QUESTIONS AND ANSWERS

- **Matthias De Witt – KBC Securities**

Good afternoon and thank you for the presentation. First on Solvency II: you are planning to develop an internal model for market risk, if I remember well. Can you update us on this application and could you also comment or provide any sense of how big the impact could be on your required capital for market risk if it would be approved?

Secondly. On the own funds impact linked to the changes in the cost assumptions for the Dutch Life and pensions business. Is it possible to provide a bit more colour here? I am mostly interested in what you are currently assuming in terms of unit cost for this business line going forward.

Lastly, on retirement services. You mentioned that the numbers still suffered from start-up cost. I am just wondering what you expect from this segment in terms of profitability going forward. It seems that it is a highly competitive segment and there might not be room for everybody to remain active in this business. So, I am interested to get your view and thoughts on this.

Mr. **Arendse**: Thank you so much. An update on the internal model for market risk. Yes absolutely, we are still working on that and we are moving towards a formal application with the regulator. We expect to submit it for formal approval in the second half of 2017, most likely for implementation in 2018. We do not have a firm number on the impact. That is depending on the acceptance and some of the comments that potentially the regulator can make. So, we will wait for that discussion and the outcome of that discussion with the regulator on all the individual components as well as the overall diversification that comes with it at the end of the day. As soon as we have that we will communicate to the market what the impact of the new market risk model will mean for our business. Clearly, there are two reasons why we are doing this. First of all because we think the internal model is a much better reflection of our risk that we run with our typical investment portfolio and secondly, obviously we are reckoning with a reduction in our required capital if we are to implement our internal model. But again, we will update you on the quantification of that once the internal model has been approved.

The cost assumption in the Life and Pension business: I do not know off the top of my head what that means in terms of a euro-per-policy but we have taken a very critical look at the expense loadings going forward, particularly in terms of variability of the cost going forward and the stale base of cost that you will always have regardless of the size of the portfolio. Those two have increased the assumptions and the cost loadings of our Life and Pension business, somewhat impacting the Solvency 2 ratio with the impact that you saw on slide 26.

If you look at the retirement profitability going forward, we never project and we never give projections about future results on our operations but clearly it is a fee-driven business so it is a completely different model from what we used to have with the Life and Pension business. But again, Willem alluded to that as well, you are talking about a very competitive market indeed. But having said that, our unique selling point is that we are able in the retirement services business to combine second, third and fourth pillar components, which some of our competitors are absolutely are not able or capable of doing. So, we still think that we have a unique cutting edge when it comes to the retirement business and thereby having a very fair chance of having a solid profitability on that business going forward. But again, we are not giving any projections on that.

Matthias De Witt – KBC Securities: Okay, that is very clear. If I could just follow up on the internal model, I have a small question. Assuming that […] would be approved and that your required capital would drop, can any such benefit be paid out as dividend or coupon or is DNB, based on what you are observing in your discussions with them, always reverting to the standard formula, as a sort of consistency check or is that not the case?

Mr. **Arendse**: If we have a benefit from our internal model market risk that will create additional free capital at the group and it is up to the discretion of the Executive Board to decide what to do with this, whether it will be invested in activities or whether it will be paid back to shareholders. There is absolutely no clear indication what we are going to do at that point in time but let's first conclude the discussion with DNB and see what impact it will have. Then we will act accordingly. So, I cannot say much more about that.

Matthias De Witt – KBC Securities: Very clear. Thanks a lot!

- **Steven Suchet – Credit Suisse**

Thank you very much for the presentation. I have three quick questions. Is it possible to get a feel for the potential negative impact from the LACDT?

Secondly, is it possible to know what the remittance on businesses in 2016 was?

My third and last question is whether it is possible to know what was the group net cash position at the holding company at year end 2016.

Mr. **Arendse**: Steven, I did not get your second question. Can you repeat it, please?

Steven Suchet – Credit Suisse: I just wanted to check with you the amount of remittance from businesses. In 2016 it was EUR 317 million of remittance from the operating entities to the holdco. So, I would just like to know what the number was for 2016, if possible.

Mr. **Arendse**: Let me first address the first question, the potential – you would say – negative impact of LACDT. I would not quite phrase it that way because the further guidance that has been issued by DNB and go both way because a stress SCR-situation they also allow building up LACDT if you have sufficient coverage for it, which we have not done in our calculations. So, there is potential for upswing but there is also potential for downswing because they are strict in certain other areas. So, it is very hard to say at this point in time what direction our potentially revised LACDT will go. But again, we will release that information alongside the second quarter results in August of 2017. Then we will elaborate on that during that presentation.

When you talk about the remittances, I gather you probably refer to dividend payments from our subsidiaries.

Steven Suchet – Credit Suisse: Correct.

Mr. **Arendse**: Well, during 2016 we had some remittances from our Property & Casualty business as well as from our reinsurance business and some from our international business. In total, it is around EUR 70 million to EUR 80 million, if I recall well. I would have to look it up and get back to you but that is what it is. The group net cash position at the end of the year is EUR 119 million.

