-7	-105
Foreign currency differences	-1		-1
Other movements	7		7
Balance at 31 December	**440**	**46**	**486**

15 AMOUNTS CEDED TO REINSURERS

The reinsurer's share in the insurance liabilities is as follows:

(€ MILLION)

	2009	2008
Health insurance		
Unearned premiums	1	-12
Outstanding claims (including IBNR)	59	27
Health insurance liabilities – reinsurance	**60**	**15**
Life insurance		
Provision for life policy liabilities, non-participating benefits	165	232
Provision for life policy liabilities, participating benefits	426	458
Life insurance liabilities – reinsurance	**591**	**690**
Non-Life insurance		
Unearned premiums	69	73
Outstanding claims (including IBNR)	291	403
Non-life insurance liabilities – reinsurance	**360**	**476**
Amounts ceded to reinsurers	**1,011**	**1,181**

This note should be read in conjunction with Note 21 (Insurance liabilities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 RECEIVABLES

(€ MILLION)

	2009	2008
Receivables from direct insurance:		
Policyholders	1,026	1,004
Agents	188	134
Other	99	34
	1,313	**1,172**
Receivables on reinsurance	19	22
Investment receivables	75	252
Contribution from Zorgverzekeringsfonds		973
Other receivables	2,358	1,650
	3,765	**4,069**

Other receivables include €851 million (2008: €741 million) payments to hospitals regarding the delayed invoicing caused by the implementation of DBCs, and €303 million (2008: €230 million) of payments to short -term mental care (GGZ). The 2009 receivables are due within one year.

Other receivables includes €283 million related to the fixed amount on the 4.9% stake in PZU. Reference is made Note 1 (Exceptional events).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 OTHER ASSETS

(€ MILLION)

	2009	2008
Equipment	231	264
Property for own use	341	485
Other prepayments and accrued income	252	375
Non-insurance assets acquired by exercising rights to recoveries	34	51
Other assets	57	81
	915	**1,256**

EQUIPMENT

(€ MILLION)

	SOFTWARE	HARDWARE	OFFICE FURNITURE	OTHER	**TOTAL 2009**	TOTAL 2008
Cost						
Balance at 1 January	98	238	192	208	736	586
Acquisitions						65
Disposals						
Change in composition of the Group						**65**
Purchases and acquisitions	25	6	1	25	57	92
Sale and disposals	-7	-22	-25	-39	-93	-4
Other changes			-1		-1	-3
Balance at 31 December	**116**	**222**	**167**	**194**	**699**	**736**
Amortisation and impairment losses						
Balance at 1 January	71	208	106	87	472	409
Sale and disposals	-7	-21	-11	-20	-59	
Amortisation	16	21	8	7	52	63
Other changes		1		2	3	
Balance at 31 December	**80**	**209**	**103**	**76**	**468**	**472**
Carrying amount						
At 1 January	27	30	86	121	264	177
At 31 December	**36**	**13**	**64**	**118**	**231**	**264**

Other equipment includes assets in relation to operational lease activities by WagenPlan B.V. amounting to €81 million (2008: €79 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROPERTY FOR OWN USE

(€ MILLION)

	IN DEVELOPMENT	IN USE	TOTAL 2009	TOTAL 2008
Revalued amount				
Balance at 1 January	29	529	558	650
Purchases and acquisitions		28	28	32
Sales and disposals	-11	-118	-129	-68
Revaluation recognised in equity		14	14	-5
Amortisation eliminated against the gross carrying amount due to revaluation		-1	-1	
Foreign currency differences		-1	-1	-2
Transfer to investment property	-18	-16	-34	-49
Other changes		-3	-3	
Balance at 31 December		**432**	**432**	**558**
Amortisation and impairment losses				
Balance at 1 January		73	73	60
Impairment losses recognised in profit or loss		2	2	
Impairment losses reversed in profit or loss				1
Amortisation charge for the period		17	17	13
Amortisation eliminated against the gross carrying amount due to revaluation		-1	-1	-1
Balance at 31 December		**91**	**91**	**73**
Carrying amount				
At 1 January	29	456	485	590
At 31 December		**341**	**341**	**485**

For 97% of total fair value of Property for own use, the value is based on appraisals during 2009 by independent qualified valuators (2008: 38%). The remainder is based on internally conducted appraisals.

18 CASH AND CASH EQUIVALENTS

(€ MILLION)

	2009	2008
Cash	31	28
Call deposits	252	195
Bank balances	1,102	957
	1,385	**1,180**

The majority of Cash and cash equivalents is not subject to any restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

The movements in Equity attributable to holders of equity instruments of the Company are specified in the Consolidated Statement of Changes in Total equity.

On 8 April 2009, Eureko issued 75,466,001 ordinary shares: 44,052,863 ordinary shares to Vereniging Achmea, 29,368,576 ordinary shares to Rabobank and 2,044,562 ordinary shares to BCP Group (Bitalpart B.V.) for a total consideration of €1,028 billion. The value of the issued shares is reduced with the related transaction costs. These amounted to €0.2 million.

SHARE CAPITAL AND SHARE PREMIUM

(€ MILLION)

	NUMBER OF ORDINARY SHARES	NOMINAL VALUE ORDINARY SHARES	NUMBER OF PREFERENCE SHARES	NOMINAL VALUE PREFERENCE SHARES	NUMBER OF M SHARES	NOMINAL VALUE M SHARES	NUMBER OF A SHARES	NOMINAL VALUE A SHARES
Authorised	1,499,999,999	740	60,000,000	60	10,000,000	10	1	
Issued	408,884,541	409	23,904,060	24			1	
Available for issuance	**1,091,115,458**	**331**	**36,095,940**	**36**	**10,000,000**	**10**		
Shares issued 1 January 2008	323,254,197	323	23,904,060	24			1	
Shares issued in 2008	10,164,343	10						
Shares issued 31 December 2008	**333,418,540**	**333**	**23,904,060**	**24**			**1**	
Shares issued 1 January 2009	333,418,540	333	23,904,060	24			1	
Shares issued in 2009	75,466,001	76						
Shares issued 31 December 2009	**408,884,541**	**409**	**23,904,060**	**24**			**1**	

Eureko has issued one A share. There are special rights entitled to the A share. The majority of the decisions of Eureko's General Meeting of Shareholders can only be made after the approval of the holder of the A share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of Eureko B.V.

Eureko has issued 23,904,060 preference shares. The preference shares are entitled to dividends and have one vote per share in the General Meeting of Shareholders. The dividends paid are 7.15% per year on the share capital and share premium paid for those shares, but payment is subject to the approval of the General Meeting of Shareholders. The dividend on preference shares will become cumulative in case no cash or stock dividends are paid. Terms on the percentage will be reviewed every ten years. The first review will take place before 1 January 2014.

The preference shares have been issued to Eureko Tussenholding B.V. which exercises the voting rights attached to the preference shares. Eureko Tussenholding B.V. through Stichting Administratiekantoor Eureko Tussenholding has issued certificates of the preference shares to the ultimate investors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Legal reserve
According to legal requirements in the Netherlands a legal reserve has been set up for the non-distributable profits in associated companies, recognised internally developed software and Health segment subsidiary companies that are subject to regulatory requirements.

An amount of €659 million (2008: €277 million) of Total equity contributed by subsidiaries at year-end 2009, was subject to claims under provisions in the articles of association of a number of subsidiaries, stipulating that, in the event of liquidation, the equity of these companies must be used for the benefit of public health. As far as this amount is not included in the revaluation reserve it has been included in the legal reserve.

Revaluation reserve
Based on the accounting principles used by Eureko, a revaluation reserve is formed as appropriate. Furthermore, based on Dutch regulations, Eureko should form a legal reserve for all positive fair value changes of non-financial assets (e.g. investment property). This part of the reserve may not be negative. This reserve is formed by transferring the required amounts from Retained earnings to the Revaluation reserve. In 2009 an amount of €43 million is transferred from the Revaluation reserve to the Retained earnings. In 2008 an amount of €7 million has been transferred from the Retained earnings tot the Revaluation reserve.

Part of the Revalution reserve is related to property for own use. The revaluation surplus for property for own use at the beginning of the year was €31 million and at the end of the year €47 million. The majority of the remainder of the revaluation reserve is related to available for sale instruments.

The amounts presented within the revaluation reserve cannot be distributed to shareholders.

Hedging reserve
When Eureko applies cash flow or net investment hedge accounting, the fair value changes related to the effective part of the hedge relationship of the hedging instruments (derivatives) are recognised in Total equity into a separate component.
Amounts accumulated in the hedging reserve are recycled to the Income Statement in the periods in which the hedged item will affect Net profit.

Other equity instruments
In May 2008, Eureko B.V. issued €225 million of Perpetual Capital Securities ('Capital Securities'), with a coupon of 8.375% per annum. The coupon interest (in the amount of €83.75 per Capital Security of €1,000 par) will be paid annually on 23 May. Eureko B.V. has the right to call the issue at par on 23 May 2013 or annually thereafter. The Capital Securities can also be called earlier by Eureko B.V. in specific circumstances as mentioned in the Base Prospectus. The Capital Securities qualify as hybrid Tier-1 capital for regulatory solvency purposes. The issue is accounted for net of transaction costs in Total equity.

On 1 November 2006, Eureko B.V. issued €600 million of Perpetual Capital Securities with a coupon of 6.0%, payable annually in arrears. Eureko has the option to redeem the Perpetual Capital Securities annually on the coupon payment date, starting on 1 November 2012. The terms are designed to allow the issue to be part of Eureko's regulatory capital under anticipated Dutch regulatory rules, with a 'Tier 1' equivalent treatment.

On 24 June 2005, Eureko B.V. issued €500 million of Perpetual Capital Securities with an initial coupon of 5.125%, payable annually in arrears until the first call date in June 2015. If the issue is not called in 2015, the coupon will reset quarterly at an annual margin of 280 base points over the 3-month EURIBOR. The terms are designed to allow the issue to be part of Eureko's regulatory capital under anticipated Dutch regulatory rules, with a 'Tier 1' equivalent treatment.

Coupon payments on Other equity instruments are at the discretion of Eureko and subject to other limitations as described in the prospectus and will be charged to Retained earnings, part of Total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 NON-CONTROLLING INTEREST

The non-controlling interest in the Statement of Financial Position can be specified as follows:

(€ MILLION)

	2009	2008
WagenPlan B.V.	5	4
Other	1	2
	6	**6**

21 INSURANCE LIABILITIES

This note should be read in conjunction with note 15 (Amounts ceded to reinsurers).

(€ MILLION)

	2009	2008
Health insurance		
Unearned premiums	31	34
Provision for premium deficiency	13	26
Outstanding claims (including IBNR)	3,979	4,158
Total Health insurance	**4,023**	**4,218**
Life insurance		
Provision for life policy liabilities	24,007	25,235
Less: Deferred interest surplus rebates	122	160
Net provision for life policy liabilities	**23,885**	**25,075**
Profit sharing and bonuses	593	626
Total Life insurance	**24,478**	**25,701**
Non-Life insurance		
Unearned premiums	1,352	1,322
Provision for premium deficiency	74	71
Provision for unexpired risks (including ageing provision)	15	43
Outstanding claims (including IBNR)	5,075	5,058
Profit sharing and bonuses	95	58
Total Non-Life insurance	**6,611**	**6,552**
Total Insurance liabilities	**35,112**	**36,471**

These provisions are essentially of a long-term nature, with the exception of the provision for unearned premiums.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE PROVISION FOR UNEARNED PREMIUMS HEALTH

(€ MILLION)

	2009 GROSS	2009 REINSURANCE	2008 GROSS	2008 REINSURANCE
Balance at 1 January	34	-12	33	1
Added during the year	10,617	-190	11,259	-462
Released to the Income Statement	-10,620	203	-11,258	449
Balance at 31 December	**31**	**1**	**34**	**-12**

PROVISION FOR PREMIUM DEFICIENCY HEALTH

(€ MILLION)

	2009	2008
Balance at 1 January	26	122
Increase charged to the Income Statement		41
Released to the Income Statement	-13	-137
Balance at 31 December	**13**	**26**

MOVEMENT TABLE OF OUTSTANDING CLAIMS (INCLUDING IBNR) HEALTH

(€ MILLION)

	2009 GROSS	2009 REINSURANCE	2008 GROSS	2008 REINSURANCE
Balance at 1 January	4,158	27	3,104	25
Current period claims reported	10,368	635	10,761	421
Previous period claims reported/released	-1,388	-413	539	1
Plus claims reported	**8,980**	**222**	**11,300**	**422**
Current period claims paid	6,547	662	6,731	420
Previous period claims paid	2,612	-472	3,515	
Less claims paid	**9,159**	**190**	**10,246**	**420**
Balance at 31 December	**3,979**	**59**	**4,158**	**27**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of 1 January 2006, a new private health insurance system is in force in the Netherlands. This system consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is influenced by political processes. Furthermore, within basic health insurance a system of risk mitigation features is in force which also introduces additional uncertainty related to the final settlements.

Settlement of medical care costs between health insurers and Dutch hospitals has been based on the so-called 'Diagnose Behandel Combinaties' (DBCs) since 2005. This settlement method covers a whole medical treatment period in which the claim compensation for separate treatments is specified. The final settlement with the health insurer is at the end of the treatment period. Presently, Nederlandse Zorgautoriteit (NZa) is in the process of the calculation of the total impact and the allocation of the amount to the health insurers. Eureko follows the settlements received from NZa.

For more details regarding the uncertainties in health insurance, reference is made to Note 57 (Risk management).

CLAIMS DEVELOPMENT TABLE FOR HEALTH INSURANCE

(€ MILLION)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	TOTAL
Estimate of cumulative claims:										
At end of underwriting year	10,368	10,466	8,053	7,504	2,057	1,550	1,159	1,031	785	
One year later		10,699	7,769	6,936	2,087	1,479	1,135	1,029	770	
Two years later			7,885	6,904	2,119	1,442	1,129	1,024	761	
Three years later				6,329	2,073	1,480	1,151	1,020	759	
Four years later					1,867	1,481	1,125	994	754	
Five years later						1,336	1,175	1,066	843	
Six years later							1,075	1,025	853	
Seven years later								972	887	
Eight years later									897	
Estimate of cumulative claims	**10,368**	**10,699**	**7,885**	**6,329**	**1,867**	**1,336**	**1,075**	**972**	**897**	**41,428**
Cumulative payments	-6,547	-10,654	-7,864	-6,270	-1,855	-1,315	-1,075	-972	-897	-37,449
	3,821	45	21	59	12	21				
Value recognised at 31 December 2009										**3,979**

The data used to calibrate the provision is based on historical information gathered from public health care, private health care and estimates. The results on the equalisation fund (including standard nominal premium) and claims level are preliminary and will probably shift between insurers for some years. Eureko reassesses provisions for the underwriting year on an annual basis based on the latest information on claims level and macro-neutrality and settlements with the Dutch government (equalisation fund allocation for the underwriting year in question). When appropriate, Eureko has made additional provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE FOR PROVISION FOR LIFE POLICY LIABILITIES

(€ MILLION)

	2009 GROSS	2009 REINSURANCE	2008 GROSS	2008 REINSURANCE
Non-participating benefits				
Balance at 1 January	7,017	232	7,364	158
Benefits paid	-1,442	-68	-1,597	-62
Net premiums received	925	126	1,229	139
Technical result	-404	-125	-52	-50
Additions/disposals due to acquired sold portfolios			-22	
Foreign currency differences	-1		4	
Unwinding of discount	389		252	
Effect of changes in assumptions	-2		46	
Changes due to reclassification	485		-438	47
Effect of fair value changes	35		231	
Balance at 31 December	**7,002**	**165**	**7,017**	**232**
Participating benefits				
Balance at 1 January	18,218	458	17,279	409
Benefits paid	-1,303	-68	-1,225	-30
Net premiums received	859	27	1,013	48
Technical result	-120	-14	-375	30
Effect of merger pension funds	-1,244			
Additions/disposals due to acquired/sold portfolios			14	
Foreign currency differences			-2	
Unwinding of discount	496		599	1
Effect of changes in assumptions	-4		50	
Changes due to reclassification	103	23	-89	
Other changes			954	
Balance at 31 December	**17,005**	**426**	**18,218**	**458**
Life policy liabilities	**24,007**	**591**	**25,235**	**690**

The actuarial interest rate range for the Dutch activities was mainly between 3% and 4%. The Life liabilities for foreign operating companies are calculated in accordance with local statutory requirements, generally based on discounting at the technical interest rate guaranteed for the product. The results are subject to a Liability Adequacy Test using prudent assumptions and discounting at a locally determined risk free rate.

The provision for non-participating benefits contains an amount of €3.7 billion (2008: €4.1 billion) that is calculated based on actual interest rates.

Changes due to reclassification are mainly related to product and presentation changes between insurance liabilities, insurance liabilities for policyholders and investment contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DEFERRED INTEREST SURPLUS REBATES

(€ MILLION)

	2009	2008
Balance at 1 January	160	202
Rebates granted	13	-16
Amortisation	-51	-26
Balance at 31 December	**122**	**160**

PROFIT SHARING AND BONUSES

(€ MILLION)

	2009	2008
Balance at 1 January	626	44
Net movements during the period	-33	582
Balance at 31 December	**593**	**626**

Net movements mainly relate to vested rights that have not yet been credited to policyholder accounts related to fair value changes in investments.

MOVEMENT TABLE PROVISION FOR UNEARNED PREMIUMS NON-LIFE

(€ MILLION)

	2009 GROSS	2009 REINSURANCE	2008 GROSS	2008 REINSURANCE
Balance at 1 January	1,322	73	1,246	64
Acquisitions			51	1
Disposals				
Change in composition of the Group			**51**	**1**
Added during the year	4,030	291	3,816	273
Released to the Income Statement	-3,996	-295	-3,770	-256
Foreign currency differences	-4		-21	-9
Balance at 31 December	**1,352**	**69**	**1,322**	**73**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROVISION FOR PREMIUM DEFICIENCY NON-LIFE

(€ MILLION)

	2009	2008
Balance at 1 January	71	55
Increase charged to the Income Statement	3	16
Balance at 31 December	**74**	**71**

MOVEMENT TABLE FOR OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE

(€ MILLION)

	2009 GROSS	2009 REINSURANCE	2008 GROSS	2008 REINSURANCE
Balance at 1 January	5,058	403	5,068	534
Acquisitions			45	1
Disposals				
Change in composition of the Group			**45**	**1**
Current period claims reported	2,825	93	2,828	65
Previous period claims reported /released	-126	36	-424	-4
Plus claims reported	**2,699**	**129**	**2,404**	**61**
Current period claims paid	1,524	102	1,390	84
Previous period claims paid	1,176	139	998	79
Less claims paid	**2,700**	**241**	**2,388**	**163**
Additions/disposals due to acquired/sold portfolios			-11	
Foreign currency differences	-2		-22	-18
Unwinding of discount	20		24	2
Effect of changes in assumptions			5	-11
Changes due to reclassification			-67	-3
Balance at 31 December	**5,075**	**291**	**5,058**	**403**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE INSURANCE

(€ MILLION)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	TOTAL
Estimate of cumulative claims:										
At end of underwriting year	2,825	2,828	2,709	2,235	3,289	1,213	1,097	950	959	
One year later		2,827	2,596	2,215	3,193	1,189	1,125	1,028	964	
Two years later			2,564	2,155	3,211	1,128	1,123	1,000	966	
Three years later				2,129	3,169	1,078	1,033	1,035	1,023	
Four years later					3,158	1,050	1,005	987	1,027	
Five years later						1,056	994	947	972	
Six years later							975	917	981	
Seven years later								878	955	
Eight years later									951	
Estimate of cumulative claims	**2,825**	**2,827**	**2,564**	**2,129**	**3,158**	**1,056**	**975**	**878**	**951**	**17,363**
Cumulative payments	-1,524	-1,853	-1,706	-1,635	-2,097	-918	-878	-847	-878	-12,336
	1,301	**974**	**858**	**494**	**1,061**	**138**	**97**	**31**	**73**	**5,027**
Insurance liabilities claims prior years (<2001)										223
Effect of discounting										-175
Value recognised at 31 December 2009										**5,075**

PROFIT SHARING AND BONUSES

(€ MILLION)

	2009	2008
Balance at 1 January	58	
Effect of changes in assumptions	4	14
Net movements during the period	33	44
Balance at 31 December	**95**	**58**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 INSURANCE LIABILITIES FOR POLICYHOLDERS

The insurance liabilities for policyholders are linked to the Investments backing linked liabilities.

