

14 March 2017 – Achmea Annual Results 2016

## Exceptional items impact result, fundamentals improved

- Achmea posts negative net result of €382 million (2015: €386 million positive)
- Achmea allocates €434 million to limit premium increases for customers
- Solvency at 183% before dividend
- Increased market share in highly competitive retail non-life insurance market
- Slight increase in number of health insurance customers
- Increased customer satisfaction as a result of investments in online service
- Fundamentals Achmea improved following completion of Acceleration & Innovation

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### Willem van Duin, Chairman of Achmea's Executive Board

"Achmea closed 2016 with a net loss of €382 million, primarily as a result of extraordinary expenses. The result was influenced by events such as the severe hail storms in June last year, which caused in excess of €300 million damage and affected more than 30,000 of our customers. The use of the Health result to limit the increase in premiums also lowered the result. Looking to the future, we have raised the provisions for personal injury claims and have formed a restructuring provision in connection with further changes to our organisation. Finally, there has been an impairment of goodwill of our Turkish insurance operations. Although it is disappointing to end the year with a loss, over the next few years we expect to benefit from the improvements implemented in recent years.

Last year, we completed our three-year Acceleration & Innovation change programme, which has firmly reinforced the fundamentals of our business. We reduced costs by €390 million. Our gross written premiums are increasing as a result of a growing market share in retail non-life insurance and we are seeing more customers opting to take out health insurance with Zilveren Kruis. Internationally, we are witnessing strong commercial performances. And I am proud of the high NPS scores of our Centraal Beheer, Zilveren Kruis and Interpolis brands and an above-average AFM score of 4.0 for customer centricity on a scale to five. This shows that we have also greatly improved our customer focus.

Our solvency has remained strong at 183% before dividend payments, which means that our customers can be assured that we will also be there for them in the future. New guidelines from De Nederlandsche Bank on how companies should calculate the loss-absorbing capacity of deferred taxes (LAC DT) and the legislative proposal relating to restricting the capital of health insurance companies may have an impact on our solvency.

The changes in our group demand much from our employees. We are changing how we work and that calls for employees to adapt accordingly, and for some of our staff, it means that their work has ceased to exist. Since the start of the Acceleration & Innovation change programme, some 3,350 jobs have been reduced in our group and this decline is set to continue over the coming period. We are doing all we can to involve employees whose jobs are uncertain in the change process as early as possible. We are also encouraging everybody to work on their own development and employability. We entered into new agreements for this at the end of last year in our collective labour agreement and social plan.

And we are going further with the innovation of our services as a key focus over the next few years. Our strategy is clear and we will continue to implement it. We will be there in more and more areas that are important for our customers with the insurance policies and services we offer. We are moving from 'compensating for damage or loss' to 'preventing damage or loss' and offering services that make life more pleasant, safer and healthier. Our aim is to be a leading player and to be more and more relevant to our customers."

#### ACHMEA ANNUAL RESULTS 2016 – 14 MARCH 2017

A press conference will take place at 11.00 AM CET

A conference call for analysts is scheduled for 2.00 PM CET

Analysts can dial in using the following number: +31 20 53 15 871

For more information, please visit [www.achmea.com](http://www.achmea.com)

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# Group results

## KEY DATA

(€ MILLION)

RESULTS	2016	2015	Δ
Gross written premiums	19,500	19,922	-2%
Net earned premiums	19,425	19,526	-1%
Operating expenses	2,642	2,633	1%

## BREAKDOWN OF RESULTS

	2016	2015	
<b>Operational result</b>	<b>-323</b>	<b>368</b>	<b>n.m.</b>
Profit before tax	-418	378	n.m.
<b>Net result</b>	<b>-382</b>	<b>386</b>	<b>n.m.</b>

## BALANCE SHEET

	2016	2015	Δ
Total assets	93,015	93,439	-0.5%
Equity	9,782	10,280	-4.8%

## SOLVENCY II

	31-12-2016	01-01-2016 <sup>1</sup>	Δ
Ratio calculated using the Partial Internal Model	181%	196%	-15%-pt

## FTES

	2016	2015	Δ
FTEs (company employees)	14,921	15,412	-3.2%
FTEs (contractors)	2,405	2,842	-15.4%

<sup>1</sup> all footnotes are explained on page 14 of this press release

## OVERALL RESULTS

Due to exceptional charges in 2016, Achmea is ending the financial year with an operational loss of €323 million. The net result is €382 million negative. This includes the goodwill impairment of our Turkish insurance activities with an impact of €93 million. This as a result of economic developments in Turkey that have resulted in a higher risk premium for country risk.

## BREAKDOWN OF NET RESULTS

(€ MILLION)

	2016	2015
Operational result	-323	368
Impairments to intangible fixed assets	-93	
Transaction results from sales	-2	10
Results before tax	-418	378
Taxes	-36	-8
Net result	-382	386

The operational loss for 2016 was €323 million. The operational result of Non-Life Netherlands has been severely impacted by a hail calamity in June (effect €152 million) and higher personal injury claims resulting from changes in laws and regulations (effect: €178 million).

