Press Release

15 August 2019 - **Achmea interim results 2019**

Achmea's operational result increases to €284 million

- Non-Life achieves strong growth of results and combined ratio of 95.8%
- Pension & Life result increased due to improved technical and investment results
- Operational result current underwriting year Health improved
- Growth Achmea Investment Management to €142 billion Assets under Management
- Solid capital position with a solvency level of 195%
- Achmea launches innovation fund with an initial size of €100 million

Willem van Duin, Chairman of Achmea's Executive Board:
"2019 is the final year of our strategic planning period 'Delivering Together'. We have taken a good next step in the first half of this year on realising our strategic and financial targets.

From our cooperative background we commit to a healthy, safe and future-proof society. Over the past few months, we have again made good progress. Syntrus Achmea Real Estate & Finance became the first Dutch asset manager to sign up to the 'Green Deal Healthcare' and through our healthcare real estate we focus on a safe and sustainable living environment. Zilveren Kruis encourages a healthy lifestyle and is improving patient care by organising an increasing amount of care at home, for patients with heart conditions, COPD or those requiring chemotherapy or immunotherapy. These eHealth solutions lead to fewer hospital admissions as well as lower healthcare expenses. Interpolis and Rabobank offer the 'Is your home still suitable?' test to create awareness about independent living when approaching the retirement age and help come up with solutions for now and later. All these initiatives allow us to play a broad and valuable role in the lives of our customers, one that goes beyond just offering insurance. Sustainability is a key part of this and the three international Sustainable Development Goals (SDGs) are anchored at the heart of our strategy. We recently gave our commitment on the Climate Agreement and, by doing so, demonstrate our duty to take responsibility in tackling the climate change.

Our asset manager Achmea Investment Management is distinctive and successful with socially responsible investment services. In the first half of 2019 these services are implemented for pensioenfonds Horeca & Catering. Assets under Management (AuM) increased to €142 billion and as of 1 January 2020, AuM will increase further due to pensioenfonds Vervoer that selected Achmea Investment Management as overall manager.

As an insurance company, we traditionally provide assistance in the event of setbacks or illness and offer our customers help with prevention and advice. This enables us to prevent a great deal of suffering or loss. Yet the world is changing fast and our customers' requirements are changing accordingly. We are responding to those changing needs by creating innovative services on top of our insurance policies. For instance, Centraal Beheer offers assistance with odd jobs (KlusHulp), legal problems (Juridische Hulp) and vehicle breakdowns (PechHulp), no subscription necessary. Interpolis is improving traffic safety via AutoModus and WegWijsVR, by prevention of, amongst other things, mobile phone-induced driver distraction. By incentivising the installation of green roofs, Interpolis is also contributing to reducing the nuisance and damage caused by the increasingly high levels of rainfall.

We will continue to develop appealing, innovative services which, in addition to having a major social impact, also add value for Achmea. This is why we will soon launch the Achmea Innovation Fund, which from 1 October 2019 will be able to issue growth capital to companies active in the domains of health, mobility, residential and financial solutions for now, tomorrow and later. The fund will focus on promising initiatives that match our strategic goals, based on up-and-coming technology in the Fintech and Insurtech industries. The ambition is for the fund to grow to an initial size of €100 million.

We have also performed well financially. Over the first half of 2019, we achieved an increase in the operational result to €284 million and an increase in the net profit to €234 million. Gross earned premiums are up slightly, to €17.6 billion, and expenses have decreased. With this cost reduction we have managed to meet our expense reduction target set at the end of 2016 of €200 million. Our focus will of course continue to be on making our business operations as efficient as possible. In doing so, we manage to keep premiums competitive for our customers and achieve results which enables us to reinvest in the best products and services. Our solvency ratio is robust. This means that our customers can rely on our sound financial position, as ought to be expected of an insurer with a cooperative identity."

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Group results

KEY FIGURES

(€ MILLION)

RESULTS	H1 2019	H1 2018	Δ
Gross earned premiums	17,571	17,448	1%
Net earned premiums	9,790	9,868	−1%
Gross operating expenses[1]	1,059	1,107	−4%

COMPOSITION OF RESULT	H1 2019	H1 2018	Δ
Operational result (excluding Health Netherlands)	**227**	**92**	**146%**
Health Netherlands	**57**	**100**	**−43%**
Basic health	23	34	−32%
Supplementary health	34	66	−48%
Operational result[2]	**284**	**192**	**48%**
Result before tax	284	200	42%
Net result	234	133	76%

BALANCE SHEET	30 JUNI 2019	31 DECEMBER 2018	Δ
Total assets	95,133	81,816	16%
Total equity	10,049	9,705	4%

SOLVENCY II	30 JUNI 2019	31 DECEMBER 2018	Δ
Solvency ratio (Partial Internal Model)	195%	198%	−3%-pt

FTES[3]	30 JUNI 2019	31 DECEMBER 2018	Δ
FTEs (internal)	13,846	13,714	1%
FTEs (external)	2,601	2,922	−11%

Group results

OVERALL RESULTS

The operational result in the first half of 2019 increased to €284 million (H1 2018: €192 million) and is developing in line with Achmea's ambitions for 2020.

