Annual Report 2016

achmea

CONTENTS

Board Report Achmea 2016 *Financial Statements and other information*

ABOUT US

Our main activities include Non-Life, Health, Retirement Services and Pension & Life

MAIN ACTIVITIES

MARKET POSITION

NON-LIFE
(Gross written premiums in € billion)

3.2
2015: 3.1

NO.1

HEALTH
(Gross written premiums in € billion)

13.1
2015: 13.5

NO.1

RETIREMENT SERVICES
(Assets managed by IM in € billion)

116
2015: 102

NO.5

PENSION & LIFE
(Gross written premiums in € billion)

1.8
2015: 1.8

NO.3

INTERNATIONAL
(Gross written premiums in € billion)

1.2
2015: 1.1

misc.

GROUP KEY FIGURES

OPERATIONAL RESULT
(€ million)

-323
2015: 368

SOLVENCY (SII)[1]
(%)

181
2015: 196[1]

NET RESULT
(€ million)

-382
2015: 386

SUSTAINABILITY
ESG

AA
2015: AA

GROSS WRITTEN PREMIUMS
(€ million)

19,500
2015: 19,922

CUSTOMER SATISFACTION[2]
(average score assigned for cons. market)

7.4
SECTOR AVERAGE 2016: 7.2

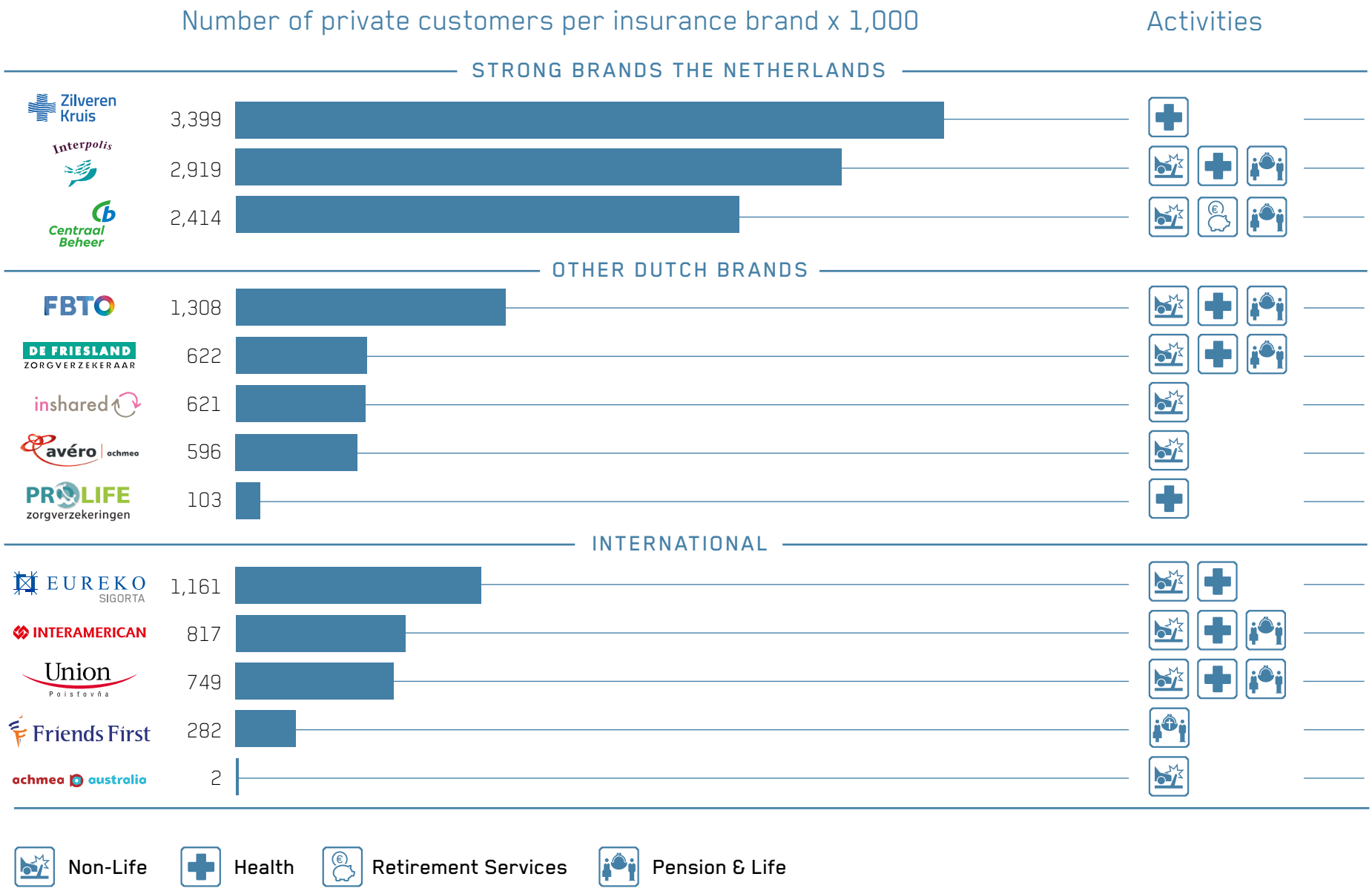
NUMBER OF FTES

14,921
2015: 15,412

1) Solvency II ratio 2015 as at 1 January 2016.