MOVEMENT TABLE INSURANCE LIABILITIES FOR POLICYHOLDERS

(€ MILLION)

	2009	2008
Balance at 1 January	15,452	17,789
Benefits paid	-1,514	-1,889
Net premiums received	3,214	1,989
Technical result	-314	9
Effect of merger pension funds	1,244	
Additions/disposals due to acquired/sold portfolios		6
Unwinding of discount	167	109
Effect of changes in other assumptions	-14	49
Effect of fair value changes related to financial assets	1,079	-2,147
Changes due to reclassification	27	-463
Balance at 31 December	**19,341**	**15,452**

Changes due to reclassification are mainly related to product and presentation changes between Insurance liabilities, Insurance liabilities for policyholders and liabilities classified as ‘Held for sale’.

23 INVESTMENT CONTRACTS

Financial contracts which do not meet the definition of an insurance contract are presented separately as investment contracts. The linked investments are presented as part of Investments backing linked liabilities. These liabilities are essentially of a long-term nature.

MOVEMENT TABLE INVESTMENT CONTRACTS

(€ MILLION)

	2009	2008
Balance at 1 January	2,207	3,278
(Net) consideration received	353	307
Consideration paid	-346	-349
Effect of fair value changes related to financial assets	99	-996
Changes due to reclassification	2	-33
Balance at 31 December	**2,315**	**2,207**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 LIABILITIES RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

Under securities lending programmes, Eureko lends securities to borrowers, who in turn pay cash collateral. The liability reflects the amount Eureko owes to the borrowers related to the cash collateral paid by the borrowers and which collateral is invested in investment funds held by a lending agent on behalf of Eureko. The cash collateral is invested in money market funds. The investments in these funds are included in Investments related to cash collateral received in securities lending (Note 11).

(€ MILLION)

	2009	2008
Balance at 1 January	5,287	9,216
Money deposited	1,041	30,730
Money withdrawn	-4,744	-34,659
Balance at 31 December	**1,584**	**5,287**

The fair value of the liabilities which are measured at amortised cost at year end is €1,552 million (2008: €5,057 million). The liabilities are, in principle, payable on demand however due to contractual provisions with the lending agent, Eureko is not directly liable for repayments of the deposits if requested by the borrower. Only in the rare circumstance that all borrowers would terminate their current security lending contracts at once would it be possible that Eureko would be liable for the shortfall in the investment fund.

25 EMPLOYEE BENEFITS

The pension liability for Group companies as at 31 December, based on an actuarial valuation of the projected benefits, is as follows:

(€ MILLION)

2009	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Defined benefit obligation	3,559	85	3,644
Fair value of total plan assets	-3,490	-51	-3,541
Fair value of non-qualifying plan assets	612		612
Unfunded status	**681**	**34**	**715**
Unrecognised actuarial gains and losses	448	-21	427
Recognised liability for defined benefit obligations	**1,129**	**13**	**1,142**

2008	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Defined benefit obligation	3,634	68	3,702
Fair value of total plan assets	-3,280	-54	-3,334
Fair value of non-qualifying plan assets	591		591
Unfunded status	**945**	**14**	**959**
Unrecognised actuarial gains and losses	238	-3	235
Recognised liability for defined benefit obligations	**1,183**	**11**	**1,194**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The pension plan for Dutch employees was up to 2008 executed by two seperate pension funds (Stichting Pensioenfonds Achmea Personeel and Stichting Pensioenfonds Interpolis). Effective 1 January 2009 both funds merged into Stichting Pensioenfonds Achmea (Achmea Pension fund Foundation). The merged pension fund entered into a reinsurance contract with one of Eureko's Dutch life insurance companies. Furthermore Eureko and Achmea Pension fund Foundation agreed on a new agreement of execution ('Uitvoeringsovereenkomst') amongst others stipulating the funding of the pension fund. Eureko does not have control over Achmea Pension Fund Foundation. Reference is made to Note 1 (Exceptional events).

The non-qualifying plan assets consist of insurance policies issued by Eureko group companies.

Eureko maintains defined benefit retirement plans in the major countries in which it operates. These plans generally cover all employees and provide benefits that are related to the remuneration and service of employees upon retirement.

Annual contributions are paid to the plans at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations concerning investments and funding levels.

Certain group companies sponsor defined contribution pension plans. The assets of all Eureko's defined contribution plans are held in independently managed funds. Contributions are generally determined as a percentage of pay.

The amount incurred in 2009 was €13 million (2008: €14 million).

MOVEMENT TABLE EMPLOYEE BENEFITS

(€ MILLION)

	THE NETHERLANDS	OTHER COUNTRIES	**TOTAL 2009**	TOTAL 2008
Net liability at 1 January	1,183	11	1,194	2,163
Contributions made	-248	-4	-252	-187
Net expense recognised in the Income Statement	180	5	185	147
Other changes	14	1	15	-929
Net liability at 31 December	**1,129**	**13**	**1,142**	**1,194**

EXPENSE RECOGNISED IN THE INCOME STATEMENT

(€ MILLION)

	THE NETHERLANDS	OTHER COUNTRIES	**TOTAL 2009**	TOTAL 2008
Current service costs	137	4	141	128
Interest on benefit obligation	195	4	199	185
Expected return on plan assets	-152	-2	-154	-148
Amortisation of actuarial losses/(gains)		-1	-1	-18
Total, included in Operating expenses	**180**	**5**	**185**	**147**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENTS TABLE QUALIFYING PLAN ASSETS

(€ MILLION)

	2009	2008
Balance at 1 January	2,743	1,636
Contributions into plan by employer	231	187
Benefits paid by the plan	-64	-75
Expected return on plan assets	132	148
Unrecognised actuarial gains and losses	-100	-114
Changes due to reclassification	-13	
Other changes		961
Balance at 31 December	**2,929**	**2,743**

QUALIFYING PLAN ASSETS

The qualifying plan assets comprise the following investment categories:

(%)

Equity instruments	17.0
Fixed-income investments	79.0
Investment property	4.0

ACTUAL RETURN ON PLAN ASSETS

(%)

	THE NETHERLANDS	OTHER COUNTRIES
2009		
Qualifying plan assets	0.89	n.m.
Non-qualifying plan assets	3.43	
2008		
Qualifying plan assets	2.22	n.m.
Non-qualifying plan assets	6.59	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MOVEMENT TABLE DEFINED BENEFIT OBLIGATION

(€ MILLION)

	2009	2008
Balance at 1 January	3,702	3,479
Benefits paid by the plan	-86	-76
Current service costs and interest	340	313
Unrecognised actuarial gains and losses	-318	-9
Past service cost, curtailment and settlements	-1	
Other movements	7	-5
Balance at 31 December	**3,644**	**3,702**

Determination of expected return on assets

An important element for financial reporting is the assumption for returns on plan assets. These returns are updated at least annually, taking into consideration the pension funds asset allocation, the historical returns and the current economic environment. Based on these components, an annual average return is calculated for a long term. These estimations take into account a reduction for administrative and investment expenses. Furthermore it is assumed that the target asset allocation of the pension funds will be consistent over a long term. Changes in the asset allocation could impact pension expenses recognised in the Income Statement, the funded status of the plans and the need for future cash contributions.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT REPORTING DATE (EXPRESSED AS WEIGHTED AVERAGE ASSUMPTIONS)

(%)

2009	THE NETHERLANDS	OTHER COUNTRIES
Discount rate at 31 December	5.70	5.70
Expected return on qualifying plan assets	3.72–5.61	3.00–6.00
Expected return on non-qualifying plan assets	3.72	
Future salary increases	2.50	3.00–3.50
Future pension increases	2.00	2.00

2008	THE NETHERLANDS	OTHER COUNTRIES
Discount rate at 31 December	5.20	4.45–5.70
Expected return on qualifying plan assets	3.72–5.47	3.00–7.70
Expected return on non-qualifying plan assets	3.72	
Future salary increases	2.50	3.00
Future pension increases	2.00	2.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HISTORICAL INFORMATION

(€ MILLION)

	2009	2008	2007	2006	2005
Present value of the defined benefit obligations	3,644	3,702	3,479	3,452	3,277
Fair value of qualifying plan assets	2,929	2,743	1,636	1,327	1,137
Deficit in the plan	**715**	**959**	**1,843**	**2,125**	**2,140**
Experience adjustments arising on plan liabilities	-905	-587	-570	82	-100
Percentage of scheme liabilities	-24.9%	-15.9%	-16.4%	2.4%	-3.1%
Experience adjustments arising on plan assets	330	229	99	-14	16
Percentage of scheme assets	11.4%	8.3%	6.1%	-1.1%	1.4%

Eureko expects to pay €205 million in contributions to defined benefit plans in 2010.

26 OTHER PROVISIONS

(€ MILLION)

2009	RESTRUCTURING	EQUITY PARTICIPATION PLAN	OTHER	TOTAL
Balance at 1 January	98	10	214	322
Additions	43		60	103
Usage	-47		-52	-99
Released		-1	-23	-24
Changes due to reclassification			-15	-15
Balance at 31 December	**94**	**9**	**184**	**287**
Non-current	25		41	66
Current	69	9	143	221
Balance at 31 December	**94**	**9**	**184**	**287**

2008	RESTRUCTURING	EQUITY PARTICIPATION PLAN	OTHER	TOTAL
Balance at 1 January	57	23	206	286
Additions	93	-1	122	214
Usage	-52	-12	-102	-166
Released			-13	-13
Foreign currency differences			1	1
Balance at 31 December	**98**	**10**	**214**	**322**
Non-current	5		20	25
Current	93	10	194	297
Balance at 31 December	**98**	**10**	**214**	**322**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Restructuring

In 2009, provisions were made due to the restructuring costs arising from business process redesign programmes.

Equity participation plan

Employees (including directors) of Achmea Holding N.V. can be granted the right to acquire depository receipts for shares of Eureko B.V. The right to acquire depository receipts for shares can be exercised for the first time after three years, but not later than ten years from the date on which the right was granted to the employee. The rules include some exceptions to this. If an option right is exercised, Vereniging Achmea will deliver depository receipts for shares to Eureko B.V. and Eureko B.V. will simultaneously pay the selling price to Vereniging Achmea. Eureko B.V. will deliver the depository receipts to the employee in return for the payment of the exercise price by the employee to Eureko B.V. The employee must, within one year, sell the depository receipts acquired to Vereniging Achmea. The value of the depository receipts associated with the option rights depends on the valuation of Eureko shares performed by an independent expert. The independent expert performs the valuation on the basis of the valuation rules agreed for Eureko. The valuation model leads to an approximate market value of the Eureko shares. As the depository receipts associated with the option rights are based on the approximate market value there is no discrepancy between the weighted average exercise price and weighted average share price.

The options are granted in April of the corresponding years. The option scheme is considered to be a cash-settled share-based payment and, therefore, Eureko assumes a corresponding liability.

In 2009 no options (2008: 220,000) have been granted to active and former members of the Executive Board and no options (2008: 630,174) have been granted to other employees employed by Eureko.

The summaries below show the changes in 2009 and 2008 and the details of the options outstanding at the end of 2009.

MOVEMENTS IN OPTIONS GRANTED UNDER THE EQUITY PARTICIPATION PLAN

	NUMBER OF OPTIONS 2009	WEIGHTED AVERAGE EXERCISE PRICE (IN €) 2009	NUMBER OF OPTIONS 2008	WEIGHTED AVERAGE EXERCISE PRICE (IN €) 2008
Outstanding, at the beginning of the year	2,486,962	37.03	2,449,599	32.85
Granted during the year			850,174	42.08
Exercised during the year	-1,111	17.54	-777,049	29.15
Expired during the year	-143,217	36.04	-35,762	42.08
Outstanding, at the end of the year	**2,342,634**	**37.10**	**2,486,962**	**37.03**
Exercisable, at the end of the year	**1,102,627**	**31.91**	**498,429**	**28.04**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR	ORIGINAL NUMBER OF OPTIONS GRANTED	OPTIONS OUTSTANDING AS AT 1-1-2009	OPTIONS OUTSTANDING AS AT 31-12-2009	EXERCISE PRICE (IN €)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS
2003	637,090	26,252	25,321	17.54	2.77
2004	716,770	152,886	122,155	23.87	4.03
2005	680,745	319,334	309,814	30.90	3.57
2006	843,122	668,034	645,337	34.48	4.12
2007	666,821	606,308	568,962	41.28	7.25
2008	850,174	714,148	671,045	42.08	8.25
2009					
		2,486,962	**2,342,634**		**5.97**

The fair value of options granted was determined using an option pricing model, substantially similar to the Black-Scholes model, with the following assumptions:

	2009	2008
Expected volatility (in %)	56.00	68.55
Option life (contractual in years)	5.97	6.99
Option life (expected in years)	2.85	3.44
Average risk-free interest rate (in %)	2.64	3.32
Underlying price (in €)	20.69	20.42

The valuation model includes the human behaviour factors through an adjustment to the expected average life of the options.

The basic factors affecting the valuation of share-based payments are:
– Underlying number of options on Eureko shares granted;
– Underlying price which is determined by the annually Eureko valuation process, as Eureko is not a listed company;
– Exercise price;
– Maturity of the options;
– Expected volatility;
– Risk-free interest rate derived from zero-coupon Dutch government issues.

Expected volatility is a measure of the amount by which the share price is expected to fluctuate during a period. As there is no trade market for Eureko shares, Eureko uses an implied volatility of similar entities.

Share-based payment expense

The total expense recognised for the year arising from share-based payment transactions and recorded in the Income Statement amounts to:

	2009	2008
Cash settled share-based payment expense	-1	-1

Other

Other provisions include provisions for short-term employee benefits and indemnities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BANKING CUSTOMER ACCOUNTS

CLASSIFIED BY NATURE

(€ MILLION)

2009	DEPOSITS	OTHER FUNDS ENTRUSTED	TOTAL
Balance at 1 January	179	4,909	5,088
Money deposited	368	146	514
Money withdrawn	-26	-526	-552
Balance at 31 December	**521**	**4,529**	**5,050**

2008	DEPOSITS	OTHER FUNDS ENTRUSTED	TOTAL
Balance at 1 January	491	4,425	4,916
Money deposited	93	516	609
Money withdrawn	-405	-32	-437
Balance at 31 December	**179**	**4,909**	**5,088**

The fair value of Banking customer accounts measured at 'Amortised cost' at year-end is €5,060 million (2008: €4,415 million). The measurement is based mainly on inputs from observable market data.

DEPOSITS

(€ MILLION)

	2009	2008
Deposits from other banks	521	71
Other money market deposits		108
	521	**179**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

2009	DEPOSITS	INTEREST PAYMENTS	OTHER FUNDS ENTRUSTED	INTEREST PAYMENTS	TOTAL
On demand	3		2,624	1	2,628
Less than 3 months			422	15	437
3–12 months	505	8	597	13	1,123
1–2 years	6	1	337	21	365
2–3 years	7		72	13	92
3–4 years			144	11	155
4–5 years			87	9	96
Over 5 years			246	53	299
	521	**9**	**4,529**	**136**	**5,195**

2008	DEPOSITS	INTEREST PAYMENTS	OTHER FUNDS ENTRUSTED	INTEREST PAYMENTS	TOTAL
On demand	7		2,500	1	2,508
Less than 3 months	76	3	781	19	879
3–12 months	70	3	742	32	847
1–2 years			168	14	182
2–3 years	6	2	238	12	258
3–4 years	20	1	183	11	215
4–5 years			198	7	205
Over 5 years			99	43	142
	179	**9**	**4,909**	**139**	**5,236**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 LOANS AND BORROWINGS

CLASSIFIED BY NATURE

(€ MILLION)

2009	LOANS AT FAIR VALUE	LOANS AT AMORTISED COST	TOTAL
Secured bank loans		9,643	9,643
Unsecured loans		3,346	3,346
Subordinated loans		114	114
Others	3	242	245
	3	**13,345**	**13,348**

2008	LOANS AT FAIR VALUE	LOANS AT AMORTISED COST	TOTAL
Secured bank loans		11,746	11,746
Unsecured loans		1,279	1,279
Subordinated loans		115	115
Others	3	270	273
	3	**13,410**	**13,413**

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2009	TOTAL 2008
Balance at 1 January	11,746	1,279	115	273	13,413	13,676
Acquisitions						25
Disposals						
Change in composition of the Group						**25**
Money deposited	13	3,025	31	984	4,053	4,622
Money withdrawn	-1,984	-943	-30	-1,010	-3,967	-5,163
Amortisation	88				88	-4
Effect of change in the benchmark rate	-25	6			-19	22
Change in value due to fair value hedge accounting	-195	-38		-1	-234	210
Foreign currency differences				1	1	-3
Accrued interest		17	-2	-2	13	28
Balance at 31 December	**9,643**	**3,346**	**114**	**245**	**13,348**	**13,413**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RECONCILIATION NOMINAL AMOUNTS AND CARRYING AMOUNTS 'AT FAIR VALUE CLASSIFICATION'

(€ MILLION)

	OTHER	TOTAL 2009	TOTAL 2008
Carrying amount	3	3	3
Nominal amount	4	4	5
Difference	**-1**	**-1**	**-2**

As at 31 December 2009, total loans outstanding to finance the banking activity were €12,539 million (2008: €11,943 million).

The fair value of loans and borrowings measured at 'Amortised cost' at year end is €12,688 million (2008: €12,907 million).

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 2009	LOANS AND BORROWINGS	INTEREST	TOTAL 2008
On demand	4		4	2		2
Less than 3 months	316	84	400	1,008	139	1,147
3–12 months	2,446	269	2,715	2,374	332	2,706
1–2 years	709	256	965	2,327	386	2,713
2–3 years	2,562	252	2,814	651	324	975
3–4 years	1,577	158	1,735	2,484	298	2,782
4–5 years	5,448	916	6,364	1,602	175	1,777
Over 5 years	286	44	330	2,965	163	3,128
	13,348	**1,979**	**15,327**	**13,413**	**1,817**	**15,230**

Secured loans and borrowings

Secured borrowings include debentures issued by Achmea Hypotheekbank N.V. under its €10 billion Secured debt issuance programme, its €10 billion Covered bond programme, and various Residential mortgage backed securities issued by special purpose entities controlled by Achmea Hypotheekbank N.V. These debentures are in various base currencies and are collateralised by residential mortgage loans.

Unsecured loans and borrowings

The commercial paper issued by Achmea Hypotheekbank N.V. under its €1.5 billion Commercial paper programme carried an average interest rate of 4.21% (2008: 5.15%) and matured in March 2009. The syndicated revolving credit facility of Friends First Finance Ltd has a maximum size of €350 million and matures in September 2014. The bilateral credit facility extended by Rabobank matures in April 2012. The syndicated credit facility of Eureko B.V. has a maximum size of €750 million of which €70 million matures in June 2012 and €680 million in June 2013. At the end of 2009 Eureko B.V. has not used this credit facility. In June 2009, Eureko B.V. issued €750 million notes (at 7.375%) under its €2.5 billion programme for the issuance of debt instruments. These notes will mature in June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNSECURED LOANS AND BORROWINGS

(€ MILLION)

	2009	2008
Commercial paper issued by Achmea Hypotheekbank N.V.		99
Syndicated Revolving Credit Facility issued by Friends First Finance Ltd	309	328
Loans with Rabobank issued by Friends First Finance Ltd		100
Syndicated Credit Facility issued by Eureko B.V.		752
Guaranteed debt instrument	2,257	
Debt Instruments Eureko B.V.	780	
	3,346	**1,279**

Guaranteed debt instrument
The unsecured loans and borrowings include a five year liability of $3.25 billion (€2.3 billion) maturing in November 2014, which was raised with support of the 2008 Credit Guarantee Scheme of the Dutch government. Eureko used the scheme because liquidity on the capital market is still weak. Participation in the scheme is contingent upon meeting a few standard requirements related to strategy, liquidity profile and capitalisation.
Eureko's subsidiary Achmea Hypotheekbank N.V. is required to pay a guarantee fee. For the fixed part of the loan the fee has been included in the amortised cost of the liability whilst for the variable part it will be expensed when incurred. Furthermore Eureko B.V. has provided the Dutch government with indemnity for amounts due to it by Achmea Hypotheekbank N.V. as a result of this scheme. Reference is made to Note 1 (Exceptional events).

