Press Release

16 August 2018 - Achmea Interim Results 2018

Achmea result €200 million despite January storms

- Higher result for Pension & Life due to higher investment returns and lower expenses
- Health result higher due to lower operating expenses and healthcare costs. Premiums for basic health insurance still below cost price
- Result for Non-Life lower due to January storms. Higher underlying result due to improvement measures
- International growth in digital channel; Achmea enters Canadian insurance market
- Solvency ratio robust and increased to 191%

Willem van Duin, Chairman of Achmea's Executive Board

"Achmea is well on track to achieve its ambitions in the period up to 2020. In order to further improve our services to our customers we are investing in innovation and continue to evolve into a leading financial services provider, one which will remain relevant to its customers and to society in the future as well.

The results over the first half of this year were strongly affected by the claims arising from two severe storms that passed over the Netherlands in January. The storms caused a great deal of distress and damage to our customers, who we were able to provide with good assistance. The total claims resulting from these storms amounted to €116 million. Adjusted for these costs, our operational result increased over the first half of this year. Our result improved due to higher premiums, further cost reductions and higher investment returns. Our solvency ratio is robust and increased to 191%.

For our retail property & casualty insurance, we saw an increase in both the number of customers and the amount of premiums. This is partly due to new services and the good online customer service by Centraal Beheer, Interpolis and FBTO. These services are also highly rated by our customers. Illustrations of this are Centraal Beheer being awarded the title of most customer-friendly insurer and FBTO obtaining the highest score for the customer-oriented insurance quality seal. Thanks to a strategic partnership with Google, Centraal Beheer is the first Dutch insurer to be included in Google Assistant, which uses innovative speech technology in services for customers.

Premiums for basic health insurance are still offered below cost price. In spite of this, the result from our health insurance activities has increased due to a lower use of healthcare services than expected for both basic and supplementary health insurance and because we have succeeded in further reducing our operational expenses while maintaining the high standard of service. The integration of De Friesland Zorgverzekeraar and Zilveren Kruis is already leading to lower costs for our customers. All these measures are contributing to keeping healthcare expenditure at manageable levels in the Netherlands.

Our revised pension strategy further develops with the increase of new customers. The market highly appreciates the overall range of solutions offered by Centraal Beheer General Pension Fund (Centraal Beheer GPF). Internationally we are mainly growing through our services offered via digital channels. In Canada we are preparing the launch of an online insurance company via the Onlia brand, together with Fairfax. This further expands the innovative range of property & casualty insurance products, capitalizing on the InShared platform and Achmea's experience in online direct distribution.

We continue to evolve from an insurer into an all-round financial services provider. Smart use of data and digitisation allows us to serve our customers in many different areas. Our services contribute to a healty, safe and future proof society. Zilveren Kruis, for example, conducted a campaign in the corporate market to promote a healthy organisational culture. With BlueLabel we launched the world's first water vulnerability scan on the market. Interpolis' ThuisWacht helps keep people's homes safe in their absence, and through Centraal Beheer GPF, pension scheme members are given full insight into their financial future. With the objective of reducing traffic accidents by 25% by 2020, Interpolis has intensified its campaign against the use of mobile phones while driving. Furthermore, through our investment policy we aim to contribute to a more sustainable society: Achmea ranks a good third place in the 2018 Ethical Insurance Guide and has the ambition to further improve the ranking.

Notwithstanding the sound progress made over the first half of this year, continued focus on realising our ambitions and further improving our result remains important. After all, insurance is inherently linked to dealing with uncertainties. One recent example being the widespread damage caused by the January storms. We are well prepared for such situations and will continue to implement our strategy towards 2020, which enables us to create sufficient future capacity to continue investing in improving our services to our customers. A continuous focus on cost reductions is a significant part of this. Our expectation is that the execution of our plans will lead to a further improvement in our result."

KEY FIGURES

(€ MILLION)

RESULTS	H1 2018	H1 2017	Δ
Gross earned premiums	17,448	16,947	3%
Net earned premiums	9,868	9,724	1%
Gross operating expenses[1]	1,107	1,075	3%
Operating expenses	1,162	1,126	3%

COMPOSITION OF RESULT	H1 2018	H1 2017	Δ
Operational result (excluding Health Netherlands)	**92**	**195**	**N.M.**
Health Netherlands	**100**	**28**	**N.M.**
Basic health	34	-1	N.M.
Supplementary health	66	29	N.M.
Operational result[2]	**192**	**223**	**N.M.**
Result before tax	200	225	N.M.
Net result	133	171	N.M.

