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Achmea Pensions & Life

Capital Markets Day
June 1, 2017

**DELIVERING TOGETHER: BUILDING
ON IMPROVED FUNDAMENTALS**

achmea 

KEY MESSAGES

- Run off Pension & Life insurance is important for Achmea
- Pension & Life insurance will provide a stable long-term income
- By unlocking the potential for further cost efficiency there is even more upside
- Achmea has a track record with running a closed book (complexity & cost)
- With motivated employees we will provide good service to our clients

PROGRAMME



Key messages



Introduction



Clients



Expenses



Closing

INCREASE IN RESULT PENSIONS & LIFE RESULTING FROM INTEGRATION OF CLOSED-BOOKS

Closed-book

- Closed-book life and pensions focuses on further reducing expenses and FTE
- Further value enhancements will be explored
- Impact of expense reduction more than compensating for the financial impact of the decline in the Pension & Life portfolios
- Transition of clients towards APF strengthens result retirement services

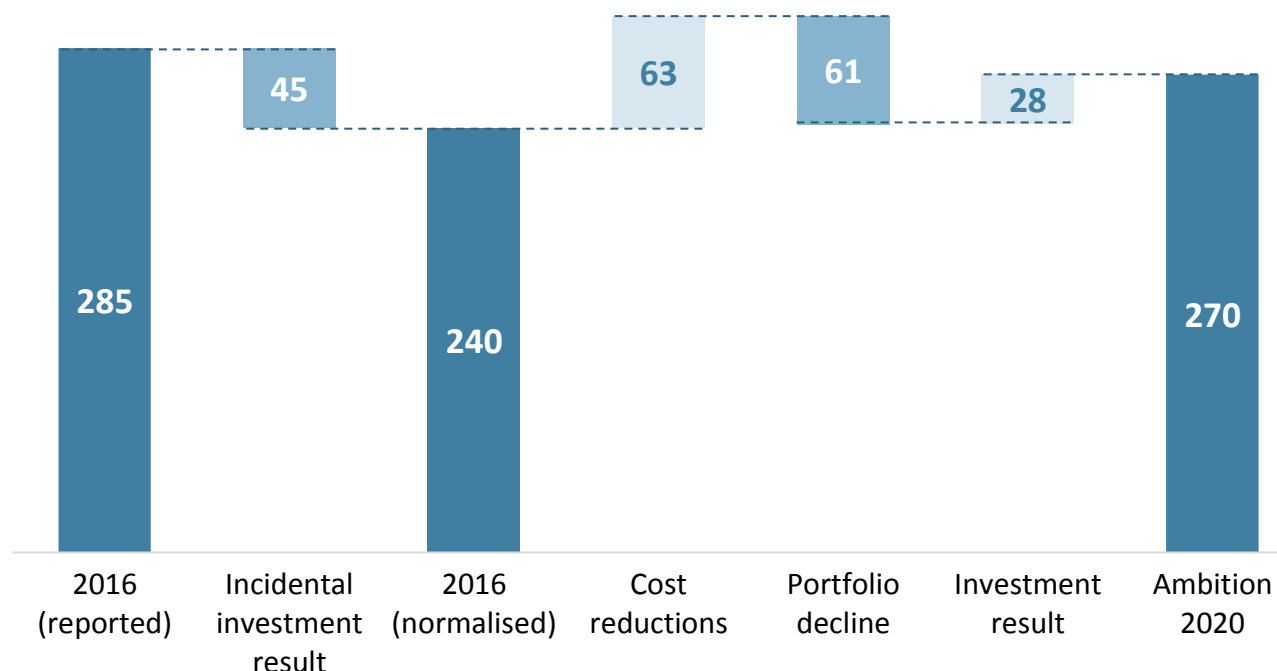
Investment Income

- Increase as a result of portfolio optimisation

Open-book

- Market leadership maintained in term life with 25% market share
- Strong increase in number of term life policies to 480,000 on the back of solid housing market and banking distribution

Ambition operational result
2016-2020, in € million



PENSION AND LIFE INSURANCE AS PART OF OUR STRATEGY FOR RETIREMENT SERVICES

Based on our market assessment we have chosen to

- Set up a General Pension Fund (APF) and focus on Company Pension Funds (OPF) via Syntrus Achmea
- Invest in systems and processes of Achmea Bank and Achmea Investment Management
- Target markets for Retail & Wholesale SME/Corporate

Our proposition is live and gaining traction

- Centraal Beheer brand in all 3 pillars
- Centraal Beheer APF 2nd position in the market in Assets under Management (AuM)
- Growth of the mortgage and savings portfolio and AuM of Achmea Bank and Achmea IM

We transform Pensions & Life into a service organization

- Closed-book Life insurance and Closed-book Pensions
- Limited Open book in Term Life insurance & Annuities, as building blocks of the retirement services strategy

THE RATIONALE FOR CLOSING THE BOOK OF PENSION INSURANCE

From a market and customer point of view

- Guarantees of traditional Defined Benefit (DB) schemes are too expensive and volatile (IAS 19)
- Defined Contribution (DC) schemes better fit their needs
- Employers and government are stepping back
- Fierce competition in the market

From a financial point of view

- Stop selling products with long term DB liabilities and negative Value of New Business (VNB)
- Don't invest twice in a DC proposition, only via APF
- Decreasing liabilities mean:
 - Release of risk margin over time => generates profit and free capital
 - Reduction of required capital over time => release of SCR => SII ratio improvement and free capital generation
- Achmea chooses for a capital light retirement services strategy based on asset accumulation and will manage the pension business as a closed book optimizing profitability and free capital

SNAPSHOT PENSION AND LIFE INSURANCE

Pension & Life

GWP

| | |
|---------------|---------|
| Pension | € 617 m |
| Life | € 898 m |
| GWP Annuities | € 236 m |
| GWP Term Life | € 43 m |

Market share GWP Life¹

14% (2nd in NL)

Market share GWP Pension¹

10% (6th in NL)

Operational result

| | |
|-----------|---------|
| Interest | € 257 m |
| Technical | € 136 m |
| Cost | € -99 m |
| Other | € 9 m |

Total cost²

€ 224 m

Balance sheet

| | |
|---------------------|---------|
| AuM | € 52 bn |
| ▪ Own risk | € 36 bn |
| ▪ Risk policyholder | € 16 bn |
| Other assets | € 2 bn |

