Customers better served due to initial successes of Acceleration & Innovation

Achmea posts €388 million operational result

- Good progress Acceleration & Innovation:
  - Many initiatives launched to improve customer service
  - Operating expenses reduced by €143 million
  - Sale of Russian insurance business completed
- €239 million of reorganisation expenses and goodwill impairments of €143 million result in net profit of €16 million
- €335 million of profit used to curb increase in health insurance premiums in 2015
- Financial position boosted, solvency of insurance activities increased to 215%
- A+ rating insurance entities maintained, risk management score upgraded to strong

Willem van Duin, Chairman of the Executive Board:

"With our change program Acceleration & Innovation we significantly increased the pace of innovation across our company. We recently completed the first year of our three-year change programme, Acceleration & Innovation, which is designed to become a more customer-driven, effective and competitive organisation.

With a great number of new, mostly online, initiatives, we continuously improve our service to our customers. For one, they can contact us next to through the telephone, also via chat and apps, and report claims with their smartphone. In addition, we actively assist our customers online through 'co-browsing' and use a growing number of digital resources to keep them informed. Furthermore, on a growing number of our websites for our brands, customers can rate our services directly. Our brands released various apps for our customers to easily manage their insurance businesses. This way, we develop innovative new solutions for our customers and maintain high levels of customer satisfaction.

We ended the 2014 financial year with a net profit of €16 million. Reorganisation expenses of €239 million and goodwill impairments of €143 million strongly impacted our net profit. Our operational result declined to €388 million (2013: €542 million). One of the reasons for this is that we allocated €335 million of our results to keep health insurance premiums for our customers practically equal in 2015. Our gross written premiums remained stable around €20 billion, while our Property & Casualty insurance business managed to grow in a shrinking market. Our solvency increased to 215% and we maintained the A+ credit rating for our insurance entities with S&P, which demonstrates that we continue to be a solid financial partner to our customers and other stakeholders. Two recent financing transactions in beginning of this year, would have had a positive effect on our pro forma solvency ratio of 13 percentage points.

We reduced our operational expenses by €143 million in 2014 and are on track to achieve our target of reducing our costs by €450 million by the end of 2016. We are also on schedule with the inevitable reduction of around 4,000 FTEs within our organisation. In 2014 the number of jobs at Achmea in The Netherlands was reduced by some 1,200, whereby we made every effort to protect our employees' interests as carefully as possible. We will continue to drive our Acceleration & Innovation program forward. This will enable us to maintain who we are: a cooperative insurer with very strong brands that communicate with their customers in a modern way."

ACHMEA ANNUAL RESULTS 2014 - 10 MARCH 2015

Achmea will be hosting a press conference at its head office at Handelsweg 2, Zeist, the Netherlands, starting at 11:00 a.m.
A conference call for analysts is scheduled for 2:00 p.m. on the same date.
Analysts can dial in using the following number: +31 20 53 15 871.
For further information, please visit www.achmea.com

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Group results

GROUP DEVELOPMENTS

Acceleration & Innovation on track

With our change program, we respond to the ever more rapidly changing wishes of our customers. Therefore, we are adapting our business right now.

Based on a specific management agenda, a large number of new initiatives that benefit our customers were launched or initiated in 2014. The Acceleration & Innovation management agenda is divided into four cornerstones: customer-driven, responsible returns, competitive costs and employees in transition. We are pleased to report that we have made key progress in each of these quadrants. In taking these measures, we are accelerating our efforts in terms of improving customer focus and cost savings, as well as reinventing our processes and online services.

Customer-driven

We have made good progress in improving our services and have invested substantially in new solutions. Our brands have been working on investing in clarifying and simplifying all customer communications and improving the customer-friendliness of their websites. For example, customers in the SnappCar "car-sharing platform" (provided through Centraal Beheer) are fully insured against damage, liability, destruction and theft. Additionally, Centraal Beheer has insured MyWheels and WeGo. It has also entered into a partnership with the Peerby lending platform, which is part of our efforts to participate in the growing sharing economy. We also support other initiatives related to the sharing economy, since this is consistent with our identity as a cooperative organisation. Achmea has grown from the integration of a large number of mutual insurance companies. Solidarity was a key principle in this, as it is for the sharing economy. This is part of what prompted our decision to become an ambassador of Amsterdam Sharing City, with the objective of taking full advantage of the opportunities offered by the sharing economy in relation to sustainability, social cohesion and the economy.

In recent years, Interpolis has been spending much attention on prevention. Last winter, Interpolis used Facebook and Twitter to share prevention tips with its customers, informing them about storm, frost and burglary risks. This reached millions of people. That this approach actually works, is evidenced by a nationwide drop in the number of burglaries by 21% in 2014 compared to 2013. This was also confirmed by the Minister of Justice at a recent Interpolis conference. The drop in number of burglaries at Interpolis' customers was even as much as 30%. In the future, we want to further link effective prevention to insurance, so that investing in prevention will really be rewarded.
We have also been in the process of further improving our accessibility: Interpolis customers are now able to use Whatsapp to contact the customer service department. In conjunction with Vodafone, FBTO is exploring opportunities for developing a customised premium that takes into account the customer's driving behavior. This involves an innovative pilot project that will make it possible for motorists in the future to determine the amount of the insurance premiums themselves.

Achmea Agro, the largest agricultural insurer in the Netherlands, and Interpolis work in partnership with local Rabobanks in order to identify the risks to which businesses operating in greenhouse horticulture and cattle farming are exposed. Whereas in the past, we would use an insurance policy as the basis for a company visit, we now – through Rabo RisiGo – put the customer and its business processes first. An iPad tool is used to identity the business risks involved. A detailed report is subsequently drafted after the visit to the customer. We offer continuity, which goes beyond merely compensating for loss incurred following setbacks. These are just several of the many initiatives which have found their way to our customers at an accelerated pace since we launched our change programme.

Our group has also made significant progress in making Customer Centricity a central part of our strategy. Measurements conducted by the Netherlands Authority for the Financial Markets (AFM) demonstrate that we have made progress with our Customer Centricity programme and have raised it to just below the market average. We improved our Customer Centricity score from 3.0 to 3.3 on a scale of 5. However, we set the bar higher and will continue to make efforts to provide our customers with even better services.

Incorporating the opinions of our customers into our business operations on a permanent basis is one of the cornerstones of this policy. Virtually all Achmea brands maintain their own customer council, which give customers a platform to discuss, and provide advice on products and services, as well as address current social issues to which our brands must respond in order to be prepared for the future. In addition, a large number of the members of the Vereniging Achmea Member Council are drawn from the customer councils, thereby creating a stable structure in which customers are able to exert influence.

Competitive costs

Cost reduction constitutes a key element of our Acceleration & Innovation programme; it is needed in order to reach a competitive cost level in order to be able to offer our customers competitive insurance rates. We reduced our expenses by €143 million; one of the contributing factors was the substantial savings on staff and housing expenses. On account of the changing ways in which we perform our work and the increased digitization of our services, it is inevitable that the number of FTEs in our organization will be reduced by approximately 4,000.

Group results

We began gradually reducing the workforce in 2014, and around 1,200 jobs in the Netherlands have already been eliminated. We were able to achieve this through a reduction of the number of staff in support departments and services by nearly one-third throughout the company and by terminating non-profitable activities of our company at an accelerated pace. We will strive to protect the interests of the employees affected to the extent of our ability. We are taking three years time to carefully support colleagues who have been made redundant in these necessary changes. We have agreed a new sustainable redundancy plan with the unions for this purpose, and we remain committed to reducing our costs – particularly IT costs – over the next two years.

Responsible returns

As part of our Acceleration & Innovation programme, we will also be looking at our returns. This must be responsible in a number of ways, from both a social and a financial perspective. A key part of this process is increasing our commercial effectiveness. We offer Centraal Beheer and FBTO customers customised premiums through the dynamic premiums we set; this allows us to make a significantly more accurate assessment based on a customer's personal insurance-related risk. The Agis and TakeCareNow! brands have been discontinued, because they were not to distinctive enough in terms of what they offered our customers. Existing customers have been transitioned to our Zilveren Kruis label, which proceeded very efficiently. Compared with the previous year, we offer our customers the basic insurance offered by Zilveren Kruis and others with only a minor increase in rates. In 2015, we will be able to largely offset the substantial expansion of the basic insurance package to include part of the AWBZ package and the growing consumption of healthcare thanks to our effective healthcare procurement and the allocation of a total of €335 million of our results. We therefore managed to successfully protect our market share in our health insurance business. This is important, as our economies of scale will allow us to procure the highest-quality healthcare services for our customers at the most competitive rates.

Employees in transition

The commitment of our employees is crucial to the success of our Acceleration & Innovation change programme. We launched Achmea in Transition in order to improve our capacity for change: this is a network of representatives from across the entire organisation who exchange knowledge and experience about the impact of changes occurring in the various sections of the organisation. We consistently measure the level of engagement of our employees, e.g. in our organisation and the strategy we pursue. Overall scores have remained unchanged from those for 2013, which is quite an achievement considering the many changes our employees have had to face in the past year.