The improved result is supported to a large extent by the result of Pension & Life and Non-Life. Health also made a substantial contribution to the operational result. Moreover, the result on Other activities improved significantly compared to the first half of 2018.

The combined ratio (COR) at our property & casualty and income protection insurance business stands at 95.8%, while the COR stood at 97.9% in the first half of last year. The underlying result of Non-Life improved further due to premium growth, claim management and higher investment income. Furthermore, last year's result was negatively affected by the January storms.

Our health activities contributed €57 million to the result. This contribution comes from both basic and supplementary health insurance. While the result in 2018 was mainly driven by the basic health result on prior years and by supplementary health insurance, this year basic health insurance makes a positive contribution from the current underwriting year in addition to supplementary health insurance.

Pension & Life achieved a strong and stable result over H1 2019, with higher investment income and a higher technical result. In line with our service-book strategy, gross earned premiums have decreased. This year we have continued optimising our processes and systems with the ambition of making our administrative costs even more flexible and further reducing them.

The operational result for Retirement Services was break-even in the first half of 2019 (H1 2018: €10 million). The lower result was primarily impacted by a changed cost allocation and investments in growth at Achmea Investment Management and Achmea Bank (totalling €10 million). When adjusted for this, the result is in line with last year. Retirement Services noted several commercial successes. The first half of 2019 saw significant growth in the number of participants at Achmea Pension Services and strong growth of Assets under Management at Achmea Investment Management. On 4 April, pension fund Vervoer announced that it had selected Achmea Investment Management to act as integral asset manager of the fund from 2020 onwards. On 21 March, Achmea and a.s.r. agreed that Achmea Bank takes over part of the banking activities of a.s.r. Bank.

Our international activities noted a lower operational result compared to H1 2018. The start-up costs of the online joint venture launched in Canada early this year, a lower health result in Greece and a flood in Australia have all contributed to this. In Turkey, we managed to keep the operational result stable despite challenging conditions.

The Other activities segment has a sharply improved result compared to H1 2018. In addition to financing expenses and shareholder expenses, this segment also contains the result of Achmea Reinsurance and Syntrus Achmea Real Estate & Finance. The improved result, compared to last year, can largely be attributed to higher results for Achmea Reinsurance, while there was also a high cost of claims in H1 2018 due to the January storm. Moreover, reorganisation expenses were lower than last year and a change in the cost allocation to Achmea Bank has also contributed here.

OPERATIONAL RESULT PER SEGMENT

(€ MILLION)

	H1 2019	H1 2018
Non-life Netherlands	89	4
Pension & Life Netherlands	204	190
Retirement Services Netherlands	–	10
International activities	7	19
Other activities	–73	–131
Operational result (ex-Health)	**227**	**92**
Health Netherlands	57	100
Operational result	**284**	**192**
Transaction results	–	8
Result before tax	**284**	**200**
Tax	50	67
Net result	**234**	**133**

The net result increased to €234 million in the first half of 2019 (H1 2018: €133 million). This was primarily due to the increased operational result.

The effective tax rate is lower than last year. This is mainly due to an additional provision of €35 million made in 2018 for the tax settlement in the Netherlands for the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. Moreover, an adjustment of the IAS12 accounting standard means that tax income on perpetuals is processed via the income statement from 2019 onwards. Combined with the tax-exempt income from Health, the effective tax rate is therefore lower at 18% than the nominal tax rate (25%).

Gross earned premiums

Gross earned premiums increased slightly by 1% to €17,571 million (H1 2018: €17,448 million) in H1 2019. The premium growth comes from basic health insurance and our property & casualty and income protection insurance activities in the Netherlands.

Retail and corporate premiums at Non-Life Netherlands grew further (+6%) due to portfolio growth and premium measures.

Internationally, gross earned premiums increased for our property & casualty activities in local currency, but decreased in euros due to exchange-rate effects.

In Health, premiums are up (+2%) due to premium growth in basic health insurance. This is in line with medical expense inflation. Premiums from supplementary health insurance decreased slightly due to a drop in the number of policyholders. The international health activities saw growth in gross earned premiums in Slovakia and Greece, while gross earned premiums declined in Turkey.