2016

€ 1,794 m

€ 617 m

€ 898 m

€ 236 m

€ 43 m

14% (2nd in NL)

10% (6th in NL)

€ 285 m

€ 257 m

€ 136 m

€ -99 m

€ 9 m

€ 224 m

€ 54 bn

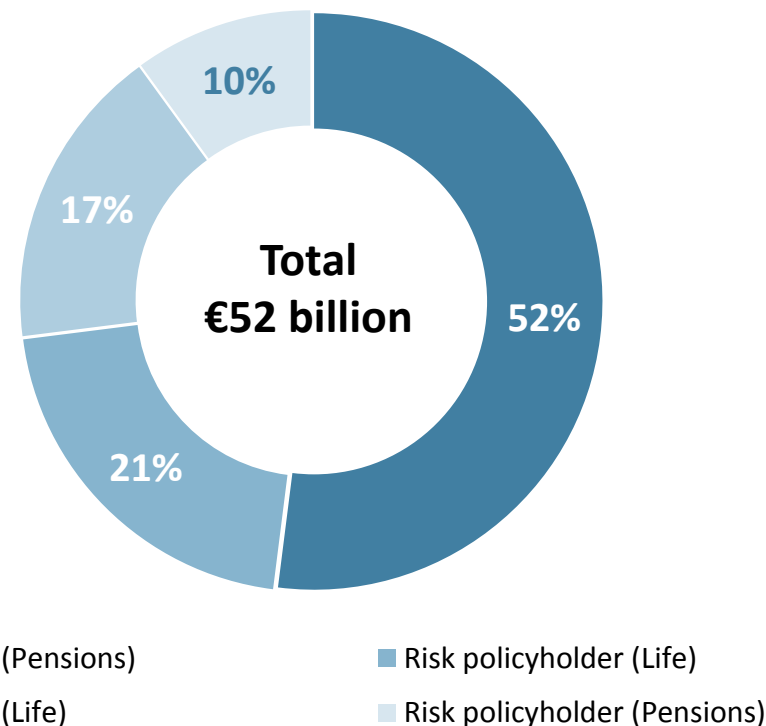
€ 52 bn

€ 36 bn

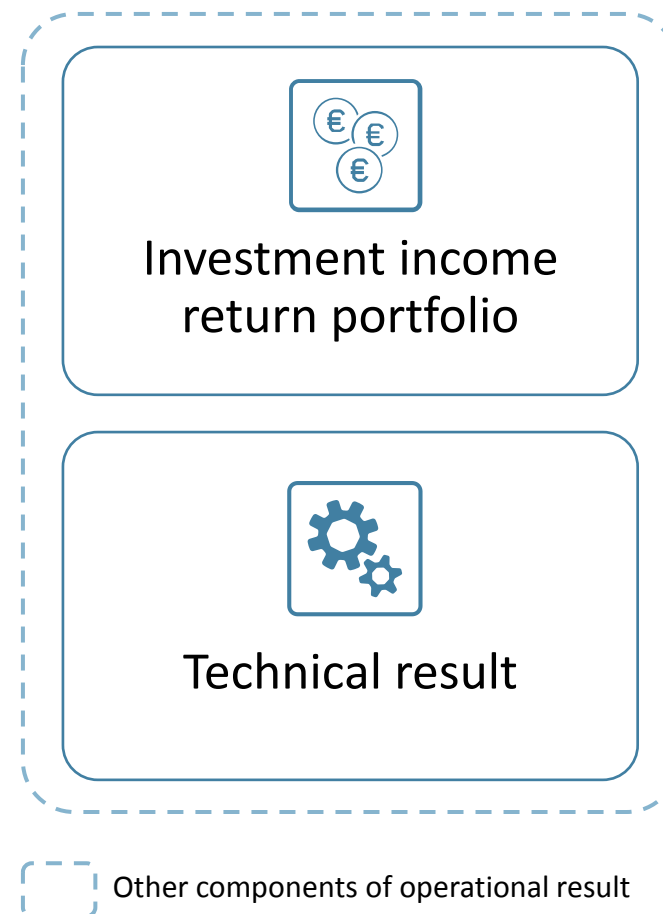
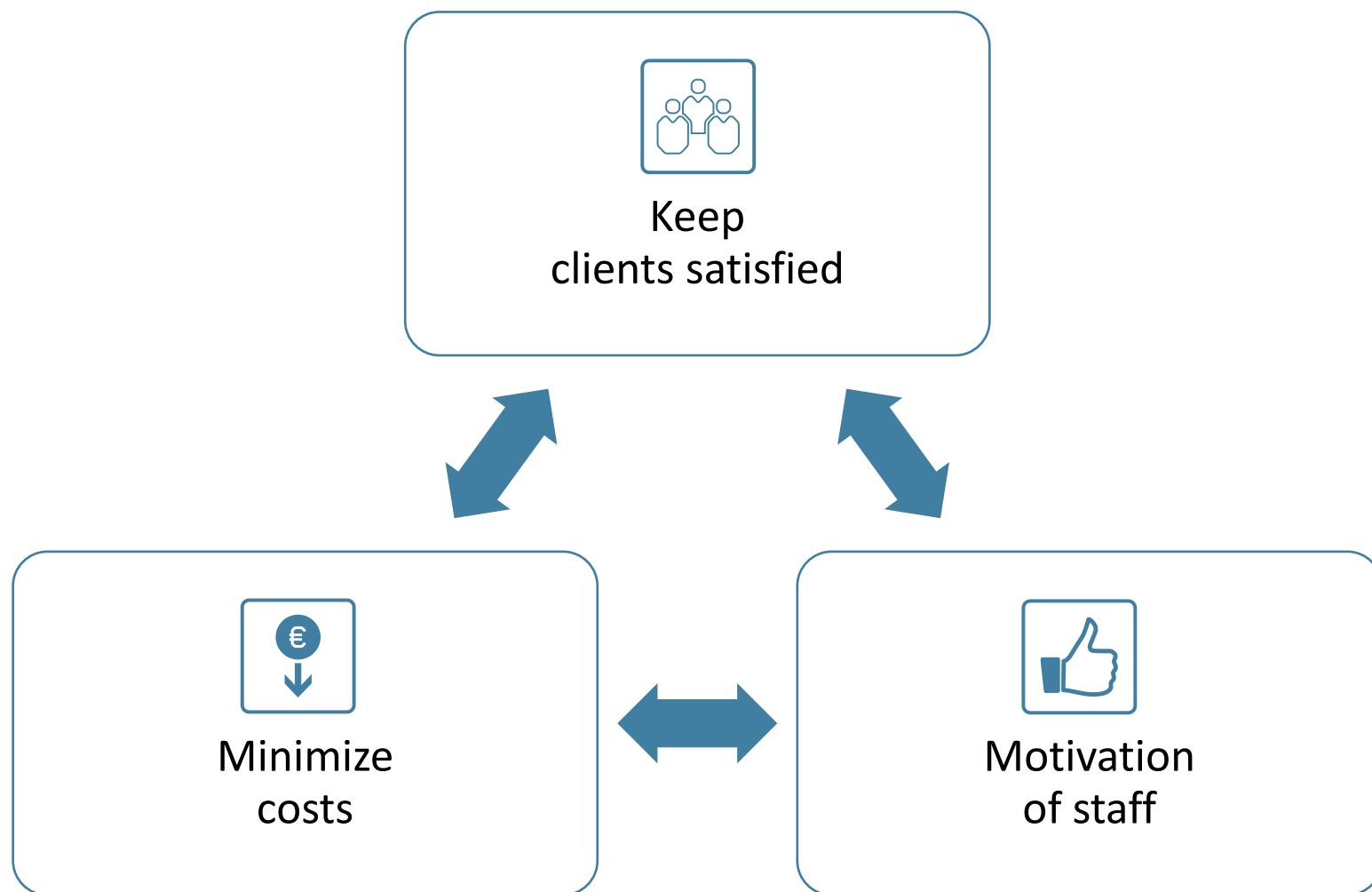
€ 16 bn