2) Customer satisfaction survey conducted by the Dutch Association of Insurers (Verbond van Verzekeraars); score assigned for the private non-life insurance market.

OUR BRANDS


Number of private customers per insurance brand x 1,000
Activities
STRONG BRANDS THE NETHERLANDS
Zilveren Kruis
3,399
Interpolis
2,919
Centraal Beheer
2,414
OTHER DUTCH BRANDS
FBTO
1,308
DE FRIESLAND ZORGVERZEKERAAR
622
inshared
621
avéro achmea
596
PROLIFE zorgverzekeringen
103
INTERNATIONAL
EUREKO SIGORTA
1,161
INTERAMERICAN
817
Union Poisťovňa
749
Friends First
282
achmea australia
2
Non-Life
Health
Retirement Services
Pension & Life

STRONG BRANDS IN THE NETHERLANDS

Achmea has several brands. The three main ones – the 'strong brands' – are Centraal Beheer, Interpolis and Zilveren Kruis. Well-established brands and important in terms of size. Brands which – with a total of more than 8.6 million customers – collectively play an important role in the lives of many Dutch people.

Centraal Beheer

- **Personal**
- **Solution-oriented**
- **Positive**

Centraal Beheer (CB) is one of the best known and most highly valued insurance brands in the Netherlands. This is partly due to the strong 'Even Apeldoorn Bellen' commercials and the high quality of its services. Established in 1909 by and for employers, CB is the first direct writer as an insurance company: CB interacts with customers directly and sells non-life insurance, life insurance, retirement and financial services to private and commercial customers. Very important: it is our people who have made the brand. They enjoy helping people. Anyone who has ever had any dealings with Centraal Beheer knows this. Personal, solution-oriented and positive (sometimes even humorous): that is Centraal Beheer.

Interpolis

- **Interpolis. Crystal clear**
- **Insurance is not the only solution**
- **Prevention is better than to insure**

Interpolis operates in the banking channel and works exclusively with Rabobank. The brand feels that including everything in the insurance cover without any consideration, is not a solution. Interpolis is therefore closely involved in developing services which eliminate or mitigate various types of risk for customers at home, en route, and within companies. In this way, the brand helps prevent as much distress as possible. If something should go wrong, of course Interpolis is always there for its customers. This may be in the form of financial compensation, or by sending a mechanic to repair the damage as soon as possible. Interpolis continues to do this in a clear and practical manner. So, crystal clear.

Zilveren Kruis

- **Supporting customers 'in word and deed'**
- **Joining the discussion on healthcare issues in the Zilveren Kruis Community**
- **Special employer programmes to promote customer health and through Actify**

With a total of more than 3.3 million customers, Zilveren Kruis is one of the largest health insurers in the Netherlands. Zilveren Kruis believes that customers feel better if they are health-conscious and look after their health, and experience that they have a role to play in this themselves. While some people insist on taking charge of their health themselves, others want some outside assistance. Whatever the case, it's nice when someone helps you. That's what Zilveren Kruis does. Zilveren Kruis assists and supports customers 'in word and deed' in paying and organising their healthcare and in the pursuit of physical wellbeing. For example, they can join discussions in the Zilveren Kruis Community on issues such as healthcare, health, and our products and services.

OUR OTHER BRANDS

Other Dutch brands

FBTO is our insurance brand for consumers where freedom of choice is a priority. FBTO allows you to customise your own insurance policy. With additional modules you choose yourself. You can activate most of the covers yourself on a daily basis. This is how you create the insurance policy that suits you best.

Avéro Achmea provides financial services to private and commercial customers through the brokerage channel. Avéro Achmea understands the value of good advice and therefore works closely with a select group of professional, independent consultants. Together with its brokers, Avéro Achmea provides innovative solutions in virtually all areas.

De Friesland Zorgverzekeraar (DFZ) is a health insurance company with a strong brand, especially in the Friesland province. The insurance company works closely with customers in order to ensure a high quality of care and assure its customers of a high standard of living, now and in the future.

InShared is the online insurance company that works with its customers to do everything to prevent loss. A unique feature of InShared is the end-of-year reward: if there are funds remaining at the end of the year, a portion of these funds is returned to the customers.

Founded on Christian principles, Pro Life Zorgverzekeringen has a separate model agreement for the basic health insurance. The brand's basic insurance and supplemental health insurance policies include a number of exclusions.

International brands

Eureko Sigorta is focussed on distribution through the bancassurance channel in conjunction with its Turkish partner, Garanti Bank. The company also provides property & casualty and health insurance through its network of affiliated agents.

InterAmerican Greece is the second-largest insurance company in Greece, providing non-life, health and life insurance products. Through its 'Anytime' service, InterAmerican was the first insurance company, in 2012, to operate in the direct channel. The company has insured more than 290,000 cars to date.

Union Slovakia is our innovative Slovakia-based insurer that provides non-life, health and life insurance through the direct and brokerage channels.

Friends First is our Irish life insurance company with a long history. Through the brokerage channel, Friends First provides pension, investment and income protection insurance products.