Subordinated loans
The subordinated loans are subordinated to all other current and future liabilities and they are all equal in rank. The average interest rate for 2009 was 3.9% (2008: 5.6%).

29 DERIVATIVES

(€ MILLION)

2009	INTEREST RATE	CURRENCY	OTHER	TOTAL
Balance at 1 January	770	89		859
Consideration received		4,003		4,003
Consideration paid	-68	-3,833		-3,901
Change in benchmark	6			6
Foreign currency differences		159		159
Accrued interest		-2		-2
Balance at 31 December	**708**	**416**		**1,124**

2008	INTEREST RATE	CURRENCY	OTHER	TOTAL
Balance at 1 January	334	34	3	371
Consideration received	423	89		512
Consideration paid		-35	-3	-38
Fair value changes	13	1		14
Balance at 31 December	**770**	**89**		**859**

Details of the nature of the derivative instruments outstanding are set out in Note 57 (Risk management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following items:

(€ MILLION)

2009	BALANCE AT 1 JANUARY 2009	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	**BALANCE AT 31 DECEMBER 2009**
Investments	326	28	116	-42	428
Deferred acquisition costs	9	7		-16	
Other assets	112			-112	
Insurance liabilities		-2		2	
Employee benefits		5		-5	
Other liabilities	79			-62	17
Securities lending		2	28	-23	7
	526	**40**	**144**	**-258**	**452**

2008	BALANCE AT 1 JANUARY 2008	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2008
Investments	194	-1	-41	174	326
Deferred acquisition costs				9	9
Other assets	200	-21	-41	-26	112
Reinsurance	26			-26	
Other liabilities	34	4		41	79
	454	**-18**	**-82**	**172**	**526**

The tax rates used in calculating Eureko's deferred taxes are the applicable national rates, which in 2009 en 2008 ranged from 10.0% to 34.0%. Changes in tax rates already enacted as at 31 December 2009 are taken into account.

The Other movements are primarily caused by changes from deferred to current tax positions.

To reconcile the Consolidated Income Statement with movement schedule information regarding deferred tax liabilities, a reclassification of €22 million within the comparative figures has been made in Other assets from Other movements to Recognised in income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 OTHER LIABILITIES

(€ MILLION)

	2009	2008
Liabilities out of direct insurance:		
Policyholders	1,020	897
Agents	151	257
Prepaid premiums	21	32
Other investment liabilities	85	93
Credit institutions	2	2
Reinsurance liabilities	63	64
Taxes and social security premiums	125	135
Creditors	154	78
Cash liabilities		411
Employee benefits	41	40
Accruals and deferred income	556	542
Other	891	815
	3,109	**3,366**

The Other liabilities are of a short-time nature.

32 OPERATING LEASES

The future rental commitments linked to operational lease contracts on 31 December are as follows:

OPERATING LEASES AND RENTAL CONTRACTS

(€ MILLION)

	2009	2008
Less than one year	76	83
Between one and five years	238	190
More than five years	274	92
	588	**365**

In 2009, €3 million was recognised as an expense in the Consolidated Income Statement in respect of operating leases (2008: €5 million). €2 million was recognised as income in respect of subleases (2008: €7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 CONTINGENT LIABILITIES

Legal procedures

Eureko B.V. and companies forming part of Eureko are involved in lawsuits and arbitration proceedings. These actions relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurers, credit providers, employers, investors and tax payers. Although it is not possible to predict or define the outcome of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcome of the actions will have a material, negative impact on the financial position of Eureko B.V.

CONTINGENT LIABILITIES (€ MILLION)

	2009	2008
Guarantees	543	645
Irrevocable letters of credit	217	397
Other commitments	2	9
	762	**1,051**

The Netherlands based insurance companies of Eureko have given guarantees to Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. to a maximum of €88 million (2008: €92 million). Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks relating to terrorism.

Contingencies related to shares subject to repurchase agreement

Pursuant to certain share repurchase agreements, several shareholders of Eureko B.V. have the right to sell their shares on market based conditions during a certain timeframe to certain third parties which are unrelated to Eureko B.V. When an option is exercised, Eureko B.V. has the subsequent right to purchase these shares or to enter into a derivative transaction with the purchasing third party. Pursuant to this transaction Eureko B.V. will pay the purchaser an upfront premium equal to the settlement amount due by the purchaser to the selling shareholder under the related option. During the life of the derivative transaction, which has no fixed maturity, Eureko B.V. will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Eureko B.V. will receive from the purchaser the upfront premium paid plus part of the change in value of the Eureko B.V. shares held by the third party during the life of the derivative transaction.

NUMBER OF OUTSTANDING OPTIONS

	OUTSTANDING AS AT 31 DECEMBER 2009	OUTSTANDING AS AT 31 DECEMBER 2008
Länsförsäkringar Liv Försäkringsab (publ)	1,761,294	1,761,294
Länsförsäkringar SAK Försäkringsab (publ)	1,761,294	1,761,294
Schweizerische Mobiliar Holding AG	2,769,246	2,769,246
Gothaer Allgemeine Versicherung AG	1,849,108	1,849,108
Gothaer Finanz Holding AG	2,206,482	2,206,482
	10,347,424	**10,347,424**

The exercise price of the options is Eureko's share price as determined by the Eureko Valuation Model. As of 31 December 2009 Eureko's share price was determined at €20.69 (2008: €20.42). The option plan has been maximised to €270 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS

Identity of related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. In the normal course of the business, Eureko maintains various types of ordinary business course relations (particularly in the area of insurance, banking and asset management) with related companies and parties. Besides this, the related party transactions comprise associated companies, and participating interests, joint ventures, key management personnel and close family members of related parties. The transactions with those parties are not considered material to Eureko, either individually or in the aggregate.

Remuneration of the Executive Board and the Supervisory Board

In addition to their salaries, Eureko makes contributions to defined benefit plans that provide pension benefits for members of the Executive Board upon retirement. The plans are based upon final salary. For the determination of the defined benefit liability Eureko uses similar assumptions and methods as used for the other defined benefit plans as disclosed in Note 25 (Employee benefits).

Executive Board members also participate in the Group's equity participation plan. Reference is made to Note 26 (Other provisions).

TOTAL REMUNERATION OF THE EXECUTIVE BOARD (€ MILLION)

	2009	2008
Fixed remuneration	3.0	3.6
Short-term employee benefits		1.2
Post-employment benefits active board members	0.9	2.3
Post-employment benefits former board members	1.5	1.3
Termination benefits		3.2
Share-based payment active board members		1.5
Share-based payment former board members		3.8
	5.4	**16.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In 2009 no options were granted to the Executive Board relating to the Equity participation plan. During 2009, the Executive Board exercised no options. The exercising period of the options was from 30 March 2009 until 2 May 2009.

Loans provided to Executive Board members amounted to €4 million (2008: €4 million). The average interest rate of these loans is 4.6% (2008: 4.6%).

NUMBER OF EXECUTIVE BOARD MEMBERS

(€ MILLION)

	2009	2008
Number of Executive Board members in active service	5.0	6.0
Average number of Executive Board members during the year	5.0	5.8

AVERAGE REMUNERATION OF AN EXECUTIVE BOARD MEMBER (EXCLUDING TERMINATION BENEFITS AND EQUITY PARTICIPATION PLAN):

(€ MILLION)

	2009	2008
Fixed remuneration	0.60	0.62
Short-term employee benefits		0.21
Post-employment benefits	0.18	0.40
	0.78	**1.23**

The Supervisory Board members received a total remuneration of €0.9 million (2008: €0.8 million). The Supervisory Board members are not entitled to any bonuses or stock options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rabobank

For its operations, Eureko uses various regular banking services of the Rabobank Group. All services and transactions with Rabobank are at arm's-length and based on regular market rates.

Distribution channel

Local Rabobanks are a major distribution channel for Eureko's Dutch insurance products. For the distribution of insurance products Eureko has paid commissions of €313 million to local Rabobanks over 2009 (2008: €289 million). With the introduction of the basic health insurance, a specific offer has been made to the affiliated members ('aangesloten leden') of the Rabobank. They are granted a 7.5% discount on the basic health insurance premiums and 10% on the premiums for the additional health insurance.

Asset management

Management of Eureko's Dutch investments is partly outsourced to Robeco, an asset manager within the Rabobank Group. For the rendering of these services Eureko has paid fees over 2009 amounting to €7 million (2008: €7 million).

Facility services

Amongst others, Eureko in the Netherlands obtains ICT services from Rabofacet, the facility service unit within the Rabobank Group. For these services Eureko paid fees over 2009 amounting to €2 million (2008: €9 million).

Derivatives

Eureko has a foreign exchange derivative of €274 million with Rabobank. The value of this derivative is €2 million by the end of 2009.

Insurance services delivered to Rabobank

Rabobank has insured several risks with Eureko, including a collective health insurance contract with Zilveren Kruis Achmea. The premiums related to this insurance coverage over 2009 are €72 million (2008: €71 million).

Balances as of 31 December 2009 with Rabobank Group

Savings accounts that are backing financial liabilities for policyholders and a credit facility that is reported as Loans and borrowings.

F&C Asset Management plc

In 2004, Eureko merged its fully owned F&C Asset Management activities with ISIS Asset Management plc, a fully consolidated listed subsidiary of Friends Provident plc. After the merger Eureko, which owns 10.49% of the shares as of 31 December 2009, is no longer the controlling shareholder in the new combination. As part of the transaction, agreements have been made between parties about the continuation of the asset management activities for Eureko by the new combination for a ten year period. For these activities Eureko paid fees over 2009 amounting to €30 million (2008: €33 million). The fees are determined at regular market rates.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 GROSS WRITTEN PREMIUMS HEALTH

(€ MILLION)

	2009	2008
Basic health insurance	9,082	9,812
Supplementary health insurance	1,237	1,178
Other health insurance	298	269
Total	**10,617**	**11,259**

36 GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	2009	2008
Individual	1,069	1,293
Group	1,804	949
Account policyholder	2,125	1,989
	4,998	**4,231**

GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	SINGLE PREMIUM	ANNUAL PREMIUM	TOTAL 2009	TOTAL 2008
Individual life insurance				
with profit sharing	95	139	234	685
without profit sharing	442	393	835	608
for account policyholders	96	1,317	1,413	1,361
	633	**1,849**	**2,482**	**2,654**
Group life insurance				
with profit sharing	1,308	406	1,714	646
without profit sharing		90	90	303
for account policyholders	288	424	712	628
	1,596	**920**	**2,516**	**1,577**
	2,229	**2,769**	**4,998**	**4,231**

For the increase of premiums in Group life insurance reference is made to the merger of the pension funds in Note 1 (Exceptional events).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 GROSS WRITTEN PREMIUMS NON-LIFE

(€ MILLION)

	2009	2008
Accident	767	764
Motor liability	704	698
Motor other	827	734
Transport/aviation	88	97
Property	1,122	1,039
General liability	246	240
Legal assistance	181	168
Other	95	76
	4,030	**3,816**

38 INCOME FROM ASSOCIATED COMPANIES AND PARTICIPATING INTERESTS

(€ MILLION)

	2009	2008
Income from investments in associated companies	281	140
Income from investments in participating interests	-40	-693
	241	**-553**

INCOME FROM ASSOCIATED COMPANIES

(€ MILLION)

	2009	2008
PZU S.A.	264	238
F&C Asset Management plc	1	4
Garanti Emeklilik ve Hayat A.S.	2	
Hippokrates B.V.	-1	
Income from associated companies	**266**	**242**
Impairment loss		-103
Reversal of impairment loss	15	
Other		1
	281	**140**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of Eureko's share in net income of PZU

Eureko has included an amount of €264 million for its share in PZU's 2009 net income. The table below shows a reconciliation of PZU's 2009 net income as published by PZU to the amount as taken into account by Eureko.

RECONCILIATION EUREKO'S SHARE IN NET INCOME PZU (MILLION)

Net income IFRS published by PZU		PLN	3,763
Adjustments to Eureko IFRS		PLN	-7
Net income PZU on Eureko IFRS		**PLN**	**3,756**
Eureko's share in Net income PZU on Eureko IFRS in PLN	33% 1)	PLN	1,239
Eureko's share in Net income PZU on Eureko IFRS in EUR	4.3432 2)	EUR	285
Adjustment related to preliminary reported PZU Net income		EUR	-21
Result on PZU included in Eureko's Consolidated Income Statement		**EUR**	**264**

1) Eureko's stake in PZU less one share including the 10% stake that has been transferred to a special purpose vehicle

2) Average foreign exchange rate PLN/EUR

The adjustment to Eureko IFRS is related to a different treatment of Property for own use.

INCOME FROM PARTICIPATING INTERESTS (€ MILLION)

	2009	2008
Direct income:		
Dividend	2	
Realised gains and losses	-31	
Impairment loss	-11	-693
	-40	**-693**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 INVESTMENT INCOME

INCOME FROM INVESTMENTS BASED ON ACCOUNTING TREATMENT OF INVESTMENTS

(€ MILLION)

	2009	2008
Investment property	108	105
Investments 'Available for sale'	1,125	1,039
Investments 'At fair value through profit or loss'	176	296
'Loans and receivables'	185	189
	1,594	**1,629**
Investment expenses	-72	-75
Direct operating expenses investment property	-28	-24
	1,494	**1,530**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF INVESTMENTS

(€ MILLION)

	2009	2008
Investment property	108	105
Direct income from investments:		
Equities and similar investments	43	141
Bonds	1,038	1,046
Loans and mortgages	266	232
Deposits from credit institutions	69	62
Derivatives	-32	-45
Other financial investments	102	88
	1,594	**1,629**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF THE INCOME

(€ MILLION)

	2009	2008
Interest:		
'Available for sale'	1,082	975
'At fair value through profit or loss'	176	219
'Loans and receivables'	185	189
Rental income	108	105
Dividends	43	141
	1,594	**1,629**

The interest income is excluding accrued interest on impaired loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 REALISED AND UNREALISED GAINS AND LOSSES

(€ MILLION)

	2009	2008
Realised and unrealised gains and losses on financial assets:		
Investment property	-99	-115
Investments 'Available for sale'	-79	-338
Investments 'At fair value through profit or loss'	-383	548
Impairment losses on investments	-161	-1,130
Reversals of impairment losses on investments		2
Foreign currency differences	61	-130
	-661	**-1,163**
Realised and unrealised gains and losses on financial liabilities:		
Other		14
Foreign currency differences	-26	
	-26	**14**
	-687	**-1,149**

The realised and unrealised gains and losses arising from financial assets and financial liabilities, which are attributable to banking operations are presented under Banking income (Note 43).

Realised and unrealised losses related to investments designated as 'At fair value through profit or loss' amount to €-383 million (2008: €548 million); Eureko has no investments for trading purposes in 2009 and 2008.

A total of €-436 million of the unrealised results from fair value changes is related to investments which are measured using a valuation technique (2008: €692 million). These fair value changes are mainly related to investment property and unlisted derivatives and equities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 INCOME FROM INVESTMENTS BACKING LINKED LIABILITIES

(€ MILLION)

	2009	2008
Direct income from:		
Investment property	39	47
Equities and similar investments	143	105
Bonds and other fixed-income investments	326	282
Derivatives	-7	6
Cash and Other financial investments	32	28
	533	**468**
Net foreign currency differences	-31	-31
Realised and unrealised revaluation results:		
Investment property	-149	-373
Equities and similar investments	1,548	-3,732
Bonds and other fixed-income investments	42	51
Derivatives	-142	305
Cash and Other financial investments	-4	11
	1,797	**-3,301**
Investment expenses	-16	-23
	1,781	**-3,324**

Direct income from Bonds and Other fixed-income investments includes interest income related to saving accounts.

42 INCOME FROM INVESTMENTS RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

(€ MILLION)

	2009	2008
Direct investment income	82	347
Losses related to defaults		-82
Investment expenses	-3	-5
	79	**260**

43 BANKING INCOME

(€ MILLION)

	2009	2008
Interest income	876	946
Realised and unrealised results	13	16
Commission income	14	17
Other	2	7
	905	**986**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 FEE AND COMMISSION INCOME, AND INCOME FROM SERVICE CONTRACTS

(€ MILLION)

	2009	2008
Fee income from trusts and other fiduciary activities	448	485
Income from service contracts	146	147
	594	**632**

45 OTHER INCOME

(€ MILLION)

	2009	2008
Net foreign currency differences	35	6
Gain on sale of subsidiary companies		40
Other income	1,279	119
	1,314	**165**

Other income includes an amount of €1,145 million related to the PZU settlement. For more details reference is made to Note 1 (Exceptional events).

46 CLAIMS AND MOVEMENTS IN INSURANCE LIABILITIES

(€ MILLION)

	2009 GROSS	2009 REINSURANCE	2008 GROSS	2008 REINSURANCE
Health				
Claims paid	9,827	190	10,246	1
Changes in insurance liabilities	13		-65	-36
Claim handling expenses	84		114	
Recoveries	-10		-14	
	9,914	**190**	**10,281**	**-35**
Life				
Claims paid	4,259	133	4,711	92
Changes in insurance liabilities	-1,718	-24	-50	21
	2,541	**109**	**4,661**	**113**
Non-Life				
Claims paid	2,700	241	2,388	163
Changes in insurance liabilities	12	-115	186	50
Claim handling expenses	163		122	
Recoveries	-196		-205	
	2,679	**126**	**2,491**	**213**
Total claims and movements in Insurance liabilities	**15,134**	**425**	**17,433**	**291**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 PROFIT SHARING AND BONUSES

(€ MILLION)

	2009	2008
Amortisation interest surplus rebates	51	26
Profit sharing	-302	505
Benefits policyholders	79	-332
	-172	**199**

48 BENEFITS ON INVESTMENT CONTRACTS

(€ MILLION)

	2009	2008
Fair value changes investment contracts	99	-996
Other benefits on investment contracts	-1	
	98	**-996**

49 OPERATING EXPENSES

(€ MILLION)

	2009	2008
Salaries	1,004	990
Social security charges	92	100
Pensions	172	147
Share-based payment expense	-1	-1
Other	636	781
Staff costs	**1,903**	**2,017**
Marketing and advertising expenses	116	152
Acquisition costs	1,108	1,177
General expenses	876	896
	4,003	**4,242**
Less: claims handling expenses	619	479
Less: Investment expenses	100	99
	3,284	**3,664**

NUMBER OF EMPLOYEES (AT THE END OF THE YEAR, BASED ON FTE)

	ACHMEA	FRIENDS FIRST	INTERAMERICAN GREECE	EUREKO SIGORTA	UNION	OTHER	**TOTAL 2009**	TOTAL 2008
	18,445	439	1,492	540	619	2,141	23,676	24,883

The number of employees mentioned above also includes employees with temporary contracts.

An FTE is based on a labour week of 38 hours.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Included in General expenses within Operating expenses are expenses related to audit firms performing the audit of the annual accounts of Eureko B.V. which are summarised as follows:

(€ MILLION)

	2009	2008
Audit annual accounts	8	8
Audit related services	1	2
Other services	3	7
	12	**17**

The table above contains an overview of the expenses related to audit firms performing the audit on the annual accounts of Eureko and all its subsidiaries.

Expenses related to non-KPMG Accountants N.V. audit firms are as follows: Audit annual accounts €1 million (2008: €1 million), Other services €2 million (2008: €7 million).