€ 2 bn

Assets under Management 2016



KEY PARAMETERS FOR MANAGING A CLOSED BOOK



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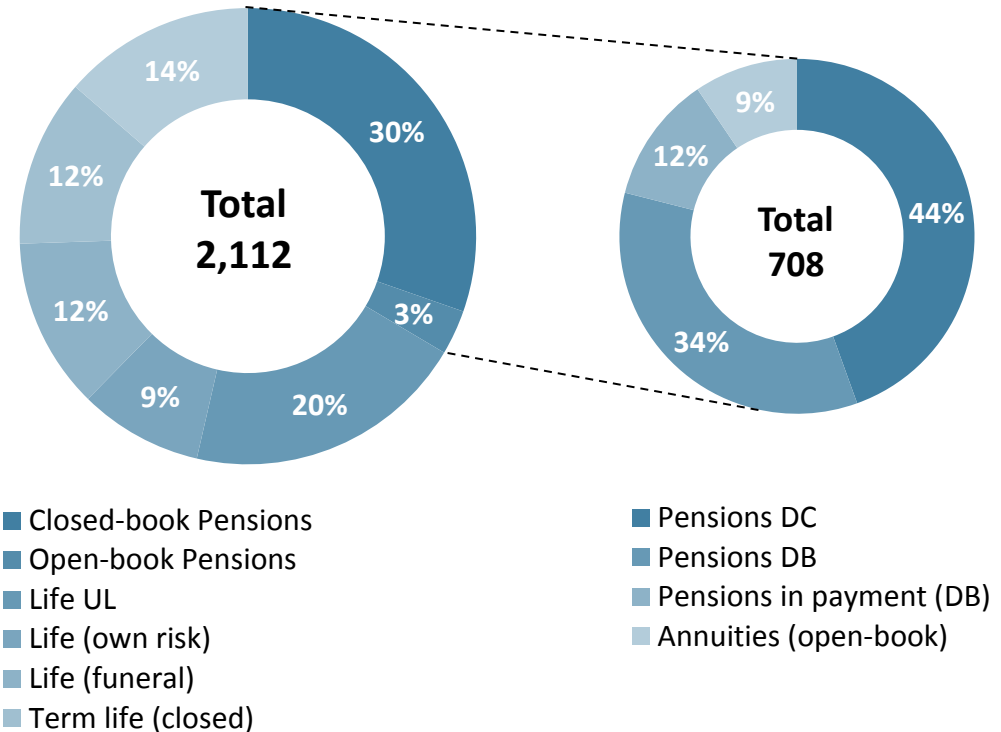
SNAPSHOT OF THE CURRENT PORTFOLIO

Number of policies

Pensions & Life, in '000

| Pensions | | 2016 |
|---------------------------------------|--------------|---------------|
| Closed-book Pensions | | 641 |
| Open-book Pensions (annuities) | | 67 |
| Total Pensions | 708 | |
| Life | | |
| Closed-book Life | | 1,116 |
| Open-book Life (new term Life) | | 288 |
| Total Life | 1,404 | |
| Total number of policies | | 2,112 |
| Contracts/Employers (Pensions) | | ~7,000 |

Number of policies
Pensions & Life, in '000



PORTFOLIO DEVELOPMENT: FOR THE NEXT DECADES WE SERVE OUR CLIENTS: A SOURCE OF LONG-TERM INCOME AND FREE CAPITAL GENERATION

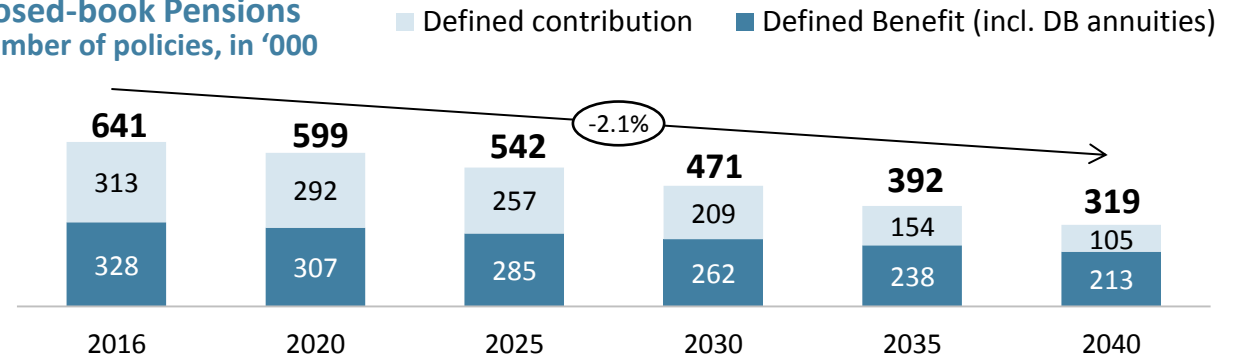
Pension

- New business stopped in 2016
- Existing business not renewed, respecting contract boundaries
- GWP pension decreases fast (2016 €617 million, 2021 €32 million)
- Lifelong payments cause a long term run off