BALANCE SHEET	30/06/2018	31/12/2017	Δ
Total assets	91,698	90,946	0.8%
Total equity	9,715	9,949	−2.4%

SOLVENCY II	30/06/2018	31/12/2017	Δ
Solvency ratio (Partial Internal Model)	191%	184%	7.0%-pt

FTES[3]	30/06/2018	31/12/2017	Δ
FTEs (internal)	14,231	14,582	−2.4%
FTEs (external)	2,819	2,848	−1.0%

** N.M.: not meaningful*

ACHMEA INTERIM RESULTS 2018 - 16 AUGUST 2018

A media call is scheduled for 11.00 a.m. CET on this date.
Journalists can dial in using the following number: +31 20 531 58 50

A conference call for analysts is scheduled for 15.00 p.m. CET
Analysts can dial in using the following number: +31 20 531 58 51

For more information, please visit www.achmea.com

FOR FURTHER INFORMATION, PLEASE CONTACT

Stefan Kloet, Corporate Communication and Public Affairs
stefan.kloet@achmea.com, +31 6 12 22 36 57

Steven Vink, Investor Relations
steven.vink@achmea.com, +31 6 20 69 49 39

Group results

OVERALL RESULTS

The operational result in the first half of 2018 amounted to €192 million (H1 2017: €223 million). The results from non-life and our reinsurance activities are adversely affected by claims arising from the January storms amounting to €116 million. Without the damages from these storms, the underlying result increased compared to the same period last year.

The combined ratio at our non-life business was 97.9%. The underlying results improved further as a result of premium measures, claim management and operational expense measures.

Our health activities realised a higher result than in the first half of 2017. We achieved a higher result on basic health insurance because of a better than expected result on previous years. The loss on the current underwriting year with respect to basic health insurance was largely limited by the release of the loss provision made in the second half of 2017 for premium setting below-cost price in 2018. The result for supplementary health insurance increased due to lower use of healthcare services by our customers compared to last year.

The Pension & Life segment showed a higher result due to higher investment results, an improved technical result and lower operating expenses. Over the past six months, we have also continued to optimise our processes and systems and we have further reduced our operational expenses.

The result of Retirement Services improved over the past six months versus the first half of 2017. The improvement is due to a higher interest margin at Achmea Bank and lower expenses as a result of outsourcing, as well as a reduction in the start-up investments for the Centraal Beheer General Pension Fund (Centraal Beheer GPF). The phasing out of services to mandatory sectoral pension funds was successfully completed as of 1 July 2018.

Our international activities also show an improvement in the operational result compared to the first half of 2017. All the markets in which Achmea internationally operates have contributed to the higher result. With the planned launch of our online services in the Canadian property & casualty market and the completion of the sale of Irish life insurance company Friends First, we took further steps in the implementation of our international strategy, which is founded on our core competencies: non-life and health via digital and banking distribution channels.

The Other activities segment negatively contributed to our result over the past six months versus the first half of 2017. This is due to one-off windfalls in the first half of 2017, a higher cost of claims at Achmea Reinsurance caused by storm Friederike on 18 January 2018 and an increase of the reorganisation provision for further reductions in the number of employees and office locations within the context of our business plan “Delivering Together”.

OPERATIONAL RESULTS SEGMENTS (€ MILLON)

	H1 2018	H1 2017
Non-Life Netherlands	4	105
Pension & Life Netherlands	190	102
Retirement Services Netherlands	10	4
International	19	6
Other	−131	−22
Operational result (excl. Health)	**92**	**195**
Health Netherlands	100	28
Operational result	**192**	**223**

The net result was €133 million (H1 2017: €171 million). A transaction result deriving from the closing of the joint-venture agreement with Fairfax in Canada is included in the net result. In the first half of 2017, the transaction result partly related to completion of the transfer of the Staalbankiers private banking activities to Van Lanschot and exceptional expenses deriving from the migration of five sectoral pension funds to Centric.

The tax burden was affected by the addition of €35 million to the provision for the tax settlement in the Netherlands for the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. As a result, the effective tax rate is higher than the nominal tax rate.

COMPOSITION OF NET RESULT (€ MILLION)

	H1 2018	H1 2017
Operational result	**192**	**223**
Transaction result	8	2
Result before tax	**200**	**225**
Tax	67	54
Net result	**133**	**171**

Gross earned premiums

Gross earned premiums amounted to €17,448 million in the first six months of 2018 (H1 2017: €16,947 million). The increase in earned premiums is mainly driven by our health business in the Netherlands and, more specifically, the basic health insurance.
Growth of the property & casualty portfolio in the Netherlands caused an increase in earned premiums from our property & casualty business. Internationally, earned premiums also increased for our non-life activities in local currency. Earned

premiums from life insurance activities decreased, in line with our expectations, as a result of our decision to stop selling pension insurance products in the Netherlands. Earned premiums were also slightly lower due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS EARNED PREMIUMS (€ MILLION)

	H1 2018	H1 2017
Non-Life	2,359	2,352
Health	14,153	13,530
Pension & Life	936	1,065
Total gross earned premiums	**17,448**	**16,947**

Operating expenses

Gross operating expenses increased to €1,107 million compared to last year (H1 2017: €1,075 million). Adjusted for one-off effects totalling €74 million, gross operating expenses decreased by €42 million (-4%). This decline is the result of a decrease in the number of employees, lower IT expenses due to the renegotiation of contracts and rationalisation of legacy systems, as well as lower housing expenses.

The one-off effects mainly relate to the increase of the reorganisation provision within the context of “Delivering Together”. The reorganisation expenses relate to a further reduction in the number of employees and office locations, partly because of merging activities.