50 INTEREST EXPENSES FROM LIABILITIES RELATED TO CASH COLLATERAL RECEIVED IN SECURITIES LENDING

(€ MILLION)

	2009	2008
Interest expenses	53	298
	53	**298**

51 BANKING EXPENSES

(€ MILLION)

	2009	2008
Interest expenses	621	711
Other fee and commission expenses	3	4
Other banking expenses	99	28
	723	**743**

Operating expenses, like staff costs, are included in Note 49.

52 INTEREST AND SIMILAR EXPENSES

(€ MILLION)

	2009	2008
Interest expenses	106	132
	106	**132**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

53 OTHER EXPENSES

(€ MILLION)

	2009	2008
Amortisation charges on intangible assets	128	157
Impairments	18	46
Reinsurance profit sharing and commission	-17	-24
Other expenses	140	70
	269	**249**

54 INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2009	2008
Profit before tax and discontinued operations	1,507	-2,620
Domestic corporation tax rate	25.5%	25.5%
Income tax using the domestic corporation tax rate	384	-668
Effect of tax rates in foreign jurisdictions	14	10
Tax effect on:		
Non-deductible expenses	38	7
Tax exempt revenues	-93	-18
Tax exempt gains on realised investment		4
Tax exempt gains on disposal of subsidiaries		-1
Participation exemption	-213	153
Non-deductible losses	21	19
Tax losses utilised	-1	
Other	4	-6
Under/(over) provided in prior years	-28	-2
Effective tax amount	**126**	**-502**

The effective tax rate in 2009 amounts to 8.4% (2008: -19.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INCOME TAX EXPENSES

(€ MILLION)

	2009	2008
Current tax expense		
Current year	-28	118
Under /(over) provided in prior years	-28	-2
	-56	**116**
Deferred tax expense		
Origination and reversal of timing differences	182	-618
	182	**-618**
Total income tax expense in Income Statement	**126**	**-502**

55 COMPREHENSIVE INCOME

(€ MILLION)

	2009			2008		
	COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	**COMPREHENSIVE INCOME**	COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	COMPREHENSIVE INCOME
Currency translation differences on intangible assets and associated companies and participating interests	-82		-82	-244		-244
Revaluation on property for own use	21	-5	16	-9	2	-7
Unrealised gains/(losses) on available for sale investments	599	-152	447	-2,662	385	-2,277
Share in other comprehensive income of associated companies and participating interests	9		9			
Transfer from provision for profit sharing and bonuses	-193	49	-144	-46	12	-34
Gains/(losses) on available for sale investments reclassified to the Income Statement on disposal	23	-5	18	17	-4	13
Impairment charges on available for sale investments reclassified to the Income Statement	172	-41	131	1,921	-244	1,677
Unrealised gains/(losses) on cash flow hedging instruments	3	-1	2	-39		-39
Total comprehensive income for the period	**552**	**-155**	**397**	**-1,062**	**151**	**-911**

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56 EARNINGS PER SHARE

Basic earnings per share

The calculation of earnings per share at 31 December 2009 was based on the net profit attributable to ordinary shareholders of €1,295 million (2008: €-2,198 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2009 of 385,664,234 (2008: 330,291,051).

NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (€ MILLION)

	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	**TOTAL 2009**	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL 2008
Net profit	1,381		1,381	-2,119		-2,119
Dividends on non-redeemable cumulative preference shares	-26		-26	-25		-25
Payments on other equity instruments	-80		-80	-73		-73
Tax on payments on other equity instruments	20		20	19		19
Net profit attributable to ordinary shareholders	**1,295**		**1,295**	**-2,198**		**-2,198**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2009	2008
Issued ordinary shares at 1 January	333,418,541	323,254,198
Effect of shares issued in April 2008		7,036,853
Effect of shares issued in April 2009	52,245,693	
Weighted average number of ordinary shares at 31 December	**385,664,234**	**330,291,051**

EARNINGS PER SHARE (€)

	2009	2008
Earnings per share continuing operations	3.36	-6.65
Earnings per share discontinued operations	0.00	0.00
Basic earnings per share	**3.36**	**-6.65**

The diluted earnings per share equal the earnings per share from continuing operations.

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57 RISK MANAGEMENT

INTRODUCTION

Taking risks is fundamental for financial institutions and managing those risks is core to Eureko's business. Managing risks implies the ability to identify, measure, understand, control and mitigate them. Risk management enables value creation by optimising the balance between risk and return and active selection of profitable risks. In the long term, risk management secures Eureko's continuity and solvency. The following sections present Eureko's risk management framework, provide an overview of Eureko's risk position, including main changes in 2009, and a description of the management of those risks.

Main Developments Risk Management 2009

The financial crisis has demonstrated how crucial adequate risk management is. At the beginning of 2009, Eureko decided to strengthen the risk management organisation, incorporating lessons learned from the crisis. In September 2009, a reinforced finance and risk organisation, that facilitates a better understanding of risks within Eureko, was implemented by establishing a centralised Group Risk Management department. On 1 January 2010, the risk management committees were restructured.

With respect to the financial crisis and developments within the Dutch corporate governance principles Eureko's Audit and Risk Committee is more and more involved in evaluating Eureko's risks and risk management processes. For this reason the Audit Committee was renamed into Audit and Risk Committee in the course of 2009, thus giving a better reflection of their tasks and responsibilities.

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 measures on derisking of the investment portfolio. Equity exposure has been reduced significantly. Monitoring of the counterparties was improved. The capital and liquidity position, were closely monitored.

EUREKO'S RISK GOVERNANCE

Eureko's risk governance is organised along three lines of defence. This structure ensures risk management processes are embedded at every relevant level of the organisation.

The first line of defence is Division and Operating Company management and relevant Group staff departments. The second line of defence comprises our risk and compliance officers and actuaries working in the Divisions and Operating Companies. They are supported and overseen by the Group Risk Management department and Group Compliance and Regulatory Affairs. Group Internal Audit Services acts as a third line of defence and provides independent assurance on the effectiveness and efficiency of the overall internal control infrastructure. Audits include the assessment of Internal Control Statements and Operational and Compliance Audits.

At the highest level of the organisation the Executive Board and the Audit and Risk Committee have an important role in risk management. The Executive Board is responsible for ensuring that effective internal risk management and control systems are in place. This includes defining risk appetite and establishing the annual risk budgeting and monitoring process. The Audit and Risk Committee oversees that there is an appropriate risk structure across the Eureko Group, which is geared to the organisation and discusses finance and risk issues.

The Executive Board is supported by the Finance and Risk Committee, which is responsible for the preparation of risk budgeting decisions and risk monitoring, and will approve risk-management policies defined for managing risk budgets. The CFO chairs this Committee and two other board members participate to guarantee top-level commitment. Participants are directors from Eureko's

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Finance and Risk departments and Eureko Re. Directors of Compliance and Internal Audit are present when their reports are discussed. Further delegation to divisions and departments proceeds through clear charters and policy documents.

Banking operations have several committees in place with specific risk management responsibilities, such as the Asset and Liability Committee, the Credit Committee, the Pricing Committee and the Operational Risk Committee.

Risk policies

To control Eureko's risk position, several policies and procedures are in place, including risk limits, for a broad range of applications, such as product development, investments and reinsurance. Policies and procedures are reviewed on a regular basis and updated where appropriate.

Risk reporting

Eureko's risk position is reviewed and evaluated through regular reporting. Risk reporting assesses whether Eureko's risk profile is within predefined risk limits and action is taken when necessary. Regular reporting includes an interest rate monitor, claims development and liability adequacy reporting, the solvency monitor and reporting on our product development and underwriting. The Eureko Risk Dashboard provides an overview of all key risk indicators and is reported quarterly to the Finance and Risk Committee, the Executive Board and the Audit and Risk Committee.

Risk measurement

Risk position is measured using several methods and models. These are described in the relevant sections on the risk types. Risk measurement provides insight into Eureko's risk position; it is the common factor in Eureko's decision making and risk control and comprises establishing risk policies and monitoring through risk reporting.

An economic capital model has been developed to provide an overall view of Eureko's risk profile. Economic capital information allows the Executive Board to make consistent and informed strategic choices on capital allocation, performance management, asset mix, product pricing, reinsurance strategy, business mix, merger and acquisition prospects, and future dividend strategy.

Economic capital at Group level is defined as the maximum loss over a one year period at a 99.95% confidence level. This confidence level is the amount of economic capital adequate to covering any loss in 99.95% of cases and is consistent with Eureko's target credit rating in the A category. A lower confidence level is applied for the Divisions. The difference between the Group and Divisional confidence percentages is that at Group level we take into account the impact of diversification.

Economic capital is calculated using value at risk techniques in accordance with an internally developed model. In this model all potential losses over the next 12 months, including adverse revaluation of assets and liabilities, are assessed. Risks per business line are determined using internal, often stochastic, models. For operational risks, Eureko uses a link with the qualitative Internal Control Statement. The control level reported in the Internal Control Statement is translated into a reduction or surcharge on economic capital for operational risk.

The economic capital model assures that aggregation of risks takes place in a consistent way. The model was further improved during 2009, taking into account recent developments in the insurance industry as a whole, such as the CEIOPS consultation papers and the European Commision's draft implementing measures.

Risk mitigation

To limit certain risk exposures, Eureko applies a number of risk mitigation instruments. The main instruments are strict underwriting procedures, reinsurance and derivatives. The latter include traditional hedge instruments, such as interest rate and equity derivatives, but also other instruments like catastrophe bonds and alternative risk transfer.

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EUREKO'S RISK PROFILE

Eureko is exposed to insurance risk, market risk, credit risk, liquidity risk, operational risk and compliance risk. In terms of economic capital, Eureko's largest exposures are market risk and insurance risk within Non-Life.

Market risk reflects Eureko's net exposure to the capital markets, including equity, property and fixed-income investments. The risks related to associated companies and participating interests (primarily PZU, Poland, and MillenniumBCP, Portugal) are also included in market risk.

More information on the nature and the management of these risk types can be found in the specific sections on each topic.

INSURANCE RISK

Insurance risk is the risk of a change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including claim handling expenses) and encompasses Life risk, Non-Life risk, disability risk and Health risk. Catastrophe risk and concentration risk, if present, are included separately in the risk types mentioned.

Eureko manages the insurance risk position primarily through strict underwriting procedures, reinsurance and liability adequacy testing.

Underwriting

Underwriting procedures rely on regular review procedures by actuarial personnel in which actual loss occurrence is examined. Statistical analysis is systematically employed in each business line to refine underwriting procedures and improve loss occurrence. By offering a range of different products, insurance risks are balanced across the portfolio. In the larger life and disability contracts, medical selection is included in Eureko's underwriting procedures, with premiums varied to reflect the health of the applicant.

A product development procedure is in place for the introduction of new insurance products. This procedure includes requirements that must be adhered to during the development process, and both profit testing requirements and explicit approvals.

Liability adequacy

Insurance liabilities for Life, Non-Life and Health are tested periodically and more often if considered necessary.

Within Life (individual and group) liability adequacy testing is based on mortality tables derived from industry statistics. A risk margin above the best estimate is included for adverse deviations (including longevity risk).

Liability adequacy testing within Non-Life is performed on a regular basis. These tests take into account outstanding claims that may be exposed to claims inflation from prior year losses in business lines with long claim development patterns (long tail). Liabilities in Non-Life insurance include statistical and non-statistical prudence margins above best estimates. The non-statistical prudence margin covers upward shifts on known events that are not yet statistically quantifiable, such as changes in legislation. The levels of these required margins are reviewed at least annually. The prudence margin for all lines combined in the Netherlands is calculated at a 98.5% confidence level.

Reinsurance

In general, major risks are covered in reinsurance treaties and risks that exceed the treaty limit are covered on a facultative basis. In 2009, the highest retention per risk was €6 million, with an annual aggregate deductible of €14 million (2008: €10 million without an annual aggregate deductible).

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Within Life, reinsurance is used to limit the risk assumed on individual lives or groups of lives that may present a concentration or catastrophe risk. For Non-Life, Eureko mitigates risk exposures through reinsurance contracts. See the Non-Life section for more information on the 2009 reinsurance programme and changes for 2010.

The purchase of reinsurance is governed by Eureko guidelines and managed by a Eureko's subsidiary, Eureko Re. The type of reinsurance used within Eureko is mainly on an excess of loss basis. Eureko uses a multi layered reinsurance structure, focusing on Group-wide retention levels aimed at reducing overall costs by leveraging increased risk carrying capacity, and combined purchasing power.

Risk of losses due to terrorism

The 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. (NHT)' covers all claims on Dutch policies related to terrorism attacks up to €1 billion. Terrorism claims above this maximum are excluded in Eureko's Dutch policies. Like all insurance companies, Eureko pays premiums to the NHT based on market shares. The NHT losses are also divided over all the insurance companies based on market shares. The NHT has reinsured claims that exceed €400 million. The maximum exposure for Eureko is €88 million (2008: €92 million).

Life risk

Eureko has a full range of life insurance products, covering both mortality risk and longevity risk. This includes traditional products where the minimum investment return is generally guaranteed by Eureko and unit-linked policies where the investment risk is borne by the policyholder.

In individual life insurance, several traditional savings products with guaranteed investment returns are offered, such as endowments and whole life policies. Term assurance policies that only insure mortality risk are also offered. Mortgages can be linked to traditional savings or unit-linked policies. In the Netherlands, policies are offered with a guaranteed investment return equal to the interest that is paid for the mortgage loan. In group life insurance, a distinction is made between segregated investment contracts (where the investment risk is borne by the policyholder) and insured contracts.

In traditional life insurance, premiums are agreed at the start of the contract and usually cannot be adjusted thereafter. In individual contracts written in the Netherlands there is an 'en bloc'-clause allowing the insurer to increase premiums in the last resort. There are no other mitigating terms and conditions that can reduce the mortality risk. In the Group's life insurance segment, mitigation is achieved by setting premium bases for each scheme for a fixed term only, generally five years, and by reducing profit sharing.

Unit-linked insurances written in the Netherlands generally charge for mortality and longevity risk through monthly risk premiums drawn from an account balance. These contracts generally give the insurer the right to change the basis on which these premiums are calculated, allowing the insurer to respond to adverse changes.

In Greece, medical expenses insurance is written as a rider to life policies. There is a closed block of business with guaranteed premium rates and these policies are being converted into a more flexible form allowing Eureko to vary terms and conditions if circumstances require.

The surrender value, that is the amount we have to pay out to a policyholder on surrender of the policy, is generally fixed, at least in the short-term (except in Ireland where a more dynamic approach is used). Insurance liabilities are set on the assumption no surrenders take place. In general, this is a prudent assumption as the surrender value will be less than the insurance liabilities. Liability adequacy tests include assumptions on the likely surrender rates.

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In 2008 Eureko analysed the pandemic risk in Eureko's largest life portfolios, i.e. Achmea, Friends First and Interamerican Greece, supported by Risk Management Solutions (RMS) and Swiss Re. Based on those results Eureko decided not to reinsure pandemic risk. This analysis was updated for the H1N1 virus (Swine Flu) by RMS in 2009. As the H1N1 pandemic is mild, the effects on a once in 200 year scenario are limited. The expected claim in excess of regular mortality for a once in 200 year event is €202 million compared to €160 million in 2008. This rise is due partly to H1N1 and partly to portfolio growth in Ireland.

In 2009 Achmea, Friends First and Interamerican Greece were all protected by reinsurance for large sums insured. The reinsurance covers of the Achmea portfolios are integrated in one programme with a priority of €2 million for 2009 and for 2010.

The nature of the insurance business is such that a number of assumptions have been made in determining the insurance liabilities. The sensitivity of insurance liabilities to changes in level of expenses and mortality is set out below. For each sensitivity factor, all other assumptions remain unchanged.

LIFE INSURANCE SENSITIVITIES, IMPACT ON PROFIT BEFORE TAX (€ MILLION)

	MAINTENANCE EXPENSES +10%	INSURANCE MORTALITY +5%	ANNUITANT MORTALITY -5%
Non-linked insurance liabilities 2009	-21	-4	-6
Non-linked insurance liabilities 2008	-22	-5	-6

Sensitivities were calculated based on the situation at year-end. The split in insurance and annuitant mortality is derived from the technical accounts of Eureko's Divisions.

Non-Life risk

Non-Life insurance products cover the most prevalent risks, such as fire, hail, windstorm, motor and accident. The classes targeted by the commercial lines portfolio are small and medium sized entity risks with a normal maximum line size of €40 million on a maximum possible loss basis. Claims for most products are settled within a short period. Eureko has no exposure to industrial risks with insured sums in excess of €300 million.

The 'property' and 'motor hull insurance' lines in the Netherlands are exposed to fire, windstorm and/or hail risk. Furthermore, 'motor hull insurance' in the Netherlands is also exposed to flood risk. Some European Operating Companies, such as Interamerican Greece and Eureko Sigorta in Turkey, are exposed to earthquake risk. Exposure to natural disasters is limited by the use of catastrophe excess-of-loss reinsurance. Insured risks with long claim development patterns are generally correlated and to a large extent exposed to future claim inflation and changes in legislation.

The following table provides an overview of concentration risk in certain business lines on profit before tax, based on the insurance portfolio, reinsurance and price level at year-end. The figures in the table are based on two kinds of models. The derived loss probabilities resulting from natural disasters are based on external catastrophe models. The derived loss probabilities resulting from large claims are based on internal stochastic models, which are calibrated annually using internal data. These models provide an estimation of the magnitude of losses that may occur based on different levels of confidence. Stochastic model results are not factual and do not predict any future events. Actual loss experience can differ significantly.

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CONCENTRATION RISK

(€ MILLION)

	MOTOR OTHER	PROPERTY RESIDENTIAL/ INDUSTRIAL	PROPERTY GREENHOUSES	TOTAL 2009	TOTAL 2008
Gross losses					
Results from meteorological models					
Windstorm that occurs 1-in-50 years	13	579	112	704	702
Hail event that occurs 1-in-50 years	75		41	116	79
Historical windstorm and hail events in the Netherlands					
Impact of heavy windstorm in 1990 (Daria)	17	418	99	534	543
Impact of heavy hail event in 2008	36		3	39	38
Historical large fires and explosions					
Largest fire over past 10 years		29	7	n.m	n.m
Enschede fireworks explosion		71		n.m	n.m
Reinsurance cover					
Results from meteorological models					
Windstorm that occurs 1-in-50 years		439	87	526	537
Hail event that occurs 1-in-50 years	60		16	76	42
Historical windstorm and hail events in the Netherlands					
Impact of heavy windstorm in 1990 (Daria)	2	278	74	354	366
Impact of heavy hail event in 2008	21			21	23
Historical large fires and explosions					
Largest fire over past 10 years		9	2	n.m	n.m
Enschede fireworks explosion		36		n.m	n.m
Net losses					
Results from meteorological models					
Windstorm that occurs 1-in-50 years	13	140	25	178	165
Hail event that occurs 1-in-50 years	15		25	40	37
Historical windstorm and hail events in the Netherlands					
Impact of heavy windstorm in 1990 (Daria)	15	140	25	180	177
Impact of heavy hail event in 2008	15		3	18	15
Historical large fires and explosions					
Largest fire over past 10 years		20	5	n.m	n.m
Enschede fireworks explosion		35		n.m	n.m

Reinsurance's primary application is to manage exposure to weather related events, natural disasters, events involving multiple victims, major fires and general and motor third-party liability. It has significant effects driven by the type of reinsurance chosen, the retention and limits agreed and established. General catastrophe reinsurance cover for property in the Netherlands is based on a weighted average of five different models (Munich Re, Swiss Re, RMS, EQECAT and AIR). For 2009 and 2010, the reinsurance upper limit is based on a 1-in-200 years event for property and greenhouses. The upper limit of the property programme is €1,275 million and €235 million for the greenhouses programme in 2009. The upper limit for motor is €140 million. Motor catastrophe is also included in the first layer of the property programme to cover flood modelling uncertainties up to losses of €300 million. For Operating Companies with earthquake risk, Eureko has reinsured the risk on a 1-in-200 to a 1-in-500 years basis, depending on the area concerned.