Gross earned premiums from life insurance activities decreased (-24%) as a result of our previously made strategic decision to stop actively selling pension insurance products in the Netherlands. Gross earned premiums were also lower than last year due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS EARNED PREMIUMS (€ MILLION)

	H1 2019	H1 2018
Non-life	2,491	2,359
Health	14,373	14,153
Life	707	936
Total gross earned premiums	**17,571**	**17,448**

Operating expenses

Gross operating expenses decreased by €48 million in the first half of 2019 to €1,059 million (H1 2018: EUR 1,107 million). Combined with the earlier expense reductions, this means that the strategic objective of reducing costs by €200 million in the period 2017-2019, was accomplished by the middle of the year already.
Expenses in the first half of this year declined in part as a result of the sale of Friends First and Independer. At the same time, we have continued to invest in rationalising and digitising business operations in order to make the company even more efficient in the future. At Non-Life and Retirement Services there were also higher expenses due to investment in achieved and future growth.

The total number of internal and external employees in the Netherlands declined to 13,514 FTEs in the first half of 2019 (year-end 2018: 13,772 FTEs). The decrease in the number of employees of more than 250 FTEs is due to the continued optimisation of processes and systems. The largest reductions were at Health and Pension & Life as a result of more efficient business operations.

The number of internal and external employees outside the Netherlands increased slightly to 2,932 FTEs (year-end 2018: 2,864 FTEs). This increase is due to the focus on controlled and selective expansion of our market share in the different markets.

Investments

In the first half of 2019, investment income[4] from our own risk investment portfolio was €600 million (H1 2018: €592 million). Higher realised gains on equities and fixed-income investments had a positive impact on the result. Real estate revaluations were positive, but due to flattening market sentiment meant these were lower in the first half of 2019 than in the first six months of 2018. As opposed to this lower result, foreign exchange result developments were positive. This is due to a previous reduction of our USD positions and the lower costs for FX-contracts following from this reduction. The increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch Pension and Life business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and non-realised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in a so-called Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover commitments to our customers with pensions or life insurance policies. As a result of the positive growth in value caused by, among other developments, lower interest rates, the FFA increased by €2.4 billion to €9.4 billion in the first six months of 2019.

The value of our investment portfolio is €50.1 billion (31 December 2018: €45.1 billion). The value of the investment portfolio increased by €3.7 billion, largely as a result of the lower interest rates and tighter spreads. Additional purchases amounting to €1.1 billion and the upturn in equity values of €240 million have also contributed to this increase.

CAPITAL MANAGEMENT

Total equity

Achmea's equity increased by €344 million to €10,049 million in H1 2019 (2018: €9,705 million). The total equity was positively affected by the net result of €234 million. The increase is also due to higher revaluations in particular of equities and bonds. Dividend payments on ordinary and preference shares and coupon payments on hybrid capital amounting to a total of €167 million helped to partly mitigate this increase.

DEVELOPMENT OF TOTAL EQUITY	(€ MILLION)
Total equity 31/12/2018	**9,705**
Net result	234
Movement revaluation reserve	293
Movement exchange difference reserve	-9
Remeasurement of net defined benefit liability	-7
Dividends and coupon payments to holders of equity instruments	-167
Total equity 30/6/2019	**10,049**

Solvency II

The solvency ratio decreased slightly to 195% in the first half of the year based on the approved Partial Internal Model. The decrease in Eligible Own Funds (€67 million) and the increase of the Solvency Capital Requirement (€49 million) are largely caused by tightening credit spreads in Italy, leading to a lower volatility adjustment and with that a higher value for liabilities. Moreover, the profit over the first half year and dividends from the banking and asset management activities, which do not form part of group solvency, have a positive effect on the own funds.

SOLVENCY II RATIO FOR ACHMEA GROUP

(€ MILLION)

	30/06/2019	31/12/2018	Δ
Eligible Own Funds under Solvency II	8,858	8,925	−67
Solvency Capital Requirement	4,546	4,497	49
Surplus	**4,312**	**4,428**	**−116**
Solvency II Ratio	**195%**	**198%**	**−3%-pt**

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 defined 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.

Free Capital Generation[5]

The structural Free Capital Generation (FCG) over the first six months of 2019 was €223 million and represents the organic growth. One-off effects had a negative impact over the first half of the year (€412 million negative). These mainly relate to negative interest and spread developments on the financial markets and the decrease of the UFR, and were partly mitigated by the positive results on equities. On balance, FCG stood at €189 million negative. The operational result from our health activities is not accounted for in the FCG.

Financing

On 11 April 2019, Standard & Poor's announced it would raise its outlook to 'stable' for all the Achmea entities. S&P's analysis is that Achmea has achieved a stable and improved operational result in recent times. It added that it expects Achmea to maintain both its leverage ratio and capital position at a stable, robust level over the coming period. S&P affirmed its allocated rating (FSR[6]) for the Dutch insurance entities at A as of the same date. The credit rating (ICR[7]) for Achmea B.V. remained unchanged at BBB+. The rating (FSR) for Achmea Reinsurance Company N.V. and the rating (ICR) for Achmea Bank N.V. remained unchanged at A-.