In Health Netherlands medical expenses for underwriting year 2016 are increasing faster than expected. Additionally, the result from previous years is lower in 2016 than in 2015. Also

this year, we will be using a portion of our profits to limit the increase in premiums in 2017 for our health insurance customers (effect: €434 million). The amount of the premium is a key factor when choosing a health insurance policy. Through the annual renewal 2016/2017, we managed to increase our market share slightly and retained our economies of scale. The allocation of profit, however, is not a long-term solution for limiting the premium increase.

In 2016 we also made the decision to switch largely to a closed book for our Pension & Life business in the Netherlands. Lower operating expenses as a result of the closed-book situation and higher investment results have nearly doubled the company's earnings.

The growth of our international activities along Achmea's core competencies: non-life, digital and banking distribution, proceeded according to schedule.

In 2016 we continued investing in operationalising the strategy for Retirement Services.

We invest in strengthening the fundamentals of our organisation. At the end of 2016, we communicated our expectation that the number of jobs at Achmea would further decline between now and 2020 with approximately 2,000 jobs. In relation to this reorganisation, a provision was created with a total impact on the earnings for 2016 of more than €100 million.

# Group results

OPERATIONAL RESULT PER SEGMENT	(€ MILLION)	
	2016	2015
Non-Life Netherlands	-189	-7
Health Netherlands	-196	271
Pension & Life Netherlands	285	144
Retirement Services Netherlands	-18	13
International Activities	25	44
Other Activities	-230	-97
<b>Operational result</b>	<b>-323</b>	<b>368</b>

## Gross written premiums

Gross written premiums for 2016 amounted to €19,500 million (2015: €19,922 million). We posted higher written premiums in Non-life. The reduction in gross written premiums from 2015 is largely due to the lower equalisation contribution from Health and the premium lapse on the Pension and Life closed book.

## Investments

The result from investments for own account<sup>2</sup> ended up €10 million higher than in 2015. This was in spite of the decline in direct investment income of €51 million due to lower interest rates. Higher commodity prices in particular were responsible for an increase of €66 million. The property portfolio underwent a positive revaluation of €29 million as a result of an increase in value of residential properties in particular. These two effects also offset the lower indirect result of €34 million on fixed-income securities caused by lower realised gains.

All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own account and risk for our Dutch Pension and Life business are set aside in a Fund for Future Appropriation (FFA). The FFA is a provision to cover future commitments. The FFA increased by €1.6 billion in 2016. Due to the lower interest rates, the market value of the fixed-income securities increased, along with the FFA. At year-end 2016, the FFA had a total value of €7.8 billion versus €6.2 billion at year-end 2015.

As at year-end 2016, our investment portfolio had a total value of €47.4 billion (year-end 2015: €46.0 billion). The value of our fixed-income portfolio increased by 3% in 2016, partly due to the lower interest rates in the longer maturities. The equity portfolio also increased up to €3.4 billion (2015: €2.9 billion) in 2016 due to purchases and value increases. The property portfolio remained constant in 2016 at €1.1 billion.

We further adjusted the composition of the fixed-income portfolio in 2016 in favour of home mortgages: this portfolio increased to €5.8 billion (2015: €3.8 billion). Additionally, we reduced our investments in Asset-Backed-Securities.

## Operating expenses

In 2016 we completed our long-term change programme Acceleration & Innovation. Since the start of the programme at the end of 2013 we achieved cost savings of around €390 million. At the end of 2016, the number of jobs – adjusted for the implementation of strategic initiatives – fell by around 3,350 FTEs. This means it is almost at the level of the Acceleration & Innovation target. The cost reduction as a result of the realisation of Acceleration & Innovation will be fully visible in the course of 2017.

Adjusted for, among others, the creation of a provision for the announced reorganisation, gross expenses fell by €100 million (4%) in 2016. The main cause for this decrease is the lower number of company employees and contractors. Also we reduced IT and office expenses.

Operational expenses increased to €2,642 million (2015: €2,633 million). The higher operating expenses are due to changes in the inward reinsurance programmes and the associated amount of the premium-related reinsurance fees.

The number of jobs at the company was also further reduced in 2016. The number of jobs in the Netherlands (including both company employees and contractors) fell by 7% to 14,500 FTEs.

In order to facilitate our international growth strategy, the number of employees outside the Netherlands increased by nearly 4%.

## CAPITAL MANAGEMENT

### Equity

Achmea's equity decreased by €498 million in 2016 to €9,782 million (2015: €10,280 million). The main causes of this decrease include the net loss of €382 million and the payment of preferent dividends and coupon interest in the amount of €215 million over 2015. The revaluation reserve increased by €144 million, mainly due to a decline in the market interest rate, thereby increasing the value of our fixed-income portfolio. The movements in currency reserves are related mainly to exchange rate movements in the Turkish lira.