The total number of internal and external employees in the Netherlands declined to 14,185 FTE in the first half of the year (year-end 2017: 14,484 FTE). The decrease in the number of employees in the Netherlands with nearly 300 FTE in the past six months is due to the continued optimisation of processes and systems. We previously communicated that the number of employees at Achmea will decrease by 2,000 in the business plan period up to 2020 under the motto of “Delivering Together” and we are well on track to meet this target. Since the start of the business plan period, the number of employees in the Netherlands has decreased by over 1,600.

The number of internal and external employees outside the Netherlands is 2,864 FTE (year-end 2017: 2,946 FTE). This number is lower due to the sale of Irish life insurance company Friends First. When adjusted for this, the number of international employees has increased by 231 FTE to support growth in our international business.

Investments

In the first half of 2018, investment income[4] from our own risk investment portfolio was €592 million (H1 2017: €597 million). Positive real estate revaluations due to improved market sentiment had a positive impact. In the first six months we also profited from a widening swapspread on a portfolio, of which the investments are valued at market interest rates and the liabilities at the swaprate. These were offset by negative foreign exchange results. The increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life insurance business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover liabilities to our customers with pensions or life insurance policies. As a result of lower interest rates, the FFA increased by €0.1 billion in the first six months of 2018, to €7 billion.

The value of our investment portfolio increased slightly to €44.8 billion (2017: €44.6 billion). This increase can mainly be attributed to the lower interest rates in the first half of the year, as well as to the increased value of the fixed-income portfolio by €0.6 billion as a result of additional purchases. Apart from a decrease in the deposits of €0.3 billion, the other investments remained virtually stable.

CAPITAL MANAGEMENT

Total equity

Achmea’s equity decreased by €234 million to €9,715 million in 2018 (2017: €9,949 million). This decrease is mainly the result of the share buy-back amounting to €100 million and negative revaluations, primarily on equities and due to exchange-rate differences arising from the depreciation of the Turkish lira. In addition, the total equity was affected by dividend payments on ordinary and preference shares and coupon payments on hybrid capital amounting to a total of €164 million. The total equity was positively affected by the net result of €133 million.

DEVELOPMENT OF TOTAL EQUITY (€ MILLION)

Total equity 31/12/2017	**9,949**
Net result	133
Movements in revaluation reserve	-71
Movement in reserve for exchange-rate differences	-33
Remeasurement of net defined benefit liability	1
Dividends and coupon payments to holders of equity instruments	-164
Share repurchasing	-100
Total equity 30/06/2018	**9,715**

Solvency II

At June 30th the solvency ratio amounted to 191% based on the approved Partial Internal Model.
The solvency ratio increased from 184% to 191% in the first half

of the year. The increase in Eligible Own Funds of €169 million is largely due to widening credit spreads in Italy, leading to a higher 'volatility adjustment', causing a lower value of the liabilities. Moreover, the result of the first half year and dividends from banking and asset management activities, which do not form part of group solvency ratio, contributed to an increase in the own funds. The Solvency Capital Requirement (SCR) is lower than in 2017 due to interest rate and portfolio developments. The sale of Irish life insurance company Friends First had a limited positive impact on group solvency.

SOLVENCY RATIO (€ MILLION)

	30/06/2018	31/12/2017	Δ
Eligible Own Funds under Solvency II	8,555	8,386	169
Solvency Capital Requirement	4,475	4,555	-80
Surplus	**4,080**	**3,831**	**249**
Ratio (%)	**191%**	**184%**	**7 %-pts**

Since the introduction of Solvency II on 1 January 2016, Achmea has used a partial internal model approved by the regulators to calculate the SCR for the property & casualty and income protection insurance risks in the Netherlands and Greece. The other risks are calcultated using the standard formula. As of 1 July 2018, Achmea also applies the internal model to calculate the SCR for the market risk for the Dutch entities, with the exception of the health entities. This model was recently approved by the regulator. It is expected that this will not have a material impact on the group solvency ratio.

Recently the initiators of the proposed legislation to ban profit distribution by health insurance companies sent a proposal to amend the proposed legislation (a so-called 'novella') to the Council of State for consultation. Under this proposed amendment, any results from basic health insurance earned since the introduction of the Dutch Health Insurance Act, reserves transferred from former public health funds, as well as any future results from basic health insurance policies, need to be spent on healthcare activities and are separated for this purpose. We are currently studying the scope of the proposed amendment and its potential impact.

Free Capital Generation

Free Capital Generation (FCG) over the first half of 2018 was €231 million and, like the solvency ratio, was largely driven by spread developments and dividends from banking and asset management activities. The operational result from our health activities are not part of the FCG.

Financing

On 26 July 2018, Standard & Poor's affirmed its ratings (FSR[5]) for the Dutch insurance entities at A, while the credit rating (ICR[6]) for Achmea BV was affirmed at BBB+. The ratings for Achmea Reinsurance Company (FSR) and Achmea Bank (ICR) also remained unchanged at A-. The outlook for all the ratings is negative. In March 2018, Fitch also awarded a rating to Achmea B.V. and its insurance entities: A (IDR[7]) and A+ (IFS[8]) respectively with a stable outlook. Fitch's rating (IDR) for Achmea Bank NV was affirmed at A with a stable outlook.