In October 2018, Fitch affirmed its rating for Achmea B.V. and its insurance entities: A (IDR[8]) and A+ (IFS[9]) respectively with a stable outlook. Fitch's rating (IDR) for Achmea Bank N.V. was affirmed at A with a stable outlook.

The debt-leverage ratio[10] decreased slightly to 24.4% (2018: 26.5%) due to the achieved result and the redemption of a CHF200 million loan. As a result of the higher operational result, the fixed-charge coverage ratio improved to 4.7x (2018: 4.4x).

Non-life Netherlands

- Strong growth of operational result with a combined ratio of 95.8%
- Premium growth due to new customers and premium measures
- Maintained substantial investments in digitisation and sustainable innovations for customers

RESULTS			(€ MILLION)
	H1 2019	H1 2018	Δ
Gross earned premiums	2,192	2,065	6%
Operating expenses	438	407	8%
Operational result	**89**	**4**	**n.m.**

NON-LIFE NETHERLANDS	H1 2019	H1 2018	Δ
Claims ratio	70.0%	73.1%	−3.1%-pt
Expense ratio	25.8%	24.8%	1.0%-pt
Combined ratio	**95.8%**	**97.9%**	**−2.1%-pt**

* *n.m.: not meaningful*

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and ranks in the top three in income protection insurance. We provide our retail and business customers with products such as car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer sickness and disability insurance. We assist our customers via innovative services that, for example, give them insight into the risks to which they are exposed. In doing so, we help our customers prevent or restrict damage or loss as much as possible. We distribute our products through our brands Centraal Beheer, Interpolis, FBTO, Avéro and InShared, whereby our focus is on a high level of customer satisfaction, innovative services and digitisation of processes.

Gross earned premiums

Gross earned premiums increased in the first half of 2019 to €2,192 million (H1 2018: €2,065 million).

Gross earned premiums from our property & casualty insurance business increased to €1,681 million (H1 2018: €1,573 million) as a result of further growth in the number of new customers and premium measures in both the retail and commercial lines. The portfolio growth was partly achieved via personalised marketing that responds to our customers' needs.

Gross earned premiums from the income protection insurance business increased further to €511 million (H1 2018: €492 million).

Operating expenses

In the first six months of 2019, operating expenses increased to €438 million as a result of the growth in premiums and the continued investment in digitisation of our customer services and claims prevention, aimed at reducing the cost of claims. The expense ratio increased slightly to 25.8% (H1 2018: 24.8%) due to a timing difference related to marketing expenses.

Operational result

The operational result of Non-Life over the first six months of 2019 increased sharply to €89 million (H1 2018: €4 million), mainly thanks to an improved technical result. Investment results also increased due to the positive developments on the stock markets and realised gains generated by the further optimisation of the investment portfolio.

Property & Casualty

The result on property & casualty insurance increased in the first half of 2019 to €80 million (H1 2018: €12 million negative). While the results in the first half of 2018 were affected by the January storms, we witness favourable result developments in 2019. This is partly due to premium and claims management measures. The combined ratio for the property & casualty insurance improved to 95.3% (H1 2018: 99.1%) as a result of this. We have again seen a clear rise in the number of weather-related claims in 2019 and these are playing an increasingly dominant role in our cost of claims. June, for instance, saw several incidents that led to claims of this type amounting to a total of €25 million. In the long term, we will therefore continue to invest in claims management and innovative services aimed at limiting the damage or loss for customers as much as possible. Examples of this include the initiative to prevent flooding and heat stress (Bluelabel) and the Green Roofs ('Groene Daken') concept of Interpolis. The latter gives our customers the opportunity to make their roofs more sustainable. Like many of our other services, these solutions are also available for non-insurance customers and contribute to a future-proof result and a safer and more climate-proof society.

Income Protection

The result from our income protection insurance business was €9 million for the first half of 2019 (H1 2018: €16 million). This decrease was primarily caused by a lower result in the portfolio. This is in line with the national trend, which shows an increase in absenteeism due to higher workload caused by tightness on the labour market. In the case of short-term sickness absences and disability, we assist our customers by placing the emphasis on recovery and reintegration into the labour market. Continuous improvements of our approach allow us to accelerate the return to work and limit the negative impact on the result as much as possible. At the same time, this also benefits the cost of claims of the disability insurance portfolios and we boost our result for the long term. The combined ratio for income protection stood at 98.3% (H1 2018: 92.3%).

Health Netherlands

- Improved operational result current underwriting year Health
- Lower result on prior years
- Successful integration of De Friesland and Zilveren Kruis

RESULTS

(€ MILLION)

	H1 2019	H1 2018	Δ
Gross earned premiums	14,133	13,910	2%
Operating expenses	268	243	10%
Operational result	**57**	**100**	**–43%**
Result current underwriting year	57	29	96%
Result prior years[11]	–	71	n.m.

