

17 August 2017 - Achmea Interim Results 2017

Achmea's operational result increased to €223 million

- Higher result following implemented improvement measures
- Solvency ratio increased to 185%
- Solid performance Non-Life despite higher (personal injury) claims caused by use of mobile devices
- Result for basic health insurance close to zero
- Group-wide 8% structural cost reduction achieved
- Sharp operating expense reduction in Pension and Life service organisation due to closed book strategy
- Continued high investments in online services and innovations for our customers

Willem van Duin, Chairman of the Executive Board:

Achmea started the year well, with the positive contribution from previously-implemented improvement measures becoming visible. Consequently, the operational result over the first six months of this year increased to €223 million, while last year a negative result was reported in particular due to the hailcalamity. Even when adjusted for the claims arising from last year's severe weather conditions, the result over this half year was substantially higher. We have achieved structural cost reductions of 8% while increasing higher gross written premiums in our core activities health and non-life insurance. The continued high level of appreciation from our customers and the increase in our result are a big compliment to all our colleagues.

Centraal Beheer, Interpolis and FBTO experienced further growth in number of customers with non-life insurance at lower expenses. The sound performance is in spite of a higher cost of personal injury claims. The use of smartphones and other devices while in traffic is leading to a substantial increase in the risk of serious accidents. The trend in increasing frequency of new personal injury claims is therefore continuing. Our close commercial and strategic partnership with Rabobank is performing well. We have completely renewed the range of services sold via our partner Rabobank. We have welcomed nearly 20,000 new customers to our health insurance business. Over the past few years, health insurers have kept premium increases low by allocating funds from capital. This is of course not a sustainable situation. Achmea aims to set premiums at cost price in order to prevent large premium increases for our policyholders.

Our Retirement Services strategy is developing well. The inflow of new customers into the Centraal Beheer APF contributed €1 billion to the increase to €117 billion of assets under management at Achmea Investment Management. At our Pension and Life service organisation, a further sharp decrease in operational costs was achieved while retaining the high level of service provided to our customers. Achmea's digital competencies are also being used internationally: we are leading the way with non-life and health insurance products distributed online and via banking distribution. Our international activities show continued growth in our market share, with premium growth of 8% in local currency. We expect to put to use our knowledge of online insurance products together with a partner in Canada shortly.

Our financial position remains strong, with an increase in our solvency ratio to 185%. Moreover, we have reduced the interest rate sensitivity of our solvency ratio by applying a different hedging policy.

The results over the first six months of this year give us confidence that we are on the right track for achieving our objectives in the long term. It is, however, too soon to assume that these financial results will continue for the remainder of the year. As a leader in mobile and online services, many of our insurance companies are trendsetters in the insurance sector. Being relevant is the basic principle here. We therefore continue to invest a great deal in innovation. We consequently expect to further improve our result, increase customer satisfaction further and retain our strong financial position.

ACHMEA INTERIM RESULTS 2017 - 17 AUGUST 2017

A media call will take place at 11.00 AM CET.

Media can dial-in using the following number: +31 20 53 15 850

A conference call for analysts is scheduled for 3.00 PM CET.

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Group results

KEY FIGURES

(€ MILLION)

RESULTS	H1 2017	H1 2016	Δ
Gross written premiums	16,947	16,944	0%
Net earned premiums	9,724	9,807	-1%
Gross operating expenses ¹	1,075	1,209	-11%

COMPOSITION OF RESULT

Operational result²	223	-41	n.m.
Profit before tax	225	-47	n.m.
Net result	171	-26	n.m.

BALANCE SHEET

	30/06/2017	31/12/2016	Δ
Total assets	97,976	93,015	5.3%
Total equity	9,899	9,782	1.2%

SOLVENCY II

	30/06/2017	31/12/2016	Δ
Ratio Partial Internal Model	185%	181%	4%-p

FTES³

	30/06/2017	31/12/2016	Δ
FTEs (internal)	15,100	15,714	-3.9%
FTEs (external)	2,568	2,539	1.1%

OVERALL RESULTS

Achmea started the year well, with positive contributions to the results from our improved fundamentals becoming visible. The operational result increased sharply to €223 million (H1 2016: -€41 million).