The debt-leverage ratio[9] increased slightly to 27.0% (2017: 26.1%) as a result of the decrease in total equity.

Non-Life Netherlands

- Higher underlying result due to improvement measures
- Combined ratio of 97.9% including impact of January storms
- Higher investments in innovation to increase portfolio growth and profitability

RESULTS (€ MILLION

	H1 2018	H1 2017	Δ
Gross earned premiums	2,065	2,042	1%
Operating expenses	407	398	2%
Operational result	**4**	**105**	**N.M.**

NON-LIFE NETHERLANDS	H1 2018	H1 2017	Δ
Claims ratio	73.1%	68.8%	4.3% pt
Expense ratio	24.8%	25.3%	−0.5% pt
Combined ratio	**97.9%**	**94.1%**	**3.8% pt**
Combined ratio excl. January storms	92.5%	94.1%	−1.6% pt

** N.M.: not meaningful*

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and holds third place in the income protection market. We provide our retail and business customers with products such as car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer various types of sickness and disability insurances. Finally, we assist our customers via innovative services that, for example, give them insight into the potential risks they run. In doing so, we help our customers to prevent or restrict damage or loss as much as possible. Our property & casualty and income protection products are distributed by our brands Centraal Beheer, Interpolis, FBTO, Avéro and InShared, whereby our focus is on a high level of customer satisfaction, innovative services and digitised processes. Our services increasingly allow customers to communicate with us at any time and by using different methods.

Gross earned premiums

Gross earned premiums increased by €23 million to €2,065 million in the first half of 2018 (H1 2017: €2,042 million).

Gross earned premiums from our property & casualty insurance business increased to €1,573 million (H1 2017: €1,540 million) as a result of portfolio growth and premium measures. This growth can largely be attributed to the retail customer segment. Gross earned premiums from the income protection insurance business amounted to €492 million (H1 2017: €502 million) in a slightly shrinking market.

Operating expenses

Operating expenses increased by 2% to €407 million in the first half of 2018 as a result of a change in the allocation of expenses between operating expenses and claims handling expenses[10]. If the comparative figure for 2017 were adjusted to the new allocation, operating expenses would total €406 million. The practically stable expense developments are due to investments in the growth of our portfolio, reducing our cost of claims and innovations that allow us to serve our customers even better. As a result of the growth of our portfolio, the expense ratio within the Non-Life segment has decreased to 24.8% (H1 2017: 25.3%).

Results

The operational result over the first half of 2018 was €4 million (H1 2017: €105 million). The result over the past six months was affected by the severe weather, whereby the storms on 3 and 18 January 2018 had an impact after reinsurance of €86 million. Not taking into consideration the claims resulting from the January storms, the result decreased to €90 million (H1 2017: €105 million). This decrease can be attributed to lower investment income of €38 million caused by relatively high realised gains on fixed-income securities and equities in 2017.

The underwriting result is bolstered by the implementation of premium measures and a continued focus on claims management, leading to a combined ratio for the whole segment of 97.9%, including the impact of the January storms of 5.4% (H1 2017: 94.1%).

PROPERTY & CASUALTY

The operational result from our property & casualty insurance was -€12 million during the first six months of 2018. Without the impact of the January storms, the result for property & casualty insurance would have increased to €74 million (H1 2017: €62 million). In addition to the storms in January 2018, the number of weather-related claims during spring was higher due to frost and heavy rainfall. The number of large claims in the business segment was also higher. In previous years, we have added to our provisions to compensate for a growing number of personal injury claims. The national trend of an increasing frequency of new personal injury claims continues. As a result of measures taken by us in the past, this has not negatively affected our result over the first half of 2018.

The combined ratio of our property & casualty insurance business was 99.1% over the first six months of 2018. If we exclude the January storms, the combined ratio is 92.5% (H1 2017: 96.5%). This underlying improvement is the result of previously implemented improvement measures. These measures include a continued focus on helping our customers to reduce the risk of claims. Examples of this include awareness campaigns and innovations, such as the introduction of the AutoModus app. This is an initiative of the Interpolis brand aimed at combating the use of phones while driving. Implemented premium measures have also contributed to the improvement. The claims ratio adjusted for the January storms stood at 67.3% (H1 2017: 70.2%) and the expense ratio improved in the reported period to 25.3% (H1 2017: 26.3%).

INCOME PROTECTION

The operational result for Income Protection insurance amounts to €16 million (H1 2017: €43 million), mainly due to lower results in individual disability and sickness- insurance. We are facing longer sickness absences in both portfolios. This development is the result of an increase in complex stress-related medical complaints in line with the national trend. We assist our customers by placing the emphasis on recovery and returning to work. Continuous improvements to our approach allow us to accelerate the return to work of customers, which has a positive impact on the result. This continued focus on returning to work leads to positive trends on previous claim years within group disability insurance and consequently to lower required provisions for this.

The combined ratio of our income protection business was 92.3% in the first half of 2018 (H1 2017: 83.7%). The claims ratio[11] was 69.8% in the first half of 2018 (H1 2017: 62.8%) and the expense ratio increased slightly to 22.5% (H1 2017: 20.9%) as a result of investments in digitisation.