# Group results

TOTAL EQUITY GROWTH		(€ MILLION)
<b>Total equity as at 31 December 2015</b>		<b>10,280</b>
Net result		-382
Movements in revaluation reserve		144
Movements in reserve for exchange-rate differences		-49
Revaluation of net obligation of pension rights granted.		-26
Dividend and coupon payments to equity instruments.		-215
Other changes		30
<b>Total equity as at 31 December 2016</b>		<b>9,782</b>

## SOLVENCY II

For the calculation of the required capital ('Solvency Capital Requirement (SCR)') under Solvency II, Achmea uses a partial internal model approved by the regulators. This involves using an internal model for calculating the capital requirements for the non-life related insurance risks. The partial internal model is used by Achmea Schadeverzekeringen, Hagelunie, Achmea Reinsurance Company and Greek subsidiary InterAmerican Property & Casualty Insurance Company. The other risks are calculated using the Solvency II standard formula.

SOLVENCY RATIO FOR PARTIAL INTERNAL MODEL			(€ MILLION)
	31-12-2016	01-01-2016	
Solvency II Eligible Own Funds (EOF)	8,345	9,167	
Required capital (SCR)	4,623	4,688	
Surplus	3,722	4,479	
Solvency II ratio	181%	196%	

De Solvency II ratio declined with 15% mainly as a result of the decline in eligible own funds (EOF). The EOF is impacted by a number of exceptional charges such as the hail calamity and the addition to the provision for personal injury claims, the changes in cost assumptions of Pension & Life Netherlands and a methodological change for the pension scheme own employees. Preferent dividend and coupon payments on capital instruments also resulted in a decrease in the EOF. Interest and spread movements have a positive effect on the EOF.

The decrease in the required capital is primarily driven by a decline in market risk and a higher loss absorbing capacity of expected profits (LAC EP). Within market risk, there is a strong decline in spread risk due to the sale of bonds with a higher capital requirement, which is partly compensated by a higher equity and interest rate risk. The counterparty default risk increased due to the expansion of the mortgage portfolio. The insurance risks after diversification increased slightly due to portfolio developments and increased interest rates.

The Dutch House of Representatives has adopted an initial bill concerning a ban on profit distribution from the basic health insurance. The Senate still has to make an assessment on this matter. As result of the fact that the initial bill leaves much room for various interpretations we cannot determine the impact –if any- on the Solvency capital on group level. In case of the remote circumstance that the full capital amount –including capital supplied by private entities and capital built-up by retained earnings in the past- would be restricted, the impact is around 25%.

## FINANCING

There were no changes in the group's financing in 2016. For Achmea Bank, a total of €50 million in unsecured bonds have been privately placed. Furthermore, €600 million in RMBS<sup>3</sup> was issued in November 2016, while Achmea Bank has also redeemed €500 million in senior unsecured bonds and €60 million in private placements. Finally, a total of €568 million RMBS notes were redeemed in 2016.

Standard & Poor's (S&P) downgraded Achmea B.V.'s rating by one notch in July 2016, to a BBB+ rating. The ratings of the most important insurance entities have consequently been adjusted to an A rating. Achmea Reinsurance Company and Achmea Bank hold an A- (A minus) rating. In February 2017 the outlook was adjusted to 'negative'. Achmea Bank also receives a rating from Fitch, whose outlook improved from 'negative' to 'stable' (A, 'stable outlook'). Key indicators on which Achmea focuses include: capital surplus (calculated in accordance with the S&P capital model) in relation to an AA level, the 'debt leverage ratio'<sup>3</sup> and the 'fixed-charge coverage ratio'<sup>4</sup>. Both ratios were adversely affected as a result of the development of the results in 2016. Our debt leverage ratio increased to 26.4% (2015: 25.5%). The fixed-charge coverage ratio fell to -/0.9x (2015: 4.1x).

# Non-Life Netherlands

- Increase in written premiums due to higher inflow and price effects
- Operational result Non-Life strongly impacted by severe weather and personal injury claims
- Higher operational result in Income Protection

## RESULTS

(€ MILLION)

	2016	2015	Δ
Gross written premiums	3,184	3,139	1%
Operating expenses	891	894	-0%
<b>Operational result</b>	<b>-189</b>	<b>-7</b>	<b>n.m.</b>
<b>KEY FIGURES PROPERTY &amp; CASUALTY</b>			
	2016	2015	Δ
Claims ratio	81.3%	74.4%	6.9%-pt
Expense ratio	29.1%	29.1%	0.0%-pt
<b>Combined ratio</b>	<b>110.4%</b>	<b>103.5%</b>	<b>6.9%-pt</b>
<b>KEY FIGURES INCOME PROTECTION</b>			
	2016	2015	Δ
Claims ratio	68.6%	68.3%	0.3%-pt
Expense ratio	24.3%	25.5%	-1.2%-pt
<b>Combined ratio (corrected for technical interest)</b>	<b>92.9%</b>	<b>93.8%</b>	<b>-0.9%-pt</b>

## GENERAL INFORMATION

Achmea is the market leader in the Netherlands in Non-life insurance, holding a market share of 20%, with brands such as Centraal Beheer, Interpolis and FBTO. Through the direct, banking and brokerage channels, we provide our retail and commercial customers with car insurance, home insurance, home contents insurance, liability insurance, travel insurance. In addition, we offer various types of sickness insurance and individual and group disability insurance.