Steven Suchet – Credit Suisse: Okay. Thank you very much. That is really helpful.

- **Marcus Rivaldi -- Twelve Capital**

Good afternoon. Obviously, S&P have put a lot of faith in the ability of the group to turn around operating performance prospectively, otherwise they might have another look at your rating. So, in that context first can I ask about your Health business? I am trying to understand how you can justify subsidising Health premiums going forward in the context of 2016 in the context of 2016 results and particularly the uncertainty you discussed there around medical cost inflation? I just do not understand how you can then affect the [underprice] the cost of insurance for 2017, given what we have seen this year and in prior years.

Secondly, in P&C I was just wondering if you can give us some sense of reserved margin, buffer that you have built up in the book with that reserve strengthening. Again, I am just trying to see here the risk of any potential prior deterioration affecting future results.

Thirdly, in Pensions and Life. I know you have talked about a lot of negative one-offs impacting some of the other business units but it seems as though there were some positive one-offs there as well, so I was wondering if you could break those out.

Finally, coming back to the balance sheet. You have also given us some sense about the profit distribution debate but could you also give us an update on the UFR-sensitivity as well for the group? Again, that is another issue which is still out there as a potential issue for UK insurers.

Mr. **Van Duin**: Thank you. I will start with your first question and then hand over to Huub. For us it is clear that Health insurance is an important part of our group strategy and it is obvious that we have entered these activities in 2006, when the new legislation was implemented, creating a privately structured health insurance activity, although publicly regulated but also with a clear understanding with a lock on capital releases for a period of ten years. Now obviously there is a debate going on about the way forward. We will have to see what the outcome of that piece of legislation will be. At the same time, in Dutch society – but not only in Dutch society – our health is seen as something which is for free and everybody is entitled to it and that has led to a climate in the last two or three years where it is expected that health insurance companies have to 'give back' the access capital they have in the company. That should be done by under-pricing health insurance premiums. So, the situation is what it is. We have decided to protect our book and we expect that the way forward will be a further pressure on the health insurance business until we have reached a solvency ratio of about 130%, after which I also expect that the Central Bank will be much more vocal about the fact that health insurance companies like we have been [paying] over the years now, should be adequately capitalised. Reaching this level of solvency ratio will lead to what we call 'a new normal' situation and from that point onwards we expect that health insurance premiums will have an adequate level, at least without the need of creating further loss provisions. So, we have to take this hurdle. That is how we look at it. Health insurance from a strategic perspective is very important for Achmea, being a corporative insurance group but also if you look at the numbers: the health insurance book leads at group level to a significant impact on our solvency, which has presented by Huub. Not only the fact that we cannot take pay-out dividend out of the health insurance companies. We do not intend to but the fact only that it is possible and that the capital is […] and the diversification advantages within the calculation of Solvency 2 make health insurance a viable business from that perspective. Next and finally, if you have a group of customers of more than 5 million, it is a very interesting group of customers that we can use for cross-sell opportunities. That is the reason why we continue to qualify health insurance as a very important part of the business portfolio of Achmea.

Marcus Rivaldi -- Twelve Capital: Can I just come back on that point then? Are you effectively guiding then that you will be managing down and effectively be subsidising health care in the Netherlands until the Solvency 2-ratio of the health carrier goes from 147% now to 130%? Are you guiding that this is what is going to happen, that the solvency of that will be paid out to policy holders?

Mr. **Van Duin**: That is actually what we have been saying over the years now, if you attended these calls also on previous occasions. We have a clear opinion about what we think should be done. We think that health insurance activities should be adequately capitalised. A race to the bottom is not what we think is appropriate but given the fact that this is the actual situation, we intend to protect our portfolio and, given competition, will do as much as possible to protect this portfolio. Our expectation is indeed that the pressure on pricing will continue until there will be a new normal, what we expect to have reached when the solvency ratio is at about 130%. Lower than that is not what we expect and is not what the Dutch Central Bank will not allow, if you look at their expectation. At previous occasions we have said that 1% of our total claims reflects more or less 6% to 7% solvency. So, with 130% there is only limited space to absorb changes in health consumption. Therefore, that is the reason why we thin around and about 130% will be the new normal.

Mr. **Arendse**: Willem, I will take the three remaining questions. The first is on the reserve margin. Let me just go back a little bit on what happened. You may recall that at the end of 2015 we strengthened some of our personal injury reserves as well with about EUR 45 million and at that time we already saw some indications that particularly also through court cases and amounts being awarded to claimants that we saw an increase in duration of the period that the claims would cover. During 2016 we have seen a continuation of that trend ant that made us take a very hard look at our complete back book of personal injury claims and going through the analysis of what happened and how it would translate if we would extrapolate that onto the whole book. That is what we have done. We have isolated cases in subject and model cases throughout the period, going back to 2008 and 2007. We are talking about ten years back. We have extrapolated that to the whole back book that we have. On that basis we have strengthened the reserves and that is the EUR 180 million that we are talking about. Clearly, there is prudence involved. There is prudence involved like we used to have it on our traditional liabilities as well. We are not revealing explicitly what that reserve margin is but there is a reserve margin built in on top of the best estimate of what we think the pay-out will be and that is in line with what is possible within IFRS. That is all I can say about that.