Achmea Australia has been operating in the Australian market since 2012 and works together with customers to reduce agricultural risk through advice and insurance. Achmea Australia sells its insurance products almost exclusively to Rabobank customers.

HIGHLIGHTS OF 2016

CUSTOMER PERSPECTIVE

Customers appreciate our service delivery

Our customers appreciate our service delivery. Retaining customers and welcoming new ones has increased our market share in the Property & Casualty sector, and there has been a rise in the number of clients purchasing a health insurance policy. For Non-Life, the NPSs (Net Promotor Scores) for our brands are among the highest in the sector. These high ratings are reflected in an increase in premium income from private customers at FBTO, Centraal Beheer and Interpolis. In 2016, Centraal Beheer achieved the best annual growth rate in the last ten years, and it had the highest customer satisfaction rating among private customers. Our International division, too, has managed to tie in more customers. In 2016, we became the market leader in the private vehicle insurance sector in Greece. The prizes for excellent customer service (see box) that we received in 2016 reflect an appreciation for the service that we provide to private and commercial customers. These high appreciation levels among our customers are also reflected in a rise in the Customer Centricity score as given to us by the Netherlands Authority for the Financial Markets (AFM). The AFM awarded Achmea a score of 4 out of 5. This means that for the first time Achmea has scored above the average for the financial sector, which is 3.8 this year. In 2015, Achmea and the financial sector both scored 3.4. Achmea's good rating is partly thanks to its insurance companies, Centraal Beheer, Interpolis and Zilveren Kruis.

CUSTOMER PERSPECTIVE

Zilveren Kruis improves health with Actify

Zilveren Kruis has excelled thanks to the added value it offers its customers. Early October, Zilveren Kruis launched Actify, an initiative to help customers make their daily habits healthier by making minor adjustments to their eating, sleeping and exercise regimes. Actify targets Zilveren Kruis's 3.5 million customers as well as people who are not customers. A large number of people have enrolled in 'Maaltijd Match' (Meal Match) and the 'Stappen Challenge' (Step Challenge), or are using the sleep program to improve their sleep.

CUSTOMER PERSPECTIVE

First customers for Centraal Beheer APF

In 2016, De Nederlandsche Bank (DNB) granted a licence to the Centraal Beheer General Pension Fund (APF), a milestone in our strategy for retirement services. The APF is an innovation in the pension sector; it is able to administrate several pension schemes that have segregated assets. This means that APF offers a cost-effective solution that can lead to higher returns for its members. Pension funds and employers can join Centraal Beheer APF. At the end of September, it was announced that Stichting Pensioenfonds RBS Nederland is joining Centraal Beheer APF, following an investigation of three general pension funds.

PRIZES FOR EXCELLENT CUSTOMER SERVICE

Financial service providers are compared and followed critically. Various awards and prizes exist, based on consumer research as well as on the opinions of experts.

- The comparison website, MoneyView, awarded Centraal Beheer (in the top 3) 5 stars for its policy conditions in the product rating of vehicle insurances and legal expenses insurances. Interpolis (in the top 3) was awarded 5 stars for its policy conditions in the product rating of household contents insurances and buildings insurances.
- Digital service reviewer, WUA, voted Zilveren Kruis the best digital service provider in the health insurance market for its app for submitting claims and for the best customer service portal.
- FBTO was voted the most customer-friendly insurance company for the second time in three years by SAMR.
- In 2016, Centraal Beheer won the Customer Centric DNA Award from market research firm, DVJ, for the best insurance company and the second prize for comprehensive customer service: Silver Best Multi-Channel Customer Service.

According to customers, Achmea brands are also performing well in the commercial sector. Centraal Beheer and Interpolis came first and second in the Best Financial Service Provider for the 'Insurances B2B' Management Team Finance category.

SOCIETAL PERSPECTIVE

Achmea one of the most sustainable insurance

As a cooperative insurance company, we believe that sustainability is crucial to our business practices. In 2016, Achmea was rated highly for sustainability as one of the insurance companies with the best policies, comparatively speaking, as evidenced by a report from the Fair Insurance Guide published in November 2016. Each year, the Fair Insurance Guide investigates the sustainable investment policies pursued by ten insurance companies. Achmea and a few other leaders in the field improved their policies in at least 7 of the 21 subjects. For instance, Achmea holds the view that the companies in which it invests should not launch new operations that would be contrary to the needs of the local communities or in areas where water is scarce.

EMPLOYEE PERSPECTIVE

Achmea advocates good employment practices

Achmea is constantly changing. We respond to the changes around us and so we organise our way of working differently too. For our employees, these consequences can sometimes be profound. The demands on employment levels and knowledge development may change. Unfortunately, we have had to let a number of our colleagues go.

Despite all these changes, the annual employee engagement survey once again produced good results. The response rate, commitment and satisfaction levels remained stable and high. In December 2016, Achmea and the trade unions, De Unie and CNV, reached an agreement about a new collective labour agreement and social plan. Key in this are promoting the timely development of talent and professionalism and working on every member of staff's career and position in the jobs market. Our reputation as an employer as viewed by the outside world also remained good according to corporate image research carried out by Intermediair. Achmea climbed from the 42nd to the 21st place and with this it has the best reputation in the insurers and pension funds category.