The recovery in results is particularly visible in our non-life insurance business, where both premium, claims management and expense measures have led to a significant increase in the result. Our health activities earned a higher result with positive trends in healthcare expenses in the current underwriting year and lower expected equalisation contributions from previous years. In our Pension and Life service organisation we have further reduced operating expenses, but the technical result is down due to additional provisioning for waiver of premiums for disabled persons and lower investment income. We worked hard on our new Retirement Services strategy. The first customers have joined the Centraal Beheer APF. The result improved due to a reduction in start-up and investment expenses. The growth of our international business is on schedule along with Achmea's core competencies: non-life, health, online distribution and bank distribution. We continued investing in operationalising the strategy for Retirement Services in the first half of 2017. The segment Other Activities is contributing positively to our results via a reduction of expenses and higher profitability from a.o. real estate asset management and reinsurance activities.

OPERATIONAL RESULTS SEGMENTS

(€ MILLION)

	H1 2017	H1 2016
Non-life Netherlands	105	-124
Health Netherlands	28	2
Pension & Life Netherlands	102	187
Retirement Services Netherlands	4	-13
International	6	8
Other	-22	-101
	223	-41

The net result increased to €171 million (H1 2016: -€26 million). The net result includes the negative transaction result of the planned migration of five mandatory sectoral pension funds to Centric. Furthermore, over the past six months we have recorded a positive result on the transfer of the Staalbankiers private banking activities and the sale of Winnock. In the first half of 2016, we had a one-off transaction result on the liquidation of a foreign entity. The effective tax rate over the first six months of 2017 is 23.9%.

Group results

COMPOSITION OF NET RESULT

(€ MILLION)

	H1 2017	H1 2016
Operational result	223	-41
Transaction results from divestments	2	-6
Result before tax	225	-47
Tax	54	-21
Net result	171	-26

Gross written premiums

Gross written premiums remained stable at €16,947 million during the first six months of 2017 (versus €16,944 million in H1 2016). We realized a higher income from premiums in our non-life insurance business due to growth in the retail customer non-life insurance portfolio in particular. Higher numbers of customers are also leading to higher gross written premiums for our health activities. At group level, this growth compensated the decrease in gross written premiums for the closed book pension & life business.

Operating expenses

Gross operating expenses amounted to €1,075 million in the first half of 2017, a decline of 11% versus the same period last year (H1 2016: €1,209 million). The decrease in gross operating expenses is mainly the result of lower personnel expenses caused by a sharp decline in the number of staff. We have also decreased expenses by winding down the Staalbankiers activities and within IT and office expenses by adjusting contracts. Finally, changes to the pension scheme in some of the health entities have also led to a one-off decrease in expenses. Adjusted for the effects of winding down Staalbankiers and the amended pension scheme, the structural decrease in expenses amounts to 8%.

At the same time, we continue to invest in innovation in our company, with the development of innovative concepts and our strategic programmes, including the Retirement Services strategy, the commercial alliance with the Rabobank and international growth.

The number of jobs in the Netherlands declined further from 15,270 to 14,630 in the first half of 2017 and resulted in a decrease in both internal and external employees. The number of internal employees in the Netherlands declined from 12,959 at the end of 2016 to 12,340. This decrease is the result of continuing efficiency improvements and a different approach to working. Versatility and flexibility are essential to us being able to adapt constantly to the increasingly rapid changes in our society and the wishes of our customers. Our 'agile' concept and working in market-oriented chains are examples of this. Earlier we announced that we expect the number of jobs at our group to decrease by an approximate further 2,000 up to 2020. We are also adjusting our offices accordingly, whereby we are concentrating our work in five key locations: Apeldoorn, Leeuwarden, Leiden, Tilburg and Zeist.

Internationally, in line with our plans the number of FTEs increased slightly by 2% to 3,038 during the first half of 2017.

Investments

Income from our own risk investment portfolio decreased during the first six months of this year versus the same period last year. Total investment income⁴ amounted to €597 million (H1 2016: €637 million), a decline of €40 million. This decrease is mainly due to lower direct investment income from fixed income as investments with higher returns were reinvested following redemption at lower average rates.

The increase in the value of our fixed-income securities and interest-rate derivatives in our Dutch pension and life insurance business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and unrealised investment returns on fixed-income securities and interest-rate derivatives are set aside in a Fund for Future Appropriation (FFA). This is part of our technical provisions to cover commitments to our customers with pensions or life insurance policies, relating to results not yet included in the profit appropriation. As a result of higher market interest rates, the FFA decreased by €1.1 billion in the first six months of 2017, to €6.7 billion.