We are implementing these changes in response to our customers' rapidly changing needs. Our customers are increasingly using the internet for many different purposes, including their insurance. We are therefore redoubling our efforts to implement these changes, as well as investing more in Customer Centricity and online customer services. This will enable us to maintain our identity in the future: an insurer with roots as a cooperative organisation and strong brands, one that keeps in touch with its customers by using the latest technologies.

Governance

Good governance remains essential. The vacancy for Chief Risk Officer has been filled with the appointment of Mr Henk Timmer, the former Director of Internal Audit of Achmea, per 1 March 2014. Furthermore, Ms Petri Hofsté and Mr Roel Wijmenga were appointed members of the Supervisory Board per 1 January 2015. These appointments follow the vacancies that resulted after the stepping down from the Supervisory Board by Mr Marinus Minderhoud and Mr Bé van der Weg in 2014. At the General Meeting of Shareholders in March 2015, Mr Paul Overmars will step down from the Supervisory Board. We thank them all for their many years of commitment to Achmea and the valuable contributions they have made to our Group.

Group results

KEY FIGURES			(€ MILLION)
RESULTS	**2014**	**2013**	**Δ**
Gross written premiums	20,002	20,225	-1%
Net earned premiums	18,757	19,532	-4%
Investment income including associates	4,820	867	n/m
Fee and commission income	431	433	0%
Banking and other income	2,788	2,565	9%
Total revenues	**26,796**	**23,397**	**15%**
Insurance and investment contracts, reinsurance contracts	22,929	19,201	19%
Operating expenses	2,975	2,857	4%
Banking, interest and other expenses	900	1,058	-15%
Total expenses	**26,804**	**23,116**	**16%**
Operational result **	**388**	**542**	**-28%**
Profit before tax	-8	281	n/m
Net profit	**16**	**349**	**-95%**
BALANCE SHEET	**31-12-2014**	**31-12-2013**	**Δ**
Total assets	93,205	94,644	-2%
Total equity	9,818	9,702	1%
SOLVENCY	**31-12-2014**	**31-12-2013**	**Δ**
Solvency I ratio Group (FCD)	217%	203%	14%-pts
Solvency I ratio insurance entities (IGD)	215%	202%	13%-pts
FTEs	**31-12-2014**	**31-12-2013**	**Δ**
FTEs (internal)	16,556	18,424	-10%

** n/m: not meaningful.*

*** Achmea's operational result is calculated by adjusting the reported Net Profit before tax for special items. These are items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes for instance restructuring expenses, goodwill impairments and results on divestments before tax related to divested operations. Operational result is a non-GAAP financial measure and is not a measure of financial performance under IFRS-EU. This additional measure should be viewed as complementary to, and not as a substitute for, our figures determined according to IFRS-EU.*

FINANCIAL RESULTS

General information

The ongoing transition of our organisation and the dynamic market conditions have resulted in a modest profit. Our operational result reached €388 million (2013: €542 million), which decrease was mainly the result of allocating a total of €335 million of our results in order to keep health insurance premiums low in 2015 and to lower profits in the Pensions and Life Insurance business. As a result of nonrecurring items, including reorganisation expenses (€239 million) and impairments of goodwill and other intangibles in the first half of the year (€143 million), the net profit fell to €16 million (2013: €349 million). Gross written premiums remained almost unchanged at €20,002 million (2013: €20,225 million). Operating expenses fell by €143 million in 2014 on a comparable basis; one of the contributing factors was the substantial savings on staff and housing expenses. Operating expenses including nonrecurring effects such as substantial reorganisation expenses have increased to €2,975 (2013: €2,857 million). Our solid financial position was further demonstrated by an increase of the solvency of our insurance activities to 215% (year-end 2013: 202%).

Operational result

The operational result reached €388 million (2013: €542 million). Our Dutch non-life and Income Protection insurance business experienced a strong year, in which we continued to increase the profitability of our income protection insurance portfolio. While the number of large fire and storm damage claims decreased among our customers in 2014, there was an increase in the number of liability claims for personal injury in the business segment. Results from our Dutch health insurance business fell mainly as a result of the restitution of part of our 2014 results, which was used to keep health premiums low for the year 2015, and the premium reduction we implemented for our policyholders in 2014. We have made the decision to address the expansion of coverage in the basic health insurance package, particularly the transfer of district nursing services to the basic health insurance package, and the higher rate of healthcare consumption for 2015 by allocating a portion of our results. Gross written premiums continued to be under pressure in our Dutch pension and life insurance business, partly as a result of the termination of a number of separate accounts and the further contraction of the market for individual life insurance. In addition, our investment income had been adversely affected by the decrease in the prices of commodities during the second half of the year.

Net profit

The result was strongly affected in 2014 by nonrecurring expenses. These nonrecurring expenses, including reorganisation expenses and goodwill impairments, reduced profit before tax by a total of €396 million.

NET PROFIT (€ MILLION)

	2014	2013
Operational result	**388**	**542**
Impairments goodwill / intangibles	143	232
Reorganisation expenses	239	-
Transaction results/M&A	14	29
Profit before tax	**-8**	**281**
Tax	24	68
Net profit	**16**	**349**

We further developed the plans for the reorganisations to be implemented in 2015 and 2016 as part of the Acceleration & Innovation programme. In that context, an additional reorganisation provision of approximately €150 million was taken in the second half of 2014. We previously created a reorganisation provision during the first half of the year in connection with the workforce reduction in our support staff departments and services, the reorganisation of our distribution organisation and our decision to sell and close down some of our health centers. The total reorganisation expenses related to Acceleration & Innovation for 2014 come to €239 million.

The result was also strongly affected by the previously mentioned impairments of goodwill and other intangibles from our pension services provider Syntrus Achmea and our Russian-based insurance company Oranta in the first half of 2014. These impairments reduced profit by €143 million.

Finally, the sale of our Russian insurance business Oranta during the second half of 2014 and the subsequent transaction results from the sale of our Romanian insurance business Eureko reduced ourresult by €14 million.

The aggregate tax benefit is the result of the tax exemption for our health insurance activities and changes in our tax position. Including nonrecurring effects our net profit reached €16 million (2013: €349 million).

Operating expenses

Our aim remains to cut our operating expenses by €450 million by the end of 2016; these adjustments are necessary in order to achieve a competitive cost level, which will enable us to offer our insurance to customers at a competitive rate. On account of our changing processes and procedures and further digitisation, it is inevitable that approximately 4,000 FTEs will be eliminated from our Dutch operations.

Adjusted for nonrecurring effects* in 2014 and 2013, operating expenses fell by €143 million, or 5%, to €2,759 million (2013: €2,903 million). This decline is mainly the result of a reduction in personnel costs relating to a reduction in the number of jobs, a decline in the costs for hiring external staff and a decline in rents as a result of the termination of several leases and lower depreciation on our own buildings. Operating expenses including nonrecurring items increased to €2,975 million in 2014 (2013: €2,857 million). In January 2014, Achmea's employees were transferred from a defined benefit pension scheme to a collective defined contribution scheme. Achmea's pension charges have increased as a result of the new scheme and the lower interest rate. On the other hand, we reduced the pension liabilities in the balance sheet and, as such, have reduced the volatility of equity. The legal and constructive obligations related to the former defined benefit pension scheme were settled in 2014 based on the position at 1 January 2014. The result on settlement amounted to €8 million costs in 2014 and is accounted for as part of Operating expenses. In 2013, €51 million in negative past service costs related to the plan amendment had been accounted for as part of Operating expenses.

The number of jobs at the company was further reduced in 2014. The total number of employees (FTEs) fell by 1,868 to 16,556, i.e. around 10% (year-end 2013: 18,424). The number of FTEs in the Netherlands was reduced by 804, mainly as a result of the implications for staff of the Acceleration & Innovation programme and the closure and sale of our health centers. By the end of 2014, the Achmea Transfer Center (ATC), which supports redundant employees in finding alternative employment within or outside the company, supported around another 400 FTEs, representing positions that were eliminated during 2014. The number of FTEs outside the Netherlands fell by 1,064, mainly as a result of the impact of the sale of our Russian and Romanian insurance business.

We introduced a new method in 2014 for allocating costs relating to support staff departments to the business segments;

* *Adjusted for reorganisation expenses that are part of the operating expenses, expenses on account of the partnership agreement Staalbankiers entered into with GE Artesia Bank in 2013 and nonrecurring costs related to the former defined benefit pension scheme.*

this provides an improved insight in the actual expenses and results in the various segments. While the modified method will not affect group results, it will have an impact on operating expenses and results at the segment level. In order to allow for an accurate comparison, we report the difference in operating expenses between the old and modified methods in the segments in 2014.