KEY FIGURES BASIC HEALTH	H1 2019	H1 2018	Δ
Claims ratio	97.5%	97.3%	0.2%-pt
Expense ratio	2.2%	2.2%	-
Combined ratio	**99.7%**	**99.5%**	**0.2%-pt**

KEY FIGURES SUPPLEMENTARY HEALTH	H1 2019	H1 2018	Δ
Claims ratio	82.8%	80.3%	2.5%-pt
Expense ratio	11.7%	9.0%	2.7%-pt
Combined ratio	**94.5%**	**89.3%**	**5.2%-pt**

* *n.m: not meaningful*

GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Avéro Achmea, Interpolis, OZF, and Pro Life offer basic and supplementary health insurance. The Eurocross Assistance Company also provides healthcare services worldwide.

Under the Dutch healthcare system, almost everyone has basic health insurance and there are no acceptance criteria. This means there is solidarity between young and old, poor and wealthy, ill and healthy. This is unique in the world: less than 5% of the world's population lives in a country in which everyone has access to the same high standard of healthcare. Trends such as the ageing population, new treatments and medicines and shortfalls on the job market are putting the affordability and accessibility of healthcare in the Netherlands under pressure. This underlines the importance of organising healthcare better and devoting greater attention to prevention and a healthy lifestyle. Organising solidarity between customers and uniting interests in the field of healthcare are objectives aligned with Achmea's cooperative identity. This gives substance to our role in society.

Zilveren Kruis and Achmea's other health brands aim to bring good health closer to everyone. Our ambition is to be able to provide safe healthcare at customers' homes. This will reduce the impact of treatments, improve the quality of life for our customers and helps keep premiums affordable. Initiatives such as Gezond Ondernemen (healthy entrepreneurship) and the Actify lifestyle platform enable us to help our customers to work and live healthier.

Our portfolio contains 5 million policyholders, making Achmea market leader with a market share of 29%.

Gross earned premiums

Gross earned premiums from basic and supplementary health insurance increased by 2% to €14,133 million (H1 2018: €13,910 million). Gross earned premiums from basic health insurance amounted to €12,885 million (H1 2018: €12,589 million). The increase in gross earned premiums is due to higher premiums for basic health insurance and a larger contribution from the Health Insurance Equalisation Fund as a result of higher healthcare expenses in the Netherlands. Gross earned premiums from supplementary health insurance decreased to €1,248 million (H1 2018: €1,321 million). This is due to a drop in the number of policyholders compared to last year.

Health Netherlands

Operating expenses

The total operating expenses of our health activities increased to €268 million (H1 2018: €243 million). The increase can largely be attributed to the reorganisation expenses relating to the merger of De Friesland and Zilveren Kruis. The health offices also noted higher operating expenses (€4 million) driven by an increase in activities. As this was fully offset by higher reimbursements, this has no impact on the result. When adjusted for the reorganisation expenses and higher expenses at the health offices, a downward trend is visible in the operating expenses.

Operational result

BASIC HEALTH INSURANCE

The operational result from our basic health insurance amounted to €20 million over the first half of 2019 (H1 2018: €35 million).

The operational result in the current underwriting year amounted to €28 million (H1 2018: €15 million negative). At the end of 2018, a provision was made of €21 million for two labels for setting premiums at cost price in 2019. This is expected to lead to a neutral result in the current underwriting year. The higher result is due to lower than expected medical expenses, particularly due to better than expected expenses for district nursing.

The result from previous years amounts to €8 million negative (H1 2018: €50 million). The result in 2019 can be attributed to higher than expected medical expenses for Specialised Medical Care. The positive result in 2018 was largely caused by the more positive development of expenses for, among other things, Specialised Medical Care and mental healthcare for the 2017 underwriting year.

At 99.7% (H1 2018: 99.5%), the combined ratio of basic health insurance remained almost the same as in H1 2018 due to higher premium income and a higher contribution from the Health Insurance Equalisation Fund.

SUPPLEMENTARY HEALTH INSURANCE

Supplementary health insurance policies account for €34 million of the operational result from the health business (H1 2018: €66 million). €26 million of the result derives from the current underwriting year (H1 2018: €45 million). There was also a positive result from previous underwriting years of €8 million (H1 2018: €21 million). The decline in the result is due to higher than expected medical expenses.

The percentage of basic health insurance policyholders with supplementary coverage remained stable in 2019 at around 80%. This reaffirms the value of supplementary health insurance to our customers.

The combined ratio of supplementary health insurance policies went up in the first half of 2019 and stood at 94.5% (H1 2018: 89.3%) as a result of higher medical expenses as well as the increase in operating expenses relating to the allocation to the reorganisation provision.