### Gross written premiums

Gross written premiums increased by €45 million in 2016, to €3,184 million (2015: €3,139 million). The written premiums from non-life insurance increased due to the higher inflow of new customers and the implementation of necessary premium increases. Gross written premiums from income protection insurance decreased marginally, in line with the market. Customers choose lower coverage or decide not to insure their risks at all or, alternatively, use the services of the Employee Insurance Agency (UWV) for this purpose.

### Operating expenses

Operating expenses declined to €891 million in 2016 (2015: €894 million). Despite the increase in written premiums, we managed to decrease expenses as a result of further digitisation and cost-savings within the Acceleration and Innovation programme.

## Results

The operational result for 2016 was €-189 million (2015: €-7 million). The result for both 2016 and 2015 was strongly impacted by exceptional charges, including extreme weather conditions. Adjusted for these exceptional charges, the operational result increased in 2016 by €30 million to €139 million (2015: €109 million) due to efficiency measures taken within the Property & Casualty portfolio and higher earnings from Income Protection. These two effects also fully offset the lower investment results as a result of lower realisations on fixed-income securities.

### Property & Casualty

The operational result from our Property & Casualty (P&C) business fell in 2016 to €-243 million (2015: €-45 million). This is the result of extreme weather conditions and additional reserving on provisions for personal injury claims from previous years. Adjusted for the above, the operational result from our P&C business increased in 2016 to €85 (2015: €71 million) due to efficiency measures taken in both the retail and commercial P&C portfolios.

Both 2016 and 2015 were characterised by extreme weather conditions (net impact in 2016: €150 million; 2015: €70 million). The hail calamity in June 2016 caused total damages among our customers of €319 million. After reinsurance, there is a remaining impact on the operational result of €132 million (next to the €20 million impact on the result of Achmea Reinsurance Company, which is accounted for in Other Activities). Apart from

# Non-Life & Income Netherlands

this calamity the frequency and intensity of severe weather conditions is likely to increase further in the coming years. Next to focusing on prevention, we have therefore been compelled to increase premiums.

In 2016, we are seeing a growing frequency of new personal injury claims caused among others by an increase in the mobility as a result of economic growth, coupled with the use of smartphones in cars. Additionally, our result is impacted by an increase in damages relating to personal injury claims from previous years. There are multiple reasons for this increase. An important cause is the increase in the damages relating to non-objectifiable symptoms. Furthermore, we are seeing a deterioration of reintegration opportunities for people with work-related disabilities. Finally, we see an increase in the number of recourse claims as health insurers and benefits agencies can recover their home care expenses from non-life insurance companies under amended regulations (WMO). We have therefore increased our provisions by €178 million (2015: €46 million).

The combined ratio of property & casualty insurance reached 110.4% in 2016 (2015: 103.5%), mainly as a result of the severe weather conditions in June and the larger number of bodily injury claims. The claims ratio increased to 81.3% (2015: 74.4%), while the expense ratio remained stable at 29.1% (2015: 29.1%). The effects on the combined ratio of the severe weather conditions and the higher damages from personal injury claims are, respectively, 6.0% point (2015: 2.8% point) and 7.1% point (2015: 1.9%-point). Adjusted for these effects, the combined ratio improved in 2016 by 1.5% point to 97.3%. (2015: 98.8%) due to the implementation of efficiency measures.

## Income Protection

Earnings from our Income Protection business increased to €54 million (2015: €38 million), despite the shrinking portfolio, as a result of substantial cost savings and a nonrecurring higher release on the Group Disability portfolio. A focus on our claims management has resulted in an acceleration of the recovery process, as a result of which we have been able to release a portion of our Group Disability provisions. At the same time, consistent with the national trend, we saw an increase in the duration of sickness leave due to an increase in complex and workload-related issues (including burnout).

The combined ratio for Income Protection improved to 92.9% in 2016 (2015: 93.8%) due to a decrease in the expense ratio to 24.3% (2015: 25.5%) in line with the lower operating expenses. The claims ratio remained nearly constant at 68.6%. (2015: 68.3%).