On the positive pone-offs on the Life and Pensions side, there is an increase in result of about EUR 15 million when we look at the investment results, coming from the commodities as well as the real estate revaluations, but we also see – and I mentioned that as well and that is primarily on the Life and Pensions side – a reduction of direct investment income primarily coming from the low interest rate environment. That is to some extent compensated by the realisations of some of our portfolios where we change the asset mix. But on balance, those four components contribute about EUR 50 million to the additional profitability of our Life and Pensions business.

On the UFR, we will be coming out on the Capital Markets Day with the new sensitivities on the basis of the full year 2016 but just as a reminder – our portfolio has not really shifted that much – the indications that we had and that we have given during the Capital Markets Day in May 2016 are that if we change the UFR to 3.7% -- 50 bps. down – the impact is about 6 percentage points on a group level. If we go down to 3.2% -- 100 bps. decline – a linear decline of the UFR, the impact is about 13 percentage points at group level. We will be coming out with revised and amended sensitivities during the Capital Markets Day.

Marcus Rivaldi -- Twelve Capital: Just one very quick follow-up. If you were to allow health solvency to wind down to 130%, how would that flow through to the group ratio? What sort of impact would that have on the group ratio?

Mr. **Arendse**: I mentioned that our ratio is about 147% at the moment. If you were to go down to 130% on health a lot of that 17% would be a diversification out at the group level, so we would probably talk about 4% to 6% at group level.

Marcus Rivaldi -- Twelve Capital: Thank you very much.

Mr. **Van Duin**: On the adequate profit on our health book in this new normal situation.

We are running out of time but we would like to give you the opportunity to raise any urgent question. There is always the possibility to directly contact our Investor Relations department for further questions.

- **Bart Horsten – Kempen & Co**

Good afternoon. First on the personal injury reserve strengthening. We have seen a number of insurance companies reporting recently but the impact of this item was not as severe as in your portfolio. Is that specific on your business line? The reasons you mentioned are relatively generic as market developments, so I was wondering what I am missing here.

Secondly, also on solvency but then specifically on your Pensions and Life solvency at 130%. You say there could also be a positive impact on LACDT but let's keep it neutral for the question. What is your desire level here, 130%? Does it change when you have put – as you have said also in your press release – your pension book in some kind of run-off mode? Is there a different way to look at this ratio than you would have done in an ongoing situation?

Mr. **Arendse**: On your first question: it is very difficult for us to comment on what other insurance companies experience and what they see on their personal injury book, et cetera. We are market leader. We think we have a pretty good overview of what is happening in the market. This is what we are seeing in our book, extrapolating the trend of what we have now seen for almost a year. But what that does to other insurance companies, you will probably have to ask them. This is what we are seeing. Whether we are ahead of the game in comparison to the rest of the business, I do not know; I cannot comment on that. We are doing what we are seeing and we are extrapolating that. That leads to the EUR 180 million reserve strengthening that we just talked about.

On the Solvency 2 for Life and Pensions 130%: we do not necessarily have al desire ratio specifically for Life and Pensions. What we will be doing is once we have established our internal model for market risk we will again come back to the market and say that we have a balanced partial internal model on non-life and on market risk. Then we will come out with the target levels that we see fit for our Solvency 2 at group level. So, we are not specifically aiming for a percentage for Solvency 2 on the Life and Pension book.

Are we managing the book on a different ratio in a closed book situation versus an open book situation? Yes, clearly. On a closed book situation you are much more able and capable of managing the volatility in that book and that means that if you reduce the volatility you can also reduce the solvency levels that are associated and coming with it. The differential between the two again, we are not commenting on that specifically for Life and Pensions but you can safely say that in a closed book environment we will be working with a slightly lower Solvency 2 ratio than you would otherwise do in an open book, yes.

Bart Horsten – Kempen & Co: Thank you very much.

Mr. **Van Duin**: We can take one final question and then we should close the call. If there is no question the operator can close the call.

Operator: There are no further questions, sir.

Mr. **Van Duin**: Then from our side I would like to thank everybody who took the effort to participate in this call. As you are probably familiar with and what I did not discuss in any of the other calls we had today is that it is Huub Arendse's last call. Since he had intense relationships also with all of you I think it is good when I thank Huub for providing you with all the necessary information to do your job. I am looking forward to seeing you again with Michel Lamie, the new CFO of Achmea.

Thank you very much for calling in and see you next time. Bye, bye.

End of call