PARTNER PERSPECTIVE

Improved range of insurance products at Rabobank

Together with our partner, Rabobank, important insurer Interpolis is working on providing the best possible range of insurances for Rabobank clients. Since 2016, all local Rabobanks have been offering their new 'All-in-one' policy to private customers as part of the 'Bancassurance 2.0' programme. They can easily purchase the new policy online at Rabobank.nl. The local Rabobanks are enthusiastic about the convenience of this new application and the online purchase. In 2016, the 100,000th 'ZekerVanJeZaak' policy for SME businesses was purchased. The portfolio has grown tremendously thanks to the efforts of all Rabobank and Interpolis colleagues.

PARTNER PERSPECTIVE

Centraal beheer launches breakdown service RoadGuard

Achmea is evolving from a pure risk-insurance company to a service provider. In May 2016, Centraal Beheer launched RoadGuard, a subscription-free breakdown assistance service. This is a joint venture with Eurocross Assistance, Achmea's alarm centre. RoadGuard operates using an innovative app that immediately gives an overview of the expenses involved in breakdown assistance, without requiring the user to have a contract. Motorists can use RoadGuard to get assistance very easily if they break down, and they only pay for what they use. A subscription-free breakdown assistance service, so no strings attached for motorists. Very handy: the app instantly shows who will be coming to assist and whether help is in the vicinity.

PROCESS PERSPECTIVE

Better service thanks to market-oriented chains

In order to provide our customers with the best possible service, we organise our work efficiently. This is why our processes produce the highest NPSs. We organise our operations according to five market-oriented chains. With our five chains, i.e., Non-Life, Health, Retirement Services (ODV), Pension and Life and International, we are in a better position to cater to our customers' requirements. Every market has its own dynamics, which is why each chain has its own mandate for the future.

FINANCIAL PERSPECTIVE

Achmea's partial internal model approved

On 1 January 2016, the new supervisory regime for European insurance companies, Solvency II, came into effect. The difference with Solvency I is that the focus in Solvency II is on the actual risk that an insurer runs. This means that it is a more sophisticated regime, allowing us to even better protect our customers, the policyholders. De Nederlandsche Bank allows Achmea to use a partial internal model to calculate underwriting risks for damage and income. The college of supervisors have tested our calculation model and it meets Solvency II requirements. Using a partial internal model means that Achmea has a more detailed insight into the risks, allowing for better control and comprehensive protection of the customers' interests. The partial internal model is used by the Dutch non-life insurers and reinsurers and Greek subsidiary, InterAmerican Property & Casualty Insurance Company SA to calculate non-life insurance risk.

FINANCIAL PERSPECTIVE

Achmea Investment Management out of the starting blocks

As of 1 January 2016, 'Achmea Investment Management' became the company's new name, resulting from the merger between Achmea Beleggingsfondsen Beheer and Syntrus Achmea Vermogensbeheer. From its wide perspective, Achmea Investment Management provides high-quality asset management solutions and investment propositions for Retirement Services. Achmea Investment Management focuses on institutional as well as private investors. In addition, services are provided to the Group and to the Centraal Beheer General Pension Fund. Achmea Investment Management manages €116 billion in assets and employs more than 200 people.

MEET OUR STAKEHOLDERS

Machteld Oomen

"Sustainable employability is important for Achmea's future, as well as for the futures of individual employees."

Machteld Oomen is Chair of the Central Works Council.

"Achmea is a great company that has always been extremely good – and continues to be very good – to its employees. We are dealing with all kinds of changes, particularly as a result of the ongoing digitisation and, possibly in the future, robotisation. These trends don't just affect Achmea, but the financial industry as a whole. As a result of these trends we are working with smaller teams, but the nature of the work itself is changing as well, of course. Employees will have to further develop themselves in order to be able to deal with all these changes. Achmea promotes long-term employability by offering ample opportunities for education, but employees are obviously responsible for using those opportunities. It may be overly ambitious to take that personal responsibility for granted. Although I wonder if everyone will be able to keep up with these changes, I also can't help but wonder whether everyone is aware of the urgency of the situation."

"We are working with much smaller teams now, which means we are very busy and the workload is high. Of course, that also has to do with the fact that we're currently in a transitional stage of continued digitisation. Some of this work will disappear, but if you're very busy now you almost can't imagine that it will be any different in the future. That's why not all employees are aware of the urgency to the same extent. Some employees find it challenging to spend their free time working on their personal development, in addition to their busy jobs. This is particularly common with younger co-workers with children, for whom this is the busiest time of their life. It's obviously important to invest in yourself, although these can be tough decisions at the individual level."

"The challenges we are currently facing require much from both the company and the employees. Fortunately, Achmea makes a point of listening carefully to our concerns, although we do need to monitor our work/life balance. Sustainable employability is important for Achmea's future, as well as for the futures of individual employees. That's why the Central Works Council, too, needs to stay on the ball."

Ed Nijpels

"I feel it's particularly important that Achmea takes part in the public debate on climate and energy."

Ed Nijpels is chairman of the Social and Economic Council (SER) Committee on Safeguarding the Energy Agreement (the objective of which is to ensure sustainable growth). He took part in a discussion with the Achmea Directors' Council on the topic of Safety.