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LARGEST PROGRAMMES 2009 (€ MILLION)

	PRIORITY (RETENTION BELOW COVER)	UPPER LIMIT
Property catastrophe Netherlands	140	1,275
Greenhouses catastrophe Netherlands	25	235
Motor hull catastrophe Netherlands	15	300
Property and motor hull catastrophe Belgium	5	70
Earthquake Greece	6	155
Earthquake Turkey	6	165
Property per risk Netherlands	6	50

For 2010, the retention of the property catastrophe Netherlands programme has been increased from €140 million to €160 million to reflect portfolio growth and a stronger capital base. For greenhouses and motor hull, the retention is maintained at €25 million and for motor at €15 million. To optimise the placement of the catastrophe programmes, the top layers of the property, greenhouses and motor hull programmes are for 2010 integrated in one umbrella layer with a cover of €200 million per event. The upper limits of the three different catastrophe programmes below the umbrella layer are €1,220 million for property, €140 million for greenhouses and €60 million for motor hull.

Eureko's strategy is to limit the number of risks reinsured on a facultative basis. The total number of facultative risks in the Netherlands is around 211 (2008: 167) for property, 48 (2008: 36) for general liability and 10 (2008: 6) for other business lines. In the 2010 renewal, facultative contracts are partly replaced by additional treaty layers in the property programmes.

The following table provides an overview of the impact of Non-Life sensitivities on Profit before tax:

NON-LIFE INSURANCE SENSITIVITIES, IMPACT ON PROFIT BEFORE TAX (€ MILLION)

	MAINTENANCE EXPENSES +10%	GROSS CLAIM RATIOS +5%
2009	-79	-68
2008	-119	-130

The sensitivities are calculated based on the situation at year-end. Sensitivities on expenses and gross claim ratios will only have impact on Total equity through Net profit.

Disability risk

Occupational Health products (part of Non-Life) cover the risk of a reduction in income resulting from inability to work due to illness or disability. Eureko offers these products based on local regulatory requirements; disability products sold in Ireland (PHI) are also offered as part of Life insurance products.

Insurance liabilities related to Occupational Health insurance are sensitive to changes in legislation, changes in medical cost levels, the level of absenteeism due to illness, the frequency and extent to which people are considered to be disabled, the rate of recoveries from disability, and the level of minimum and actual interest rates.

To mitigate these risks an important part of the portfolio has a contract term of one year. For the majority of contracts with a term longer than one year, the premium can be adjusted using a clause included in policy conditions. The possibility of high claims per single risk for disability is mitigated by limiting the insured income and, in some cases, the use of reinsurance.

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In Ireland, disability insurance is an important business line written on a standalone basis, but these products are also offered as part of Life insurance products (PHI). The PHI contracts guarantee the premium rates for the duration of the contract for individual policyholders and for a limited period in the case of group contracts.

The following table provides an overview of the impact of Occupational Health sensitivities on Profit before tax:

OCCUPATIONAL HEALTH INSURANCE SENSITIVITIES, IMPACT ON PROFIT BEFORE TAX (€ MILLION)

	MAINTENANCE EXPENSES +10%	GROSS CLAIM RATIOS +5%
2009	-25	-6
2008	-29	-56

The sensitivities are calculated based on the situation at year-end. Sensitivities on expenses and gross claim ratios will only have impact on Total equity through Net profit.

Health risk

Eureko is the largest health insurer in the Netherlands. The private health insurance system in the Netherlands consist of two parts: basic health and supplementary health insurance. Supplementary health insurance provides additional cover to policyholders. This insurance is voluntary and is similar to Non-Life insurance in methodology and approach.

Coverage within basic health insurance is influenced by political decision making processes. The Dutch government establishes:
- The coverage offered through basic health insurance;
- Terms and conditions that apply to basic health insurance, for example mandatory acceptance and maximum discounts for group contracts (currently 10%);
- Payments from the equalisation fund to health insurers (see below);
- The standard nominal premium level generally needed to cover the total claims level (insurers have to apply an additional premium to this premium to cover expenses, discounts, profit, etc.).

Equalisation fund

In addition to the premiums received from policyholders, an insurer receives payments from an equalisation fund financed by employers and the Dutch government. Payments by this fund to a health insurer depend on the risk profile of its insured portfolio. This and the standard nominal premium are expected to equalise the claims level for all insurers. A system of risk mitigation features has been introduced, which mitigate the risks of:
- A 'non-average' portfolio in terms of age, gender, health of insured, occupation (source of income), socio-economic status (average income per household member) and region; general health cost inflation. Across the Dutch health insurers the payments received from the equalisation fund and the standard nominal premium ultimately equalises the actual claims level of all insurers (this is called macro-neutrality). Due to the fact that Eureko has determined that its insured population (4.7 million policyholders) mirrors the Dutch average, the net impact of uncertainty is not expected to be material;
- Higher than average claims with extreme claim amounts (until 2007, above €12,500 per insured; above €20,000 per insured in 2008 and 2009; above €22,500 per insured in 2010);
- Hospital claims, due to the ex-post compensation mechanism (if equalisation fund payments fall short of hospital claims, in 2009 the insurer is compensated for 48% of the shortfall and vice versa and for 2010 this is 34%).
- Short-term mental care (GGZ), since 2008 GGZ is transferred to the basic health insurance. However, in 2008 and 2009 due to the ex-post compensation mechanism the insurer is compensated for 100% of the shortfall and vice versa. From 2010 onwards insurers bear risk on short-term mental care. Eureko's exposure per insured ranks between €-7.5 and €7.5. Eureko is more prone to this risk as it is unevenly spread over The Netherlands, and especially present in large cities.

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Compared with other Non-Life insurances the features above mitigate the insurance risk for the basic health insurance considerably. Due to the equalisation scheme mechanism, the run-off results are estimated to be in the range of €-50 million to €+50 million per treatment year.

For the insurance years 2006, 2007 and 2008, the data used to calibrate the system is based on historical information gathered from public health care, private health care and estimates. This may result in a flawed distribution of the equalisation fund among health insurers. From 2009 onwards, the system is calibrated on information from the basic health insurance.

Additional uncertainty on hospital claims

From 1 January 2005, settlement of medical care costs between health insurers and Dutch hospitals is based on so-called Diagnose Behandel Combinaties/Diagnosis treatment combinations, (DBCs) that cover the whole duration of medical treatment. Claim compensation for separate treatments is specified. The final settlement is determined at the end of the treatment period. The implementation of these DBCs put significant pressure on Dutch hospital administrations. As a consequence, although the claims related to 2006 are more or less settled this has not yet been achieved for the insurance years 2007 up to and including 2009 and estimates were made.

Moreover, a portion of DBCs (the B segment) can be negotiated freely between hospitals and insurers and insurers bare risk on these B-DBCs for 100% in 2010; the B segment has increased from 10% in 2007, to 20% in 2008 and to 34% of total hospital costs in 2009 and in 2010, which increases the risk for the insurers.

For the other part of the DBCs (the A segment) prices are set by the Dutch government and these prices together with the volumes of these DBCs should fill the budget of the hospitals. However, for this part of the DBCs some hospitals have been over-financed (i.e. the volume of these DBCs is lower than expected) since the introduction of the DBCs in 2005. For the years 2005 and 2006 this over-financing is calculated at €713 million and €1,799 million, respectively. For 2007, the present estimate is €1,600 million, for 2008 this is €1,150 million and for 2009 this is €700 million. The over-financing means that hospitals received more income from the health insurers in comparison to what they were entitled to based on actual DBCs.

As per the 2007 Dutch Healthcare Authority (NZa) reimbursement calculations, Eureko should receive €478 million from some hospitals, of which 97% was collected thus far. In its financial reporting, Eureko takes claim corrections due to over-financing of hospitals into account. It must be noted that insurers' risk on hospital claims is mitigated due to the macro-neutrality that ultimately equalises the equalisation fund (including standard nominal premium) payments for all insurers to the actual level of hospital claims (corrected for the over-financing).

Run-off results' of former health insurance

There has been a positive run-off on the insurance liabilities of the former Eureko health insurers (private and public) of positive €32 million, due to the settlement of public health insurance over 2005. At year-end 2009, the former Eureko health insurers (public and private) made no further insurance liabilities for health activities.

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MARKET RISK

Market risk is the risk of changes in values caused by market prices or volatilities of market prices differing from their expected values. It encompasses interest rate risk, equity risk, property risk and foreign exchange rate risk.

Besides the market risk that results from our investment portfolios, associated companies and participating interests and intangible assets, market risks arise due to embedded options in our insurance products.

Asset and Liability Management
Eureko manages market risk positions within an Asset and Liabilitiy Management (ALM) framework developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The ALM's key objective is to maximise expected returns on assets within the overall risk position and objectives.

The main aspects of the ALM framework are managing interest rate exposure, setting the strategic investment mix, policy setting and periodic monitoring.

Managing interest rate exposure
This involves setting the right investment profile to hedge the interest rate exposure.

Setting the strategic investment mix
Different possible asset mixes are tested for their effect on expected profit (measured using market values), risk of loss (again, using market values), regulatory solvency position and credit rating. The risk/return effect is leading and the other dimensions impose limits. Decisions are taken at Group level but the limits have to be adhered to by each distinct regulated entity for which a separate portfolio of assets is maintained. Economic capital models provide the basis for this analysis. This research is executed at least annually or more frequently when appropriate.

Policy setting and periodic monitoring
Policies take into account the impact of adverse developments on profitability and solvency. Specific mitigation policies are in place, such as for interest rate risk and currency risk exposure. The market risk position is monitored on a periodic basis. The interest rate risk position and the risk of regulatory insolvency especially are monitored at least quarterly or more often when appropriate.

Guarantees, participation features and investment returns
In various operating countries Eureko sells products that contain minimum guarantees and profit sharing, i.e. embedded options.

For Dutch traditional life insurance, profit sharing is determined annually and, when applicable, is based on the difference between the 10-year rolling average of the U-yield on government fixed-income investments, less a margin for the cost of capital, and the premium rate assumption (3%, rising to 4% for older business). For a smaller part of the portfolio, profit sharing is based on actual investment performance. Some managed funds offer profit sharing on the technical results. The total amount of related insurance liabilities is €14.2 billion (2008: €15.8 billion).

In the Netherlands, less than 15% of the Occupational Health insurance liabilities includes profit sharing on technical results. Further, two insurance contracts with 10% of the Occupational Health liabilities include the option of crediting investment return if it exceeds a specific ceiling.

In Ireland, there is a significant amount of with-profits business where generated profits are distributed to policyholders as reversionary or terminal bonuses. Within the margins of meeting reasonable expectations of policyholders, there is discretion to

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mitigate risk by varying profit distributions. Irish with-profit business is based on the 'United Kingdom-model', where discretionary regular and terminal bonuses are given that depend on returns on the Participating Fund. Return rates, up to 4%, were applied in insurance business sold more than five years ago. These bonuses are set using asset share techniques and take profits on mortality and expenses into account. The total amount of the related insurance liabilities is €1.6 billion (2008: €1.7 billion).

In general, profit sharing in Greece, France and Slovakia is a percentage of the excess investment return above the guaranteed rate. The related insurance liabilities are limited.

Investments of cash collateral received in securities lending
In 2007, Eureko entered into an enhanced securities lending programme. Eureko lends securities to borrowers, who in turn pay cash collateral. The received cash collateral at 31 December 2009 amounted to €1.6 billion (2008: €5.3 billion) which is invested in shares of money market funds. This securities lending programme will be terminated in the coming years as part of Eureko's derisking strategy.

The investments in the money market funds are subject to a risk of change in value. The majority (87%) of the funds' investments has a S&P rating of AAA, 2% AA and 11% A. Eureko holds no exposure in foreign currency risk, as amounts received in foreign currencies are invested in funds with the same currency.

Interest rate risk

Eureko has interest rate risk in its insurance operations. This risk relates to the interest sensitivity of the difference in market value between the Insurance liabilities and the related Investments.

Interest rate policy
Eureko's interest rate policy is to manage the interest rate risk of investments and liabilities on an economic basis using matching duration. Duration mismatch must remain within an allowed bandwidth; changes in the investment portfolio are implemented to correct mismatches. Further, interest rate derivatives are used to improve matching of Insurance liabilities and related Investments. The interest rate sensitivity of the net position is assessed quarterly, both on regulated entity and at Eureko level.

DURATION (YEARS)

	INVESTMENTS	INSURANCE LIABILITIES	MATCHING DURATIONS
Life	8.1	8.8	8.5
Non-Life/Health	2.6	2.6	2.1
Total insurance operations	6.2	6.9	6.3

Friends First is excluded, due to the with-profit contracts.

The matching duration is the duration that would create a zero duration mismatch between the Investments and the linked Insurance liabilities. Duration calculations are based on market values of investments and insurance contracts. In terms of Group totals, the actual duration (6.2 years) of Investments is almost equal to the matching duration (6.3 years). This duration mismatch at year-end 2009 is within the agreed range. The impact of an increase in interest rates up to 1% on Total equity calculated on an economic basis at year-end 2009 is negligible. The impact of a decrease is approximately €-5 million per 10 basis points.

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Eureko has entered into a number of long-term interest rate derivative contracts within Life. These derivatives are used as a supplement to the conventional fixed-income investments to improve the match with Insurance liabilities. The total value of the interest rate derivative position is €565 million (2008: €1,050 million) and notional amount of €20.4 billion (2008: €21.3 billion).

The following table provides an overview of the impact of interest rate sensitivity on Total equity and Profit before tax:

INTEREST RATE SENSITIVITY (€ MILLION)

	TOTAL EQUITY 2009	PROFIT BEFORE TAX 2009	TOTAL EQUITY 2008	PROFIT BEFORE TAX 2008
Interest rate +1%	-718	-71	-688	5
Interest rate -1%	190	20	-213	-531

The table above shows the effect of a parallel interest rate shift on Total equity and Profit before tax, taking into account the impact on both Investments and Insurance liabilities. It includes the effect of any shortfall, through the liability adequacy test, that may arise in Insurance liabilities. The results shown reflect the extent of the mismatch between Investments and liabilities. However, the majority of the Insurance liabilities is measured taking into account fixed-interest rates and hence the impact on Total equity is different from Total equity calculated on an economic basis. For the greater part of the Dutch life insurance portfolio, fair value changes in fixed-income investments are accounted for in the Provision for profit sharing and bonuses and therefore have no impact on Total equity unless the provision has a zero value. A negative balance is not allowed and in that case any negative fair value changes of Investments are suspended and remain part of Total equity.

Equity risk

Decisions on Eureko's equity investments result from ALM studies. Decisions on Investments in associated companies and participating interests result from strategic objectives.

In 2009, as a consequence of the derisking, a large part of Eureko's equity portfolio was sold, and hence the equity collar protection was not continued.

The sensitivity of equity investments, including Participating interests, for a change in market value of +10% is €82 million (2008: €178 million) and -10% is €-82 million (2008: €171 million). As Eureko's equity investments are classified as 'Available for sale' this will only affect Total equity. Total equity will be 0.8% lower if equity investments decline by 10%, and solvency will be 2.1% points lower.

Property risk

As part of our diversification strategy, Eureko also invests directly and indirectly in property. At year-end total investments in property amounted to €1.7 billion (4% of the total investment portfolio). The greater part is invested in direct real estate in the Netherlands. The impact of a 10% decrease in real estate would result in a 1.3% decrease in Total equity and a 3.4% points decrease in the solvency ratio.

Exchange rate risk

As an international group, Eureko is exposed to foreign exchange rate risk. The main long-term exposures are the Polish zloty, through the investment in PZU, the pound sterling, through the investment in F&C Asset Management, the Turkish lira, through the investments in Eureko Sigorta and Garanti Emeklilik and the Russian rouble, through the investment in Oranta. Part of the regular investment portfolio (equities, fixed-income investments and listed real estate) is denominated in foreign currency, specifically in US dollars. Eureko's policies on foreign currencies and hedging strategies leads to the acceptance of certain exposures to changes in foreign currency exchange rates.

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In 2009, the investment portfolio, denominated in US dollars especially, was fully hedged.

Except for a part of the investment in PZU, Eureko has not hedged the net investment in, or the income streams from its non-euro operations, because those operations are regarded as part of our long-term strategy. As part of the process to reach a settlement on the PZU dispute, hedging of the Polish zloty took place in April 2009 and additional hedging was arranged in the second half of 2009. At the end of November 2009 the hedge was terminated after receiving the dividend. As from 2010, Eureko has hedged the foreign exchange rate risk on the expected cash flow from PZU's Initial Public Offering (IPO).

The exposures at year-end are:

EXCHANGE RATE RISK

(€ MILLION)

	2009			2008		
	TOTAL EXPOSURE	NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	NET EXPOSURE	TOTAL EXPOSURE	NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	NET EXPOSURE
Assets						
US dollar	1,593	1,314	279	4,323	3,427	896
Pound sterling	132	55	77	373	323	50
Polish zloty	1,831	-225	2,056	2,173		2,173
Swiss frank	548	556	-8	474	474	
Turkish lira	455		455	422	44	378
Russian rouble	21		21	121		121
Other	222	101	121	282	371	-89
	4,802	**1,801**	**3,001**	**8,168**	**4,639**	**3,529**
Liabilities						
US dollar	2,381	2,306	75	2,537	1,815	722
Pound sterling	20		20	53	182	-129
Polish zloty	21		21			
Swiss frank	176	175	1			
Turkish lira	29	49	-20			
Russian rouble						
Other	71	44	27	-6	175	-181
	2,698	**2,574**	**124**	**2,584**	**2,172**	**412**
Net position						
US dollar	-788	-992	204	1,786	1,612	174
Pound sterling	112	55	57	320	141	179
Polish zloty	1,810	-225	2,035	2,173		2,173
Swiss frank	372	381	-9	474	474	
Turkish lira	426	-49	475	422	44	378
Russian rouble	21		21	121		121
Other	151	57	94	288	196	92
	2,104	**-773**	**2,877**	**5,584**	**2,467**	**3,117**

Investments related to cash collateral received in securities lending are not included in this table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The exchange rate risk table shows the total exposure to the major currencies. Net positions on the Polish zloty and Turkish lira are related to Eureko's Investments in associated companies. Furthermore net positions in Turkish lira and Russian rouble are related to Eureko's local activities.

The table below summarises the notional amounts of Eureko's currency derivatives, with details of the remaining periods to maturity and fair values. Foreign currency amounts are translated at currency rates at reporting date.

CURRENCY DERIVATIVES

(€ MILLION)

	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2009	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	**TOTAL**	ASSETS	LIABILITIES
OTC-products:						
Forward exchange contracts	4	5		9	70	117
Currency/cross currency swaps	1,704	-52	-2,434	-782	316	299
Other foreign exchange contracts						
Total currency derivatives	**1,708**	**-47**	**-2,434**	**-773**	**386**	**416**

	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2008	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	TOTAL	ASSETS	LIABILITIES
OTC-products:						
Forward exchange contracts	430	-1	1	430	105	74
Currency/cross currency swaps	513	-7	-144	362	35	15
Other foreign exchange contracts	1,675			1,675	26	
Total currency derivatives	**2,618**	**-8**	**-143**	**2,467**	**166**	**89**

Eureko uses scenario analysis to assess the effect of changes in foreign currency exchange rates against the euro on Total equity and Profit before tax. The table below shows the impact of a change in foreign exchange rates on Total equity and Profit before tax based on the situation at year-end:

EURO VERSUS ALL OTHER FOREIGN CURRENCIES +10%

(€ MILLION)

	TOTAL EQUITY 2009	PROFIT BEFORE TAX 2009	TOTAL EQUITY 2008	PROFIT BEFORE TAX 2008
Financial instruments	-100	-99	-45	-41
Associated companies	-142	-28	-229	-24
Subsidiaries	-11	2	-47	-2
	-253	**-125**	**-321**	**-67**

On the basis that all other variables remain constant, a 10% weakening of the euro against all other foreign currencies at 31 December 2009, would have had the equal but opposite effect on the amounts shown in the table above. As from 2010, Eureko has hedged the foreign currency exchange rate risk on the expected cash flow from PZU's Initial Public Offering (IPO). As a consequence the foreign currency sensitivity of associated companies will be significantly lower.