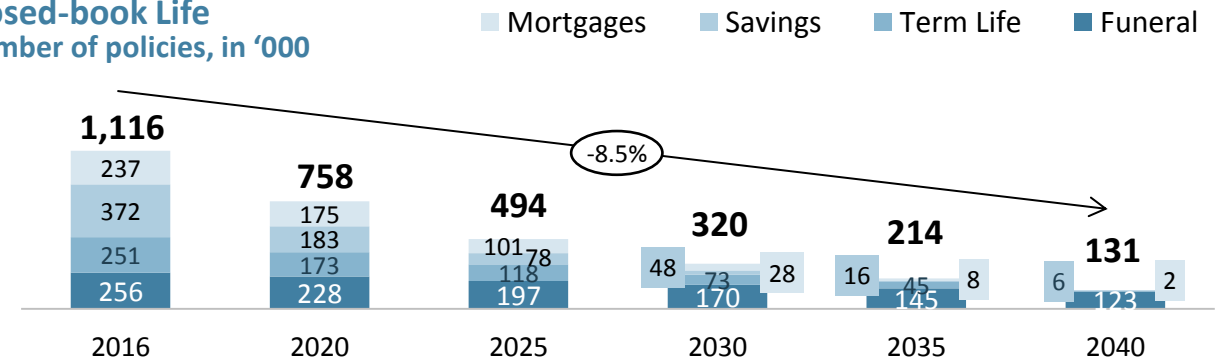
Life

- New business stopped as of 2013 (except new Term-Life)
- GWP life decreases much slower than GWP of pension book (2016 €898 million, 2021 €211 million)
- Funeral insurance has the highest duration, leaving mainly mortality risk in the portfolio which diversifies with the longevity risk of the pension book

Closed-book Pensions
Number of policies, in '000



Closed-book Life
Number of policies, in '000



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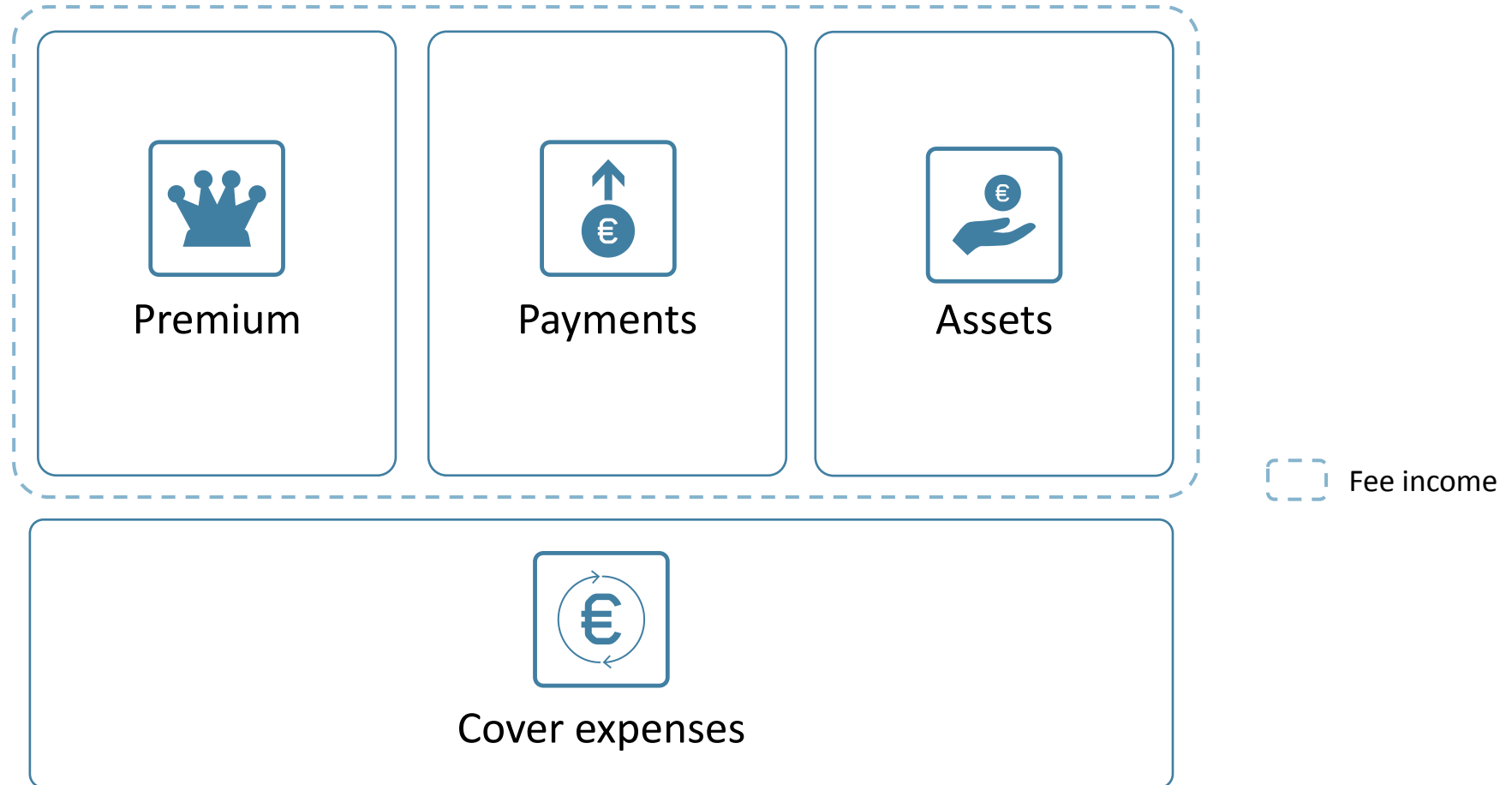