"Climate change has become an important issue for insurance companies. The global rise in temperatures has resulted in more extreme weather conditions. Both extreme precipitation and drought can cause considerable damage and suffering. It can affect people's personal property, buildings and homes, agriculture and nature, as well as public and individual health. Climate-related risks increase the cost of claims for insurance companies, therefore it's important that Achmea makes this issue a priority."

"Achmea can raise awareness of these risks among its customers and can help them to take measures where possible. You are so knowledgeable about risk-related issues and should be able to share that knowledge with your customers, as well as with the government authorities that make urban planning decisions."
"It's really necessary that we protect ourselves from the consequences of climate change, but what's really fundamental, of course, is preventing climate change."

"The transition to sustainable energy – the energy transition – must be made. That is the whole purpose of the Energy Agreement. Achmea is a major investor that can promote the transition to sustainable energy by investing in it. Examples of this are sustainable homes and buildings, renewable energy, a charging infrastructure for electric cars, and so on. Innovations are occurring at a rapid pace, so we're seeing a growing number of opportunities as well."

"I feel it's particularly important that Achmea takes part in the public debate on climate and energy. The fact alone that nearly half of all Dutch people are Achmea customers makes Achmea an important organisation that can use its influence and let its voice be heard when it comes to this topic."

Paul Overmars

"Over the past year, we have established working groups devoted to social issues. The working groups have suggested concrete ideas and recommendations."

Paul Overmars is Chairman of Vereniging Achmea.

"Vereniging Achmea is the largest shareholder in Achmea and represents the interests of all our customers. That is our common purpose, which is set out in two specific objectives in our Articles of Association. The first of these objectives is to promote the continuity of Achmea as much as possible. The second is to represent the interests of all customers as faithfully as possible. Achmea has undergone an enormous change in recent years when it comes to that second objective. Over the past year, we have established working groups devoted to social issues such as Carefree Retirement, Work and Income, Quality of Public Life, Nutrition and Health, and Big Data. As well as being of concern to the public at large and to our customers, these issues are also important for Achmea in terms of remaining relevant in the future. The members of Vereniging Achmea and experts who are represented in these working groups have studied social trends and future needs in relation to insurance and have assessed specific issues proposed by Achmea."

"The working groups have also suggested various ideas and made specific recommendations based on these issues, which I hope and expect will end up being used by the company. We will continue this partnership between Vereniging Achmea and the company over the next year, remaining in line with the strategic issues defined by the company: 'Healthy', 'Safe' and 'Sustainable'."

"As far as the continuity objective is concerned, Vereniging Achmea has been focusing in the past year on playing a more active role as a shareholder. We have intensified the discussion with the Executive Board about continuity (financial, strategic and in terms of identity), making it more specific and more in-depth, and will continue to do so in 2017. We will undoubtedly see issues such as healthcare, future business model, innovation and sustainable profitability on our management agenda."

"I hope that Achmea continues its journey toward modernisation: the company needs to continue to adapt to the digital age and remain ahead in order to remain financially solid. I would hope that our identity as a cooperative organisation will continue to guide us and will become even more visible in the future."

Marc van Lieshout

"Privacy must be regarded as something valuable, rather than only as a cost centre or a mere legal requirement."

Marc van Lieshout is a senior researcher at TNO, the Netherlands Organisation for Applied Scientific Research, and a business director at the PI lab (Privacy & Identity lab), a partnership between TNO and the universities of Nijmegen and Tilburg. He took part in a discussion with the Achmea Directors' Council on the topic Opportunities of Big Data.

"Big data provides opportunities to monitor risks more closely and, in doing so, help your customers and help society by making it safer. These opportunities will only continue to grow as we see more advances in sensor technology – for example, the installation of sensor boxes in homes and cars. The question is whether you should be able to trace all the data this produces back to individuals, and whether it is sufficient to create profiles for larger groups. Behavioural psychology has taught us that there's no need to check whether the fire alarm, Nest thermostat or whatever all these boxes are called, are actually used. Take, for example, the boxes you can install in your car: since you receive immediate feedback on your driving style, you automatically start driving more safely. Customers who drive around with such a box in their car could be eligible for a premium discount for that reason alone."

"What matters when you're using Big data is whether you can take advantage of the opportunities while at the same time protecting users' privacy. Users are aware of the types of data they're sharing, but they have no idea what actually happens to that data. The data economy 'behind the interface' is complex and substantial and is invisible to them. Organisations owe it to the public to be transparent about their activities and about the purpose for which they use their customers' data. They obviously need to comply with the legal regulations, but that's true for all of us, so they can't really compete on that aspect. Privacy must be regarded as something valuable, rather than only as a cost centre or a mere legal requirement."

"I believe that Achmea can integrate privacy as a business value by being completely transparent about the purposes for which Big data is and isn't used. Customers trust insurance companies to use their data responsibly. You could affirm this by releasing a statement to that effect to your customers. Another idea would be to create a privacy dashboard that would allow customers access to their personal data. Let them watch to see what's going on. Show it to them. And discuss this for example in customer panels or in your customer councils."

Willem Reijn

"A carefree retirement is about income, healthcare and housing, and the interrelations between them."