The value of our investment portfolio decreased by 2% in the first six months of 2017, to €46.7 billion (2016: €47.4 billion), mainly due to the lower value of the fixed-income portfolio. This decrease is the result of higher interest rates over the first half of 2017. Higher equity prices have partially compensated for this decrease.

In the first half of this year, we further expanded our mortgage portfolio in the insurance investment portfolio by €0.7 billion to €6.6 billion in line with our growth targets.

CAPITAL MANAGEMENT

Total equity

Achmea's equity increased by €117 million in the first half of 2017 to €9,899 million (2016: €9,782 million). This increase is driven mainly by the positive net result of €171 million. Total equity was also affected by dividend and coupon payments totalling €41 million and by movements in the reserve for exchange-rate differences caused mainly by price movements in the Turkish Lira. On balance, the remaining movements had a positive effect of €3 million.

Group results

DEVELOPMENT OF TOTAL EQUITY

(€ MILLION)

Total equity 31/12/2016	9,782
Net result	171
Movement revaluation reserve	-4
Movement exchange difference reserve	-16
Remeasurement of net defined benefit liability	4
Dividends and coupon payments to holders of equity instruments	-41
Other movements	3
Total equity 30/06/2017	9,899

SOLVENCY II

SOLVENCY RATIO FOR PARTIAL INTERNAL MODEL

(€ MILLION)

	30-06-2017	31-12-2016	Δ
EOF	8.735	8.345	390
SCR	4.713	4.623	90
Surplus	4.022	3.722	300
Ratio (%)	185%	181%	4%

The Solvency II ratio has increased by 4 percentage points to 185% (31 December 2016: 181%).

This is mainly due to an increase in the Eligible Own Funds of €390 million as a result of positive technical results, positive effects caused by financial market developments and an adjustment of the cost assumptions and mortality experience within the Dutch Life insurance business.

The Solvency Capital Requirement has risen slightly to €90 million, with the main developments being an increase in market risk of €184 million and a decrease in life risk of €103 million as a result of higher interest rates. The higher market risk corresponds to the implementation of a capital hedge in order to significantly reduce the solvency ratio's sensitivity to interest rate changes. Implementation of the capital hedge causes, under the standard formula, a reduction in diversification between risk types within market risk, pushing up market risk overall.

The loss-absorbing capacity of deferred taxes (LACDT) remains at around the same level in 2017 as in 2016. Achmea has applied the guidelines issued by De Nederlandsche Bank (the Dutch Central Bank) on LACDT. In addition, Achmea has made a number of refinements in calculating the LACDT with a positive effect.

Financing

In the first half of 2017, the Standard & Poor's credit rating of Achmea B.V. remained unchanged at BBB+. The rating for the Dutch insurance entities was confirmed at A. The ratings for Achmea Reinsurance Company and Achmea Bank remained unchanged at A-. The outlook for all the ratings was adjusted from stable to negative. Achmea Bank also has a rating from Fitch. This was confirmed at A with a stable outlook.

The leverage ratio⁵ improved slightly to 26.1% (2016: 26.4%) as a result of the increase in total equity.

Non-life Netherlands

- Strong recovery in Non-Life results
- Higher gross written premiums due to new customers and higher premiums
- Sharp drop in expenses largely thanks to digitisation

RESULTS

(€ MILLION)

	H1 2017	H1 2016	Δ
Gross written premiums	2,042	2,011	2%
Operating expenses	398	448	-11%
Operational result	105	-124	n.m.
KEY FIGURES PROPERTY & CASUALTY			
	H1 2017	H1 2016	Δ
Claims ratio	70.8%	80.3%	-9.5%-pt
Expense ratio	25.7%	29.2%	-3.5%-pt
Combined ratio	96.5%	109.5%	-13.0%-pt
KEY FIGURES INCOME PROTECTION			
	H1 2017	H1 2016	Δ
Claims ratio ⁶	62.8%	75.5%	-12.7%-pt
Expense ratio	21.3%	25.0%	-3.7%-pt
Combined ratio	84.1%	100.5%	-16.4%-pt

GENERAL INFORMATION

Achmea is the market leader in property & casualty insurance and occupies the third place in the income protection market. We provide our retail and business customers with car insurance, property insurance, home contents insurance, liability insurance and travel insurance. In addition, we offer various types of sickness insurance and individual and group disability insurances. Our products are distributed by, among others, Centraal Beheer, Interpolis and FBTO, whereby our focus is on a high level of customer satisfaction, innovative services and digitised processes.