# Health Netherlands

- Achmea allocates €434 million to limit premium increases for customers
- Increase in health care expenses due to higher expenditure for medication
- Operational expenses further reduced by 7%

## RESULTS

(€ MILLION)

	2016	2015	Δ
Gross written premiums	13,092	13,488	-3%
Operating expenses	535	573	-7%
<b>Operational result</b>	<b>-196</b>	<b>271</b>	<b>n.m.</b>
Result underwriting year 2016/2015	-161	44	n.m.
Incidental result <sup>6</sup>	-35	227	n.m.

KEY FIGURES BASIC HEALTH	2016	2015	Δ
Claims ratio	99.2%	95.5%	3.7%-pt
Expense ratio	3.0%	3.2%	-0.2%-pt
<b>Combined ratio</b>	<b>102.2%</b>	<b>98.7%</b>	<b>3.5%-pt</b>

KEY FIGURES SUPPLEMENTARY HEALTH	2016	2015	Δ
Claims ratio	89.2%	87.3%	1.9%-pt
Expense ratio	8.9%	9.1%	-0.2%-pt
<b>Combined ratio</b>	<b>98.1%</b>	<b>96.4%</b>	<b>1.7%-pt</b>

## GENERAL INFORMATION

Zilveren Kruis, De Friesland, FBTO, Avéro Achmea, Interpolis and Ziezo offer basic and supplemental health insurance. Achmea allocated a total of €434 million in 2016 to limit the increase in health premiums in 2017. Despite the allocation of capital the healthcare business retains its strong solvency position. Since 2014, we have allocated more than €1.2 billion (or roughly €245 per policy) from our reserves by setting the premium for our customers below the cost price.

### Gross written premiums

Gross written premiums from the basic and supplemental health insurance reached €13,092 million for 2016. Gross written premiums from the basic health insurance policies is lower due to the lower number of insured persons in 2016 compared with 2015 and a lower contribution from the healthcare equalisation fund.

At €3 million, gross written premiums from supplementary health insurance policies increased slightly from last year. The Supplemental Insurance level remained more or less unchanged for 2016, at around 80%.

As part of the 2016/2017 renewal season, the number of customers with an health insurance policy at our Zilveren Kruis division increased by approximately 60,000, mainly as a result of

the success of Ziezo. This has caused our market share to increase slightly. Economies of scale are necessary in order to procure healthcare for our customers at the lowest possible price. Nearly 5.2 million Dutch people chose one of our health insurance brands in 2016.

### Operating expenses

Operating expenses relating to our healthcare business decreased by €38 million to €535 million in 2016 as a result of the Acceleration & Innovation programme. Achmea will continue to reduce operating expenses in the next few years in order to remain competitive and financially solid.

### Operational result

The operational result from the basic and supplemental health insurance policies reached €-196 million (2015: €271 million). For the underwriting year 2016, the result from basic health insurance was €-187 million. This is the result of higher than estimated healthcare expenses when the premiums were set for 2016. In particular, the cost of expensive new medications, hospital care and district nursing was higher than expected in 2016. Additionally, the result from equalisation was lower. This is the result of a lower number of policyholders (year-end 2016: 105,000 less) and a change in portfolio composition, for which the ex-ante equalisation system does not provide sufficient compensation. Finally, results from investments were lower than in 2015, among others because of the lower interest rate.

# Health Netherlands

The incidental result for 2016 was €-35 million (2015: €227 million). On the one side we received positive settlements for hospital care and mental healthcare on expected expenses from previous years. On the other side, as a result of higher than estimated average nationwide expenses, we received more from the risk equalisation in previous years. The total effect of results from previous years amounted to €399 million. We once again allocated capital in 2016 to limit the premium increases for our customers in 2017 by an amount of €434 million.

The allocation of profit, however, is not a long-term solution for limiting premium increases for our customers. In order to ensure that premiums increase moderately over a longer period of time, it is essential that healthcare expenses remain in check. We are committed to procuring in the most efficient way, the best possible healthcare at the lowest possible cost. High quality and good accessibility of care are the main criteria.

The combined ratio on the basic health insurance increased to 102.2% (2015: 98.7%), primarily due to the higher healthcare expenses during the underwriting year 2016 and lower earnings from previous years. As a result of cost savings in the organisation, the cost ratio fell by 0.2%-pt to 3.0%.

Supplementary health insurance policies account for €19 million of the operational result (2015: €37 million). Policyholders are increasingly choosing consciously for additional coverage and then make more use of their coverage. In 2016, we are seeing this trend primarily in paramedics and dental care.

The combined ratio of supplemental health insurance policies increased to 98.1% in 2016 (2015: 96.4%), as a result of higher healthcare expenses during the 2016 underwriting year. Furthermore, earnings were boosted in 2015 by positive settlements of healthcare expenses from previous years. The cost ratio for the supplemental health insurance policies fell by 0.2%-pt to 8.9%.