OTHER (HEALTHCARE OFFICES & SERVICES)

The Other category relates to healthcare offices that implement the Long-term Care Act (Wlz) and the healthcare service companies. The healthcare service companies aim to assist customers if they urgently require healthcare when abroad, travelling in the Netherlands or at home and to help people to improve their vitality at work and in everyday life. The operational result for Other was €3 million in the first half of 2019 (H1 2018: €1 million negative). The higher operational result can be attributed to higher reimbursements for administrative expenses relating to the Wlz. This income was partly offset by the higher operating expenses.

Pension & Life Netherlands

- Result increased due to improved technical and investment results
- Decline in gross earned premiums in line with service-book strategy
- Ongoing IT investment programme will further improve efficiency in the next few years

RESULTS (€ MILLION)

	H1 2019	H1 2018	Δ
Gross earned premiums	624	784	−20%
Operating expenses	76	76	-
Operational result	**204**	**190**	**7%**

GENERAL INFORMATION

Pension & Life 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 pension products. The service organisation's ambition is to generate a stable result with positive capital generation combined with a high level of customer satisfaction. The technical provisions for our traditional life insurance products decreased by 1% to €21,244 million, in line with our long-term projections.

Gross earned premiums

Total gross earned premiums decreased by 20% to €624 million during the first half of 2019 (H1 2018: €784 million). Of this amount, €499 million comes from the service-book and €125 million from the open-book.

Total premiums on our service-book pension portfolio amounted to €149 million in the first half of 2019 (H1 2018: €261 million). Total premiums on our service-book life insurance portfolio amounted to €350 million (H1 2018: €407 million). In line with our strategy, no new pension insurance contracts have been sold in these portfolios. The decline in the premium income is the result of natural portfolio lapse.

The open-book portfolio saw a slight increase in premiums from term-life insurance policies to €29 million (H1 2018: €27 million). In the first half of 2019, individual annuity and pension production totalled €96 million (H1 2018: €89 million).

Operating expenses

Operating expenses remained stable in the first half of 2019 at €76 million. Cost-cutting initiatives have led to lower expenses but these savings are offset by a reorganisation provision and higher IT project expenses aimed at further future efficiency. The investment programme, initiated last year to reduce the number of IT systems over the next few years, will lead to lower IT administrative expenses.

Operational result

The operational result increased further to €204 million during the first half of 2019 (H1 2018: €190 million). This was driven by an improvement in both the technical and interest results. A slight decrease in the expenses result had a minor impact on this increase.

The technical result increased by €18 million in the first half of 2019 when compared to the same period last year. This improvement was primarily driven by a higher mortality result.

The investment results increased by €5 million, largely due to more positive trends on the equity markets and improved foreign exchange results. In contrast, there were lower positive real estate revaluations and a lower result on a sub-portfolio caused by tightening spreads.

Retirement Services Netherlands

- Pension fund Vervoer chooses Achmea Investment Management as integral asset manager
- Achmea Bank acquires savings and mortgage portfolio a.s.r.
- Result affected by investment in growth and changed cost allocation

RESULTS (€ MILLION)

RETIREMENT SERVICES TOTAL	H1 2019	H1 2018	Δ
Total Income	118	119	–1%
Of which: administration and management fees pension administration	59	62	–5%
Operating expenses[12]	118	109	8%
Operational result	**–**	**10**	**n.m.**
ACHMEA BANK			
Net interest margin	62	56	11%
Fair value result[13]	–3	–1	n.m.
Operating expenses	51	41	24%
Withdrawals from loan loss provisions	1	1	-

	H1 2019	FY 2018	
Common Equity Tier 1 ratio	21.3%	20.8%	0,5%-pt

(€ BILLION)

ACHMEA INVESTMENT MANAGEMENT	H1 2019	FY 2018	
Asset under management[14]	142	129	13

* *n.m.: not meaningful*

GENERAL INFORMATION

Through Retirement Services, Achmea provides pension funds, employers and retail customers with solutions for pensions and capital accrual as well as housing-related products. Achmea Pension Services administers the pensions for the Centraal Beheer General Pension Fund (GPF), which provides an alternative to pension insurance in the second pillar of the Dutch pension system. Combined with products for capital accrual and mortgage solutions in the third and fourth pillar, customers can choose from a wide range of financial services. These products and services are distributed through, among others, the Centraal Beheer brand and managed by Achmea Bank, Achmea Investment Management, Achmea Pension Services and Achmea Pension & Life.

Operational result

The operational result for Retirement Services was break-even in the first half of 2019 (H1 2018: €10 million). The lower result was caused by investment in growth at Achmea Investment Management and Achmea Bank and an adjusted cost allocation to Achmea Bank.