Willem Reijn works as a policy advisor on pensions for ANBO, an interest group for senior citizens. He took part in a discussion with the Achmea Directors' Council on the topic 'Carefree Retirement'.

"A carefree retirement is about income, healthcare and housing, and the interrelations between them. The greatest challenge of growing older is continuing to live your life independently. The first requirement for that is homes which can be adapted to people's needs at a more advanced age. Secondly, your income should allow you to actively participate in society: for example, you need money for transport so that you can go out and won't become socially isolated. Thirdly, there is personalised healthcare, depending on your medical condition. This is another focus area for ANBO and it is much needed, as all these areas are under pressure right now."

"Achmea can play a positive role in some of these problems. In fact, it's an eye opener to me that you are already investing in homes through your real estate subsidiary Syntrus Achmea Real Estate & Finance that people can live in for a longer period of time, even if the residents require special care. Traditional retirement homes no longer exist in the Netherlands, but in some cases people can continue to live at home, except not in their old home. That's why investing in these types of homes is essential."

"I believe Achmea's main role lies in sharing its expertise about healthcare and real estate. As a health insurance company, you are very aware of how the demand for healthcare evolves, and what is required. Based on that knowledge, you can provide appropriate advice on the requirements these homes must meet. This makes it possible to launch new projects which meet a growing demand and which are also good investment vehicles for pension funds."

"I think it's fantastic that Achmea has already taken steps in this direction, but the demand is substantial. That's why I would advise you to continue in this way. Expand further by seeking partnerships with other partners in the supply chain. Activate pension funds. You could also play a broker role: you can use your expertise to provide valuable advice to other companies looking to operate in this market. Be sure to use the span of Achmea. This works to the advantage of your customers, but will also improve the business opportunities of Achmea itself."

Nathalie Kelderman

"Our contribution from a patient perspective has been an important factor, and in some cases it has proved decisive."

Nathalie Kelderman is Director the Depression Association, a patient club who, amongst others, organises companion, information and discourse gatherings. The association is in close contact with academic health centers specialized in depression. In 2016 the Association invited to participate in the procurement of depression care.

Patients as partners in effective health procurement

"The 'Depressie Vereniging ('Depression Society') was approached by Zilveren Kruis with the request to help them with the procurement of outpatient care for patients who suffer from depression. They wanted to use our specific knowledge and experience as a patient organisation. We were a bit hesitant at first, but we eventually went and sat around the table together. Because we were confident that we would be making a serious contribution, we participated in the selection and procurement process. And the results have been successful."

"A total of 800,000 people in the Netherlands are affected by depression, and the illness has a huge impact on the people who suffer from it and those close to them. Also, if you've suffered from depression in the past, there's a 50 per cent chance of a relapse. That's what makes getting the appropriate treatment so important: in order to emerge successfully from a depression and to prevent a relapse or chronic issues."

"I was impressed with the in-depth approach and the amount of knowledge available, as well as by how people responded to our insights. They were very decisive and knew exactly what they wanted. When things went a little too fast for us just at first, we took time out to talk about what was important to us, what exactly we wanted to get out of this. We found that they listened to us very carefully – and that also turned out to be the case in the subsequent process."

"Health institutions provide files which make it clear how they work, what kind of results they produce, and what sort of ideas they have for the future. This was all discussed in-depth and with great care. Our contribution from a patient perspective has been an important factor, and in some cases it has proved decisive."

"A number of healthcare institutions have been selected for a period of three years – these have been recommended by Zilveren Kruis and therefore by us as well. However, at the end of the day patients make their own choices; we have not made any arrangements for quality monitoring, even though I would like that. We continue to communicate with Zilveren Kruis, for example on the option for these healthcare institutions to make referrals to patient groups within our organisation, as that is another important aspect of treating depression."

ABOUT THIS REPORT

For Achmea, the board report is an important way to strengthen the relationships with our stakeholders: customers, employees, (business) partners and shareholders. The purpose of this report is to render account and to provide an overview of our organisation and the interrelationships between our strategy, governance and the world in which we operate. The report follows the six dimensions of our strategy map and provides information on our company's performance from a variety of perspectives: the customer, the social context, employees, (business) partners, operating processes and financial performance.

This annual report is a combination of a management report and the financial statements, and can also be downloaded from our website (www.achmea.nl) from 31 March 2017. The Dutch language version of the report can also be downloaded from our website. In the event of any differences between the Dutch and English versions of this report, the Dutch version will prevail.

MODIFICATIONS TO THIS REPORT

With effect from 2016, the term 'annual report' has been replaced with 'board report'. The integrated report including the board report and the financial statements will therefore be referred to as the 'annual report'.

Due to various organisational changes (including changes in management and monitoring), the segments about which we report have changed from 2015, and the comparative data has been adjusted accordingly. See Note 2, 'Segment reporting in the financial statements' for further information.

PREPARATION

The Executive Board of Achmea B.V. is responsible for preparing the annual report, including the financial statements. The report is drafted under the supervision of the Finance department. Responsibility for the content and data is embedded in the organisation, with a special working group being responsible for providing the content. The steering committee approves the basic principles, draft copy and final copy. This steering committee is chaired by the CFO and also includes the directors of Reporting, Communications, Strategy, CSR, Legal Services and Risk Management.