Health Netherlands

- Higher health result due to lower healthcare consumption than expected and lower operating expenses
- Retention of market leadership with market share of 29.9% and 5.1 million customers
- Further decrease in operating expenses due to harmonisation of processes

RESULTS (€ MILLION)

	H1 2018	H1 2017	Δ
Gross earned premiums	13,910	13,310	5%
Operating expenses	230	234	−2%
Operational result	**100**	**28**	**N.M.**
Result 2018/2017 underwriting year	29	107	N.M.
Incidental result[12]	71	−79	N.M.

KEY FIGURES BASIC HEALTH	H1 2018	H1 2017	Δ
Claims ratio	97.3%	98.1%	−0.8% pt
Expense ratio	2.2%	2.4%	−0.2% pt
Combined ratio	**99.5%**	**100.5%**	**−1.0% pt**

KEY FIGURES SUPPLEMENTARY HEALTH	H1 2018	H1 2017	Δ
Claims ratio	80.3%	86.2%	−5.9% pt
Expense ratio	9.0%	8.8%	0.2% pt
Combined ratio	**89.3%**	**95.0%**	**−5.7% pt**

** N.M.: not meaningful*

GENERAL INFORMATION

Zilveren Kruis, De Friesland Zorgverzekeraar, FBTO, Avéro Achmea, Interpolis, OZF, ProLife and Ziezo offer basic and supplementary health insurance. Achmea also provides services worldwide through the Eurocross Assistance Company.

Gross earned premiums

Gross earned premiums from basic and supplementary health insurance increased to €13,910 million (H1 2017: €13,310 million). Gross earned premiums from basic health insurance amounted to €12,589 million (H1 2017: €11,987 million). The increase in gross earned premiums is due to higher premiums and a larger contribution from the Health Insurance Equalisation Fund, which was mainly due to the regular increase in healthcare expenses in the Netherlands. Gross earned premiums from supplementary health insurance remained stable at €1,321 million (H1 2017: €1,323 million). Our portfolio contains 5.1 million policyholders, making Achmea market leader with a market share of 29.9%.

Operating expenses

Operating expenses of our health activities decreased to €230 million (H1 2017: €234 million). In 2017, there was a windfall of €24 million from amendments to the pension scheme for our employees at several health entities. When adjusted for this benefit, operating expenses decreased by €28 million (-10%). The decrease is a direct result of multiple initiatives to harmonise business processes, enabling a reduction in the number of employees.

Operational result

BASIC HEALTH INSURANCE

The operational result from our basic health insurance amounted to €34 million over the first half of 2018 (H1 2017: nil).

The operational result in the current underwriting year amounted to -€16 million (H1 2017: €85 million). In 2017 a provision of €108 million was made for setting premiums below cost price in 2018, which is expected to lead to a neutral result in the current underwriting year. The current underwriting year has higher healthcare expenses, including higher pharmacy expenses, than estimated in November 2017 when premium levels were set . This is partially compensated for by a higher contribution from the

Health Netherlands

Health Insurance Equalisation Fund. On balance, this has led to a negative result over the 2018 underwriting year.

The incidental result from previous years amounts to €50 million (H1 2017: -€85 million), an increase of €135 million compared to the same period last year. The negative result in 2017 was largely caused by an adjustment to a specific aspect of the contribution from the Health Insurance Equalisation Fund for 2016. The higher incidental result in 2018 is due to a more positive trend in expenses for, among others, hospital care and mental health care for the 2017 underwriting year than had previously been forecast.

The combined ratio of the basic health insurance is 99.5% (H1 2017: 100.5%) and has improved as a result of lower healthcare and operating expenses.

SUPPLEMENTARY HEALTH INSURANCE

Supplementary health insurance policies account for €66 million of the operational result from the health business (H1 2017: €29 million). The higher result for supplementary health insurance derives from both the current underwriting year as well as previous years. The higher result in the current underwriting year is partly due to a reassessment of the composition of the insurance modules. Healthcare expenses for previous underwriting years were €20 million less than estimated. The percentage of basic health insurance policyholders with supplementary coverage has remained stable at around 80% in 2018.

The combined ratio of supplementary health insurance policies improved to 89.3% during the first half of 2018 (H1 2017: 95.0%).

Pension & Life Netherlands

- Higher profitability driven by higher investment results and lower operating expenses
- Further increase in customer satisfaction
- Premium lapse of Pension & Life service-book in line with expectations

RESULTS (€ MILLION)

	H1 2018	H1 2017	Δ
Gross earned premiums	784	882	−11%
Operating expenses	76	93	−18%
Operational result	**190**	**102**	**86%**

GENERAL INFORMATION

The Pension & Life service organisation services the group pension contracts and traditional savings and life insurance products. In addition, the service organisation manages a growing open-book portfolio containing term life insurance policies and individual annuities and pensions products. The service organisation focuses on generating a stable, high result with positive capital generation, while maintaining a high level of customer satisfaction.

Gross earned premiums

During the first half of 2018, gross earned premiums decreased by 11% to €784 million (H1 2017: €882 million). Of this amount, €668 million comes from the service-book and €116 million from the open-book.