CAPITAL MANAGEMENT

Equity

Equity rose to €9,818 million in the past year (2013: €9,702 million), representing an increase of €116 million. The net profits for 2014 contribute a total of €16 million to this amount. Other than that, the increase is mainly driven by the €325 million increase in the revaluation and currency reserves, which was partially offset by a total of €200 million in dividend and coupon payments.

DEVELOPMENT OF EQUITY (€ MILLION)

Total equity 31-12-2013	**9,702**
Net profit	16
Changes in revaluation reserve	289
Changes in FX-reserve	36
Revaluation effect of net retirement provision	-37
Dividend and coupon payments to shareholders and holders of other equity instruments	-200
Other movements	12
Total equity 31-12-2014	**9,818**

The revaluation reserve increased to €871 million. For one, lower market interest rates and tightening credit spreads have caused the unrealised revaluation on fixed-income investments to increase by a total of €1,792 million. Owing to higher stock market indexes, the unrealised revaluation on equities and similar investments also increased in 2014, by €123 million. The effect of realisations due to sales and other revaluations amounted to €-93 million. All investment results from fixed-income securities and interest-rate derivatives for own risk from our pension and life business are set aside in a Fund for Future Appropriation (FFA); this represents a provision to cover our obligations to our life-insurance customers in connection with investment results that have not yet been included in profit-sharing. The FFA forms part of the insurance liabilities. The FFA has increased by a total of €4.5 billion to €6.7 billion (year-end 2013: €2.2 billion) as a result of the further decline in market interest rates and tightening of credit spreads.

The currency reserve increased by €36 million following the release of a currency provision in connection with the sale of our Russian insurance company Oranta and the higher exchange rate of the Turkish lira.

Pursuant to the new accounting rules for pension commitments implemented in 2013 (IAS19R), we took an amount of €37 million in unrealised actuarial losses to equity in 2014.

Finally, a total of €200 million in dividend and coupon payments was paid to the shareholders and holders of other equity instruments in 2014. This amount of €200 million breaks down into €120 million in dividend payments for ordinary shares, based on the net profit for 2013, €25 million in dividend payments for preference shares, and €55 million in coupon payments for hybrid capital.

Solvency (Solvency I)

It is in the interest of our customers that we maintain a high solvency ratio: this is the main indicator of our company's financial strength, indicating the extent to which we can meet our commitments to our customers. Our IGD solvency ratio (excluding our banking and pension services business) increased by 13 percentage points from year-end 2013, to 215% (year-end 2013: 202%). This increase is the result of an increase in available capital of €486 million and a reduction in the required capital of €24 million.

SOLVENCY I (€ MILLION)

	31-12-2014	31-12-2013	Δ
Available capital	8,440	7,954	6%
Required capital	3,923	3,947	-1%
Solvency I ratio (IGD)	**215%**	**202%**	**13%-pts**

The increase in available capital is caused mainly by a €116 million increase in equity and a €200 million increase in the result of adequacy test on the liabilities for our retirement and life insurance business. Impairments of goodwill and other intangible assets have no impact on available capital, because these balance sheet items are not included in the determination of the available capital.

Achmea uses the ECB AAA yield curve, including an ultimate forward rate (UFR) in performing the capital adequacy test. If the UFR were not applied, the IGD solvency ratio as at year-end 2014 would be roughly 23 percentage points lower, whereas as of 31 December 2013 this negative effect was approximately 11 percentage points.

The FCD solvency ratio, which relates to the Group including banking activities and pension services business, increased to 217% during 2014 (year-end 2013: 203%).

Financing

In the first half of 2014, we repaid a total of €750 million on a 7.375% Senior Unsecured bond; this repayment had been pre-financed in November 2013. Our debt leverage ratio* fell to 23.1% following this repayment (year-end 2013: 27.8%). Our double leverage ratio** improved slightly to 105.8% (year-end 2013: 106.4%). Our fixed-charge coverage ratio – which reflects the relationship between fixed financing expenses and earnings before interest, tax, depreciation and amortisation (EBITDA) – increased to 4.4.

In February 2015, we completed the issuance of €750 million of Subordinated Notes with a coupon of 4.25%. These Subordinated Notes are undated with a first call option after 10 years. The Notes are listed on the Irish Stock Exchange in Dublin, Ireland. In addition, pursuant to a cash tender offer, we purchased €229 million in principal amount of our outstanding €367 million 5.125% Fixed to Floating Rate Perpetual Securities at a purchase price of 101.5%. If these financing transactions had been conducted in 2014, the IGD solvency ratio would have been roughly 13 percentage points higher.

Rating

Achmea B.V. has an 'A-' counterparty credit rating from Standard & Poor's. The main Dutch insurance companies of Achmea have a financial strength rating of 'A+'. During the first half of 2014, Standard & Poor's upgraded our score for enterprise risk management from 'adequate' to 'strong'. At the same time, the outlook for our ratings was revised to 'negative'. This adjustment mainly reflects our lower capital position in relation to the AA level and the relatively low profitability of the Group in relation to the financing expenses. One of the objectives of the change programme initiated in 2013 is to increase our earning capacity.

** debt leverage: non-bank debts and perpetuals as a percentage of the sum of total equity, non-bank debts and perpetuals less goodwill.*

*** double leverage: the ratio between (a) the sum of equity at holding level and the difference between between equity and subordinated debt at holding level and the equity of the subsidiaries and intangible assets and (b) the equity at holding level.*

Achmea annual results 2014 in detail

SEGMENTRESULTATEN

INVESTMENTS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Non-Life Netherlands

- Successful new initiatives launched for customers
- Decrease in number of large fires and storm damage among customers; increase in personal injury claims
- Profitability of income protection insurance continues to increase

RESULTS (€ MILLION)

	2014*	2013	Δ
Gross written premiums	3,163	3,164	0%
Operating expenses	936	771	21%
Profit before tax	**103**	**265**	**-61%**

KEY FIGURES	2014*	2013	Δ
Claims ratio	72.7%	73.3%	-0.6%-pts
Expense ratio	29.8%	24.8%	5.0%-pts
Combined ratio	**102.5%**	**98.1%**	**4.4%-pts**

KEY FIGURES PROPERTY & CASUALTY	2014*	2013	Δ
Claims ratio	69.7%	70.0%	-0.3%-pts
Expense ratio	30.0%	25.1%	4.9%-pts
Combined ratio	**99.7%**	**95.1%**	**4.6%-pts**

KEY FIGURES INCOME PROTECTION	2014*	2013	Δ
Claims ratio	85.2%	85.8%	-0.6%-pts
Expense ratio	28.8%	23.7%	5.1%-pts
Combined ratio	**114.0%**	**109.5%**	**4.5%-pts**

	31-12-2014	31-12-2013	Δ
Solvency ratio	262%	237%	25%-pts

** Based on modified cost allocation method.*

GENERAL INFORMATION

Customers purchase our non-life insurance directly, from Centraal Beheer, FBTO and other brands, from Interpolis through local Rabobanks or from Avéro Achmea through brokers. With a share of 22%, we are the market leader in the Dutch market for property & casualty insurance and hold a market share of 18% in the income protection insurance market. Achmea is engaged primarily in developing and providing simple and transparent property and casualty (non-life) insurance. The digitisation of our processes is also important for our Dutch Property & Casualty and Income Protection business, as it enables us to even more effectively meet the changing needs of our customers and further reduce our expenses.

Results

Profit before tax for 2014 from our Non-life Netherlands segment are significantly affected by the modified cost allocation method. Adjusted for the modified method, the profit before tax remained stable at approximately €266 million. (2013: €265 million). This result is attributed to several factors, including the absence of any major storms and substantial fire damage among our customers in 2014, while fewer customers made claims under their income protection insurance policies than in 2013. This was offset by the fact that our business customers, in particular, made a larger number of liability claims for personal injuries. Based on the modified cost allocation method, profit before tax of the Non-Life Netherlands segment reached €103 million.

Adjusted for the modified cost allocation method, operating expenses of the Non-Life Netherlands segment remained level. Based on the modified method (with an effect of approximately €163 million), operating expenses increased to €936 million (2013: €771 million).

Gross written premiums in 2014, at €3,163 million, remained virtually stable (2013: €3,164 million). However, the market for non-life insurance is contracting, which means we were able to successfully increase our market share slightly.

The solvency ratio increased to 262% (2013: 237%) as a result of an increase in the unrealised revaluation reserves caused by a lower interest rate and higher stock values.

SEGMENTS

Property & Casualty

We aim to make it as simple as possible for our customers to make a claim with one of our brands and receive compensation. Throughout this process, we also strive to organise our own processes and procedures with a high level of simplicity. We have invested substantially in improving our services, and we have begun regularly conducting customer satisfaction surveys. Thanks to the investments we have implemented over the past few years, the Net Promoter Score in our claims handling business has increased to 35 from 32 last year.