Expenses



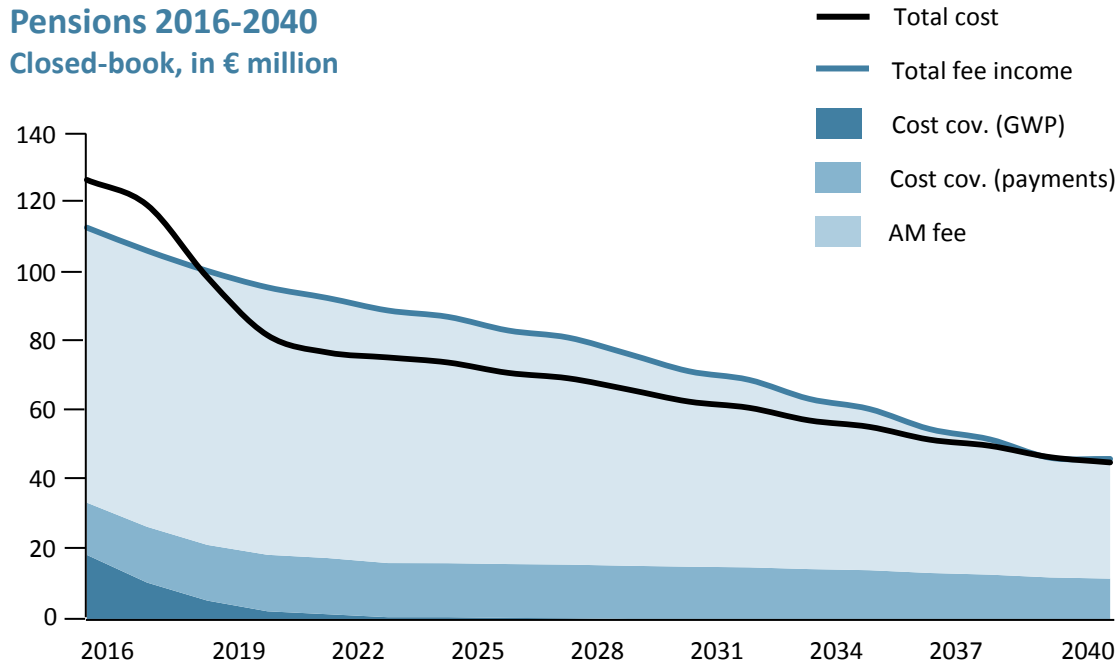
Closing

WE MANAGE THE CLOSED BOOK AS A FEE BASED SERVICE ORGANISATION

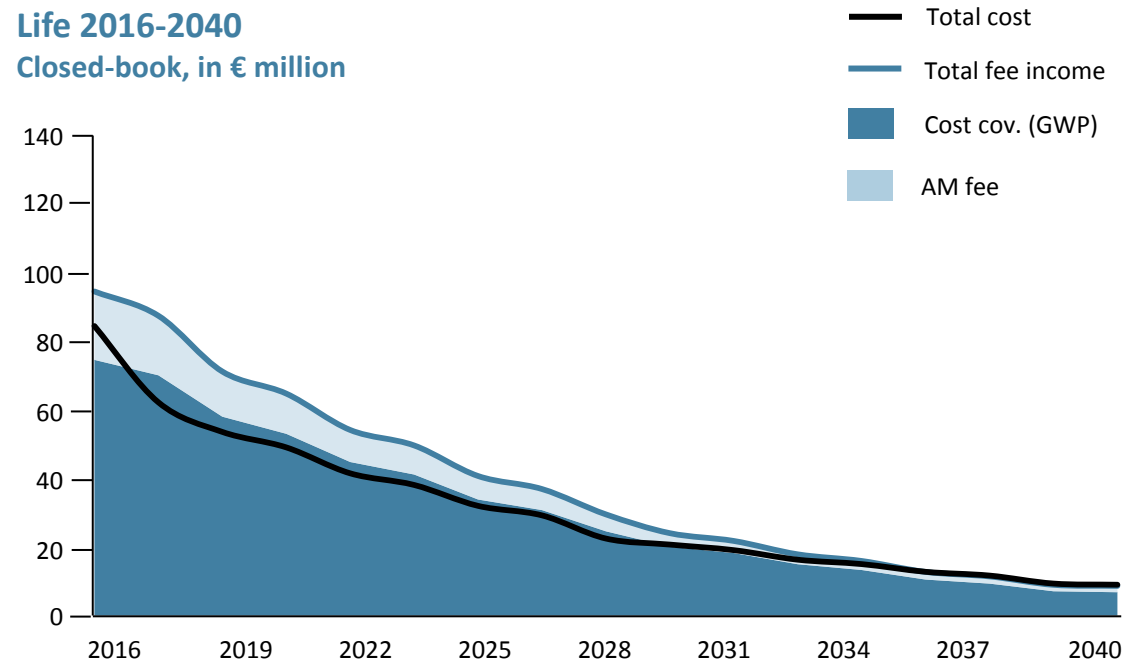


FINANCING THE CLOSED-BOOK, DIFFERENT PICTURES FOR PENSIONS & LIFE: FOR PENSIONS COST LEVEL HAS TO BE REDUCED TOWARDS INCOME FROM FEES

Pensions 2016-2040
Closed-book, in € million



Life 2016-2040
Closed-book, in € million



- Coverage from GWP will decline to close to zero in 5 years time
- Opposite is true for the release from payments¹
- Cost coverage from assets relatively high and lasts long
- Cost level will be aligned with cost coverage as result of implemented measures

- The coverage (GWP) coming from our life book is substantial for a long period
- Cost coverage from assets relatively limited
- Achmea Life book has a balance between cost and cost coverage