Gross written premiums

Gross written premiums increased by €31 million in the first half of 2017, to €2,042 million (H1 2016: €2,011 million). Gross written premiums from our property & casualty insurance business increased as a result of higher inflow into the retail customer portfolio and premium measures within both the retail customer and commercial property & casualty insurance portfolios. Gross written premiums from our income protection business remained stable. In group disability insurance we have grown through anticipating to the new legislation governing temporary employees (BeZaVa⁷).

Operating expenses

Operating expenses decreased to €398 million in the first half of 2017 (H1 2016: €448 million). We have achieved a reduction in expenses of €50 million while growing the portfolio, mainly as a result of further digitisation, optimising our processes and simplifying our IT landscape.

Results

The operational result was €105 million (H1 2016: -€124 million) in the first half of 2017. The result over the first six months of 2017 is €99 million higher than in the same period last year, when adjusted for the severe hailcalamity in 2016 that had an impact of €130 million. This higher result is partly due to measures taken to premium levels, claims management and cost savings. In implementing these measures, we have structurally improved the fundamentals of our non-life and income protection activities. Lastly, we realised higher results for previous years in income protection insurance and improved the investment return through higher realized gains on fixed income and equities.

Non-life Netherlands

PROPERTY & CASUALTY

The operational result from our property & casualty insurance increased to €62 million during the first six months of 2017 (H1 2016: -€127 million). Adjusted for the extreme weather conditions in June of last year (€130 million impact after reinsurance), the operational result from our non-life insurance increased by €59 million during the first six months of 2017 (adjusted operational result H1 2016: €3 million). The improvement in the operational result is mainly due to implemented improvement measures on both the retail customer and commercial property & casualty insurance portfolios. For instance, we have adjusted premiums in order to compensate for the effects of extreme weather conditions and growing personal injury claims. We have also invested in measures that contribute to reducing claims, while operating expenses have been cut.

The trend in the increasing frequency of new personal injury claims continued in the first half of 2017. The number of traffic fatalities and injuries increased further over the past year. The use of smartphones and other devices while in traffic is leading to a substantial increase in the risk of serious accidents. The diversity in the age of drivers is also a factor. Research has shown that the oldest and youngest drivers cause the most traffic accidents. We also see an increase in the amount and duration of payments from current cases due to societal trends and changed laws and regulation. In addition to our brands implementing preventive measures, we continue to take the abovementioned aspects into account when setting premium levels.

The combined ratio for our property & casualty insurance business improved by 13.0% to 96.5% in the first half of 2017 (H1 2016: 109.5%) due to a sharp improvement in both the claims ratio and the expense ratio as a result of the described improvement measures. The claims ratio stood at 70.8% (H1 2016: 80.3%) and the expense ratio improved by 3.5 percentage points to 25.7% (H1 2016: 29.2%).

INCOME PROTECTION

The operational result for income protection insurance increased to €43 million (H1 2016: €3 million), among other things due to a higher result from previous years on group disability. This can partly be attributed to our continued focus on claims management and lower inflow for previous years. In more recent years, in line with the national trend, we are in fact seeing an increase in inflow into group disability.

The combined ratio for our income protection business improved to 84.1% in 2017 (2016: 100.5%) due to an

improvement in both the expense ratio and the claims ratio. The decrease in the expense ratio to 21.3% (2016: 25.0%) is in line with the lower operating expenses. The claims ratio increased to 62.8% (2016: 75.5%).

Health Netherlands

- Number of policyholders up by 20,000 after renewal period
- Operating expenses decline further

RESULTS

(€ MILLION)

	H1 2017	H1 2016	Δ
Gross written premiums	13,310	13,106	2%
Operating expenses	234	260	-10%
Operational result	28	2	n.m.
Result 2017/2016 underwriting year	107	-59	n.m.
Incidental result ⁸	-79	61	n.m.
KEY FIGURES BASIC HEALTH			
	H1 2017	H1 2016	Δ
Claims ratio	98.1%	97.8%	0.3%-pt
Expense ratio	2.4%	2.9%	-0.5%-pt
Combined ratio	100.5%	100.7%	-0.2%-pt
KEY FIGURES SUPPLEMENTARY HEALTH			
	H1 2017	H1 2016	Δ
Claims ratio	86.2%	87.8%	-1.6%-pt
Expense ratio	8.8%	8.4%	0.4%-pt
Combined ratio	95.0%	96.2%	-1.2%-pt

GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Avéro Achmea, Interpolis, OZF, ProLife and Ziezo offer basic and supplemental health insurance. We help people to stay healthy and support their vitality via supplementary services such as Actify and Gezond Ondernemen. We also provide services worldwide through the Eurocross Assistance Company.