Adjusted for the modified cost allocation method and a nonrecurring gain of €28 million in 2013 on fixed-income securities and equities following the sale of one of our investment portfolios, profit before tax from our Property & Casualty insurance fell by €16 million to approximately €193 million (2013: €209 million). This was mainly the result of higher pension charges. The impact of the modified cost allocation method on our Property & Casualty insurance business is approximately €130 million. Including these expenses, profit before tax came to €63 million.

The favourable weather conditions in 2014 reduced the amount of storm damage among our customers, and in addition there was a reduction in the number of substantial fires. However, this effect was partially cancelled out by the continuing, relatively high cost of claims among our business customers. We work closely with our customers and advisors in the business market on prevention and managing the cost of claims. If necessary, we also consider the policy terms and amounts of the premiums.

Gross written premiums in our Property & Casualty business increased slightly in 2014, to €2,576 million (2013: €2,560 million). Our operating expenses, including the modified cost allocation increased to €760 million (2013: €621 million), while the cost ratio increased to 30.0% (2013: 25.1%). Adjusted for the modified cost allocation method, the cost ratio would have been approximately 24.7%. The claims ratio decreased to 69.7% (2013: 70.0%).
The combined ratio increased to 99.7% (2013: 95.1%).

Income Protection

Achmea offers both individual and group occupational disability insurance through Centraal Beheer and Interpolis. Individual occupational disability insurance for businesses offers companies the option to provide income protection to their employees. Our other customers are independent business owners and directors-majority shareholders. In the group insurance market, employers have the option to either bear the risk of their employees' disability themselves or insure it through the Employee Insurance Agency (UWV) or an insurer.

Adjusted for the modified cost allocation method, profit before tax from our Income Protection insurance business increased by €46 million. The impact of the modified cost allocation method on our Income Protection insurance business is approximately €33 million. Including these expenses, profit before tax totalled €40 million (2013: €27 million), which demonstrates that we have been continuing to improve our profit since 2013. Previous measures related to prevention and our ongoing efforts to reduce the cost of claims also contributed to the higher results. This enabled us to release a portion of our provisions for cost of claims from previous years. Both in our individual and group income protection insurance, our customers made fewer claims and absenteeism rates fell from 2013. Improved investment results also added to the higher profit. Our income protection business was adversely affected by the low interest rates in 2014, for which we had to take an additional charge.

Gross written premiums from our Income Protection segment decreased slightly by 3% to €587 million in 2014 (2013: €604 million); Written premiums in our Income Protection insurance business were down, partly due to our measures to restore profitability.

Including the modified cost allocation method (with an effect of approximately €33 million), operating expenses increased to €176 million (2013: €150 million). The cost ratio increased to 28.8% (2013: 23.7%). Adjusted for the modified cost allocation method, however, the cost ratio fell to 23.4% in 2014. The claims ratio slightly improved to 85.2% (2013: 85.8%), while the combined ratio rose to 114.0% in 2014 (2013: 109.5%).

Health Netherlands

- Structural results from basic health insurance: €207 million (2013: €257 million)
- Substantial portion of results (€335 million) used to curb increase in health insurance premiums in 2015
- Retaining our market leader position with revenue of €13.3 billion (2013: €13.3 billion)

RESULTS (€ MILLION)

	2014*	2013	Δ
Gross written premiums	13,257	13,253	0%
Operating expenses	634	574	10%
Profit before tax	**418**	**529**	**21%**
Of which: structural result basic health insurance	**207**	**257**	**-19%**

KEY FIGURES	2014*	2013	Δ
Claims ratio	93.8%	92.7%	1.1%-pts
Expense ratio	4.6%	4.1%	0.5%-pts
Combined ratio	**98.4%**	**96.8%**	**1.6%-pts**

KEY FIGURES BASIC HEALTH	2014*	2013	Δ
Claims ratio	95.1%	93.9%	1.2%-pts
Expense ratio	3.6%	3.0%	0.6%-pts
Combined ratio	**98.7%**	**96.9%**	**1.8%-pts**

KEY FIGURES SUPPLEMENTARY HEALTH	2014*	2013	Δ
Claims ratio	82.2%	82.5%	0.3%-pts
Expense ratio	10.8%	9.8%	1.0%-pts
Combined ratio	**93.0%**	**92.3%**	**0.7%-pts**

	31-12-2014	31-12-2013	Δ
Solvency ratio	214%	185%	29%-pts

** Based on modified cost allocation method.*

GENERAL INFORMATION

Through well-known insurance brands such as Zilveren Kruis, De Friesland and Interpolis, we provide basic and supplemental health insurance . Additionally, we also offer healthcare services through regional healthcare offices and the Eurocross emergency services for global medical aid.

We made a strategic decision to focus, in particular, on group contracts with whom we can agree on terms related to prevention, vitality and care. This allows us to truly contribute to improving the health of our customers. It is good to see that a total of 5.3 million Dutch people opted for one of our insurance brands in the past year, which enabled us to successfully protect our market share. We can use our economies of scale to procure the highest-quality care for our customers at the most competitive rates.

Results

Structural results from our basic health insurance for 2014 fell by 19% to €207 million (2013: €257 million). Including the structural results from our supplemental health insurance of €49 million (2013: €62 million), total structural results in the Health Netherlands segment fell by 20% to €257 million (2013: €321 million). The decline was caused by the previous reduction in our basic health insurance premiums for 2014 of roughly €100 per policy and the lower number of policyholders.

The segment results were further supported by several nonrecurring items of €161 million. Our brands were once again able to offer their customers competitive premiums for 2015. We allocated a portion of our 2014 results for this purpose. Despite the transition of part of the General Act on Extraordinary Healthcare Costs services (i.e. district nursing) to the basic health insurance and the rising healthcare expenses, we decided to increase the health insurance premiums by only a small amount.

A total of €335 million of our results has been allocated in order to keep the health insurance premiums largely stable in 2015. We have also successfully protected our market share, which is important if we are to procure healthcare for our customers at the lowest possible price.

This was offset by gains by a release of provisions. We accumulate provisions on an annual basis in order to be able to meet our commitments to customers even when healthcare expenses turn out higher than expected. By way of caution, we always maintain a margin so as to be able to compensate for any uncertainties in the healthcare system. During the past year, it became clear that the distribution of costs for which we do not bear risk as an insurer and costs for which we bear the full risk are distributed somewhat differently than we had initially estimated. This has enabled us to reduce our provisions on a one-off basis.

Finally, we took a charge in 2014 related to our health centers. We sold a number of these centers in the past year, for which we made a €24 million reorganisation provision.

Gross written premiums, at €13,257 million, remained virtually stable in 2014 (2013: €13,253 million). Dutch health insurance companies are required by law to accept all individuals for basic health insurance under the same terms and conditions. The government offsets the risk associated with above-average use of healthcare services with an equalisation system. A higher contribution from the Dutch risk equalisation pool in 2014 offset the reduction in the basic premium and the lower number of insured persons. Based on modified cost allocation method, operating expenses increased to €634 million (2013: €574 million). Adjusted for this effect, operating expenses fell by 5%.

The solvency of the Health Netherlands segment increased to 214% (year-end 2013: 185%). This has enabled us to find a balance between a) affordable premiums for our policyholders and b) a solid financial position, which is also important for our customers. By adding a portion of our results to our reserves, we are preparing for the new requirements imposed on us by Solvency II, as well as responding to the transition of long-term healthcare to the basic health insurance system (AWBZ). The capital adequacy requirement has increased under Solvency II. The most recent survey by Zorgverzekeraars Nederland reveals a decline of 85 percentage points in the solvency ratio in the transition from Solvency I to Solvency II. The Solvency II ratio will be significantly lower than the 214% Solvency I ratio displayed here. The decisions regarding the method used to calculate the principles for the Solvency II ratio are not yet completed; these principles will be ratified by the Dutch Central Bank no later than 1 January 2016.

SEGMENTS

Basic Health Insurance

Results from our Basic Health insurance fell to €342 million (2013: €438 million), of which €207 million represents structural results (2013: €259 million). The main reasons for this decline are the smaller number of insureds, the premium reduction of around €100 per policy implemented in 2014, and our premium setting for 2015. The increase in basic health insurance coverage, for example as a result of the transition of parts of the AWBZ, and the increasing health care expenses in 2015 have consequences for health insurance premiums. We have made the deliberately decision to counter this effect by deploying our effective healthcare procurement results and the allocation of a portion of our results. Gross written premiums from our basic health insurance increased slightly in 2014, to €11,881 million (2013: €11,825 million). The lower premiums and lower number of policyholders was offset by a higher contribution from the Dutch risk equalization pool.

The claims ratio increased to 95.1% in 2014 (2013: 93.9%), mainly as a result of a decline in net earned premiums caused by the provision created to curb the increase of our basic health insurance premiums for 2015. Adjusted for this effect, the claims ratio would have decreased by 1.2 percentage points from 2013. The reduction in net premiums is also reflected in the cost ratio, which increased to 3.6% (2013: 3.0%). The increase is mainly the result of the modified cost allocation method, which has a negative impact of 0.4 percentage points. The combined ratio increased to 98.7% (2013: 96.9%).