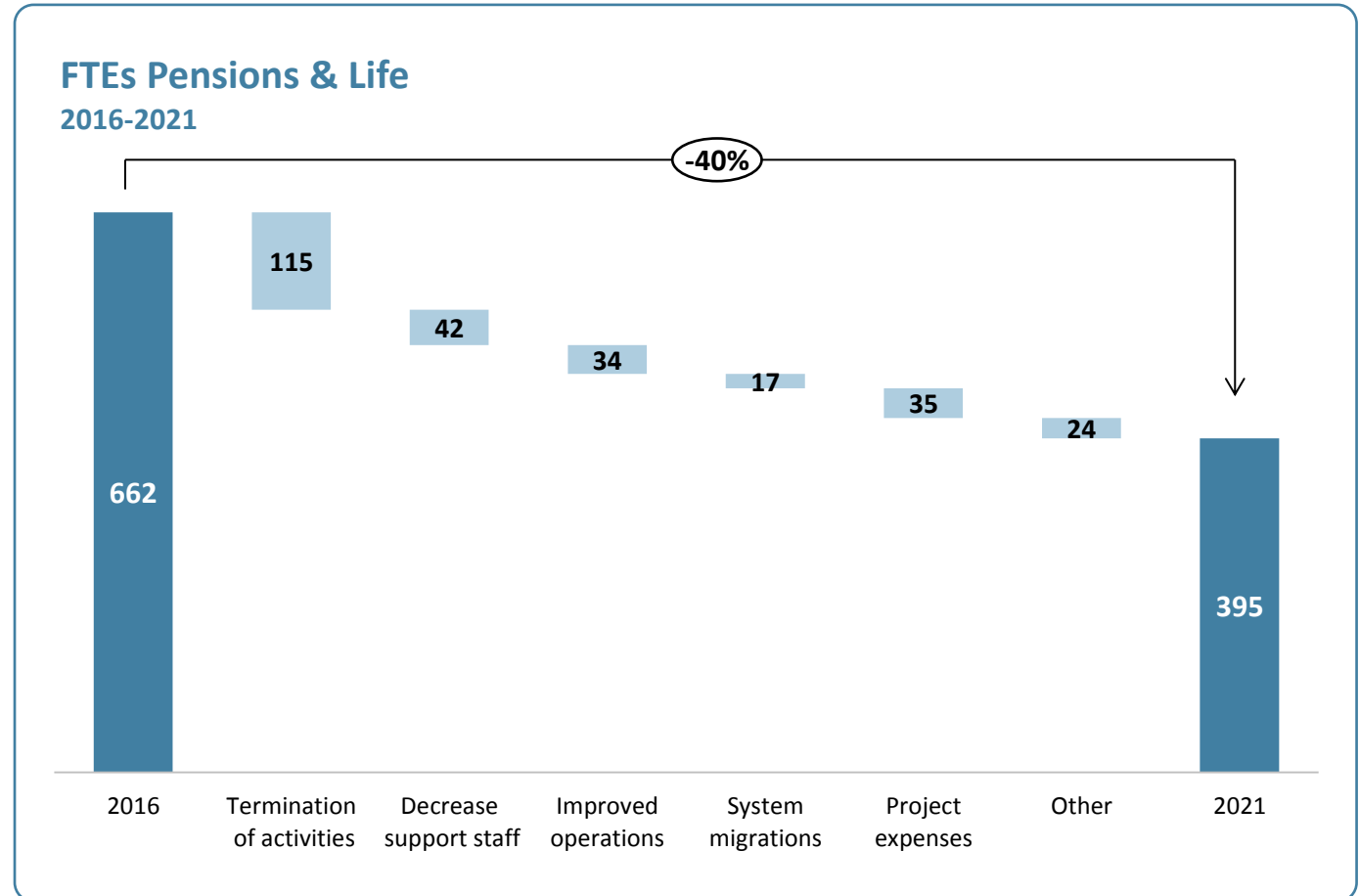


¹ Excluding financing costs, including reorganization costs

WE WILL EXECUTE > 15 INITIATIVES TO MANAGE OUR EXPENSE LEVELS DOWN: OUR MEASURES WILL LEAD TO A REDUCTION OF APPROX. 270 EMPLOYEES IN 5 YEARS TIME

Our top initiatives

- We combine Pension & Life organisations in one operating entity which allow us to:
 - Terminate activities: less 'active' participants leads to less activities to execute
 - Decrease support staff: according to decrease of Operations- FTE less workload for staff
 - Improve operational processes (e.g. robotics): higher performance of supporting systems leads to less necessary workforce
 - Increase efficiency and reduce the number of systems
 - Decrease project expenses: main goal is focus on projects for laws & regulations only
 - Other initiatives: e.g. less special projects