Gross written premiums

Gross written premiums for basic and supplemental health insurance increased to €13,310 million (H1 2016: €13,106 million). Gross written premiums from basic health insurance amounted to €11,987 million (H1 2016: €11,788 million). The increase in gross written premiums is the result of a higher number of insured clients and higher premiums. At the end of the annual renewal period, Achmea has nearly 20,000 more policyholders compared to 2016.

Gross written premiums from supplemental health insurance totalled €1,323 million (H1 2016: €1,318 million). The number of customers taking out supplementary health remained stable at about 80%⁹.

Operating expenses

Operating expenses at our health insurance business decreased by €26 million to €234 million during the first six months of

2017 versus the same period in 2016. The decline in expenses is partly due to the further digitisation and optimisation of our business processes. Moreover, there is a one off benefit from amendments to the pension scheme for our employees of some health entities and a one-off charge for creating a reorganisation provision at De Friesland Zorgverzekeraar.

Operational result

The operational result from our basic health insurance closed the first half of 2017 at around break-even (H1 2016: -€18 million). The past six months have seen positive trends in the current underwriting year. The incidental result (from previous years) has been negative.

The operational result for basic health insurance in the current underwriting year amounted to €85 million (H1 2016: -€83 million). In 2016, we created a provision of €434 million for setting premiums below cost price for 2017, what was expected to result in a break-even operational result for the 2017 book year. The result is higher than expected. The positive result follows on the one hand from a change to the composition of the portfolio and the consequent change to the ex-ante contribution and on the other from lower expenses for medicines.

Health Netherlands

The incidental result from previous years for basic health insurance is -€85 million (H1 2016: €65 million) as a result of a lower expected contribution for the 2016 underwriting year from the Health Insurance Equalisation Fund. Once an underwriting year has ended, the equalisation contribution is re-assessed by the government. Preliminary information on trends in specific healthcare expenses has caused the expected equalisation contribution to be lower than previously estimated. The combined ratio on the basic health insurance is 100.5% (H1 2016: 100.7%). The combined ratio has decreased due to lower operating expenses.

Supplementary health insurance policies account for €29 million of the operational result (H1 2016: €20 million). The operational result for the current underwriting year is more or less stable at €23 million (H1 2016: €24 million). The incidental result from previous underwriting years of €6 million (H1 2016: -€4 million) is better, due to lower than expected expenses for dental care.

The combined ratio of supplemental health insurance policies improved to 95.0% (H1 2016: 96.2%) due to the positive result from previous years and a higher number of insured.

Pension & Life Netherlands

- Implementation of closed-book strategy results in sharp decrease in expenses
- Strong growth of 18% in gross written premiums for term life insurance

RESULTS

(€ MILLION)

	H1 2017	H1 2016	Δ
Gross written premiums	882	992	-11%
Operating expenses ¹⁰	102	130	-22%
Operational result	102	187	-45%

GENERAL INFORMATION

In line with the establishment of the Centraal Beheer General Pension Fund (APF) in 2016, we made the strategic decision to stop offering pension insurance products. In doing so, we created a (closed-book) Pension service organisation that we are incorporating into the existing (closed-book) Life service organisation. The Pension and Life service organisation focuses on a stable result with positive capital generation. The aim is to retain our high level of customer satisfaction. We continue to operate on the pensions market via our retirement services strategy.

When it comes to new business, we are focusing exclusively on term life insurance policies (ORV) and on individual annuities. These insurance solutions are part of our proposition for retirement services.

Gross written premiums

Gross written premiums decreased by 11% to €882 million during the first six months of 2017 (H1 2016: €992 million).

Regular premiums on Pensions decreased by over 20%. This is a direct consequence of the transition to a closed-book strategy for this portfolio, whereby no new pension insurance contracts have been sold or existing contracts extended.

The lapse in our closed-book life insurance portfolio is at a comparable level to last year, at 7.6%. The decline of our portfolio size due to surrender and expiration is moderate and in line with our expectations.

Premiums from single-premium insurance policies decreased by 7.9% due to lower business from individual pension annuities and the termination of pension contracts in line with the transition to a closed-book strategy. Business from life annuities has increased.

Gross written premiums from term life insurance increased further by 18% to €24 million (2016: €20 million). Our market

share of new sales increased to approximately 25% in the first half of 2017 (H1 2016: 22%).