Supplementary Health Insurance

Profit before tax from our Supplementary Health insurance business totalled €99 million (2013: €91 million), a total of €49 million of which constituted structural results (2013: €62 million). Gross written premiums fell to €1,359 million (2013: €1,410 million) due to a reduction in the number of policyholders and because some policyholders have opted to reduce the cover for their supplemental health insurance. The combined ratio increased to 93.0% in 2014 (2013: 92.3%) on account of a lower claims ratio of 82.2% (2013: 82.5%) and a higher cost ratio of 10.8% (2013: 9.8%).
The higher cost ratio is the result of the modified cost allocation method, which has a negative impact of 1.6 percentage points.

Pension & Life Netherlands

- Good progress in strategic priorities in the Pensions and Life business
- Profit before tax fall to €59 million (2013: €251 million)
- Operating expenses decline by around 4% on a comparable basis

RESULTS (€ MILLION)

	2014*	2013	Δ
Gross written premiums	2,485	2,593	-4%
Operating expenses	378	316	20%
Profit before tax	**59**	**251**	**-76%**

KEY FIGURES**	2014*	2013	Δ
Value added by new business (VNB)	8	−25	n/m
New business (APE)	197	81	143%
Present value of new business	1.699	580	193%
New business margin (VNB margin)	0.4%	-4.3%	4.7%-pts
Value added by new business (% of APE)	3.8%	-30.7%	34.5%-pts

	31-12-2014	31-12-2013	Δ
Solvency ratio	228%	226%	2%-pts

** Based on modified cost allocation method. ** Based on market-consistent principles. *** n/m: not meaningful.*

GENERAL INFORMATION

With our market shares we are one of the main players in the Dutch market for group (13%) and individual (15%) life insurance, serving our customers across the corporate, brokerage and direct channels. In developing and marketing our individual retirement insurance and life insurance products, we focus mainly on the banking and direct channels. One of the greatest challenges lies in introducing our customers to the new world of retirement pensions, containing fewer certainties and also bringing our costs in line with the new pension propositions.

A fine example of the new forms of digital customer service we developed in 2014 is a retirement app designed to make employees more aware of pension and retirement issues. We also launched several new funds in 2014 for customers who invest in Achmea investment funds, and transferred the accumulated amounts of investments. In so doing, we reduced costs for our customers and improved the risk/return trade-off, as well as improving risk diversification for our customers.

We took several measures in the first half of 2014 to further reduce the risks and complexity associated with our Pensions and Life business. We terminated a number of separate accounts and modified the contract terms of the largest of the separate accounts. These measures have resulted in lower volatility in our interest income. Furthermore, we have made good progress in simplifying our systems landscape, aligning and centralising our operational processes and teams with the ultimate objective of establishing a single process, system and location.

Results

The profit before tax from our Pension & Life segment in the Netherlands fell to €59 million in 2014 (down from €251 million in 2013). This decline is the result of lower technical results, lower cost results and the modified cost allocation method implemented in 2014. The lower technical earnings are the result of a variety of factors, including longevity among retirement fund members and reduced portfolios. As an additional factor, we also incurred a loss on a runoff contract with our reinsurance company. Interest income increased compared to last year, but was negatively affected by the lower value of our commodity investments during the second half of 2014, which is incorporated directly into the results. The positive effect of the low interest rate on the value of our fixed-income securities and interest-rate derivatives is not immediately visible in the results. All investment results on fixed-income securities and interest-rate derivatives for our own risk and expense are set aside in a Fund for Future Appropriation (FFA), a provision to cover obligations to our life-insurance customers in relation to investment results which have not yet been included in the profit appropriation.
The FFA forms part of the insurance-related obligations.

Operating expenses in the Pension & Life segment in the Netherlands increased to €378 million in 2014 (versus €316 million in 2013), with the impact of the modified cost allocation method being approximately €76 million. Adjusted for this increase, operating expenses fell by roughly 4% in 2014, as part of our ongoing efforts to further reduce costs. Reducing expenses for our customers in the long term will remain crucial in the immediate future when it comes to making our organisation even more customer-oriented. Indeed, we invested substantially in the past year in migrating to our new systems landscape and centralising our operational processes and teams.

Gross written premiums fell in 2014 by 4% to €2,485 million (2013: €2,593 million). New business (APE) increased over the same period last year to €197 million (2013: €81 million), largely as a result of renewals of existing contracts. The value of new business (VNB) increased to €8 million (2013: €-25 million) in 2014, while the margin on the value of new business increased to 0.4% (2013: -4.3%).

The solvency of the Dutch Pensions and Life Insurance business increased by 2 percentage points to 228% in 2014 (year-end 2013: 226%). The improvement in the result of the adequacy test by €200 million and an increase in the unrealised revaluation on shares due to the increase in stock indices improved our solvency. The termination of several separate accounts also increased the ratio. This was however largely offset by the higher FFA resulting in an increase in the required capital and a dividend payment during the second half of 2014.

SEGMENTS

Group Life Insurance

In the market for group retirement and life insurance, we aspire to offer a realistic retirement pension for employees based on defined contribution (DC) pension schemes. The advantage of these schemes is that they offer employees freedom of choice and flexibility, since, more than other types of pension schemes, they offer room for choice based on the risk profiles of individual employees. Additionally, these schemes also provide greater financial security to employers than do products with guaranteed pension entitlements. Although the combination of low interest rates and longevity risk have made products with guaranteed pension entitlements financially unappealing to employers, customers – particularly major companies – like to hold on to existing securities. They are reluctant at this point to switch from existing schemes to available contribution schemes. For this reason, we will continue offering specific products in the coming years to facilitate the transition to a defined contribution scheme. In addition, with the proposed formation of a General Pension Fund (in Dutch: APF) we want to respond to the new opportunities offered by the changing pension system.

Gross written premiums increased by 11% from 2013, to €925 million (2013: €830 million), as a result of several large single premiums during the first half of 2014. This was partly offset by the termination of several separate accounts including the pension fund for Achmea employees.

Individual Life Insurance

In the market for individual retirement insurance and life insurance, we focus mainly on providing term life insurance, through which we have demonstrated that we can serve our customers both now and in the long term. Term life risk insurance tends to be purchased in conjunction with a new mortgage or asset-accumulation products, as well as being provided on a separate basis, e.g. as a supplement to a survivor's pension. For our closed individual life book – which consists of products which are no longer sold in the market but which are still featured on our books for existing customers – we continue to focus on further reducing operating costs while at the same time maintaining the high quality of our services. In 2014, we further reduced operating costs, in line with changes in the portfolio, resulting in a cost decline of roughly 10%.

Gross written premiums fell by 12% from 2013, to €1,560 million (2013: €1,763 million). Mortgage sales recovered slightly in 2014, including as a result of greater consumer confidence and lower mortgage interest rates in the Dutch residential market. This recovery is also evident in a slight increase in the number of term life insurance policies sold in 2014. The reduction in gross written premiums is mainly the result of the lower rates of our term life insurance and the run-off of the existing book. Gross written premiums of our reinsurance business also declined, as a result of the termination of several incoming reinsurance contracts.

International

- Result adjusted for nonrecurring items improved by 13%
- Large nonrecurring expenses due to divestment of Russian operations
- Investments in digitisation; launch of new online product in Slovakia

RESULTS (€ MILLION)

	2014	2013	Δ
Gross written premiums	1,109	1,242	-11%
Operating expenses	317	350	-9%
Profit before tax	**-64**	**2**	**n/m**

GROSS WRITTEN PREMIUMS PER COUNTRY	2014	2013	Δ
Greece	335	368	-9%
Turkey	276	314	-12%
Slovakia	295	295	0%
Ireland	163	167	-2%
Other countries	40	98	-59%

** n/m: not meaningful.*

GENERAL INFORMATION

In our international operations, we focus on achieving relevant economies of scale in a selected number of markets. Following the sale of our loss-making Russian business in 2014, we currently operate in five markets outside the Netherlands: Greece, Turkey, Slovakia, Ireland and Australia, each of which presents long-term potential for growth in our view. In addition, we have discontinued operations in Romania and Bulgaria.

We have been investing in the digitisation of our international business as part of a group-wide programme; this is expected to further improve our results and increase our premiums.

Results

Profit before tax reached €-64 million (2013: €2 million). This result was strongly affected by the impairment of goodwill and other intangibles from our Russian-based insurance company Oranta in the first half of 2014. The sale of Oranta during the second half of the year and the subsequent transaction results from the sale of our Romanian insurance business in 2013 further reduced our result. Adjusted for nonrecurring items, Profit before tax increased by 13% to €26 million (2013: €23 million).