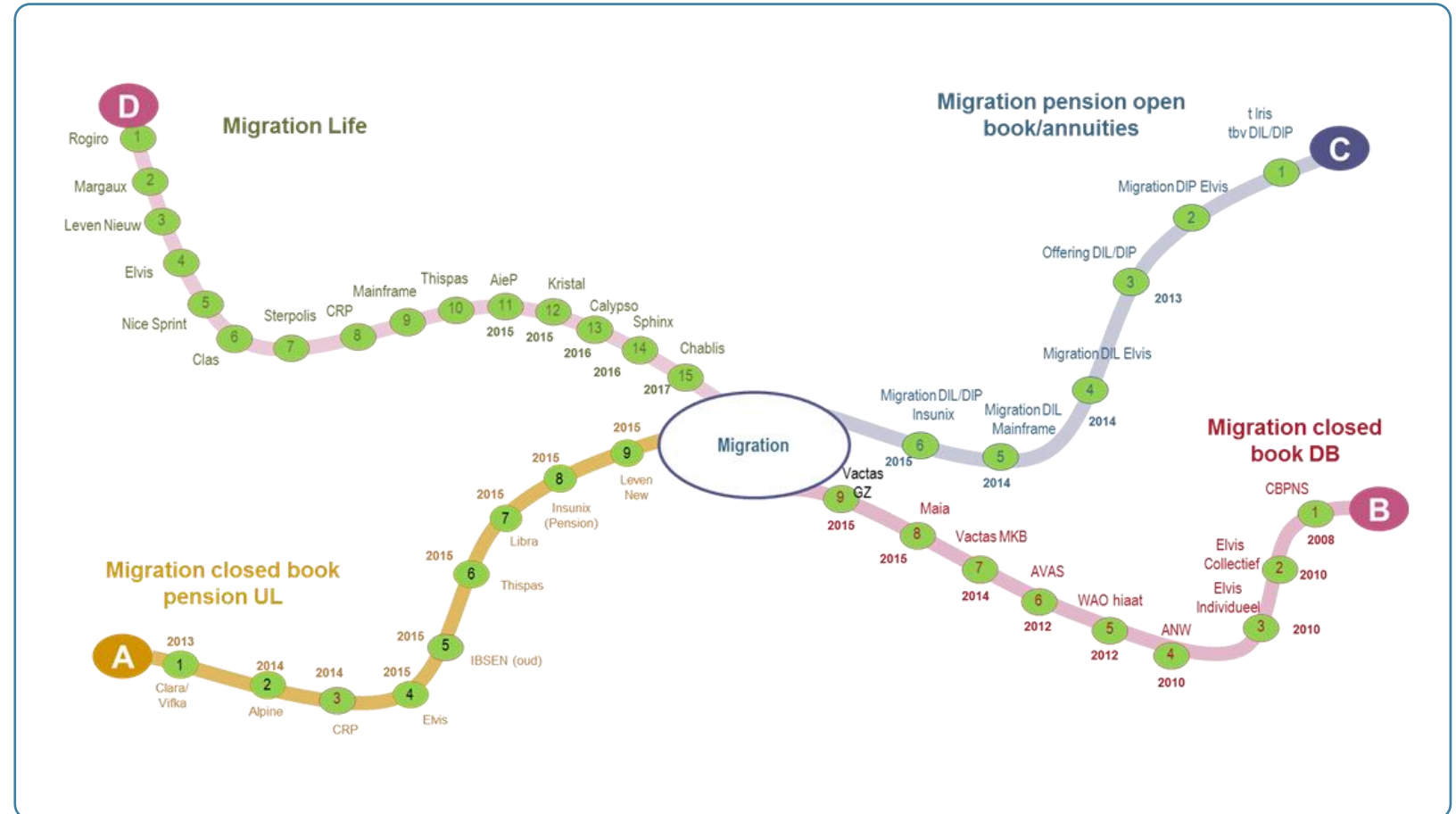


WE HAVE A STRONG TRACK RECORD: SUCCESSFUL MIGRATIONS ENABLE US TO MANAGE OUR PORTFOLIO EFFICIENTLY

Results

- We have replaced multiple legacy systems
- We have achieved significant complexity and cost reductions
- Future adjustments due to new regulations can be made at lower costs levels
- Customer service has improved

As of 2013 via ~40 migrations towards 5 basis systems at the end of 2017



WE HAVE A STRONG TRACK RECORD: EXPENSES WERE CUT DOWN RIGOROUSLY IN PREVIOUS YEARS

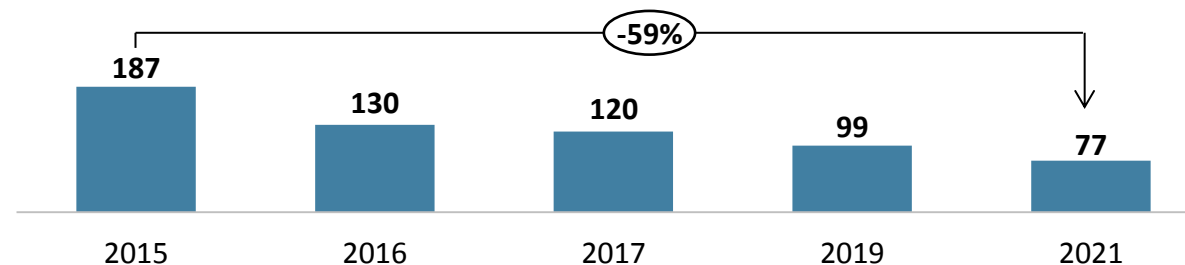
Pension

- Main drivers lower expenses 2015 & 2016 are:
 - Integration two divisions (e.g. staff)
 - Reduction of Operations related to workload
 - Finalise cost reduction program simplification IT/location/processes

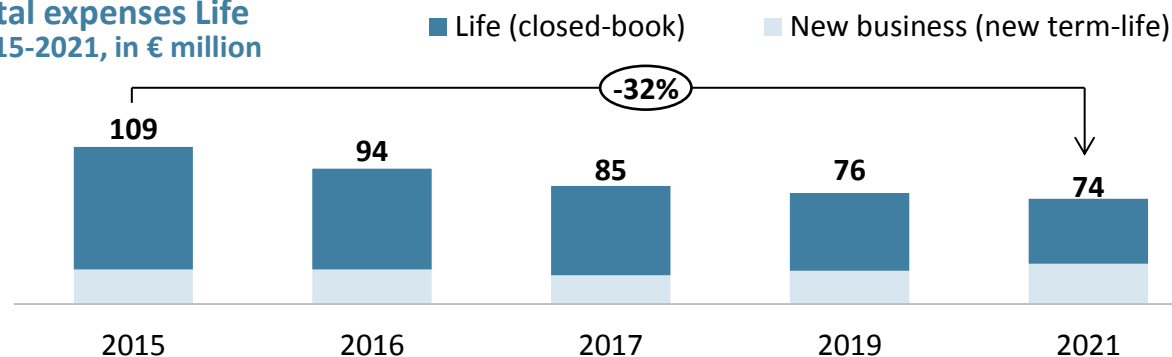
Life

- Main drivers lower expenses 2015 & 2016 are:
 - Efficiency-improvement & workload
 - Restructuring the organisation