# Pension & Life Netherlands

- Strong increase in operational result due to cost savings and higher results from investments
- Strategic decision mid 2016 for a closed-book pensions
- Significant rise in gross written premiums term life insurance and annuities

## RESULTS

(€ MILLION)

	2016	2015	Δ
Gross written premiums	1,794	1,848	-3%
Operating expenses <sup>7</sup>	237	287	-17%
<b>Operational result</b>	<b>285</b>	<b>144</b>	<b>98%</b>

## GENERAL INFORMATION

With the establishment of the Centraal Beheer General Pension Fund (CB APF), we have taken the strategic decision to stop offering pension insurance products and to focus our pension strategy completely towards providing services to the APF. With our Retirement Services solutions we keep a competitive offer to the pension market. In this way we have created a closed-book Pensions, which we will integrate with the existing closed-book Life. The closed-book organisation focuses on further cost management and on optimising free cash flows while maintaining the current high customer satisfaction scores. When it comes to new business, we are focusing exclusively on term life insurance policies (ORV) and on individual annuities and pensions. These insurance solutions are part of our proposition for retirement services.

### Gross written premiums

Gross written premiums fell by 3% million in 2016 to €1,794 million (2015: €1,848 million). Annual premiums declined by 7% due to regular portfolio developments and contract terminations. The regular premium lapses on the closed-book pension portfolio were approximately 3%. The lapses in our closed-book life insurance portfolio is with 6.6% at a comparable level of 2015.

Single premiums increased by 7% due to higher production of immediately effective annuities and higher indexations as a result of low interest rates.

Gross written premiums from term life insurance increased with 15% substantially to €43 million (2015: €37 million), mainly as a result of an increase in the number of term life insurance policies sold to 287,673 (2015: 246,946).

### Operating expenses

Operating expenses fell by 17% in 2016 to €237 million (2015: €287 million). This cost decrease is substantially higher than the

portfolio lapses due to the transition to a closed-book organisation for our pension portfolio. This transition has reduced sales expenses, as well as eliminating the necessity to invest in product development. We were also able to reduce expenses substantially on a nonrecurring basis by completing the system migrations. This has helped to streamline our organisation and enabled us to reduce the number of jobs. At the same time, it has also resulted in a lower expense base from which in the future we will be able to further reduce expenses in line with the decline in the portfolio.

### Operational result

The operational result for the Pension & Life segment in the Netherlands rose to €285 million in 2016 (2015: €144 million). This increase is mainly the result of a strongly improved investment and expense results. The mortality result decreased, as this was incidentally high in 2015. In 2016 it is back in line with expectations. Furthermore, lower amortisations on the value of business acquired (VOBA) also had a positive effect on the results

Results from investments increased sharply by €50 million, mainly as a result of positive revaluations on real estate and higher commodity prices. These positive developments were partly offset by lower realisations on equities and a lower result on foreign currency as a result of the stronger dollar.

# Retirement Services Netherlands

- Successful launch of the Centraal Beheer APF (General Pension Fund)
- Assets under Management (AuM) increased by €14 billion to €116 billion
- Result Achmea Bank increased sharply due to higher net interest margin

## RESULTS

(€ MILLION)

RETIREMENT SERVICES TOTAL	2016	2015	Δ
Total Income	269	262	3%
<i>Of which: administration and management fees</i>	158	167	-5%
Operating expenses	287	249	15%
<b>Operational result</b>	<b>-18</b>	<b>13</b>	<b>n.m.</b>
<b>ACHMEA BANK</b>			
Net interest margin	112	98	14%
Fair value result <sup>8</sup>	0	5	n.m.
Operating expenses	94	83	14%
Additions to loan loss provisions	2	5	n.m.
Common Equity Tier 1 ratio	19.1%	16.7%	2.4%-pt

(€ BILLION)

ACHMEA INVESTMENT MANAGEMENT			
Assets under management <sup>9</sup>	116	102	14

## GENERAL INFORMATION

With the launch of the new strategy for Retirement Services, Achmea is focusing on the changing needs of customers, changes in society and further modifications in the pension system. These changes are resulting in new ways to save for retirement. As part of these efforts, Achmea established the Centraal Beheer Algemeen Pensioen Fonds (CB APF) in 2016 as an alternative to pension insurance. Through additional products and services provided by Achmea Investment Management and Achmea Bank for the third and fourth pillars of the pension system, Achmea provides a comprehensive solution. Achmea has all the skills required within its ranks to carry out this initiative, and is managing this as part of an integrated strategy. With the pensions funds of RBS Nederland and Bavaria the CB APF welcomes its first customers.

### Operating expenses

In 2016, Achmea invested in marketing its new strategy, and in so doing laid the foundation for the future. Operating expenses for retirement services were therefore €38 million higher in 2016 than in the previous year. These expenses include nonrecurring start-up and organisational expenses (at a total of €17 million) relating to the new strategy.