Gross written premiums fell by 11%, to €1,109 million (2013: €1,242 million). This decline was largely due to the discontinuation of operations in Russia, Romania and Bulgaria. In addition, part of the decline is caused by differences in the exchange-rate with the Turkish Lira. In Greece, revenue fell as a result of a shrinking market. While gross written premiums in Ireland decreased slightly, there was a sharp increase in the sale of investment contracts. Operating expenses fell by 9% to €317 million (2013: €350 million), as a result of divestments and cost savings in virtually all foreign markets.

COUNTRIES

Greece

InterAmerican offers non-life, health insurance and life insurance products. The ongoing challenging economic conditions in Greece affect growth and make it difficult to forecast market trends. Gross written premiums fell to €335 million in 2014, versus €368 million in 2013. Despite being faced with a weakening market, InterAmerican managed to increase its share in the non-life market. For the direct brand Anytime, the number of car policies increased by 1% to over 222,300 (2013: 220,300 policies). The Anytime portfolio shows a significant increase in the percentage of online sales versus other direct channels as a result of investments and digitisation.

Turkey

Eureko Sigorta markets non-life and health insurance products, the bulk of which are distributed through Garanti Bank, our bancassurance partner. Gross written premiums fell by 12% to €276 million (2013: €314 million). Adjusted for the devaluation of the Turkish lira and one-off projects, revenue in Turkish lira increased by 7% over 2013. The new management team at Eureko Sigorta has been focusing on further growing its premiums by further expanding the strategic alliance with Garanti, as well as through investment in digitisation.

Slovakia

The premium income of Union, which offers health, non-life and life insurance products, remained stable at €295 million (2013: €295 million). The increase in health insurance premiums was cancelled out by the effects from the updated risk equalisation system. The profitability of these health insurance products deteriorated as a result of the higher cost of claims, while the

non-life sector benefited from favourable technical results.
In Slovakia, we are currently preparing the launch of a new online product as part of our investments in digitisation. Due to political developments, the uncertainty regarding the Slovakian government's proposal to establish a public health insurance system was recently reduced.

Ireland

Friends First, which offers life and retirement insurance products, focuses on creating long-term value through customer retention, lower costs and the sale of profitable insurance products with transparent commissions. Since the sharp fall in sales in 2007 as a result of the Irish recession, Friends First saw its sales increase in 2014. The sale of investment contracts increased by 18%, to €295 million (2013: €250 million). Gross written premiums fell slightly by 2%, to €163 million (2013: €167 million). Operational results improved further in 2014 as a result of the higher sales in conjunction with the restructuring programme of the past few years. Due to the improved economic situation, we see opportunities for further value creation and premium growth in Ireland.

Australia

Achmea Australia began selling insurance products to Australian farmers at the end of 2013, distributed in partnership with our strategic bancassurance partner, Rabobank. From June onwards, sales have picked up steam. The claims-handling process has been proceeding smoothly, and the alliance with Rabobank has been successful. We expect to be able to sharply increase our premiums in Australia.

DISCONTINUED BUSINESS OPERATIONS

Romania

The termination of the Romanian operations is on schedule: in 2014, Eureko Romania successfully transferred its life insurance and pillar II pension business to Aegon. The company settled all remaining claims in its non-life insurance business and cancelled all insurance licences. The transfer of pillar III pension business to Aegon's is scheduled for 2015, after which the pension business can be wound up.

Bulgaria

The termination of the Bulgarian operations is likewise on schedule. We signed a contract in 2013 for the sale of its Bulgarian non-life and life insurance business. The non-life business was sold through the transfer of assets and liabilities, while the life insurance business was sold by means of a share transfer. The non-life insurance business is scheduled to be wound up in 2015, subject to the regulator's permission.

Russia

In 2014, we sold Oranta, a company operating in the Russian non-life and health insurance markets. Challenging market conditions and a limiting legal framework have made it impossible for Achmea to achieve its long term objectives in the Russian market. Oranta's operating results were weak as a result of substantial claims related to car insurance products. In early September, all shares were sold to the Russian-based insurance group Companion, which resulted in a negative transaction result and the impairment of balance-sheet items.

Banking Netherlands

- Increased mortgage production as a result of growing consumer confidence.
- Stable costs despite nonrecurring resolution levy related to SNS nationalisation

RESULTS (€ MILLION)

	2014*	2013	Δ
Net interest margin	132	90	47%
Realised and unrealised results	5	36	-86%
Operating expenses	130	130	0%
Additions to loan-loss provisions	49	32	53%
Profit before tax	**-33**	**-26**	**27%**

CORE TIER 1 RATIO**	31-12-2014	31-12-2013	Δ
Achmea Bank	17.0%	15.0%	2.0%-pts
Staalbankiers	18.9%	17.0%	1.9%-pts

** Based on modified cost allocation method.** On statutory basis.*

GENERAL INFORMATION

Achmea provides banking services for the Dutch consumer market and small- and medium-sized enterprises (SMEs), which complement our range of insurance products. Achmea Bank offers mortgage and savings products to consumers through the brands Centraal Beheer, FBTO, Avéro Achmea and Woonfonds Hypotheken. Staalbankiers provides private banking services to high-net-worth individuals and SMEs.

Results

The profit before tax of our banking operations in the Netherlands fell to €-33 million in 2014 (2013: €-26 million in 2013). The result was driven by better interest rate margins, a one-off transaction result from investments and higher additions to the loan-loss provisions. Operating expenses remained stable at €130 million, despite the resolution levy related to the nationalisation of SNS Reaal.

SEGMENTS

Achmea Bank

Achmea Bank Holding N.V. and Achmea Retail Bank N.V. entered into a legal merger with Achmea Hypotheekbank N.V. in May 2014, and the new entity was renamed Achmea Bank N.V. The decision for the merger was made as part of measures to reduce complexity, improve the efficiency of systems and processes, and in light of new laws and regulations.

Achmea Bank's profit before tax increased in 2014 to €36 million (2013: €30 million). The increased mortgage production in 2014 and the accompanying interest duration position led to the decision to sell government bonds in the second half of 2014, leading to a transaction result of €37 million. Operating expenses increased to €86 million (2013: €74 million) in 2014. This increase is caused by a variety of factors, including the nonrecurring resolution levy relating to the nationalisation of SNS Reaal and the modified cost allocation method, with an effect of around €2 million.

The Achmea Bank savings portfolio increased to €4.8 billion in 2014 (versus €4.3 billion at year-end 2013) as a result of a strategic effort to increase the amount of savings inputs set aside by customers for more than one year. The portion of these savings set aside for a period exceeding one year therefore increased further to nearly 44% (year-end 2013: 28%). Consumer confidence in the Netherlands has improved in the past year, and we are also seeing a modest recovery in the housing market, which has resulted in a slight increase in our mortgage production. Achmea Bank has been able to achieve its goal of stabilising its mortgage portfolio in 2014. The company's mortgage portfolio at year-end 2014 was virtually equal to that for year-end 2013, amounting to €11.6 billion. Write-offs on the mortgage portfolio amounted to 7 basis points (versus 9 basis points at 2013). Achmea Bank's Core Tier 1 Ratio increased to 17.0% (year-end 2013: 15.0%).

Achmea Bank issued a senior unsecured bond in 2014 in the amount of €0.8 billion, while also placing a total of €0.8 billion in residential mortgage-backed securities (RMBS) within the Achmea Group. Achmea Bank redeemed €1.6 billion of Covered Bond notes, €0.8 billion RMBS notes, €0.6 billion LTRO and the last tranche of €1.1 billion of its State Guaranteed Notes.

Banking Netherlands

Staalbankiers

Staalbankiers' Assets under Management had a value of €1.9 billion at year-end 2014. Staalbankiers' core Tier 1 ratio increased to 18.9% (versus 17.0% at year-end 2013). This is a result of capital increases and repayment of loans. The cost level was temporarily higher in 2013 on account of the partnership agreement entered into with GE Artesia Bank, and one-off IT investments. The result was positively impacted in 2014 by slightly higher margins on loans. As a result of the lower value of the collateral for several large mortgages, theloan-loss provision increased in 2014.

Other activities

- Syntrus Achmea's managed assets increase by €15.7 billion to €86.8 billion
- Goodwill impairment and implementation of modified cost allocation method have major impact on results
- Good progress in our Acceleration & Innovation programme results in reorganisation expenses for 2014

RESULTS (€ MILLION)

	2014	2013	Δ
Total income	293	278	5%
Operating expenses	580	716	-19%
Interest expenses	91	96	-5%
Other expenses	113	187	-40%
Profit before tax	**-491**	**-740**	**34%**

** Based on modified cost allocation method.*

GENERAL INFORMATION

The Other Activities segment includes our strategic investments and the results of our Shared Service Centers, activities at the holding level and Syntrus Achmea. Syntrus Achmea supports pension funds with a wide range of services related to strategic advice and asset management, property, and the day-to-day management of their pension administration. The company provides a key supplement to the Group's insurance business, particularly given the many changes the Dutch pension market has been undergoing of late.