Operating expenses

Operating expenses for the first half of 2017 decreased by 22% to €102 million (H1 2016: €130 million). This sharp drop is the result of the transition to a closed-book strategy for this pensions portfolio. This transition results in lower sales and product expenses. Furthermore, we have simplified the organisation by reducing the number of systems, enabling us to reduce the number of jobs. As a result, we could accelerate the reduction in our structural operating expense base much quicker.

Operational result

The operational result for the first half of 2017 decreased to €102 million (H1 2016: €187 million). This decline is the result of a lower technical result and lower returns on investments combined with a decrease in operating expenses.

The technical result has been affected by the addition to the provision for waiver of premiums in the case of disability. Closer analysis based on the estimated number of disabled employees in the market has shown that not all the disabled policy holders are known to us. Therefore, we have created an additional provision for waiver of premiums.

The investment result declined by €68 million due to lower commodity prices and swap spread tightening in respect of a part of the investment portfolio, whereby the associated insurance liabilities are valued at market interest rates. This decrease was partially offset by positive revaluations for real estate and an increase in the value of convertibles in line with the higher equity market.

Retirement services Netherlands

- Inflow of new customers into Centraal Beheer APF
- Result structurally improved due to higher income and lower expenses
- Servicing of mortgage portfolio successfully transferred to Quion

RESULTS

(€ MILLION)

RETIREMENT SERVICES TOTAL	H1 2017	H1 2016	Δ
Total Income	140	129	9%
<i>Of which: administration and management fees</i>	80	79	1%
Operating expenses	136	142	-4%
Operational result	4	-13	n.b.
BANKING ACTIVITIES (ACHMEA BANK)			
Net interest margin	48	53	-9%
Fair value result ¹¹	4	-4	n.m.
Operating expenses	49	49	0%
Movements to loan loss provisions ¹²	-1	1	n.m.
	30-6-2017	31-12-2016	
Common Equity Tier 1 ratio	19,1%	19,1%	0,0%-pt

(€ BILLION)

ACHMEA INVESTMENT MANAGEMENT	30-6-2017	31-12-2016	
Asset under management ¹³	117	116	1

GENERAL INFORMATION

Changes to the pension system are resulting in new ways to save for retirement. Via the Centraal Beheer General Pension Fund (APF), Achmea provides an alternative to pension insurance in the second pillar of the Dutch pension system. The additional products and services provided by Achmea Investment Management and Achmea Bank for the third and fourth pillars of the pension system mean that Achmea provides an overall solution for asset accumulation for retirement via the strong Centraal Beheer brand.

The introduction of the new retirement services strategy in 2016 involved start-up and investment expenses. These expenses are lower in 2017. At the same time, we have also reduced operational expenses. Over the past six months, the servicing of Achmea Bank's mortgage portfolio has successfully been transferred to Quion. We are also preparing a migration to a new savings system. In line with our decision in 2016, we are further reducing non-profitable administrative services to mandatory sectoral pension funds.

OPERATIONAL RESULT

The operational result for retirement services amounted to €4 million (H1 2016: -€13 million).

BANKING ACTIVITIES

The operational result from banking activities was €13 million over the first six months of 2017, compared to a break-even result over H1 2016.

The result was affected by a number of exceptional items, including the release of loan provisions on some loans in the run-off credit portfolio. The fair value result due to the use of derivatives in relation to Achmea Bank's mortgage portfolio contributed positively to the result in the first half of 2017 due to interest rate developments. The net interest margin declined due to a lower contribution from pre-payments of mortgages.

Corrected for these exceptional items, the result increased autonomously to €6 million (H1 2016: €1 million). This is due on the one hand to higher income from fees from management of the mortgage portfolio serviced on behalf of Achmea Pension

Retirement services Netherlands

and Life. On the other, this derives from the release of loan provisions on the regular portfolio as a result of higher house prices and due to lower income from interest on the liquidity portfolio. The Common Equity Tier 1 ratio amounted to 19.1% as of 30 June 2017, unchanged compared to the ratio as of 31 December 2016.

INVESTMENT MANAGEMENT

As of 30 June 2017, assets under management (AuM) totalled €117 billion (31 December 2016: €116 billion). The AuM has increased due to the inflow of new customers, including the new customers into the Centraal Beheer APF.

Achmea Investment Management's contribution to the segment result has increased by €4 million to €2 million compared to the first half of 2016. The increase is due to higher management fees as a result of the inflow of customers into the Centraal Beheer APF and lower investment costs.