The company has also invested in optimising its products and processes in the past year. In the banking division, we are preparing to outsource the mortgage administration to an external party in 2017. In addition, a new mortgage product was launched in 2016. As part of our asset management activities we launched an investor giro in the market. These initiatives increased expenses in 2016 and will contribute to a higher volume to cover fixed expenses and to reduce administration costs. Achmea is also faced with expenses relating to the phasing-out of pension management activities for mandatory sectoral pension funds. In addition to temporary transitional expenses we are confronted with a declining number of members within sectoral pension funds.

### Operational result

Results from Retirement Services is €-18 million in 2016 (2015: €13 million). The result was impacted by investments for the future, temporarily higher expenses, and lower administration and management fees. Result from banking activities increased.

### Banking activities

The contribution by the banking activities to the operational result increased by €3 million in 2016 to €18 million (2015: €15 million). This improvement was driven by a higher interest rate

# Retirement Services Netherlands

result as a result of lower financing charges and higher interest payments for prepayments. The additions to the loan provisions decreased in 2016 due to further economic growth and the increase in home prices. The size of the mortgage portfolio decreased to €11.9 billion in 2016, due to prepayments combined with a lower inflow of new mortgages. In 2016 the Common Equity Tier 1 ratio increased by 2.4%-pt to 19.1% (2015: 16.7%) mainly due to the smaller size of the mortgage portfolio and a capital injection for the internal transfer of a remaining portion of the Staalbankiers loan portfolio.

## **Investment Management**

As an internal asset manager and strategic partner for institutional investors such as pension funds, Achmea Investment Management increased its assets under management (AuM) substantially in 2016 with an increase of €14 billion. At year-end 2016, AuM totalled €116 billion. This increase is partially due to an increase in assets under management for pension funds. Furthermore, by year-end 2016 a larger portion of the Achmea own-risk portfolio was managed by Achmea Investment Management.

## **Pension management activities**

Achmea has been engaged to carry out pension management activities for the Centraal Beheer APF (CB APF) and made the strategic decision in 2016 to focus its services on company and occupational pension funds. In line with this policy, pension management services provided to mandatory sectoral pension funds will be phased out over the next several years. The CB APF welcomed its first members in 2016. At the same time, we are seeing a decline in the number of members of sectoral pension funds, resulting in an overall decline in administration fees.

# International Activities

- Operational result, excluding non-recurring effects in 2015, increased to €25 million
- Increase in gross written premiums driven by growth in Turkish non-life insurance market

## RESULTS

(€ MILLION)

	2016	2015	Δ
Gross written premiums	1,192	1,124	6%
Operating expenses	284	263	8%
<b>Operational result</b>	<b>25</b>	<b>44</b>	<b>-43%</b>

GROSS WRITTEN PREMIUMS PER COUNTRY	2016	2015	Δ
Turkey	368	331	11%
Slovakia	348	318	9%
Greece	310	312	-1%
Ireland	154	156	-1%
Australia	12	6	100%

## GENERAL INFORMATION

Achmea International is active in countries in which we can deploy our core competencies: Turkey, Slovakia, Greece, Ireland and Australia. We invest in countries where Achmea can achieve competitive advantage through its core businesses Non-Life and Health, both through the banking channel and online (direct) distribution. We are accelerating in existing markets and are focusing on penetration into large, mature markets. Also within our International Activities we are focusing on further digitisation.

### Gross written premiums

In 2016 gross written premiums rose by 6% to €1,192 million (2015: €1,124 million), driven by our Turkish operations. Adjusted for currency effects, the growth rate is 10%.

Gross written premiums from our Turkish activities were up to €368 million in 2016 (2015: €331 million). The bulk of this growth occurred in the property & casualty segment (including motor hull and home insurance), where we are gaining market share. In Turkey, our Motor Third Party Liability (MTPL) portfolio is very small. Expressed in Turkish Lira, gross written premiums increased by 23% (2016: TL 1.2 billion, 2015: TL 1.0 billion).

In a contracting Greek non-life-insurance market, our gross written premiums remained stable at €310 million (2015: €312 million). We also managed to increase our market share in this market. This is partly a result of the growth in our direct online insurance brand Anytime, where the number of car policies increased to 292 thousand (2015: 258 thousand). This has made us the market leader in car insurance in 2016.

In Slovakia, too, we are seeing strong growth in the digital channels (36% premium growth versus 2015). Gross written premiums in our Slovakian business increased by a total of 9%, to €348 million (2015: €318 million).

We further improved our services in Ireland in 2016, which was one of the factors in the higher rating received from the PIBA<sup>10</sup> (3rd position). In addition, a larger number of Irish customers are choosing our products. In a stable market, Annual Premium Equivalent (APE) in our Irish life insurance business therefore increased by 25% (2016: €72 million and 2015: €57 million). Total sales in which premiums from investment contracts is included has increased by 21% to €602 million (2015: €497 million).