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CREDIT RISK

Credit risk is the risk of a change in value due to the (expected) failure to meet contractual debt obligations.

Credit risk associated with investment activities, reinsurers, brokers and policyholders is managed within diversified investment portfolios and generic and specific risk limits. Eureko deals with counterparties of good credit standing and, when appropriate, obtains collateral. Credit risk in the fixed-income portfolio is managed based on limits for each rating category.

The following table provides information on the aggregated credit risk exposure for financial investments with external credit ratings:

CREDIT RATING (S&P) (€ MILLION)

	2009 FAIR VALUE AT REPORTING DATE	2008 FAIR VALUE AT REPORTING DATE
AAA	25,981	19,844
AA/A	5,158	6,844
BBB	1,635	1,036
<BBB/Not rated	1,321	1,440
Total	**34,095**	**29,164**

Investments related to cash collateral received in securities lending are not included in the table above.

IMPAIRMENT CHARGES BONDS BY CREDIT RATING (S&P) RECOGNISED IN INCOME STATEMENT (€ MILLION)

	2009 IMPAIRMENT	2008 IMPAIRMENT
AA/A		58
<BBB/Not rated	23	13
Total impairments recognised in the Consolidated Income Statement	**23**	**71**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Investments related to cash collateral received in securities lending are not included in the table below. Counterparty risk on securities lending is mitigated through cash collateral provided by the lender.
Counterparty exposures on reinsurers are managed by a set of limits per reinsurer and thresholds per rating category, based on a weighted exposure of insurance liabilities, reinsurance premiums and catastrophe capacity. The minimum rating is A- (S&P or AM Best) for short tail contracts and A+ (S&P) for long tail contracts, unless the long tail liabilities are collateralised or less than €0.5 million. For collateralised liabilities or amounts less than €0.5 million, A- (S&P or AM Best) is considered adequate.

The following table provides an overview of the carrying amounts of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

FINANCIAL ASSETS THAT ARE PAST DUE OR IMPAIRED

(€ MILLION)

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED					IMPAIRED ASSETS	TOTAL CARRYING AMOUNT
			AMOUNTS PAST DUE					
2009	CARRYING AMOUNT	CARRYING AMOUNT PRINCIPAL	0–3 MONTHS	3 MONTHS – 1 YEAR	MORE THAN 1 YEAR	TOTAL AMOUNTS PAST DUE	CARRYING AMOUNT AFTER IMPAIRMENT	
Bonds	26,528						20	26,548
Loans	3,718							3,718
Other investments	6,660						749	7,409
Banking credit portfolio	19,121	139	2	1	1	4	38	19,302
Reinsurance assets	1,011							1,011
Receivables	2,850		384	263	268	915		3,765

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED					IMPAIRED ASSETS	TOTAL CARRYING AMOUNT
			AMOUNTS PAST DUE					
2008	CARRYING AMOUNT	CARRYING AMOUNT PRINCIPAL	0–3 MONTHS	3 MONTHS – 1 YEAR	MORE THAN 1 YEAR	TOTAL AMOUNTS PAST DUE	CARRYING AMOUNT AFTER IMPAIRMENT	
Bonds	23,917	1					7	23,925
Loans	2,990						12	3,002
Other investments	6,401						1,394	7,795
Banking credit portfolio	18,663	134	6	8	35	49	75	18,921
Reinsurance assets	1,181							1,181
Receivables	3,206		226	487	150	863	142	4,211

Receivables include €851 million (2008: €741 million) payments to hospitals regarding the delayed invoicing caused by the implementation of the DBCs.

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LIQUIDITY RISK

Liquidity risk is the risk arising from an investment's lack of marketability so that it cannot be bought or sold quickly enough to prevent or minimise a loss.

We distinguish between funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that counterparties providing short-term funding will withdraw or not roll over that funding. Market liquidity risk is the risk of a general disruption in asset markets that make normally-liquid assets illiquid.

Eureko's funding strategy is based on assuring access to international capital and credit markets at low cost, underpinned by credit ratings in line with its peers. In general, each subsidiary is responsible for financing its own activities. However, as the holding company, Eureko coordinates all these activities and, in this role, may participate in financing the operations of certain subsidiaries, usually through subordinated debt funding and other forms of capital and loans.

As a holding company, Eureko relies principally on distributions of internal dividends and excess liquidity from subsidiary and associated companies to meet its funding needs. Such distributions are usually subject to regulatory restrictions, and, in the case of associated companies, by the dividend policies as determined by those companies. Eureko maintains committed and uncommitted credit facilities with a number of international banks for liquidity purposes. In addition, Eureko has the option to sell investments in associated companies.

In June 2009, a €750 million, 7.375% senior debt issue took place. The capital increase from shareholders and the PZU settlement also improved the liquidity position significantly. For liquidity purposes, Eureko and its principal Dutch holding entities maintain committed and uncommitted credit facilities with a variety of international banks. At year-end 2009, those committed credit lines (€750 million) were undrawn. Because of those developments, at the end of 2009 Eureko had a positive cash position.

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The following table shows the gross liability for Eureko's insurance activities at the reporting date analysed by the estimated timing of net cash flows:

LIQUIDITY RISK WITHIN INSURANCE OPERATIONS (€ MILLION)

2009	TOTAL	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS
Health	4,023	4,023			
Life					
Non-linked insurance	24,478	513	3,144	9,352	11,469
Non-Life					
Income Protection	2,327	380	702	779	466
Property & Casualty	4,284	1,783	1,596	807	98

2008	TOTAL	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS
Health	4,218	4,218			
Life					
Non-linked insurance	25,701	405	2,282	8,895	14,119
Non-Life					
Income Protection	2,150	255	683	753	459
Property & Casualty	4,402	1,822	1,651	846	83

Cash flows for life insurance are derived from the modelling of the characteristics of the individual policies. For non-life policies the cash flows are derived from company run-off experience.

BANKING ACTIVITIES

The main financial risk types within our banking activities are interest rate risk, credit risk and liquidity risk.

Interest rate risk
Fluctuations in interest rates can affect Eureko's banking operations both economically (market value of assets and liabilities, including derivatives) and in terms of earnings. Interest rate risk is not related to trading activity, but is part of normal banking operations.

Various methods are used to measure and control economy related interest rate risk:
- Income at risk measures the sensitivity of the net interest margin to a one basis point increase in interest rates over a one year horizon.
- Value at risk measures the maximum loss in market value of equity for a given confidence level (99%) and holding period (one year), based on a five year historic interest rate simulation. According to this measure, there is a 1% chance that market value will fall more than €29 million in a one year period.
- A stress test for a 100 and 200 basis point increase and decrease in interest rates using full valuation measures the exact sensitivity in market value of equity for larger interest rate changes. The figures in the table below indicate that an increase in interest rates of 100 basis points over all maturity levels (the yield curve shows a parallel shift upward) will have a negative impact on the market value of the banking operations of €29 million. Compared to 2008, this is an increase of €18 million. Compared to year-end 2008 the sensitivity of market value on a downward shift increased by an amount of €16 million.

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The sensitivity to interest rate fluctuations in currencies other than the euro is negligible.

SENSITIVITIES BANKING OPERATIONS

(€ MILLION)

	2009	2009
Income at risk +100 basis points	5	2
Value at risk	29	25
Stress test -100 basis points	25	9
Stress test +100 basis points	-29	-11

Within the banking credit portfolio and derivates the following interest rate derivatives for financial instruments related to banking operations (including investment contracts and funding activities) are recognised:

INTEREST RATE DERIVATIVES

(€ MILLION)

	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2009	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	TOTAL	ASSETS	LIABILITIES
OTC-products:						
Interest rate swaps	179	5,078	17,496	22,753	259	707
Total derivatives used for hedging				**22,753**	**259**	**707**
Future interest cash flow of the liability interest derivatives	92	269	1,708	2,069		
	NOTIONAL AMOUNT BY TIME TO MATURITY:				FAIR VALUES	
2008	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	MORE THAN 12 MONTHS	TOTAL	ASSETS	LIABILITIES
OTC-products:						
Interest rate swaps	2,680	3,861	15,670	22,211	355	768
Total derivatives used for hedging				**22,211**	**355**	**768**
Future interest cash flow of the liability interest derivatives	53	52	-113	-8		

Credit risk

Eureko's credit risk in banking operations is concentrated in mortgage lending activities and counterparty exposures in the capital markets of both Achmea Bank and Staalbankiers.
The credit risk in mortgage lending is managed by applying strict credit approval criteria. Any non-standard conditions imposed on borrowers also require the approval of the Credit Committee. Procedures have been laid down for monitoring interest and repayment arrears. Eureko is actively pursuing a policy of enhancing the risk profile of the banking credit portfolio by improving risk assessment and by securitisation of existing credit portfolios.

As participants in financial markets, Eureko's banking entities are also subject to counterparty risk. The major source of this risk is related to an ample cash position (Staalbankiers) and the use of interest rate derivatives to hedge the interest exposure of its mortgage business (Achmea Bank). During the recent turmoil in the financial markets the banks frequently revised their counterparty risk policy to reflect the rapidly changing environment. Currently, only a limited number of explicitly authorised counterparties are allowed. To date, this policy has been successful, as no counterparty losses have occurred.

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Liquidity risk

Eureko's banking entities have access to a diversified funding base. Funds are raised using a broad range of instruments, such as securitisations, covered bonds, bank lines, central bank funding, retail funding (deposits, current and savings accounts) and intragroup funding from Eureko's insurance entities. In the current market circumstances, some funding sources are more appropriate than others. Eureko strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Eureko continually assesses liquidity risk by identifying and monitoring changes in funding required to meet overall strategic business goals and targets.

Funding remained scarce in 2009 for the whole banking sector. Eureko's banking operations were able to maintain their position, with liquidity well above regulatory requirements. However, taking into account future liquidity, in autumn 2009 Achmea Hypotheekbank N.V. decided to arrange a $3.25 billion (€2.3 billion) funding transaction under the Dutch government guarantee funding scheme, creating significant additional liquidity. Regular refinancing is scheduled to take place in 2010. Eureko's banking activities can make use of the European Central Bank (ECB) repo facility (€555 million at year-end 2009) and savings.

For its banking activities Eureko manages its liquidity risk at different levels:
– In the short-term (overnight to one month), the Treasury department manages the bank's cash position on a daily basis.
– In the medium-term (one month to two years), Eureko measures the net funding requirement (NFR) against different scenarios to control its liquidity risk. The NFR measures the amount of funding needed to fulfil obligations, including any refinancing requirement in the capital market and net increase in assets of its retail business (e.g. mortgages).
– For the long-term, the bank strives for a well diversified funding base both in terms of maturity and diversification.

In addition, Eureko frequently performs stress tests to investigate liquidity positions in times of severe market disruption and has adequate contingency planning available.

LIQUIDITY RISK BANKING (€ MILLION)

2009	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Financial investments	6	3	92	62	163
Banking credit portfolio	2,106	1,223	3,489	12,089	18,907
Cash and cash equivalents	139				139
Other assets	6	16	5		27
Total assets	**2,257**	**1,242**	**3,586**	**12,151**	**19,236**
Liabilities					
Banking customer accounts	2,882	1,149	689	356	5,076
Loans and borrowings	153	2,436	9,770	446	12,805
Derivatives	15	5	18	10	48
Other liabilities	9	33	5		47
Total liabilities	**3,059**	**3,623**	**10,482**	**812**	**17,976**
Net liquidity gap	**-802**	**-2,381**	**-6,896**	**11,339**	**1,260**

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OPERATIONAL RISK

Eureko defines operational risk as the risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risk encompasses a wide variety of risks arising from amongst others: processing risk, business continuity risk, security risk, financial crime, information security risk.

Governance of operational risk is managed in the same way as all risk management within Eureko. The same three line defence is in place, however the standards applied are also based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) best practice that is applied worldwide and facilitates our operational risk management cycle. In 2009, several functions of the second line of defence aimed at managing specific types of operational risk were merged into Group Risk Management. The integration process will be continued in 2010. Operational risk management will be improved by integration and alignment of the various operational risk areas.

Group Compliance and Regulatory Affairs is responsible for managing compliance risk, internal and external (financial) crime in cooperation with Group Risk Management.

In 2009, more focus was given to risk that could arise from variable income components of employees. The variable income component is monitored closely and adjusted where necessary. The aim, seen as important by Eureko, is to ensure that any incentives are not in conflict with the Group's stakeholder model in which the interests of customers, distribution partners, employees and shareholders are prioritised. In 2009, the Dutch Central Bank and Financial Markets Authority published principles for sound compensation policies. Even though these principles have yet to be implemented in the Financial Supervision Act (Wft), we have already reviewed our own compensation system on compliance with them. From this review, we can conclude that the main structure of our compensation policy complies with these principles.

An improved procedure for reporting incidents was implemented in 2009. It facilitates the process in which all employees can report on any incident they may encounter.

Processing risk
Processing risk is defined as the risk of losses due to failed transaction processing or process management. These events are usually unintentional and consist of mistakes in documenting or completing business transactions. For each process, key risks and key controls are defined. During the year we evaluate and test the effectiveness of these key controls.

Business continuity risk
Business continuity risk is defined as the risk of material damage or loss due to the break down of business process chains, leading to a crisis.

In mid 2009, we successfully completed the implementation of our Business Continuity Management (BCM) programme. All Dutch divisions, shared service centres and supporting departments have been prepared for implementing and running BCM as a continuous process. Business critical processes have been identified, where possible in end-to-end customer chains. For these processes the appropriateness of measures for risk reduction and recovery has been analysed, delivering a clear view on the gaps for ensuring business continuity. Roles and responsibilities for BCM have been assigned to persons throughout the organisation.

Information security
Information Security is defined as the protection of information from various threats with the purpose of ensuring business continuity, minimising the risk of fraud and erroneous information processing and enable value creation by establishing customer confidence.

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It is Eureko's ambition to make information risk management a fully integrated part of the (business) control framework. This way information risks can be managed over the total business chain in a more effective and efficient way.

Internal Control Statement
An Internal Control Statement (ICS) is compiled providing a fair view of Eureko's risk exposure and level of control. A second objective is that by performing the self assessments necessary to provide this fair view, the organisation is obliged to continually reassess its risk and risk exposure, thereby raising risk awareness. The ICS report gives the management actions of the risk categories which require special attention.

In 2009, a number of improvements have been made in the ICS process in order to turn it into an even better top-down and specific risk controlling tool. The ICS planning is linked to Eureko's business planning cycle, the strategic and operational risk analysis is further developed and the efficiency of ICS increased.

At least twice a year, the Executive Board and business unit management teams discuss strategy and compatibility with the organisation's strategic goals, the related risks and available capacity for implementation of mitigating actions.
All business entities within the Group are required to complete the ICS process and demonstrate that the outcome is a true representation of risk exposure and level of risk control. The ICS results are subject to review by Group Internal Audit Services and are discussed by management and the Executive Board. The Executive Board also performs its own self assessment of risk exposure and risk control level. A high level consolidated ICS report is submitted by the Supervisory Board and the Audit and Risk Committee.

The outcome of the ICS process shows that the business entities are able to address the most important risk issues and continuously improve their control level. Based on these insights, key issues are:
– The external environment: continued credit and confidence crisis, economic recession, increased (price) competition, increased monitoring and uncertain capital markets.
– ICT risks, particularly control of information security and continuity.

The ICS process contributes to continuous growing of risk awareness and ownership of risk control issues within business entities. Through its stringent ICS procedures, Eureko is confident that all risks are dealt with consistently.

COMPLIANCE RISK

This is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that a financial institution may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities.

The Eureko Compliance Programme is the risk framework to manage and mitigate compliance risk. The emphasis lies on embedding compliance into daily business practice, also at process level. It translates applicable internal regulation and external legislation into compliance themes based on established norms and values that are fully understood by all personnel. Eureko's central values are customer orientation, trust and expertise. Using our compliance themes as point of departure, compliance controls were linked to important operational processes in 2009 enabling Eureko to prove compliance in accordance with applicable legislation.

Eureko aims for a transparent relationship with all regulators and supervisory bodies. This means that, besides required reporting, all developments and trends can be discussed in a timely manner. In the reporting year, we agreed with the regulators, supervisory bodies, to what is known as customised supervision. This has led to a more intense relationship with the supervisors. One reason is that the Financial Markets Authority is carrying out sector-wide reviews on the legislation and regulation related to duty of care to customers and to the lessons learned from the financial crisis. Eureko participated in stress tests initiated by the supervisors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In 2008 Eureko implemented an integrity monitor to monitor compliance. This was followed by an integrity awareness campaign that was launched in 2008 and continued into 2009. The aim was to identify focus areas of compliance for all business entities. This campaign resulted in individual compliance awareness plans for all our entities.

Financial crime and behavioural conduct
A distinction is made between external financial crime and internal financial crime. Internal financial crime is defined as an act by one or more employees using deception, theft or embezzlement to obtain a benefit illegally. External financial crime is defined as forgery related to an insurance policy or bank related contract to obtain a payment without entitlement.

In 2009, the general Achmea code of conduct was implemented alongside other codes applicable to other entities in the Group. The application of codes of conduct means we are fully transparent about the conduct that is expected from all employees. Furthermore, in the reporting year, the pre-employment screening policy in the Netherlands was revised and will be implemented in 2010.

58 CAPITAL MANAGEMENT

Eureko Group
According to regulations on the supervision of financial conglomerates (based on European Union directives), Eureko is required to have an amount of available capital that is at least equal to the sum of required capital for the regulated entities. Sector rules apply for different activities as insurance and banking. In addition, Eureko has set internal requirements, well above the regulatory requirements. The solvency ratio increased to 216% (2008: 150%). The capital increase from our shareholders and the PZU settlement have driven this increase, bringing solvency well above internal and external limits.

(€ MILLION)

	2009	2008
Total equity	10,127	7,451
Deductions	-1,541	-1,647
Subordinated loans	114	117
Available capital	**8,700**	**5,921**
Required capital insurance activities	3,546	3,481
Required capital banking activities	490	479
Required capital	**4,036**	**3,960**
Surplus capital	4,664	1,961
Ratio available/required capital	**216%**	**150%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Insurance activities

European Union directives have been issued on capital requirements of insurance companies in order to protect the interests of policyholders. Eureko measures its capital position based on these requirements and applies more stringent requirements for internal purposes. The internal requirements are set at minimum coverage ratios equal to 170% and 160% of the minimum regulatory solvency requirements for its Life and Non-Life businesses, respectively. For Health insurance, the minimum coverage ratio is 125% for basic health insurance and 150% for supplementary insurance coverage.

(€ MILLION)

	2009	2008
Available capital	8,913	6,855
Required capital	3,546	3,481
Surplus capital	**5,367**	**3,374**
Ratio available/required capital	251%	197%

Banking activities

The European Union has issued directives on capital requirements of banks based on the Guidelines developed by the Basel Committee on banking supervision. Based on these directives, the Dutch Central Bank has issued minimum capital requirements. As of 1 January 2008 banking capital requirements will be governed by the Capital Requirements Directive (Basel II). Eureko will use the Standardised Model to determine its credit risk. The BIS ratio based on Basel II decreased to 14.2% compared to 14.5% in 2008, primarily due to the increase in the risk weighted assets.