PENSION MANAGEMENT ACTIVITIES

In 2016, Achmea took the strategic decision to reduce administrative services to mandatory sectoral pension funds over the next few years. In the past six months, it decided to accelerate the reduction of these services by means of the agreed migration of five pension funds to Centric. Our aim in doing so is to achieve a higher result more quickly from our pension management activities. In addition to the pension management activities for the Centraal Beheer APF, Achmea focusses on company and occupational pension funds.

Over the first six months of 2017, the operational result of the pension management activities improved slightly due to higher administrative fees from existing pension customers and the inflow of new customers into the Centraal Beheer APF. Operating expenses have decreased due to lower start-up expenses for the services provided to the Centraal Beheer APF.

International

- Use of digital competencies leads to 8% premium growth in local currency
- Operational result nearly stable in spite of continued investment

RESULTS

(€ MILLION)

	H1 2017	H1 2016	Δ
Gross written premiums	615	603	2%
Operating expenses	151	137	10%
Operational result	6	8	-25%

GROSS WRITTEN PREMIUMS PER COUNTRY	H1 2017	H1 2016	Δ
Turkey	181	187	-3%
Slovakia	179	169	6%
Greece	159	155	3%
Ireland	83	85	-2%
Australia	13	7	86%

GENERAL INFORMATION

Achmea operates in five countries outside the Netherlands: Turkey, Slovakia, Greece, Ireland and Australia. We invest in countries where Achmea can achieve competitive advantage and profitable growth in its market share through its core competencies Non-Life and Health, distributed both through the bank and online (direct) channels. We are focusing on further digitisation as well. This enables us to accelerate growth in existing markets and examine opportunities for greenfields in larger markets, including Canada.

Gross written premiums

Gross written premiums increased by 2% to €615 million in the first half of 2017 (H1 2016: €603 million), mainly driven by growth in our Non-Life and Health activities. Adjusted for currency effects, the total growth rate is 8%.

Gross written premiums amounted to €181 million in Turkey in the first six months of 2017 (H1 2016: €187 million). Expressed in Turkish Lira, gross written premiums increased by 17% to TL711 million (H1 2016: TL610 million) as a result of growth in all market segments. This has also increased our market share further. Premiums from the online channel, set up together with our bank partner Garanti Bank, show the highest growth.

A recent development in Turkey is the introduction of a legal maximum premium for motor liability insurance. This is putting pressure on margins in this insurance product. However, the small market share in this segment means that the impact is small for Eureko Sigorta.

In Greece, our total gross written premiums increased further to €159 million (H1 2016: €155 million). We have increased our market share in a declining Greek Non-Life insurance market and a Life insurance market showing slight growth. This is partly due to the growth of our direct online insurance brand Anytime, where the number of customers has increased by 9% to 280,000 (H1 2016: 258,000).

Our online channels are also showing sharp growth in Slovakia. Gross written premiums in our Slovakian business increased by a total of 6%, to €179 million (H1 2016: €169 million). In the Non-Life business, gross written premiums growth stood at 14%.

In the first six months of 2017 the sharp growth in APE (Annual Premium Equivalent) continued in Ireland. In a stable market, APE in our Irish life insurance business increased by 22% to €42 million (H1 2016: €34 million).

Finally, in Australia, we launched a unique new distribution concept together with Rabobank, resulting in a doubling of the gross written premiums to €13 million. This is partly a result of high customer satisfaction, allowing us to achieve a high retention rate of 97% within the existing portfolio.

Operating expenses

Operating expenses totalled €151 million (H1 2016: €137 million). The higher expenses over the first half of 2017 are the result of a combination of higher distribution expenses and a higher number of jobs required for achieving higher gross

International

written premiums. Expenses have also increased due to higher investment in the digital growth strategy and orientation on new growth markets.

Operational result

The operational result amounted to €6 million (H1 2016: €8 million). The result has been affected by higher investment in accelerating growth and new markets, adverse weather conditions in Australia and the decrease in value of the Turkish Lira.