Results

Profit before tax from our other activities increased by nearly €250 million in 2014, to €-491 million (2013: €-740 million). Operating expenses before tax fell to €580 million (2013: €716 million). The result was strongly affected by a number of exceptional items in the first and second half of the year.

On account of higher cost allocations to other segments, operating expenses in the Other Activities segment fell by an indicative amount of €328 million in 2014 against the same period in 2013. At the same time, in the second half of 2014 we developed the plans for the reorganisations to be implemented in 2015 and 2016 as part of the Acceleration & Innovation programme. In that context, additional reorganisation expenses of approximately €150 million were provided for in the second half of 2014. We previously took a reorganisation provision during the first half of 2014, in light of projected expenses arising from the impact on personnel of the reduction of our support departments and the restructuring of our distribution organisation. The total reorganisation expenses for 2014 in the Other Activities segment come to approximately €200 million.

We impaired goodwill and other intangible assets relating for our pension services business by a total of €78 million during the first half of the year. Owing to lower asset management and property management fees and the termination of a major contract, revenues from these operations will be lower in the coming years than we previously projected. The combination of these trends is resulting in the impairment of the remaining goodwill and other intangible fixed assets in the pension services business.

SEGMENTS

Syntrus Achmea

The Syntrus Achmea management model has been adapted against the background of further unbundling in the Dutch pension services market. The Pension Services, Asset Management and Real Estate & Finance segments have been positioned separately within the organisation as of 1 January 2015. This change enables the various segments to serve customers even more efficiently and effectively based on their stronger position in their individual sub-markets.

Total income from fees and commissions increased by 5% in 2014, to €248 million (2013: €236 million). The assets which Syntrus Achmea manages on behalf of institutional investors (AuM) further increased in 2014 by €16.8 billion to €86.8 billion (year-end 2013: €70.0 billion). Our Pension Services and Asset Management segments were able to welcome several new clients in 2014, while clients of our Pension Services and Asset Management segments – including Achmea Asset Management – also extended or even expanded existing mandates. This more than offset the termination of a major contract in the first half of the year. The property portfolio – which forms part of the Assets under Management – increased to €15.1 billion (year-end 2013: €13.8 billion), which can be credited to new mortgage mandates.

Investments

- Successful increase in exposure to Dutch residential mortgages (€1.6 billion)
- Quality of investment portfolio remains high

GENERAL INFORMATION

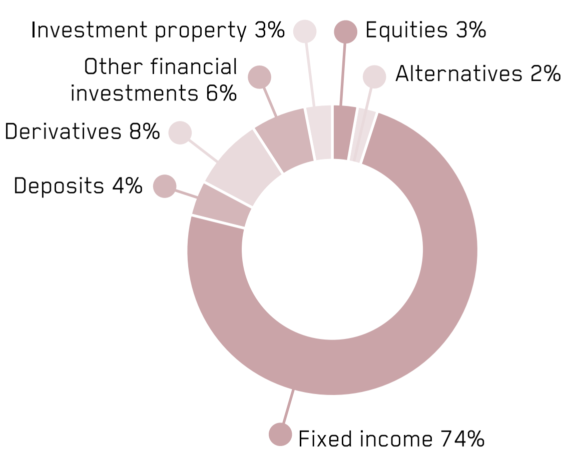
As a major investor, we feel it is our duty as an insurer to invest the premiums paid by our customers as responsibly and efficiently as possible. We therefore continuously attempt to find the right risk-return trade-off in our pursuit of a responsible investment policy. We aim to achieve maximum, stable returns without losing sight of any of the associated risks and our commitments to our policyholders. As a major institutional investor, Achmea is able to use its policies to influence the behaviour of its investee companies.

At year-end 2014, our investment portfolio had a total value of €66.9 billion (year-end 2013 €67.4 billion). The own-risk investment portfolio increased by more than 7% in 2014, to €48.3 (year-end 2013: €44.9 billion), accounting for 72% of our total investment portfolio. The size of the investment portfolio at the risk of our policyholders was €18.7 billion, equivalent to 28% of our total investment portfolio.

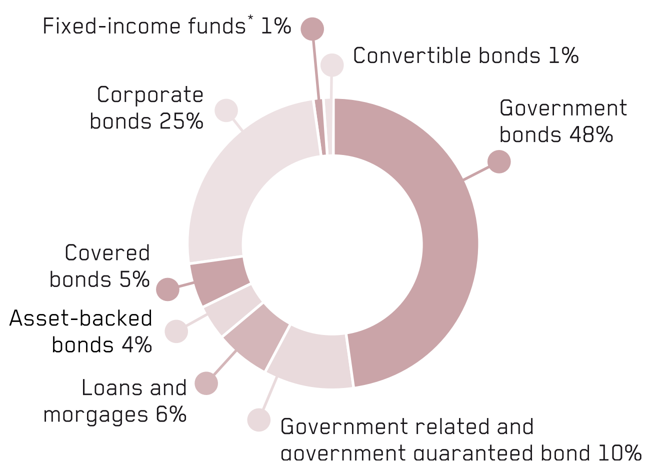
Fixed-income portfolio

Partly as a result of sharply lower interest rates and incoming spreads, the value of our fixed-income portfolio* increased by 3% in 2014, to €35.7 billion (year-end 2013: €34.8 billion). A total of more than €20.6 billion – equivalent to 58% (year-end 2013: 60%) – of this portfolio (year-end 2013: €20.8 billion) was invested in government bonds, government-related bonds and government-backed loans in 2014. The majority of this amount was invested in Dutch government bonds. In addition, we also invested in high-quality German, French, Austrian, Finnish and Belgian government bonds. As Achmea operates in the Irish and Greek markets, we invest in Irish (year-end 2014: €618 million) and Greek (year-end 2014: €7 million) government bonds.

Specification of total investment portfolio* 31-12-2014: €48.3 billion



Specification of fixed-income portfolio* 31-12-2014: € 35.7 billion



TOP 5 SOVEREIGN EXPOSURE (€ MILLION)

	31-12-2014	31-12-2013	RATING
The Netherlands	10,825	10,729	AAA
Germany	3,138	3,322	AAA
France	1,417	1,797	AA
Ireland	618	568	A
Austria**	528	526	AAA

FIXED-INCOME PORTFOLIO BY RATING

	31-12-2014	31-12-2013
AAA	50%	55%
AA	14%	13%
A	16%	13%
BBB	11%	13%
<BBB	2%	2%
Unrated	7%	4%
Total	**100%**	**100%**

** For the purpose of this press release, fixed-income funds are presented as part of fixed income and real estate funds are presented as part of investment property. In the financial statements these categories are presented as part of Equities and similar investments.*

*** AA following downgrade on 13-02-2015.*

Investments

We further adjusted the composition of our fixed-income portfolio in 2014, with an increased focus on direct residential mortgages (year-end 2014: €1.6 billion). In doing so, we increase portfolio return and enhance the match between assets and liabilities to our policyholders. We increased the share of direct mortgages in our portfolio in 2014 through the channels Tellius Toekomstvast and Hypotrust Woonbewust. We also increased the share of direct mortgages by acquiring an existing portfolio of Dutch residential mortgages. We expect to further increase our exposure in direct mortgages in 2015.
We have reduced our allocation to government bonds, covered bonds and private loans due to having increased our investments in direct Dutch residential mortgages. We largely hedge currency risk and interest-rate mismatch risk in our fixed-income portfolio for our policyholders. We use interest-rate derivatives in order to hedge the interest-rate mismatch risk between investments and liabilities.

Our fixed-income portfolio is prudently invested. The bulk of the portfolio has a triple-A rating, while only 2% does not have an investment-grade rating. The increase in the percentage of fixed-income securities with no rating to 7% (year-end 2013: 4%) is the result of the increase in the share of direct mortgages in our portfolio.

Equity and alternative investment portfolio

At year-end 2014, the equity portfolio* had a total value of €1.3 billion (year-end 2013: €1.1 billion), the equivalent of 3% of our total own investment portfolio. The increase in portfolio value was driven by stock-market gains, while we also made additional investments in emerging economies and low-volatility stock in developed equity markets, since we expect returns on both these investment classes to increase this year. At this moment a total of 23% is invested in emerging markets (year-end 2013: 15%).

In addition to our equity portfolio, we also manage a portfolio of alternative investments such as private equity, hedge funds, infrastructure and commodities. This portfolio had a value of €1.1 billion at year-end 2014 (year-end 2013: €1.0 billion). The lower oil prices resulted in lower returns in 2014 in the commodities investment class. We are largely able to hedge currency risk on our investments in equity and alternative investments.

Property portfolio

At the end of 2014, our property portfolio* had a total value of €1.4 billion (year-end 2013: €1.5 billion), representing 2.9% of our total own investment portfolio. The lower value of the property portfolio is attributable to sales of direct real estate and write-downs. The property portfolio comprises €1.1 billion in direct property investments, including 37% residential properties, 30% retail properties, 28% offices and 5% other property holdings. Our property portfolio is further comprised of €277 million in indirect property investments.