Gross earned premiums on our pension portfolio decreased by 20% as a result of normal portfolio trends and expirations. In line with our strategy, no new pension insurance contracts have been sold in this portfolio. Given the long duration of the contracts in our pension portfolio, the liabilities will decrease slowly. Premium lapse for the life insurance portfolio stands at 10%. The decline in portfolio size due to settlement and expirations develops in line with our expectations.

Within the open-book portfolio, premiums from single-premium insurance policies decreased by 23% to €89 million due to lower business from individual pension annuities and lower average single premiums. This is a direct consequence of price adjustments that were made in line with our focus on profitability over volume. The term life insurance portfolio has grown over the past six months. Growth is levelling off due to a lower number of newly-registered mortgages than last year and because there is no longer an obligation to take out a term life insurance policy when arranging NHG-guaranteed mortgages.

Operating expenses

Operating expenses decreased by 18% to €76 million during the first six months of 2018 (H1 2017: €93 million). The decrease is the result of successfully reducing the number of IT systems in the Pension & Life organisation, as well as the number of employees. At the same time, customer satisfaction has further improved, as demonstrated by, among other things, higher NPS scores.

Operational result

The operational result increased to €190 million in the first half of 2018 (H1 2017: €102 million). The higher result can be attributed to an improved technical- and investment result, as well as to lower expenses.

On balance, the technical result has increased by €12 million in the first half of 2018 when compared to the same period last year. The technical result in the first six months of 2017 was affected by the addition to the provision for premium waivers in case of disability.

The investment result increased by €59 million when compared to the first half of 2017. The increase in result can largely be attributed to the positive impact of the widening swapspread on part of the portfolio of which the assets are valued at market interest rate while liabilities are valued at swaprate. In addition, the real estate investments have also increased in value. Foreign exchange results had a negative impact on the result in the first half of 2018. In the first half of 2017, the investment result was negatively affected by lower commodity prices.

Retirement Services Netherlands

- Phasing out successfully concluded of administrative services to compulsory sector pension funds
- Improved result Achmea Bank due to higher interest margin and lower expenses as a result of outsourcing mortgage processes and migration to new savings system
- Further increase in AuM at Achmea Investment Management to €132 billion

RESULTS (€ MILLION)

RETIREMENT SERVICES TOTAL	H1 2018	H1 2017	Δ
Total income	119	140	−15%
Of which: administration and management fees	62	80	−23%
Operating expenses	109	136	−20%
Operational result	**10**	**4**	**N.M.**
ACHMEA BANK			
Net interest margin	56	48	17%
Fair value result[13]	−1	4	N.M.
Operating expenses	41	49	−16%
Movements to loan loss provisions	1	−1	N.M.

	H1 2018	H1 2017	Δ
Common Equity Tier 1 ratio	20.3%	20.4%	−0.1% pt

(€ MILJARD)

ACHMEA INVESTMENT MANAGEMENT	H1 2018	H1 2017	Δ
Assets under management[14]	132	120	12

** N.M.: not meaningful*

GENERAL INFORMATION

The Centraal Beheer General Pension Fund (Centraal Beheer GPF) provides an alternative for pension insurance in the second pillar of the Dutch pension system. Combined with the products and services provided by Achmea Investment Management and Achmea Bank for the third and fourth pillar of the pension system, an integral solution for both asset accumulation and retirement is offered. These products and services are offered through the Centraal Beheer brand.

Operational result

The operational result for Retirement Services increased to €10 million (H1 2017: €4 million). The operational result is €6 million higher than in the first six months of 2017 due to improved results at Achmea Bank and Achmea Investment Management. The phasing out of the sectoral pension fund business has led to a lower result in the first half of 2018 at Achmea Pension Services than in the first half of 2017 due to the no longer receiving revenues from the sectoral pension funds and the lag in the phasing out of the corresponding expenses.

Bank activities

Achmea Bank contributes €18 million to the operational result in the first half of 2018, compared to an operational result of €13 million in the first half of 2017.

The improved result was driven by a higher interest margin and lower operating expenses. The higher interest margin was due to lower funding expenses, both for savings as well as financing from the capital market. Achmea Bank's expenses decreased by €8 million as a result of outsourcing its mortgage administration and customer contact centres, the migration to a new savings system, and lower project expenses.

The development of the result is affected by a number of exceptional items in the first half of 2017, including a release from loan provisions on several items in the run-off credit portfolio and a positive fair value result. The fair value result was close to zero in the first six months of 2018.

Retirement Services Netherlands

As of 30 June 2018, the Common Equity Tier 1 ratio was 20.3% (31 December 2017: 20.4%) and has remained fairly stable thanks to a combination of dividend payments totalling €50 million, the addition of the result over 2017, and a decrease in risk-weighted assets.

Achmea Investment Management

As of 30 June 2018, assets under management (AuM) increased to €132 billion (31 December 2017: €120 billion). The AuM has increased due to the inflow of new customers, including Stichting Pensioenfonds Huisartsen, and higher rates on the financial markets. The retention rate for existing customers was again close to 100% in the first half of 2018. Achmea Investment Management's contribution to the segment result increased to €5 million in the first half of 2018 (H1 2017: €2 million). The increase is due to higher management fees and lower expenses as a result of insourcing external asset managers and phasing out strategic investments for the introduction of the Centraal Beheer GPF.