Other Activities

- Improved results due to higher earnings from other operating companies and lower expenses
- Assets under management of Syntrus Achmea Real Estate & Finance increase to €18.9 billion

RESULTS

(€ MILLION)

	2017	2016	Δ
Total gross income	224	413	-46%
Operating expenses	113	207	-45%
Interest expenses	30	31	-3%
Operational result	-22	-101	-78%
ACHMEA REINSURANCE			
Gross written premiums	168	349	-52%
Operational result	22	6	267%

GENERAL INFORMATION

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

Results

The result of the Other Activities segment are to a large extent determined by the holding company expenses which are not allocated to the other segments, interest costs, and the results of the other operating companies. In the first six months of 2017, the operational result was -€22 million (H1 2016: -€101 million). The improved result is due to result improvements at the other operating companies and lower expenses, of which about €25 million is of an incidental nature, for personnel, IT and office expenses. The phasing out of Staalbankiers activities has also contributed to the improved results. Achmea Reinsurance, Syntrus Achmea Real Estate & Finance and Independer all added positively to the result.

ACHMEA REINSURANCE COMPANY

As Achmea's reinsurance expert, Achmea Reinsurance has three roles: advisor, purchaser and risk carrier. In its role as group reinsurer and risk carrier, Achmea Reinsurance mainly provides reinsurance cover for the legal entities within Achmea. In

addition, Achmea Reinsurance has built an external reinsurance portfolio for the purpose of diversification and profit contribution to Achmea.

The operational result increased to €22 million during the first six months of 2017 (H1 2016: €6 million). The increase is due to higher technical results and an improved investment result due to realized gains. In the first six months of 2016, the result was strongly affected by the severe hailcalamity (impact: €7 million).

Gross written premiums decreased by €181 million during the first half of 2017 compared with the same period in the previous year. This is mainly due to the restructuring of the incoming reinsurance programme in Life, in relation to Solvency II and external market factors. Moreover, the renewal date for group reinsurance contracts has been moved from 1 January to 1 July.

SYNTRUS ACHMEA REAL ESTATE & FINANCE

The assets under management in real estate holdings and mortgages increased to €18.9 billion (2016: €18.1 billion). The increase is mainly due to an increase in mortgages issued. We welcomed several new customers in 2017. On balance however, the number of customers has declined slightly as a result of mergers between pension funds.

The further growth in the investment portfolio has increased income. The management fee increased to €33.2 million (H1 2016: €30.1 million).

Footnotes

* N.M.: not meaningful

Group results

Key figures

- 1) *Gross operating expenses refers to Operating expenses in the Consolidated Income Statement, before allocation to claims handling, less acquisition costs and commission costs.*
- 2) *The operational result is calculated by adjusting the profit before tax for certain items. These are items within income and expenses which are significant and which arise from events or transactions which are clearly distinct from the normal business activities, and are therefore not expected to occur regularly. Examples of such items include exceptional depreciation losses from goodwill and pre-tax results from disinvestments related to disinvestment operations.*
- 3) *As of 1 January 2017, one FTE is based on a full working week of 36 hours. Comparative figures have been adjusted accordingly.*

Investments

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

Financing

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

Non-Life & Income

- 6) *Adjusted for technical interest and the market value interest rate effects of a sub-portfolio*
- 7) *BeZaVa: Restriction of Absenteeism and Disability Safety Net Act*

Health Netherlands

- 8) *The incidental result refers to earnings from health expenses and/or equalisation from previous underwriting years and allocations to a provision for losses.*
- 9) *Ratio of policyholders with basic insurance who also have supplemental insurance*

Pension & Life Netherlands

- 10) *Excluding premium-related fees for reinsurance premiums*

Retirement Services Netherlands

- 11) *The fair value result is an accounting result that is compensated for in other financial periods and moves towards an average value (PAR) as underlying derivatives (used to restrict interest rate risk) approach maturity.*
- 12) *The allocation to the loan provisions is excluding allocations from specific run-off loan portfolios.*
- 13) *The Assets under Management (AuM) include a derivatives (overlay) portfolio.*

Achmea has prepared its condensed consolidated interim financial statements for H1 2017 in accordance with IAS 34, Interim Financial Reporting and Applicable Interpretations, as effective on 30 June 2017 and as adopted by the European Union, In preparing the financial data contained in the press release, the same accounting principles were used as for the condensed consolidated interim financial statements for 2017, Pricewaterhouse Coopers Accountants N,V, has issued an unqualified review opinion on the Condensed Consolidated Interim Financial Statements 2017, These condensed consolidated interim financial statements 2017 were published on 17 August 2017 and are available on achmea.com (english version is available as of 22nd of August 2017). In the event of any discrepancies between the Dutch and English versions of this press release, the Dutch version will take precedence.

Please note: numbers may not sum to totals due to rounding,