(€ MILLION)

	2009	2008
Equity attributable to equity holders of the Banking entities	695	664
Core Capital – Tier 1	**695**	**664**
Supplementary capital – Tier 2	174	205
Qualifying capital	**869**	**869**
Risk-weighted assets	6,129	5,987
Tier 1 ratio	11.3%	11.1%
BIS ratio	14.2%	14.5%

59 SUBSEQUENT EVENTS

February 2010

On 12 February 2010, an agreement was reached for the sale of Interlife Cyprus Company Ltd and Interamerican Assistance Ltd, both registered in Cyprus. This transaction is subject to regulatory approval in Cyprus. In 2009, both companies reported Gross written premiums of €34 million, Net profit of €-4 million and Total assets of €82 million.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF PROFIT)

(€ MILLION)

	NOTES	31 DECEMBER 2009	31 DECEMBER 2008
Assets			
Intangible assets	2	1,836	1,992
Investments in:	3		
Subsidiary companies		5,972	4,807
Associated companies		1,440	2,066
Participating interests		100	285
Other investments	4	1,452	287
Income tax receivable			168
Receivables	5	730	98
Cash and cash equivalents	6	8	10
Total assets		**11,538**	**9,713**
Equity			
Equity attributable to holders of equity instruments of the Company	7	10,121	7,445
Liabilities			
Provisions	8	24	42
Loans and borrowings	9	780	1,282
Derivatives	10	50	
Deferred tax liabilities	11	127	140
Income tax payable		146	
Other liabilities	12	290	804
Total liabilities		**1,417**	**2,268**
Total liabilities and equity		**11,538**	**9,713**

COMPANY INCOME STATEMENT

(€ MILLION)

	NOTES	2009	2008
Investments in:	13		
Subsidiary companies		203	-1,526
Associated companies		281	139
Participating interests		-40	-521
Other results	14	1,103	-286
Income tax expenses	15	166	-75
Net profit		**1,381**	**-2,119**

COMPANY FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	2009	2008
Net profit	**1,381**	**-2,119**
Other comprehensive income		
Currency translation differences on intangible assets and associated companies and participating interests	-91	-372
Share in other comprehensive income of subsidiary companies, associated companies and participating interests	488	-539
Comprehensive income	**1,778**	**-3,030**
Attributable to:		
Holders of equity instruments of the Company	1,778	-3,030

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY

(€ MILLION)

2009	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	RETAINED EARNINGS	NET FOREIGN EXCHANGE DIFFERENCE	PROFIT FOR THE YEAR	HEDGING RESERVES	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY
Balance at 1 January	**10,833**	**-45**	**1,548**	**-2**	**-3,841**	**-229**	**-2,119**	**-25**	**1,325**	**7,445**
Comprehensive income				484		-89	1,381	2		1,778
Appropriations to reserves			-298	-43	-1,778		2,119			
Dividends and coupon payments to holders of equity instruments					-106					-106
Issue, repurchase and sale from/ to holders of equity instruments	1,028									1,028
Other movements				319	-264	-104		25		-24
Balance at 31 December	**11,861**	**-45**	**1,250**	**758**	**-5,989**	**-422**	**1,381**	**2**	**1,325**	**10,121**

Share capital includes €11,429 million share premium (2008: €10,476 million).

COMPANY STATEMENT OF CHANGES IN EQUITY

(€ MILLION)

2008	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	RETAINED EARNINGS	NET FOREIGN EXCHANGE DIFFERENCE	PROFIT FOR THE YEAR	HEDGING RESERVES	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY
Balance at 1 January	**10,398**	**-45**	**1,227**	**866**	**-4,065**	**-85**	**979**	**14**	**1,084**	**10,373**
Comprehensive income				-728		-144	-2,119	-39		-3,030
Appropriations to reserves			321	-142	800		-979			
Dividends and coupon payments to holders of equity instruments	427				-540					-113
Issue, repurchase and sale from/ to holders of equity instruments									225	225
Other movements	8			2	-36				16	-10
Balance at 31 December	**10,833**	**-45**	**1,548**	**-2**	**-3,841**	**-229**	**-2,119**	**-25**	**1,325**	**7,445**

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS

(€ MILLION)

	2009	2008
Cash flow from operating activities		
Interest received	37	23
Interest paid	-119	-113
Service fees and other income received	1	2
Income taxes paid	146	-98
Payments to suppliers and employees	-51	-32
	14	**-218**
Cash flow from investing activities		
Dividends received	1,154	8
Investments in subsidiaries and associated companies	-728	-252
PZU settlement	973	
Other investments	-1,932	
Loans and borrowings		533
Proceeds from sale of investments	83	83
	-450	**372**
Cash flow from financing activities		
Issue of other equity instruments		225
Dividends paid	-106	-113
Issue and sale of shares	1,028	8
Loans and borrowings	-357	752
Intercompany financing (net)	-131	-1,030
	434	**-158**
Net cash flow	**-2**	**-4**
Movements in Cash and cash equivalents		
Cash and cash equivalents at 1 January	10	14
Net cash flow	-2	-4
Cash and cash equivalents at 31 December	**8**	**10**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Introduction

General
With reference to the Company Income Statement of Eureko B.V., use has been made of the exemption pursuant to Section 402 of Book 2, part 9 of the Netherlands Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result
For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, Eureko B.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. By making use of this option the Consolidated shareholders' equity equals the Company shareholders' equity. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of Eureko B.V. are the same as those applied for the Consolidated Financial Statements.

In the Company Financial Statements of Eureko B.V. investments in subsidiaries are measured at net capital worth. Through business combinations acquired intangible assets are separately recognised as Intangible assets.

The Statement of cash flows in the Company Financial Statements is presented according to the direct method.

All amounts in the Company Financial Statements are in millions of euros, unless stated otherwise.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2 INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	INTERNALLY DEVELOPED SOFTWARE	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	OTHER INTANGIBLE ASSETS FINITE	**TOTAL 2009**	TOTAL 2008
Cost								
Balance at 1 January	1,264	83	116	635	273	94	2,465	2,530
Other movements	-10						-10	26
Foreign currency differences	-37				9		-28	-91
Balance at 31 December	**1,217**	**83**	**116**	**635**	**282**	**94**	**2,427**	**2,465**
Amortisation and impairment losses								
Balance at 1 January	4	65	31	307	50	16	473	330
Amortisation charge for the year		9	12	46	32	5	104	143
Impairment loss				14			14	
Balance at 31 December	**4**	**74**	**43**	**367**	**82**	**21**	**591**	**473**
Carrying amount								
Balance at 1 January	1,260	18	85	328	223	78	1,992	2,200
Balance at 31 December	**1,213**	**9**	**73**	**268**	**200**	**73**	**1,836**	**1,992**

3 INVESTMENTS IN SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND PARTICIPATING INTERESTS

(€ MILLION)

	SUBSIDIARY COMPANIES	ASSOCIATED COMPANIES	PARTICIPATING INTERESTS	**TOTAL 2009**	SUBSIDIARY COMPANIES	ASSOCIATED COMPANIES	PARTICIPATING INTERESTS	TOTAL 2008
Balance at 1 January	4,807	2,066	285	7,158	6,899	2,133	716	9,748
Investments and loans granted	728			728	154	20	171	345
Sales and disposals			-157	-157	-83			-83
Annual Results	203	266		469	-1,526	238		-1,288
Revaluations	451	23	-29	445	-732	53	-553	-1,232
Dividend received	-123	-1,025		-1,148		-4		-4
Foreign currency differences		55		55	-28	-281		-309
Impairments						-103		-103
Reversal of impairments		15		15				
Changes due to reclassification							-49	-49
Other changes	-94	40	1	-53	123	10		133
Balance at 31 December	**5,972**	**1,440**	**100**	**7,512**	**4,807**	**2,066**	**285**	**7,158**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

4 OTHER INVESTMENTS

The movements of the other investments can be specified as follows:

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	DERIVATIVES	DEPOSITS WITH CREDIT INSTITUTIONS	**TOTAL 2009**	TOTAL 2008
Balance at 1 January	18	4	265	287	289
Investments and loans granted		23	2,452	2,475	57
Disinvestments and disposals	-16		-1,271	-1,287	-32
Fair value changes	-3	2		-1	-63
Foreign currency differences	1		4	5	-15
Accrued interest			2	2	2
Changes due to reclassification		-4	-25	-29	49
Balance at 31 December		**25**	**1,427**	**1,452**	**287**

The majority of Deposits with credit institutions is not subject to any restrictions. The average interest rate is less than 1% and the average time to maturity is less than three months.

5 RECEIVABLES

(€ MILLION)

	2009	2008
Subsidiary companies	433	84
Other receivables	297	14
	730	**98**

Other receivables includes €283 million related to the discounted value of 4.9% PZU's value as at 2 October 2009, which is a fixed amount Eureko will receive at a future date. Reference is made to Note 1 (Exceptional events) of the Consolidated Financial Statements.

6 CASH AND CASH EQUIVALENTS

(€ MILLION)

	2009	2008
Bank balances	8	10
	8	**10**

7 EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

The movements in Equity attributable to holders of equity instruments of the company are specified in the Consolidated Statement of Changes in Total equity.

On 8 April 2009, Eureko issued 75,466,001 ordinary shares: 44,052,863 ordinary shares to Vereniging Achmea, 29,368,576 ordinary shares to Rabobank and 2,044,562 ordinary shares to BCP Group (Bitalpart B.V.) for a total consideration of €1,028 billion. The value of the issued shares is reduced with the related transaction costs. These amounted to €0.2 million.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

SHARE CAPITAL AND SHARE PREMIUM

(€ MILLION)

	NUMBER OF ORDINARY SHARES	NOMINAL VALUE ORDINARY SHARES	NUMBER OF PREFERENCE SHARES	NOMINAL VALUE PREFERENCE SHARES	NUMBER OF M SHARES	NOMINAL VALUE M SHARES	NUMBER OF A SHARES	NOMINAL VALUE A SHARES
Authorised	1,499,999,999	740	60,000,000	60	10,000,000	10	1	
Issued	408,884,541	409	23,904,060	24			1	
Available for issuance	**1,091,115,458**	**331**	**36,095,940**	**36**	**10,000,000**	**10**		
Shares issued 1 January 2008	323,254,197	323	23,904,060	24			1	
Shares issued in 2008	10,164,343	10						
Shares issued 31 December 2008	**333,418,540**	**333**	**23,904,060**	**24**			**1**	
Shares issued 1 January 2009	333,418,540	333	23,904,060	24			1	
Shares issued in 2009	75,466,001	76						
Shares issued 31 December 2009	**408,884,541**	**409**	**23,904,060**	**24**			**1**	

Eureko has issued one A share. There are special rights entitled to the A share. The majority of the decisions of Eureko's General Meeting of Shareholders can only be made after the approval of the holder of the A share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Eureko B.V.

Eureko has also issued 23,904,060 preference shares. The preference shares are entitled to dividends and have one vote per share in the General Meeting of Shareholders. The dividends paid are 7.15% per year on the share capital and share premium paid for those shares, but payment is subject to the approval of the General Meeting of Shareholders. The dividend on preference shares will become cumulative in case no cash or stock dividends are paid. Terms on the percentage will be reviewed every ten years. The first review will take place before 1 January 2014.

The preference shares have been issued to Eureko Tussenholding B.V., which exercises the voting rights attached to the preference shares. Eureko Tussenholding B.V., through Stichting Administratiekantoor Eureko Tussenholding, has issued certificates of the preference shares to the ultimate investors.

Legal reserves

According to the legal requirements in the Netherlands a legal reserve has been set up for the non-distributable profit in the associated companies, capitalised internally developed software and Health segment subsidiary companies that are subject to regulatory requirements.

8 PROVISIONS

(€ MILLION)

	2009	2008
Balance at 1 January	42	45
Additions	9	3
Usage	-6	-6
Released	-21	
Balance at 31 December	**24**	**42**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS

(€ MILLION)

	SECURED BANK LOANS	UNSECURED LOANS	**TOTAL 2009**	TOTAL 2008
Balance at 1 January	530	752	1,282	707
Consideration received		756	756	3,613
Consideration paid	-526	-754	-1,280	-3,083
Accrued interest	-4	26	22	45
Balance at 31 December		**780**	**780**	**1,282**

10 DERIVATIVES

(€ MILLION)

	CURRENCY DERIVATIVES	**TOTAL 2009**	TOTAL 2008
Balance at 1 January			
Consideration received	3,441	3,441	
Consideration paid	-3,511	-3,511	
Foreign currency differences	124	124	
Changes due to reclassification	-4	-4	
Balance at 31 December	**50**	**50**	

There are no comparable figures as there were no transactions applied before 2009.

11 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following items:

(€ MILLION)

	BALANCE AT 1 JANUARY 2009	RECOGNISED IN EQUITY	**BALANCE AT 31 DECEMBER 2009**	BALANCE AT 1 JANUARY 2008	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2008
Intangible assets	146	-14	132	187	-41	146
Investments	-6	1	-5	2	-8	-6
	140	**-13**	**127**	**189**	**-49**	**140**

Eureko B.V. and its majority of Dutch subsidiaries together form a fiscal unity for corporate income tax and VAT, and is as a consequence liable for all deferred and current receivables and liabilities relating to corporate income tax and VAT.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

12 OTHER LIABILITIES

(€ MILLION)

	2009	2008
Subsidiary companies	172	660
Other	118	144
	290	**804**

13 INCOME FROM SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND PARTICIPATING INTERESTS

(€ MILLION)

	SUBSIDIARY COMPANIES	ASSOCIATED COMPANIES	PARTICIPATING INTERESTS	TOTAL 2009	SUBSIDIARY COMPANIES	ASSOCIATED COMPANIES	PARTICIPATING INTERESTS	TOTAL 2008
Income from subsidiary and associated companies	203	266		469	-1,526	238		-1,288
Dividend			2	2		4		4
Impairment loss			-11	-11		-103	-521	-624
Reversal of impairment loss		15		15				
Loss on sale of participating interests			-31	-31				
	203	**281**	**-40**	**444**	**-1,526**	**139**	**-521**	**-1,908**

14 OTHER RESULTS

(€ MILLION)

	2009	2008
Other income	1,289	60
Other expenses	186	346
	1,103	**-286**

Other income includes an amount of €1,145 million related to the settlement transaction regarding PZU. For more details reference is made to Note 1 (Exceptional events) of the Consolidated Financial Statements.

15 INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX RATE

(€ MILLION)

	2009	2008
Other result before tax	1,103	-286
Income tax using the domestic corporation tax rate	281	-73
Participation exemption	-145	
Non-deductible expenses	29	
Tax facilities		-2
Other		1
Under/(over) provided in prior years	1	-1
Effective tax amount	**166**	**-75**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

16 CONTINGENCIES

Eureko B.V. has provided the Dutch government with indemnity for amounts due to the Dutch government by Achmea Hypotheekbank N.V. as a result of its participation in the 2008 Credit Guarantee Scheme. Total exposure of this indemnity related to principal, interest and costs of the guaranteed debt at 31 December 2009 is €2.3 billion (2008: nil) and is payable either in dollars or euros. Total exposure of this indemnity related to the guarantee fee and any other costs at 31 December 2009 is €82 million (2008: nil) and is payable in euros. No material losses are expected in respect of these guarantees and indemnities.

17 REGISTERED SEAT

Eureko B.V. is seated in Amsterdam, the Netherlands, and registered at the Chamber of Commerce, trade register Amsterdam 33235189.

Zeist, 26 March 2010

The Supervisory Board

A.H.C.M. (Arnold) Walravens, Chairman
M. (Marinus) Minderhoud, Vice-Chairman
U. (Urs) Berger
B. (Bernard) Bijvoet
F.J.F. (Flip) Buurmeijer
E.A.J. (Erik) van de Merwe
P.F.M. (Paul) Overmars
H.J. (Henk) Slijkhuis
A.W. (Aad) Veenman
A.J.A.M. (Antoon) Vermeer
B.J. (Bé) van der Weg
B.Y. (Bouke) Yntema

The Executive Board

W.A.J. (Willem) van Duin, Chairman
G. (Gerard) van Olphen, Vice-Chairman and CFO
D. (Danny) van der Eijk
J.A.S. (Jeroen) van Breda Vriesman
T.C.A.M. (Thomas) van Rijckevorsel

OTHER INFORMATION

STATUTORY REQUIREMENTS FOR APPROPRIATION OF RESULTS

The company's Articles of Association contain the following requirements regarding appropriation of results:

The profit will be distributed pursuant to Article 34 of the Articles of Association of Eureko B.V. The provisions can be summarized as follows:

- The profits shall be at the free disposal of the General Meeting of Shareholders.
- The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.
- If the General Meeting of Shareholders decides on the distribution of dividends, first of all, if possible, a dividend equal to 7.15% of the nominal amount shall be paid to preference shareholders. Subject to the approval of the Supervisory Board, the Executive Board shall be authorised to increase the above mentioned percentage determined at the time of issue each year with a maximum of 1.8%.
- If no dividend in cash is distributed, a dividend in the form of preference shares can be resolved upon.
- If the General Meeting of Shareholders decides on the distribution of dividends and dividend on preference shares has been passed in previous years, cash dividends shall first be paid to preference shareholders with respect to these previous years, before any distribution can take place on other shares.

THE TOTAL NET PROFIT IS PROPOSED TO BE DISTRIBUTED AS FOLLOWS:

(€ MILLION)

	2009
Profit after non-controlling interest	1,381
Dividend on preference shares	26
Coupon payments on other equity instruments after tax	60
	1,295

TO BE DISTRIBUTED AS FOLLOWS:

(€ MILLION)

	2009
Proposed final dividend on ordinary shares	585
Distribution to retained earnings	710
	1,295

FINANCIAL STATEMENTS

OTHER INFORMATION

EUREKO SHAREHOLDERS AT 31 DECEMBER 2009

COMPANY	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PREFS)
Vereniging Achmea associated entities of which				
Stichting Administratiekantoor Achmea (incl. 1 A share)	The Netherlands	225,711,243	55.20%	52.16%
BCP Group of which	Portugal			
Bitalpart B.V.	The Netherlands	11,077,699	2.71%	2.56%
Rabobank of which				
Coöperatieve Centrale Raiffeisenboerenleenbank B.A.	The Netherlands	161,218,893	39.43%	37.25%
LF Group of which				
Länsförsäkringar Liv Försäkringsab (publ)	Sweden	1,832,627	0.45%	0.42%
Länsförsäkringar SAK Försäkringsab (publ)	Sweden	1,832,626	0.45%	0.42%
Gothaer Group of which				
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.50%	0.48%
Gothaer Finanz Holding AG	Germany	2,370,153	0.58%	0.55%
Swiss Mobiliar of which				
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.68%	0.64%
Eureko TussenHolding B.V. (preference shares)	The Netherlands	23,904,060		5.52%
Total ordinary shares		**408,884,542**	**100.00%**	
Total ordinary shares and preference shares		**432,788,602**		**100.00%**

The number of the shares held by Stichting Administratiekantoor Achmea include one A share. Eureko has only issued one A share. There are special rights entitled to the A share. The majority of the decisions of Eureko's General Meeting of Shareholders can only be made after the approval of the holder of the A share.

OTHER INFORMATION

EUREKO SUBSIDIARIES

Unless otherwise stated, the interest is 100% or almost 100% on 31 December 2009.