Achmea Bank

Achmea Bank's result amounted to €13 million (H1 2018: €18 million). This decrease can be attributed to an adjusted cost allocation. As a result of this, Achmea Bank's expenses increased by €8 million. However, it also earned a higher interest result and higher fee income. The interest result improved due to lower financing expenses. New mortgage origination increased sharply by €435 million in the first half of 2019 to €788 million. Of this amount, €461 million is for the balance sheet of Achmea's pension and life insurance business. In contrast, the mortgage portfolio displayed a small decrease due to a higher number of refinanced mortgages and redemptions on balance.

On 21 March, Achmea and a.s.r agreed that Achmea would acquire a part of a.s.r bank's banking activities. These comprise a savings portfolio of €1.7 billion and approximately 125,000 customers as well as a €1.5 billion mortgage portfolio. The acquisition of these portfolios is aligned with Achmea's strategy, which is aimed at creating growth in pensions and pension services as well as integrated banking products and asset management.
As of 30 June 2019, the Common Equity Tier 1 ratio was 21.3% (31 December 2018: 20.8%), a slight increase due to the improved creditworthiness of a number of loans of our

former private banking activities and on balance a slight decrease in the mortgage portfolio.

Achmea Investment Management

As of 30 June 2019, Assets under Management (AuM) increased to €142 billion (31 December 2018: €129 billion). The Pension funds segment increased by €7 billion and the decline in market interest rates pushed up the AuM by €6 billion. LocalTapiola and Pension fund Horeca & Catering have opted for Achmea Investment Management due to the successful and distinctive Socially Responsible Investments. In addition, the Green Bond Fund, which was introduced in 2018, exceeded €100 million due to a new mandate. On 4 April, Pension fund Vervoer announced that it had selected Achmea Investment Management (AIM) as its overall manager for the fund. At the end of Q1 2019, Pension fund Vervoer held AuM of €28 billion. These assets will be managed by AIM as of 2020.

Achmea Investment Management's contribution to the result was €1 million (H1 2018: €5 million). This decrease can primarily be attributed to one-off higher expenses for investments in growth.

Achmea Pension Services

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 in 2018. Achmea Pension Services now focuses solely on services to the Centraal Beheer General Pension Fund (CB APF) and to company, occupational and exempt sectoral pension funds. It welcomed the Alliance and Metro company pension funds as clients in 2019. The number of members of the Centraal Beheer APF also grew and will be expanded further over the next few months. In January 2019, about 550 new employers with 13,000 employees joined the Centraal Beheer APF, as did all the members of two pension funds: Delta Lloyd APF and Cindu pension fund.

The operational result of Achmea Pension Services was €14 million negative (H1 2018: €13 million negative). Achmea Pension Services is currently in a transitional phase, whereby the portfolio containing sectoral pension funds was recently successfully phased out and investments are being made in the long-term growth of general pension fund and company pension fund administration. It is optimising processes in order to cut expenses, while at the same time this enables it to maintain highly-valued services.

International

- Strong premium growth at Non-Life (6%) and Health (7%) in Slovakia and Greece
- Innovative online proposition launched in Canada
- Result decreased due to lower health result and large claims in Australia

RESULTS (€ MILLION)

	H1 2019	H1 2018	Δ
Gross earned premiums (excluding Ireland)	528	531	−1%
Gross earned premiums (including Ireland)	528	600	−12%
Operating expenses	115	145	−21%
Operational result	**7**	**19**	**−63%**

GROSS EARNED PREMIUMS PER COUNTRY	H1 2019	H1 2018	Δ
Slovakia	210	195	8%
Greece	176	170	4%
Turkey	117	148	−21%
Australia	24	18	33%
Ireland[15]	–	69	n.m.

* *n.m: not meaningful*

GENERAL INFORMATION

Achmea International focuses on the core qualities of property & casualty, health and agri insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge of niches and online expertise acquired in the Netherlands. This expertise is used selectively in specific international markets requiring limited capital. We are accelerating growth and gaining market share in existing and new markets. Via its partnership with Fairfax, a Canadian holding, Achmea has entered the Canadian property & casualty insurance market and went live with its online brand Onlia in February 2019. Moreover, our Greek online brand Anytime has expanded its operations to Cyprus.

Gross earned premiums

Premiums decreased by 12% to €528 million (H1 2018: €600 million). When adjusted for exchange-rate effects and the premium contribution from Friends First in the first half of 2018, this translates into an increase of 5%.

In Slovakia, both the health and property & casualty businesses are performing well with premium growth of 8% and 13% respectively. The digital channel, a spearhead of our international strategy, is evolving fast and noted a 13% increase in premiums.