The Audit & Risk Committee of the Supervisory Board makes a recommendation to the Supervisory Board regarding the advice to be provided to the shareholders about the approval of the financial statements.

REPORTING PARAMETERS

This board report is prepared in accordance with local statutory requirements and international accounting principles. The reporting framework and reporting indicators are in accordance with the IIRC framework and the G4 guidelines of the Global Reporting Initiative (GRI) and with the GRI G4 Core option. This board report was also drafted in accordance with Section 391 of Part 9, Book 2 of the Dutch Civil Code.

CONSOLIDATION

The financial information and a portion of the employee information contained in this board report has been consolidated for Achmea B.V. and all its group companies.

Achmea operates primarily in the Netherlands (which accounts for approx. 94% of its total revenue, while 83% of its total workforce are employed there), as well as in five other countries. Due to this strong Dutch focus, several sections of this report only cover Achmea's Dutch operations in 2016. Some of the information regarding employees, the social and environmental aspects of the companies listed in Appendix A (hereinafter referred to as "third-party companies") and the companies operating outside the Netherlands are not covered in this report. Any changes in scope are indicated in the individual paragraphs or subparagraphs.

Reports on Achmea's value chain focus on the following activities: Sustainable investments (on page 63 and in Appendix G) and responsible purchasing. Appendix E contains a report on corporate purchasing and the procurement of day-to-day property management services (e.g. maintenance companies and cleaning services providers) by Syntrus Achmea. The report also contains some information about the procurement of damage repair and health services.

MEASURE, ESTIMATE AND CALCULATE

The quantitative data contained in the paragraphs on finance and our workforce has been collected in our financial data management system. Our sustainable investments are collected through statements. These are completed annually by the company segments in charge. All information is assessed, and plausibility checks are performed.

CONTACTS WITH STAKEHOLDERS

Achmea aims to build and maintain close relationships with all its stakeholders. Based on a four-stakeholder model, we routinely consult with our customers, employees, (business) partners and shareholders. We closely monitor social trends and changes in society, particularly the long-term impact of such change. We regularly consult with customers through the Vereniging Achmea Members Council, as well as meeting with our customers several times a year through the customer and insurance councils of our insurance brands. The company communicates with its employees through the Works Councils, in regular meetings with unions, through the intranet, in personnel sessions, and through other channels. In addition, regular meetings are scheduled with insurance agents and insurance brokers, social partners, regulators and the government.

Social trends and stakeholder communications serve as the basis for identifying the main policy issues on which we report. In 2015 we launched an in-depth process in which we consulted internal and external stakeholders with the request to identify the issues they feel are of particular relevance to Achmea. Based on their input, we have included the 18 main stakeholder issues in our Materiality Matrix. In 2016, we expanded the issues from previous materiality analyses (see Appendix B). The plenary directors' council discussed fundamental issues in a series of sessions with a total of 70 stakeholders, resulting in the creation of a new Materiality Matrix, which is available on page 27.

The structure of this board report is in line with our strategic perspectives, as well as being in keeping with our objectives, management and performance. The eighteen most important stakeholders topics are addressed in the chapters about the six strategic perspectives. There have been no significant changes in terms of policy and our corporate social responsibility (CSR) objectives. For further information, see Appendix J to the GRI index.

AUDITOR'S SCOPE AND LEVEL OF ASSURANCE

The level of assurance applicable to the integrated annual report published by Achmea is shown below.

PwC, our external auditor, audited the 2016 (consolidated) financial statements, which are included on pages 96 to 263 of this annual report. PwC issued an unqualified audit report with the consolidated financial statements on 9 March 2017 (pages 269 to 284).

In addition to the consolidated financial statements, PwC has audited and assessed part of the board report with the objective of reporting on the reliability and appropriateness of the report. PwC is responsible for providing an assurance report along with the board report in which reasonable assurance is provided about the financial results and the employee information (in the chapters titled "Our Financial Results" and "Our Employees"). This means that these are represented adequately and in a reliable manner for all aspects which are of material importance, and that they are in accordance with Achmea's reporting criteria as described in the Reporting Parameters on page 16. PwC has also been requested to provide limited assurance in the assurance report with regard to the reliability and appropriateness of the other financial and non-financial information contained in the board report. The activities performed in obtaining a limited level of assurance are aimed at determining the plausibility of information, and are not as in-depth as for assurance engagements aimed at obtaining a reasonable level of assurance.

PwC provides no assurance as to the assumptions and feasibility of information relating to the future, such as the objectives, projections and expectations included in the report. The statement on new business included in our board report (see page 61) is based on actuarial models. PwC has not included these actuarial models in its procedures for this board report. The content of the websites referred to in this report and the report of the Supervisory Board, biographies and Appendix A, solvency 'Day one' figures including Analysis of Change are not in the scope of the assurance report. PwC's assurance report can be found on pages 285 to 287.

FUTURE TRENDS AND DEVELOPMENTS

Integrated reporting will continue to evolve, and we expect to implement further improvements in the future in terms of our reporting, including working towards a higher level of assurance of the audit regarding the details listed. Our aim for next year is to progress to a reporting level according GRI SRS. In doing so we intend to report even more transparent than we do today. We would appreciate hearing your feedback on ways in which we might be able to improve our approach. You will find our address details on the last page of this annual report.