The housing market appears to have bottomed out as far as appraisals are concerned, and we expect a slight increase in this area again in the coming years. We anticipate that the value of both office and retail properties will continue to fall, although the decline will not be as sharp as in recent years. We remain cautious in appraising our property portfolio, always based on the most up-to-date appraisals, and we perform a full appraisal of 25% of our portfolio on a quarterly basis, plus a review of the remaining 75%. This ensures that the entire property portfolio will be fully reappraised over a one-year period. Although we wrote down approximately €32 million on property in 2014 (2013: €58 million), we were able to achieve positive returns on our property portfolio in 2014.

Condensed Consolidated Financial Statements

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	31-12-2014	31-12-2013	01-01-2013
Assets			
Intangible assets	1,066	1,299	1,689
Associates and joint ventures	145	152	163
Property for own use and equipment	472	523	569
Investment property	1,125	1,200	1,172
Investments	47,137	43,686	42,122
Investments backing linked liabilities	18,680	22,563	24,972
Banking credit portfolio	15,227	15,251	16,436
Deferred tax assets	528	523	385
Deferred acquisition costs	139	172	198
Amounts ceded to reinsurers	1,436	904	964
Receivables and accruals	5,534	5,075	5,332
Cash and cash equivalents	1,716	3,260	1,073
	93,205	**94,608**	**95,075**
Assets classified as 'held for sale'		36	38
Total assets	**93,205**	**94,644**	**95,113**
Equity			
Equity attributable to holders of equity instruments of the Company	9,804	9,687	10,463
Non-controlling interest	14	15	20
Total equity	**9,818**	**9,702**	**10,483**
Liabilities			
Insurance liabilities	44,545	39,751	39,006
Insurance liabilities where policyholders bear investment risks	17,014	19,387	22,259
Investment contracts	2,158	2,015	2,123
Post-employment benefits	989	793	755
Other provisions	413	274	282
Banking customer accounts	6,306	5,981	5,351
Loans and borrowings	7,011	11,131	9,623
Derivatives	1,896	1,491	1,779
Deferred tax liabilities	19	15	53
Income tax payable	89	67	86
Other liabilities	2,947	4,001	3,275
	83,387	84,906	84,592
Liabilities classified as 'held for sale'		36	38
Total equity and liabilities	**93,205**	**94,644**	**95,113**

Condensed Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	2014	2013
Income		
Gross written premiums Non-life	3,688	3,794
Gross written premiums Health	13,605	13,608
Gross written premiums Life	2,709	2,823
Gross written premiums	**20,002**	**20,225**
Reinsurance premiums	−988	−726
Change in provision for unearned premiums (net of reinsurance)	−257	33
Net earned premiums	**18,757**	**19,532**
Income from associates and joint ventures	3	3
Investment income	1,038	1,003
Realised and unrealised gains and losses	3,779	−139
Income from investments backing linked liabilities	2,044	1,819
Banking income	658	676
Fee and commission income, and income from service contracts	431	433
Other income	86	70
Total income	**26,796**	**23,397**
Expenses		
Claims and movements in insurance liabilities	22,634	22,223
Claims and movements in insurance liabilities ceded to reinsurers	−891	−541
Profit sharing and bonuses for policyholders	3,391	255
Movements in insurance liabilities where policyholders bear investment risks	−2,364	−2,892
Fair value changes and benefits credited to investment contracts	159	156
Operating expenses	2,975	2,857
Banking expenses	492	517
Interest and similar expenses	88	96
Other expenses	320	445
Total expenses	**26,804**	**23,116**
Profit before tax	**−8**	**281**
Income tax expenses	−24	−68
Net profit	**16**	**349**
Net profit attributable to:		
Holders of equity instruments of the Company	14	352
Non-controlling interest	2	−3
Earnings per share from continuing operations (euros) and diluted earnings per share from continuing operations (euros)	−0.13	0.66

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	2014	2013
Net profit	**16**	**349**
Items that will not be reclassified to the Income statement		
Remeasurements of net defined benefit liability[1]	−37	−291
Unrealised gains and losses on property for own use[2]		−1
Total items that will not be reclassified to the Income statement	**−37**	**−292**
Items that may be reclassified subsequently to the Income statement		
Currency translation differences on subsidiaries, intangible assets, associates and joint ventures[3]	33	−95
Unrealised gains and losses on available for sale instruments[2]	1,917	−551
Share in other comprehensive income of associates and joint ventures[3]	−6	−26
Transfer from/to provision for profit sharing and bonuses for policyholders[2]	−1,544	588
Gains and losses on available for sale instruments reclassified to the Income Statement on disposal[2]	−93	−147
Impairment charges on available for sale instruments reclassified to the Income Statement[2]	18	18
Total items that may be reclassified subsequently to the Income statement	**325**	**−213**
Net other comprehensive income	**288**	**−505**
Comprehensive income	**304**	**−156**
Comprehensive income attributable to:		
Holders of equity instruments of the Company	302	−153
Non-controlling interest	2	−3

1 Accounted for as part of Retained earnings

2 Accounted for as part of Revaluation reserve

3 Accounted for as part of Exchange difference reserve

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

2014	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	PROFIT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY	NON-CONTROLLING INTEREST	**TOTAL EQUITY**
Balance at 1 January	**11,357**	**−235**	**662**	**576**	**−260**	**−7**	**−3,725**	**352**	**967**	**9,687**	**15**	**9,702**
Net other comprehensive income				289	36		−37			288		288
Net profit								14		14	2	16
Comprehensive income				**289**	**36**		**−37**	**14**		**302**	**2**	**304**
Appropriations to reserves			8	−12			356	−352				
Dividends and coupon payments							−200			−200		−200
Issue, repurchase and sale of equity instruments												
Other movements				18	−1		−2			15	−3	12
Balance at 31 December	**11,357**	**−235**	**670**	**871**	**−225**	**−7**	**−3,608**	**14**	**967**	**9,804**	**14**	**9,818**

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (€ MILLION)

	2014	2013
Cash flow from operating activities		
Profit before tax	–8	281
Adjustments of non-cash items and reclassifications:		
Unrealised results on investments including foreign currency results	–4,548	–19
Amortisation and impairment on intangible assets, property for own use and equipment	320	432
Amortisation of deferred acquisition costs	48	43
Income from associates and joint ventures	–3	–2
Value changes in banking credit portfolio	53	36
Interest expenses	90	–49
	–4,048	**722**
Changes in assets and liabilities:		
Changes in receivables and accruals and other liabilities	–1,857	718
Changes in insurance liabilities net of reinsurance	116	–1,383
Changes in income tax	–53	–59
Changes in provisions	137	–8
Changes in employee benefits	159	–302
	–1,498	**–1,034**
Changes in operating assets and liabilities:		
Purchase of Investment property	–3	–13
Purchase of Investments	–27,788	–24,018
Purchase of Investments backing linked liabilities	–8,541	–13,185
Investments in banking credit portfolio	–889	–444
Divestments of Investment propery	32	42
Divestments of Investments	30,108	23,701
Divestments of Investments backing linked liabilities	14,180	13,489
Divestments banking credit portfolio	996	1,255
Capitalised deferred acquisition costs	–17	–16
Changes in banking customer accounts and loans and borrowings related to banking activities	325	631
Other changes	14	100
Income taxes paid	–12	–6
	8,405	**1,536**
Cash flow from investing activities		
Purchase of subsidiaries, associates and joint ventures (net of cash)		24
Purchase of Property for own use and equipment	–37	–82
Disposal of Subsidiaries, associates and joint ventures (net of cash)	8	–10
Disposal from Property for own use and equipment	54	15
	25	**–53**

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	2014	2013
Cash flow from financing activities		
Issue, repurchase and sale of equity instruments		–358
Dividends and coupon payments	–200	–273
Interest paid	–126	70
Other credit facilities	–4,104	1,580
	–4,430	**1,019**
Net cash flow	**–1,546**	**2,190**
Net cash and cash equivalents at 1 January	3,260	1,073
Net cash and cash equivalents at 31 December	**1,716**	**3,260**
	–1,544	**2,187**
Cash and cash equivalents include the following items:		
Cash and bank balances	1,394	2,732
Call deposits	322	528
Cash and cash equivalents at 31 December	**1,716**	**3,260**

Achmea prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) as of 31 December 2014. In preparing the financial data contained in this document, the same accounting principles were used as for the Achmea Group's consolidated financial statements for 2014. The 2014 financial statements were approved prior to publication by the Executive Board on 5 March 2015. In accordance with Section 393 of Book 2 of the Dutch Civil Code, PricewaterhouseCoopers Accountants N.V. issued an unqualified audit opinion for the 2014 financial statements. The consolidated financial statements for 2014 have not yet been officially published and are pending approval by the General Meeting of Shareholders. The 2014 financial statements will be published on 26 March 2015. In the event of any discrepancies between the Dutch and English versions of this press release, the English version will take precedence.