In Greece, Interamerican has consolidated its position as market leader in the property & casualty market with premium growth of 4% compared to H1 2018, outperforming the market in the process. With its health insurance business, Interamerican launched a modular health product called BeWell, leading to an increase in earned premiums. Interamerican's direct online insurance channel, Anytime, also grew further this year. The success of Anytime in Greece led to an expansion of these operations to Cyprus.

In Turkey, gross earned premiums grew by 2% to TRY 740 million (H1 2018: TRY 727 million). In euros this is a decrease of 21%, caused by the devaluation of the Turkish lira. In line with our strategic targets, non-motor products are performing well and have noted growth of 14%. Health business decreased by 61% mainly due to the departure of a major business health contract as a result of stricter underwriting guidelines for group insurance.

In Australia, gross earned premiums grew in local currency by 43% to AUD 39 million (H1 2018: AUD 27 million) thanks to its unique 'All-in-One Farm Pack'. This product is sold via a successful partnership with Rabobank and Angus Australia.

In Canada, Onlia was successfully launched with the digital motor vehicle proposition and an app aimed at promoting safe driving behaviour. The number of app users and sales of the motor vehicle product both had a very promising start, leading to a break-through in the Canadian market.

Operating expenses

Operating expenses totalled €115 million (H1 2018: €145 million). When adjusted for Friends First and exchange-rate effects, operating expenses increased slightly by 1% due to investment in, among other things, new initiatives in Canada and general growth.

Operating result

The total operational result decreased to €7 million (H1 2018: €19 million). This is mainly due to lower health results in Greece and Slovakia and floods in Townsville, Australia. In spite of the challenging economic conditions in Turkey, the business realised stable and positive results.

Other

- Improved result due to lower reorganisation expenses and higher result of Achmea Reinsurance
- Assets under Management of Syntrus Achmea Real Estate & Finance increased to €22.6 billion

RESULTS (€ MILLION)

	H1 2019	H1 2018	Δ
Total gross Income	179	187	-4%
Operating expenses	141	192	-27%
Interest and similar expenses	32	25	28%
Operational result	**-73**	**-131**	**n.m.**
ACHMEA REINSURANCE			
Gross earned premiums	120	123	-2%
Operational result	**16**	**-16**	**n.m.**

* *n.m.: not meaningful*

GENERAL INFORMATION

Other activities includes the results of our Shared Service Centers, activities at holding company level, Achmea Reinsurance and Syntrus Achmea Real Estate & Finance. As part of Achmea, Achmea Reinsurance provides reinsurance solutions for the group and also accepts incoming reinsurance risks from third parties on a limited basis. Syntrus Achmea Real Estate & Finance manages both the real estate portfolios of the insurance entities and those of external customers.

OPERATIONAL RESULT

The result of the Other activities segment is to a large extent determined by the holding company expenses, interest expenses on external loans, and the results of the other operating companies in this segment.

In the first half of 2019, the operational result was €73 million negative (H1 2018: €131 million negative). This improvement was mainly driven by two factors. The operational result of Achmea Reinsurance, for one, increased to €16 million, while in the first half of 2018 this was €16 million negative due to the cost of claims (€30 million) arising from the severe storm that passed over the Netherlands in January in 2018. Moreover, the reorganisation expenses in the segment were €34 million higher in the first half of 2018 than in H1 2019.

In addition to Achmea Reinsurance, Syntrus Achmea Real Estate & Finance also made a positive contribution of €5 million to the result in the first half of 2019 (H1 2018: €4 million).

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 the Dutch and foreign insurance entities within Achmea. The reinsurance portfolio on behalf of third parties has been created in order to diversify insurance risk and earnings growth for Achmea.

Gross earned premiums of €120 million were in line with the first six months of 2018 (€123 million).

Syntrus Achmea Real Estate & Finance

Assets under Management in real estate and mortgages increased further to €22.6 billion (31 December 2018: €21.5 billion). This increase is due to the new mandates for institutional investors and higher revaluations of existing portfolios. Of the individual asset classes, residential property mortgages in particular experienced strong growth. Management fees increased to €43 million (H1 2018: €37 million). The operational result was €5 million in the first half of 2019 (H1 2018: €4 million).

Footnotes

GROUP RESULTS

Key figures

[1] Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and assets 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] The number of FTEs is based on a 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).

Free Capital Generation

[5] This relates to the amount of disposable capital that is generated. This is the increase in capital above the Solvency Capital Requirement.

Financing

[6] ICR: Issuer Credit Rating
[7] FSR: Financial Strength Rating
[8] IDR: Issuer Default Rating
[9] IFS: Insurer Financial Strength
[10] Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill)

HEALTH NETHERLANDS

[11] Results on prior years refer to earnings from health expenses and/or equalisation from previous book years and allocations to a provision for losses

RETIREMENT SERVICES NETHERLANDS

[12] Operating expenses including other expenses
[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

[15] The premiums for 2018 include the activities up to and including May 2018 for Irish insurer Friends First