Pension management activities

Achmea has opted to phase out administrative services to mandatory sectoral pension funds. The phasing out of services to these sectoral pension funds was successfully completed as of 1 July 2018. Income from the sectoral pension funds has consequently decreased since the first half of last year. Achmea Pension Services now focuses solely on services to the Centraal Beheer GPF and to company, occupational and exempt sectoral pension funds. The number of pension funds in the Centraal Beheer GPF will soon be increased with the planned transfer of Stichting Pensioenfonds Cindu. Furthermore, the number of administered participants from company, occupational, and exempt pension funds has increased.

With -€13 million (H1 2017: -€11 million), the operational result of Achmea Pension Services is €2 million lower due to lower administrative fees caused by the phasing out of the sectoral pension funds. Moreover, Achmea Pension Services is investing in further optimising its processes in order to guarantee high-quality, efficient services to its customers.

International

- All countries contribute to the increased operational result
- Growth in gross earned premiums for Non-Life and Health activities in local currency
- Sale of Friends First completed. Launch of a digital insurance company Canada

RESULTS (€ MILLION)

	H1 2018	H1 2017	Δ
Gross earned premiums[15]	600	615	−2%
Operating expenses	145	151	−4%
Operational result	**19**	**6**	**N.M.**

GROSS EARNED PREMIUMS PER COUNTRY	H1 2018	H1 2017	Δ
Turkey	148	181	−18%
Slovakia	195	179	9%
Greece	170	159	7%
Australia	18	13	38%

** N.M.: not meaningful*

GENERAL INFORMATION

Achmea's international strategy is focused on achieving a competitive advantage and profitable growth in market share in those countries in which we can use our core qualities in Non-Life and Health insurance. We employ this strategy in our operations in Turkey, Slovakia, Greece, Australia and Canada. In these countries we invest in growth via banking and online (direct) distribution channels, and focus on further digitisation. In addition, we have entered into a partnership with Fairfax to launch a new (property & casualty) insurance proposition in Canada. The previously announced sale of Irish life insurance company Friends First was successfully completed as of 1 June 2018.

Gross earned premiums

Gross earned premiums decreased by 2% to €600 million in the first half of 2018 (H1 2017: €615 million). This was primarily driven by the depreciation of the Turkish lira and the sale of Friends First on 1 June. When adjusted for these effects, underlying earned premiums have increased by 6%, mainly due to higher earned premiums in health and property & casualty.

In Turkey, gross earned premiums in local currency increased by 2.3% to TRY727 million (H1 2017: TRY711 million). An increase was realised at Health, Agri, and Casco, while a decrease can be seen in vehicle insurance caused by lower car sales in Turkey. In euros, however, gross earned premiums decreased to €148 million in the first half of 2018 (H1 2017: €181 million). The decrease is due to the depreciation of the Turkish lira.

Our Slovakian insurer Union realized gross earned premiums of €195 million in the first half of 2018 (H1 2017: €179 million). Health and property & casualty insurance achieved premium growth of 9% and 10% respectively, whereby health is profiting from growing numbers of customers and economic growth in Slovakia.

In Greece, gross earned premiums increased by 7% to €170 million (H1 2017: €159 million). The property & casualty and health segments grew by 10% and 21% respectively. After many years of crisis, the Greek economy is recovering and this has a positive impact on the insurance market.

InterAmerican's digital brand Anytime has continued to grow and acquired over 20,000 new customers in the first half of 2018. Building on the success of Anytime in Greece, it was decided to launch Anytime in Cyprus as well and nearly 10,000 insurance policies have been sold in the first year.

Our insurance activities in Australia have grown as a result of the partnership with Rabobank and our distribution strategy based on personalised contact between our customers and a risk specialist. Gross earned premiums increased to €18 million (H1 2017: €13 million).

In Canada, Achmea has entered into a 'Managing General Agency' agreement with Fairfax. This agreement means a further expansion of the Onlia brand and the development of an innovative property & casualty proposition, making use of the InShared platform and Achmea's experience in online direct distribution.

Operating expenses

Operating expenses decreased by 4% to €145 million in the first half of 2018 (H1 2017: €151 million). When adjusted for the depreciation of the Turkish lira and the sale of Friends First, operating expenses increased by 3.9% as a result of further growth in international activities.

Operational result

Our international activities realized an operational result of €19 million in the first half of 2018 (H1 2017: €6 million). The result was driven by premium growth in Slovakia, Turkey and Greece, with significant contributions to the result from property & casualty activities in Turkey and Greece in particular. Our result in Turkey was negatively affected by the introduction of legislation which caps the premium for motor third party liability insurance at a level below cost price. In Slovakia, it was mainly the health business that contributed to a higher result. In the first half of 2018, the international activities also profited from a higher investment result and cost reductions.