Finally, in Australia, we launched a unique new distribution system in conjunction with Rabobank, resulting in a doubling of the gross written premiums in Australia of up to €12 million.

### Operating expenses

Operating expenses increased by 7% to €284 million (2015: €263 million), mainly as a result of investments in the digital growth strategy and exploration of new markets.

### Operational result

The operational result amounted to €25 million (2015: €44 million). The increase in profit from our Turkish business was particularly substantial. This despite the increase in country risk. In 2015, profitability was temporarily higher due to a variety of factors, including the transition to a new pension system in Ireland and the release of provisions as a result of the settlement of several legal claims. Adjusted for these nonrecurring items, the operational result increased by €3 million.

## Other activities

- Positive contribution of €12 million by Achmea Reinsurance despite June's hail calamity
- Assets under management of Syntrus Achmea Real Estate & Finance increased to €18.1 billion
- Non-recurring charges to prepare for the future

### RESULTS

(€ MILLION)

	2016	2015	Δ
Total Income	516	703	-27%
Operating expenses	440	427	3%
Interest expenses	63	62	2%
<b>Operational result</b>	<b>-230</b>	<b>-97</b>	<b>137%</b>
<b>ACHMEA REINSURANCE</b>			
Gross written premiums	360	508	-29%
<b>Operational result</b>	<b>12</b>	<b>40</b>	<b>-70%</b>

### GENERAL INFORMATION

The Other Activities segment includes our strategic investments, the results of our Shared Service Centers, activities at the holding company level, Achmea Reinsurance, Syntrus Achmea Real Estate & Finance, Independer and Staalbankiers.

#### Operational results

The results of the segment Other Activities are determined to a large extent by the expenses which are not allocated to the other segments, interest charges, and the results of various group companies. In 2016, the operational result was €-230 million (2015: €-97 million). The operational result is mainly impacted by the creation of a provision relating to the planned further reduction in the number of jobs during the upcoming planning period. The impact of this on the operating result of the segment Other Activities is €82 million. Independer contributes positively to our operational result.

### SEGMENTS

#### 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 to the legal entities within Achmea. In addition, Achmea Reinsurance has built up an external reinsurance portfolio for the purpose of diversification and profit contribution to Achmea. The solid reinsurance cover limited the impact on Achmea of June's severe weather conditions to €152 million (of which €20 million for Achmea Reinsurance), on a total amount of damages to customers of approximately €319 million.

The operational result declined to €12 million in 2016 (2015: €40 million). In addition to the impact of the severe weather conditions in June 2016, the 2015 result was enhanced by higher realised gains on investments.

Gross written premiums were €148 million lower in 2016 compared to 2015 as a result of restructuring Life reinsurance programmes in connection with Solvency II and external market factors.

#### Syntrus Achmea Real Estate & Finance

The assets under management in real estate and mortgages increased to €18.1 billion (2015: €15.8 billion). This increase is driven primarily by a larger mortgage portfolio. Syntrus Achmea Real Estate & Finance welcomed five new institutional investors as clients in 2016, bringing the total number of clients to 64. The management fee increased to €69.8 million (2015: €63.5 million). This is mainly the result of higher income from mortgages due to the further growth of this portfolio.

#### Staalbankiers

Achmea successfully completed the sale of the private banking business of Staalbankiers to Van Lanschot on 15 December 2016. In addition, a remaining portion of the portfolio was transferred to Achmea Bank. We aim to complete the sale of Staalbankiers' other businesses and to return the banking licence in the course of 2017.

# Footnotes

\* N.M.: not meaningful

## Group results

### Key figures

1) The figures for 1 January 2016 represent the day-one figures and have not been audited. The difference from the end-of-year results for 2015 is the change in the spread risk. The figures exclude the CRD IV entities.

### Investments

2) The investment results are adjusted for fair value results and other investment results that are directly related to the insurance liabilities.

### Financing

3) Residential Mortgage Backed Security

4) Debt leverage: non-bank debts and perpetuals as a percentage of perpetuals less goodwill

5) Fixed-charge coverage ratio: the ratio between fixed financing costs and the operational result adjusted for interest and depreciation.

## Health Netherlands

6) 'Incidental result' refers to earnings from health expenses and/or equalisation from previous underwriting years and the allocation of reserves for limiting the premium increases for customers.

## Pension & Life Netherlands

### Results

7) Excluding premium-related fees from reinsurance premiums

## Retirement Services Netherlands

### Results

8) The fair value result is an accounting result that is compensated for in other financial years.

9) Assets under Management (AuM) include a derivatives (overlay) portfolio. Figures shown in the column for 2015 relate to 1 January 2016 in connection with the establishment of Achmea Investment Management on 1 January 2016.

## International Activities

### Gross written premiums

10) Professional Insurance Brokers Association

Achmea prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) as of 31 December 2016. 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 2016. 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,