The Netherlands

Achmea Bank Holding N.V., registered in The Hague
Achmea Beleggingsfondsen Beheer B.V., registered in Utrecht
Achmea Beleggingsfondsen N.V., registered in Zaandam
Achmea Health Centers B.V., registered in Apeldoorn
Achmea Holding N.V., registered in Utrecht
Achmea Huisvesting B.V., registered in Apeldoorn
Achmea Hypotheekbank N.V., registered in The Hague
Achmea Inkomensverzekeringsdiensten B.V., registered in Amsterdam
Achmea Innovation Capital B.V., registered in Zeist
Achmea Mens en Werk B.V., registered in Amstelveen
Achmea Non-Life Beleggingen B.V., registered in Zeist
Achmea Pensioen- en Levensverzekeringen N.V., registered in Apeldoorn
Achmea Personeel B.V., registered in Utrecht
Achmea Re Netherlands N.V., registered in Apeldoorn
Achmea Reinsurance Brokers B.V., registered in Utrecht
Achmea Retail Bank N.V., registered in The Hague
Achmea Schadeservice B.V., registered in Utrecht
Achmea Schadeverzekeringen N.V., registered in Apeldoorn
Achmea SZ Holding B.V., registered in Amsterdam
Achmea Vastgoed Beheer B.V., registered in Apeldoorn
Achmea Verzekeringsholding N.V., registered in Utrecht
Achmea Vitale B.V., registered in Amsterdam
Achmea Zorgkantoor N.V., registered in Utrecht
Achmea Zorgverzekeringen N.V., registered in Noordwijk
Agis Assurantiën B.V., registered in Amersfoort
Agis Participaties B.V., registered in Amersfoort
Agis Tussenholding N.V., registered in Amersfoort
Agis Ziektekostenverzekeringen N.V., registered in Amersfoort
Agis Zorgverzekeringen N.V., registered in Amersfoort
AP&L Beleggingen B.V., registered in Zeist
Avéro Achmea Financieringen B.V., registered in The Hague
Avéro Achmea Zorgverzekeringen N.V., registered in Utrecht
Avéro Pensioenverzekeringen N.V., registered in Leeuwarden
Avéro Schadeverzekering Benelux N.V., registered in Rotterdam
AVP Beleggingen B.V., registered in Zeist
Beleggings- en Beheermaatschappij Frankenhagen B.V., registered in The Hague
Beleggingsmaatschappij Elink B.V., registered in The Hague
Eureko Claims Centre B.V., registered in Zeist
Eureko Consulting Services B.V., registered in Zeist
Eureko Eastern Europe Holding B.V., registered in Zeist
Eureko Re N.V., registered in Tilburg
Eurocross International Assistance Services B.V., registered in Noordwijk
Eurocross International Holding, B.V., registered in Noordwijk
Eurocross International Insurance N.V., registered in Noordwijk
FBTO Zorgverzekeringen N.V., registered in Utrecht
GlobalNeth B.V., registered in Apeldoorn
Goed en Wel II B.V., registered in Zeist
Health Center Arnhem B.V., registered in Arnhem
Health Center Barneveld B.V., registered in Apeldoorn
Health Center Deventer B.V., registered in Colmschate
Health Center Doetinchem B.V., registered in Arnhem
Health Center Oss B.V., toegevoegd, registered in Oss
Health Center Zutphen B.V., registered in Zutphen
In Motion Health Centers B.V., registered in Apeldoorn
InShared Holding B.V. (85%), registered in Hoevelaken
InShared Nederland B.V., registered in Hoevelaken
Interpolis Computercentrum B.V., registered in Zeist
Interpolis Diensten B.V., registered in Utrecht
Interpolis Facilitaire Dienstverlening B.V., registered in Tilburg
Interpolis N.V., registered in Tilburg
Interpolis Verzekeringen N.V., registered in Tilburg
Interpolis Zorgverzekeringen N.V., registered in Utrecht
Klant Contact Services B.V., registered in Amsterdam
L.M.S. Administratieve Diensten B.V., registered in The Hague
Leefstijl Training & Coaching N.V. (75%), registered in Amsterdam
Levob Bank N.V., registered in Amersfoort
Levob Financieringen N.V., registered in Amersfoort
Levob Participaties B.V., registered in Amersfoort
Medical Service Center N.V., registered in Amstelveen
N.V. Brand- en Varia Verzekeringsmaatschappij De Twaalf Gewesten, registered in Leidschendam
N.V. Hagelunie, registered in The Hague
N.V. Interpolis BTL, registered in Tilburg
N.V. Interpolis Dierverzekeringen, registered in Tilburg
N.V. Interpolis Kredietverzekeringen (55%), registered in 's Hertogenbosch
N.V. Interpolis Onroerend Goed, registered in Tilburg
N.V. Interpolis Schade, registered in Tilburg
N.V. Interpolis Tivoli, registered in Tilburg

OTHER INFORMATION

N.V. Risicofonds voor het Onderwijs, registered in Huis ter Heide
OZF Achmea Zorgverzekeringen N.V., registered in Hengelo
P.M. Evenementen B.V., registered in Zwolle
Pim Mulier B.V., registered in Zwolle
Popescu Holding B.V., registered in Zeist
Practis B.V., registered in Amsterdam
Practis Holding B.V., registered in Gorinchem
Residentie Beleggingen N.V., registered in The Hague
Residex B.V., registered in Apeldoorn
Residex Capital III B.V., registered in Apeldoorn
Residex Capital IV B.V., registered in Apeldoorn
Sportschool-Fitnesscentrum Theo ten Tije Deventer B.V., registered in Epe
Staal Bank Fondsen Beheer B.V., registered in The Hague
Staal Satelliet I B.V., registered in The Hague
Staalbankiers N.V., registered in The Hague
Staalbankiers Vastgoedfondsen Beheer B.V., registered in The Hague
Sterpolis Schadeverzekeringen N.V., registered in Arnhem
Stigas Agrarisch Preventief B.V., registered in Zoetermeer
Syntrus Achmea Management B.V., registered in Amsterdam
Syntrus Achmea Pensioenbeheer N.V., registered in Amsterdam
Syntrus Achmea Vastgoed B.V., registered in Amsterdam
Syntrus Achmea Vermogensbeheer B.V., registered in Tilburg
Tropina Interbel B.V., registered in The Hague
WagenPlan B.V. (50%), registered in Schiphol-Rijk
Winnock B.V., registered in Utrecht
Winnock Zorg B.V., registered in Nieuwegein
Zilveren Kruis Achmea Zorgverzekeringen N.V., registered in Utrecht

Greece

Anyrisk Agency Company of Insurance and Reinsurance Services S.A., registered in Athens
Athinaiki General Clinic S.A., registered in Athens
Imperio Life Hellenic Insurance Company S.A., registered in Athens
Interamerican Finance Financial Services S.A., registered in Athens
Interamerican Health General Insurance Company of Health and Assistance S.A., registered in Athens
Interamerican Hellenic Life Insurance Company S.A., registered in Athens
Interamerican Property & Casualty Insurance Company S.A., registered in Athens
Interamerican Road Assistance General Insurance S.A., registered in Athens
Interassistance Commerical Company of Automobile and Tourism, registered in Athens
Interassistance Road Assistance Services S.A., registered in Athens
Interdata Information Technology Development S.A., registered in Athens
Mentor Assessors, Estimators, Engineers S.A., registered in Athens

Ireland

Allied Insurance Consultants Ltd, registered in Dublin
Atrium Nominees, registered in Dublin
Bray SRH Ltd, registered in Dublin
Celtic Autoline Direct Insurance Ltd, registered in Dublin
Celtic Direct Life Ltd, registered in Dublin
Celtic Insurance Services Ltd, registered in Dublin
Celtic International Endowment Policies Ltd, registered in Dublin
Citifriend Nominee Ireland Ltd, registered in Dublin
Eureko Captive Management Services Ltd, registered in Dublin
Eureko Insurance Ireland Ltd, registered in Dublin
Eureko Ireland Ltd, registered in Dublin
Eureko Reinsurance Ireland Ltd, registered in Dublin
Finglas SRH Ltd, registered in Dublin
Friends First (Cherrywood) Ltd, registered in Dublin
Friends First Broker Services Ltd, registered in Dublin
Friends First Direct Ltd, registered in Dublin
Friends First Finance Ltd, registered in Dublin
Friends First General Insurance Company Ltd, registered in Dublin
Friends First Group Services Ltd, registered in Dublin
Friends First Holdings Ltd, registered in Dublin
Friends First International Ltd, registered in Dublin
Friends First Life Assurance Company Ltd, registered in Dublin
Friends First Managed Pension Funds Ltd, registered in Dublin
Friends First Trustee Services Ltd, registered in Dublin
Friends First US Property Company Ltd, registered in Dublin
Friends Provident Ireland Ltd, registered in Dublin
Liberty Asset Management Ltd, registered in Dublin
Liberty Asset Management Pensioner Trustee Company Ltd, registered in Dublin
Liberty Mortgage Corporation Ltd, registered in Dublin
Liberty Nominees Ltd, registered in Dublin

OTHER INFORMATION

Liberty Property Investment Ltd, registered in Dublin
Liberty Wealth Management Ltd, registered in Dublin
Naas SRH Ltd, registered in Dublin
Partac Ltd, registered in Dublin
Periplex, registered in Dublin
Q Capital Ltd, registered in Dublin
Victoria House (Leasing) Ltd, registered in Dublin
Walkinstown SRH Ltd, registered in Dublin

France

Globale S.A.R.L., registered in Paris
Império Assurances et Capitalisation S.A., registered in Paris
S.C.I. Interpierre, registered in Paris
S.C.I. Résidence de L'Isle, registered in Paris

Cyprus

Interamerican Assistance Ltd, registered in Nicosia
Interlife Insurance Company Ltd, registered in Nicosia

Romania

Eureko Asigurãri S.A., registered in Bucharest
Eureko Romania Medical Assistance S.R.L., registered in Bucharest
Euroclinic Hospital S.A., registered in Bucharest
Euroclinic Medical Centers S.A., registered in Bucharest
Interamerican - Societate de Administrare a Fondurilor de Pensii Private S.A., registered in Bucharest

Bulgaria

EuroCross International Bulgaria E.A.D., registered in Sofia
Interamerican Assistance E.A.D., registered in Sofia
Interamerican Bulgaria Life Insurance E.A.D., registered in Sofia
Interamerican Bulgaria Z.E.A.D., registered in Sofia

Luxembourg

Achmea Re Management Company S.A., registered in Luxembourg
Achmea Reinsurance S.A., registered in Luxembourg
Friends First Finance Luxembourg S.A.R.L., registered in Luxembourg

Slovakia

Union Broker S.R.O. (98%), registered in Bratislava
Union Poistovna A.S. (98%), registered in Bratislava
Union Zdravotná Poistovna A.S., registered in Bratislava

Other

Blohe N.V., registered in Lier, Belgium
Eureko Polska Spótka z.o.o., registered in Warsaw, Poland
Eureko Portugal SGPS S.A., registered in Lisbon, Portugal
Eureko Sigorta A.S. (80%), registered in Istanbul, Turkey
EuroCross International Central Europe S.R.O., registered in Prague, Czech Republic
EuroCross International Polska Spótka z.o.o., registered in Warsaw, Poland
First Orion Amber Ltd, registered in St. Helier, United Kingdom
First Orion Cobalt Ltd, registered in St. Helier, United Kingdom
First Orion Crimson Ltd, registered in St. Helier, United Kingdom
First Orion Emerald Ltd, registered in St. Helier, United Kingdom
First Orion Magenta Ltd, registered in St. Helier, United Kingdom
Green Fields Ltd, registered in George Town, United Kingdom
Imperservices S.A., registered in Lausanne, Switzerland
Insurance Company Oranta-M CJSC., registered in Moscow, Russia
J. Haenecour & Co. N.V., registered in Brussels, Belgium
Liberty Property Investment Ltd, registered in Cheshire, United Kingdom
Oranta Insurance Company LLC., registered in Moscow, Russia
Practis Belgium N.V., registered in Sint-Niklaas, Belgium

OTHER INFORMATION

Statement of the Executive Board of Eureko B.V.

The Executive Board of Eureko B.V. is responsible for the preparation of the Annual Report 2009, including the Consolidated Financial Statements 2009. The Consolidated Financial Statements 2009 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company Financial Statements 2009 and Executive Board Report 2009 are prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and the Financial Supervision Act part 5.1A.

The Executive Board reviewed the Eureko B.V. Consolidated and Company Financial Statements and authorised their issue.

The Executive Board of Eureko B.V. declares that, to the best of its knowledge, the Eureko B.V. Consolidated and Company Financial Statements 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of Eureko B.V. and that the information contained herein has no omissions likely to modify significantly the scope of any statements made.

The Executive Board of Eureko B.V. also declares that the Executive Board Report 2009 gives a true and fair view of the situation on 31 December 2009, the development and performance during 2009 and describes the principal risks of the businesses of the Group.

The Eureko B.V. 2009 Consolidated Financial Statements and 2009 Company Financial Statements will be submitted to the Annual General Meetings of Shareholders for approval on 7 April 2010.

Zeist, 26 March 2010

The Executive Board

W.A.J. (Willem) van Duin, Chairman
G. (Gerard) van Olphen, Vice-Chairman and CFO
D. (Danny) van der Eijk
J.A.S. (Jeroen) van Breda Vriesman
T.C.A.M. (Thomas) van Rijckevorsel

OTHER INFORMATION

AUDITORS' REPORT TO THE GENERAL MEETING OF SHAREHOLDERS AND SUPERVISORY BOARD OF EUREKO B.V.

Report on the Financial Statements

We have audited the accompanying Financial Statements for the year 2009 of Eureko B.V., Amsterdam as set out on pages 79 to 217. The Financial Statements consist of the Consolidated Financial Statements and the Company Financial Statements. The Consolidated Financial Statements comprise the Consolidated Statement of Financial Position as at 31 December 2009, the Consolidated Income statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in total Equity and Consolidated Statement of Cash Flows for the year then ended, and the notes to the Consolidated Financial Statements, comprising a summary of significant accounting policies and other explanatory information. The Company Financial Statements comprise the Company Statement of Financial position as at 31 December 2009, the Company income statement, Company Statement of Comprehensive Income, Company Statement of Changes in Equity and Company Statement of Cash Flows for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the Consolidated Financial Statements

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of Eureko B.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the Company Financial Statements

In our opinion, the Company Financial Statements give a true and fair view of the financial position of Eureko B.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

OTHER INFORMATION

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the Financial Statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 26 March 2010

KPMG ACCOUNTANTS N.V.

H. Arendse RA

FIVE YEARS' KEY FIGURES

KEY FIGURES

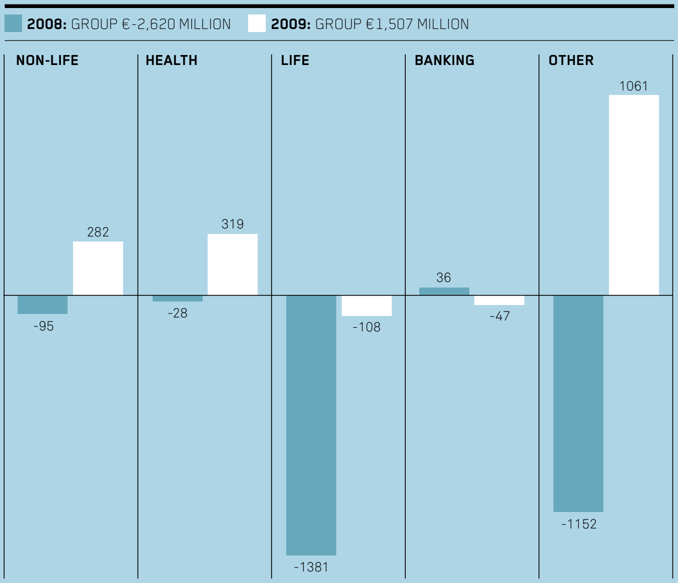
(€ MILLION)

RESULTS	2005	2006	2007	2008	2009
Gross written premiums	6,577	14,302	14,853	19,306	19,645
Contribution investment contracts	448	623	757	307	353
Profit before tax	826	1,215	1,041	-2,620	1,507
Net profit	706	985	979	-2,118	1,381
Insurance gross written premiums					
Non-life	1,699	2,684	2,915	3,816	4,030
Health	2,072	7,154	7,521	11,259	10,617
Life	2,807	4,464	4,417	4,231	4,998
Banking					
Net interest margin	161	142	157	191	185
STATEMENT OF FINANCIAL POSITION					
Total assets	83,293	86,448	100,582	92,453	93,189
Total investments (excluding unit-linked)*	39,062	38,736	40,328	38,768	40,657
Banking credit portfolio	16,459	17,272	18,035	18,921	19,302
Total equity	8,525	9,632	10,375	7,451	10,127
Embedded value Life business	4,537	6,089	6,374	4,123	4,910

** Includes Investments in associated companies and participating interests, Investment property and Investments.*

PROFIT BEFORE TAX

(€ MILLION)



KEY RATIOS

(%)

	2005	2006	2007	2008	2009
Group					
Solvency	218	239	232	150	216
Solvency insurance entities	234	236	234	197	251
Return on equity	12.7	13.0	9.7	-23.4	15.8
Return on adjusted equity	16.9	14.7	12.9	-38.6	20.0
Debt leverage	15.3	18.3	23.0	36.4	22.7
Insurance					
Combined ratio Non-life	89.9	88.5	96.4	95.6	96.8
Combined ratio Health	94.5	100.4	99.0	100.1	98.4
Banking					
Cost/income ratio	72.2	84.2	64.7	61.9	64.4
BIS ratio*	16.0	14.2	15.2	14.5	14.2
Figures per ordinary share (€)					
Net profit	2.98	2.92	2.92	-6.65	3.36
(Proposed) dividend on ordinary shares	1.41	1.41	1.41	–	1.43

EMPLOYEES

	2005	2006	2007	2008	2009
Full-time equivalents (FTEs)	20,166	21,784	24,035	24,883	23,676
Number of employees				28,327	27,681
Absenteeism**	5.0%	4.8%	4.9%	4.3%	4.2%
Employee satisfaction**	64%	68%	73%	76%	78%

CUSTOMER SATISFACTION

	2005	2006	2007	2008	2009
Centraal Beheer Achmea				7.5	7.8
Interpolis				7.3	7.5
Zilveren Kruis Achmea				7.1	7.3
Agis				7.4	7.4

RATING***

	2005	2006	2007	2008	2009
Rating Eureko B.V.	A-	A-	A-	A-	A-
Rating insurance entities	A+	A+	A+	A+	A+
Rating Achmea Hypotheekbank	A	A-	A-	A-	A-

** Dutch activities; years 2005 and 2006 based on Basel I*

*** Dutch activities*

**** Standard & Poor's*

CONTACT DETAILS

OPERATING COMPANIES

Eureko
Mailing address
P.O.Box 866
3700 AW Zeist
The Netherlands

Office address
Handelsweg 2
3707 NH Zeist
The Netherlands
T +31 30 693 70 00

www.eureko.net

PARTNERS AND ASSOCIATED COMPANIES

PZU
PZU Tower
Al Jana Pawla II 24
00 – 133 Warsaw
Poland

www.pzu.pl

F&C Asset Management
Exchange House
Primrose Street
London, UK
EC2A 2NY
T +44 207 628 80 00

www.fandc.com

Achmea
Mailing address
P.O.Box 866
3700 AW Zeist
The Netherlands

Office address
Handelsweg 2
3707 NH Zeist
The Netherlands
T +31 30 69370 00

www.achmea.nl

Eureko Re
Mailing address
P.O. Box 90106
5000 LA Tilburg
The Netherlands
T +31 13 462 38 22

www.eureko-re.com

Avéro Belgium
Blvd de la Woluwedal 64
1200 Brussels, Belgium
T +32 2 773 03 11

www.avero.be

Oranta Insurance Company, Russia
Lyusinovskaya 36/2
115093 Moscow, Russia
T +7 4957558565

www.oranta-sk.ru

Eureko Sigorta Turkey
Büyükdere Caddesi
Nurol Plaza No:71
34398 Maslak, Istanbul
T +90 212 304 1000

www.eurekosigorta.com.tr

Friends First
Cherrywood Business Park
Loughlinstown
Dublin 18, Ireland
T +353 1 661 06 00

www.friendsfirst.ie

Império France
18-20, rue Clément Bayard
92300 Levallois Perret
France
T +33 1 41 27 75 75

www.imperio.fr

Interamerican Greece
124-126 Sygrou Avenue
17680 Kallithea
Athens
T +30 210 946 1111

www.interamerican.gr

Interamerican Bulgaria
55 Alexander
Stambolyiski Blvd
Sofia 1301, Bulgaria
T +359 2 801 3700

www.interamerican.bg

Eureko Romania
20, Cotroceni Road
060114 Bucharest 6
Romania
T +40 21 202 6700

www.interamerican.ro

Interlife Cyprus
Digeni Akrita 55 &
Olimpias 1
1070 Lefkosia
P.O Box 22475
T +357 2 289 6000

www.interlife.com.cy

Union Solvakia
Bajkalská 29/A
813 60 Bratislava 1
T +421 2 2081 5414

www.union.sk

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