Other activities

- Lower operational result Achmea Reinsurance due to impact of January storm (impact: €30 million)
- Lower result partly due to one-off reorganisation expenses
- Assets under management of Achmea Real Estate & Finance grow to €20.5 billion

RESULTS (€ MILLION)

	H1 2018	H1 2017	Δ
Total gross income	187	224	–17%
Operating expenses	192	113	70%
Interest expenses	25	30	–17%
Operational result	**–131**	**–22**	**N.M.**
ACHMEA REINSURANCE			
Gross earned premiums	123	168	–27%
Operational result	**–16**	**22**	**N.M.**

** N.M.: not meaningful*

GENERAL INFORMATION

The Other Activities segment includes the results of our Shared Service Centers, activities at holding company level and the other operating companies Achmea Reinsurance, Syntrus Achmea Real Estate & Finance and Independer. As part of Achmea, Achmea Reinsurance provides Non-Life and Pensions & Life reinsurance solutions to the group. Additionally, Achmea Reinsurance accepts external reinsurance risks on a limited basis. Syntrus Achmea Real Estate & Finance manages both the real estate portfolios of the insurance entities and those of external customers. Customers can compare, take out and change insurance products via Independer.

Operational result

The result of the Other Activities segment is to a large extent determined by shareholder expenses, interest expenses, and the results of the other operating companies. In the first six months of 2018, the operational result was -€131 million (H1 2017: -€22 million). The lower result can mainly be attributed to the €30 million impact of Storm Frederieke on the result of Achmea Reinsurance Company and €50 million in reorganisation expenses. The reorganisation expenses are the result of a further reduction in the workforce and company locations. The result over the first six months of 2017 was impacted by one-off windfalls amounting to about €25 million. Syntrus Achmea Real Estate & Finance and Independer added positively to the result.

SEGMENTS

ACHMEA REINSURANCE COMPANY

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance provides reinsurance cover to both the Dutch and foreign legal entities within Achmea. The purpose of the external reinsurance portfolio is diversification of insurance risks and profit contribution to Achmea.

In the first six months of 2018, the operational result was -€16 million (H1 2017: €22 million). The lower result can be attributed to a major storm on 18 January 2018, which generated €30 million in claims cost for Achmea Reinsurance. The external reinsurance portfolio earned a positive result of €8 million, mainly as a result of positive claim trends.

In the first half of 2018, gross earned premiums fell by €45 million compared to the first six months of 2017. Premiums were incidentally higher in 2017 by €37 million as a result of moving the renewal date for the group reinsurance programme.

Other activities

SYNTRUS ACHMEA REAL ESTATE & FINANCE

Assets under management in real estate and mortgages increased to €20.5 billion (H1 2017: €19.7 billion). This increase is due to new mandates for institutional investors and positive revaluations of existing portfolios. Of the individual asset classes, mortgages and healthcare real estate in particular experienced strong growth. Management fees increased to €37 million (H1 2017: €33 million). This increase is mainly due to positive revaluations of Dutch real estate. In addition, the number of mortgage mandates has increased over the past few months.

Footnotes

Group results

Key figures

1 *Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and plant and equipment and general expenses, including IT expenses and marketing expenses. These are operating expenses excluding paid and due fees, profit sharing on reinsurance and fees and for the allocation of claims handling expenses and allocated investment costs.*

2 *The operational result is calculated by adjusting the profit before tax for certain items. These are items within income and expenses which are significant and which arise from events or transactions which are clearly distinct from the normal business operations, and are therefore not expected to occur regularly. Examples of such items include exceptional depreciation losses from goodwill and pre-tax results from disinvestments related to disinvestment operations.*

3 *As of 1 January 2017, one FTE is based on a full working week of 36 hours.*

Investments

4 *Investment income consists of investment income (own risk) in the Consolidated Income Statement, including income from associates and joint ventures and realised and unrealised gains and losses, adjusted for investment income directly related to the insurance liabilities (both fair value and other).*

Financing

5 *FSR: Financial Strength Rating*

6 *ICR: Issuer Credit Rating*

7 *IDR: Issuer Default Rating*

8 *IFS: Insurer Financial Strength*

9 *Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill)*

Non-life

10 *The allocation for claims handling expenses was reviewed in 2018. This demonstrated that the allocation for claims handling expenses was too high in 2017. The comparable figures have not been adjusted here given the materiality. The effect on the claims ratio (-0.6% for Property & Casualty and -0.5% for Non-Life Netherlands) and the expense ratio (+0.6% for Property & Casualty and +0.5% for Non-Life Netherlands) has been adjusted in order to improve comparability of the ratios.*

11 *Adjusted for technical interest and the market value interest rate effects of a sub-portfolio*

Health Netherlands

12 *The incidental result refers to earnings from health expenses and/or equalisation from previous book years and allocations to a provision for losses.*

Retirement Services Netherlands

13 *The fair value result is an accounting result that is compensated for in other financial periods, in line with the value development of the underlying derivatives. Derivatives are used to restrict the interest rate risk.*

14 *The Assets under Management (AuM) include a derivatives (overlay) portfolio.*

International activities

15 *Gross earned premiums H1 2018 are including activities Friends First Ireland in the first five months of 2018.*