Total expenses Pensions
2015-2021, in € million



Total expenses Life
2015-2021, in € million

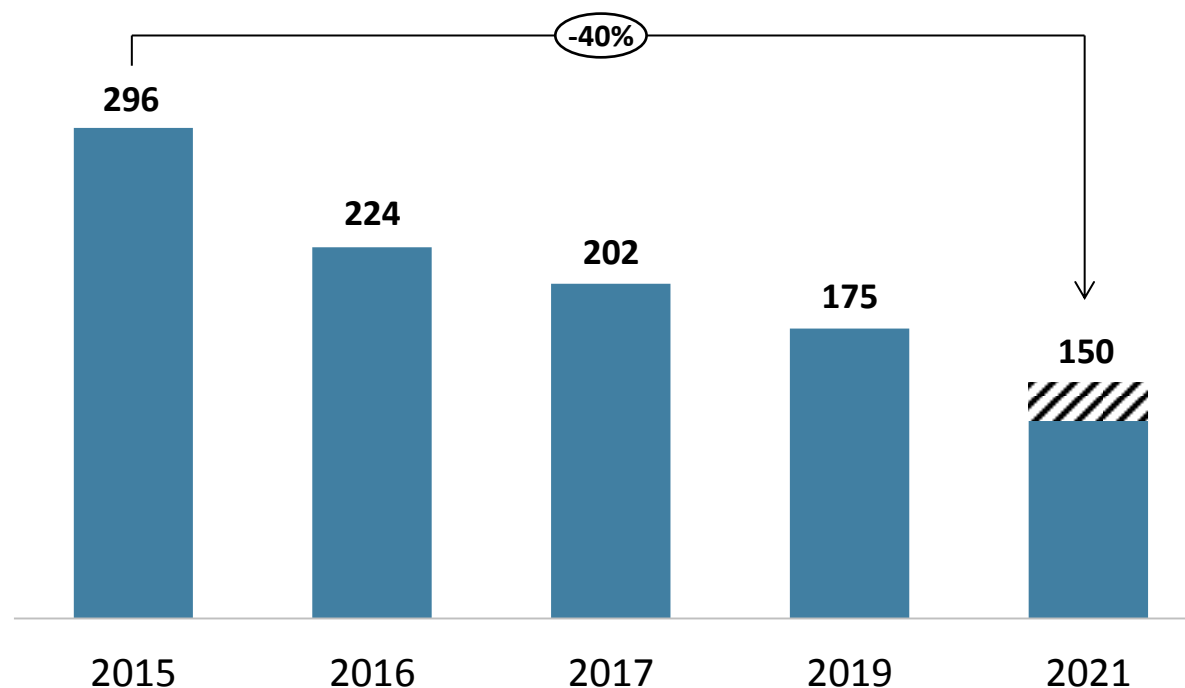


COST SHOULD DECREASE FURTHER: THERE IS AN UPSIDE POTENTIAL LEFT

Current situation

- Cost numbers are realistic
- In line with our ambition, we aim to further reduce our expenses
- This will increase the Solvency II ratio and free capital generation
- Unlocking this potential is the next challenge

Total expenses Pensions & Life
2015-2021, in € million



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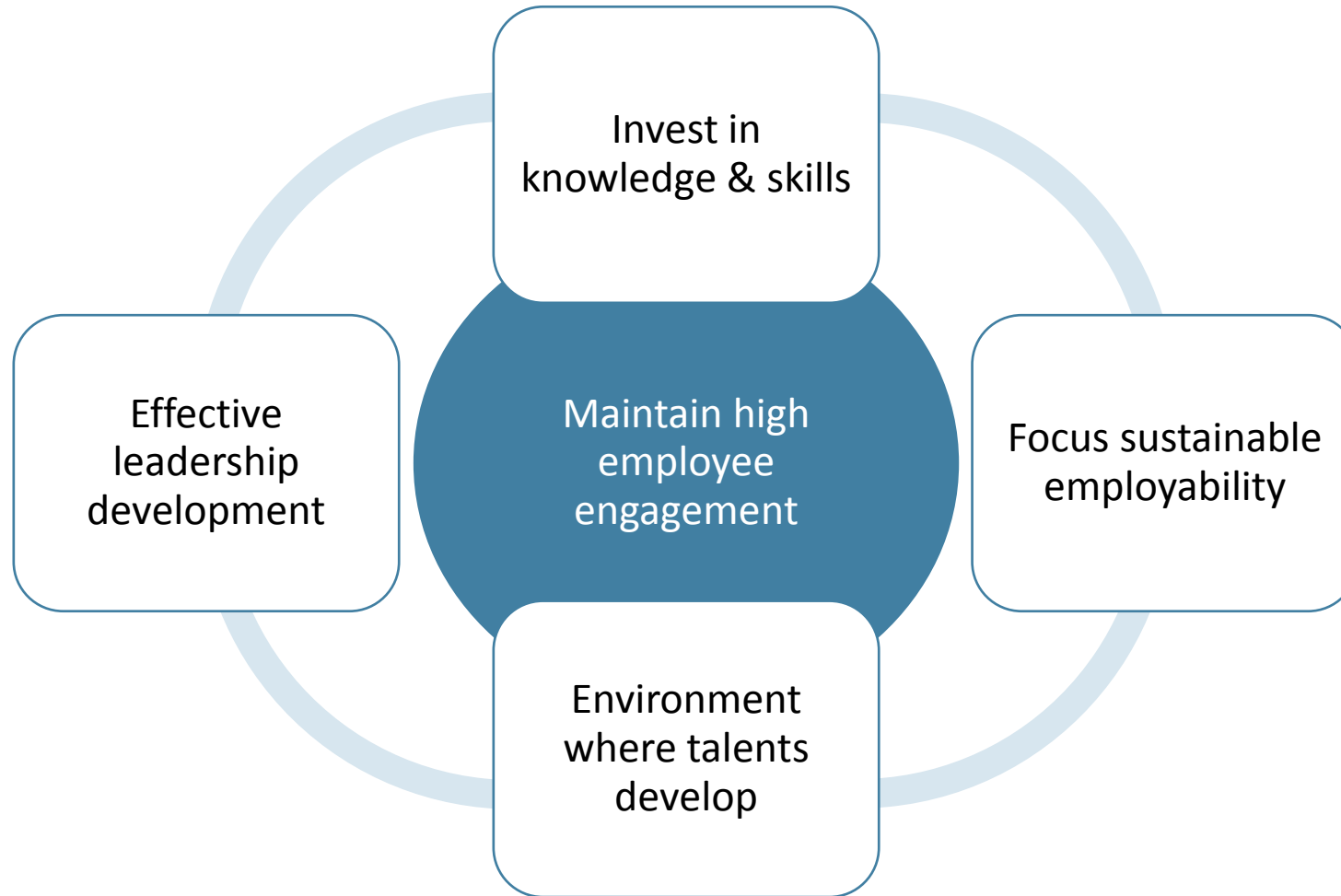


Expenses



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WITH MOTIVATED EMPLOYEES WE WILL PROVIDE GOOD SERVICE TO OUR CLIENTS



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