CUSTOMER RELEVANT & TRENDSETTING

Achmea demonstrated in 2016 that insurance continues to be of great value to both our customers and society at large. Following the hail calamity in June, we made every effort to ensure that our customers would be assisted as efficiently and effectively as possible. In excess of 30,000 customer claims were settled in all, adding up to a total damage of more than €300 million. An assessment revealed that these constituted the largest losses in the history of our insurance group – all the more remarkable when considered that the damage was caused in less than one hour's time. Such a recent hail calamity clearly demonstrates once again why we were established in the first place: to share risks which are too great for a single person to bear. We are there for our customers when they need us. Our quick handling of claims and the way in which we help customers move forward is something to be proud of.

Climate scenarios reveal that we will need to anticipate more frequent and more extreme levels of precipitation in the future. It is for this reason that climate change has been high on the agenda for Achmea for many years now. It can have a massive impact on our customers. Therefore, we have been compelled to raise our premiums. This has proved to be essential – particularly for the short term. However, the most important aspect is that we can improve the safety of our customers while keeping the cost of claims down at the same time. Over the longer term, prevention is the best way to keep premiums affordable and maintain insurability. In order to reverse climate change, it is important that we significantly reduce greenhouse gas emissions worldwide. Over the next few years, insurers, governments, companies and consumers throughout the world will need to make every effort to achieve the targets of the Paris Climate Agreement.

Successful completion of Acceleration & Innovation programme

We completed our three-year Acceleration & Innovation change programme this year. This has significantly improved our services and stepped up our company's level of innovation. We offer our customers a variety of new initiatives, many of them online, to provide them with even better services.

This has resulted in greater customer satisfaction, an above-average Customer Centricity score awarded by the Netherlands Authority for the Financial Markets (AFM), and a consistently high rating for our insurers, including Centraal Beheer,

Zilveren Kruis and Interpolis. I would like to take this opportunity to thank all our colleagues for their dedication, which has been all the more impressive in these times of change.

We managed to substantially improve the efficiency of our operations over the past three years. We sustainably improved the future readiness of our company. Processes have been simplified, while our operating expenses have declined significantly. The Acceleration & Innovation program has strengthened Achmea's foundation. We are confident that we will be able to benefit from this robust basis in the ensuing period. In addition to improvements in our own business operations, we also managed to further strengthen our strategic partnership with Rabobank. Our successful bancassurance partnership led to successful results in 2016, and we have been working together on further improving the services provided by Interpolis. Our group's strategy is to focus on our core businesses. The announced sale of both the reintegration company Winnock and the private banking business of Staalbankiers are results of this.

In implementing all these changes, we have, unfortunately, been compelled to let go a large number of our employees due to more efficient operating processes. The reduction of jobs is unavoidable, and we are making every effort to ensure that people affected receive the best possible support.

Ongoing changes at our company

Despite the many changes we have implemented in recent years, we must conclude that the financial results of the past financial year are disappointing. Owing to incidental expenses in the second half of 2016, Achmea expects to end the 2016 financial year with a negative net result of €382 million. An increase in the provisions for personal injury claims, the higher-than-expected use of new medication, a reorganisation provision relating to further changes in our organisation, and a write-down of goodwill on our Turkish insurance business have combined to drive down our profit. The first half of 2016 was strongly affected by the hail calamity in June. While incidental expenses are the main factor contributing to the loss, our operational profitability has also fallen short of our ambitions. We aim to increase our returns in order to be able to continue investing in innovative services for our customers and in order to sustainably maintain our financial health. Premium increases are, inevitably, a fundamental part of this. We will continue our current strategy and will make adjustments where necessary in order to improve our results. A further reduction in expenses by roughly €200 million and, inevitably, the reduction of around 2,000 jobs, is part of the plans we have in place.

The world around us is changing rapidly. Customer needs are changing, enhanced by technological advances and innovation, while economic and political change are also the rule rather than the exception. The innovation of our services will remain a central focus throughout, based on the motto 'Delivering together'. Our strategy is clear, and we will continue to implement it over the next several years, with 'customer relevant' and 'trendsetting' being the two keywords. These keywords are at the top of our adjusted Strategy Map for the period until 2020 and indicate in what direction we will be developing as a company.

More customer-focused with five 'marketing-oriented value chains'

In order to provide even better services to our customers, we are shifting towards a system of market-oriented operating chains. With the five value chains Non-Life, Health, Retirement Services, Pension and Life and International, we have a more efficient organisation in place to be able to meet our customers' needs. Each of our five market chains has its own role and responsibility in this process.

The **Non-Life** operating chain focuses on improving online services to our customers and aims to be relevant to them on a daily basis. We are investing in the growth of profitable consumer and small business portfolios and closely monitor the performance of less profitable portfolios. In Income Protection, we focus on improving the profitability of disability insurance and on making our group insurance products sufficiently profitable.

The **Health** value chain focuses on reducing administrative expenses and needs to distinguish itself in the market by delivering added value to customers. As the market leader in the health insurance market, we intend to take advantage of our substantial customer base by also offering them other (insurance) products. We regard and manage our company's health insurance business as a 'closed system'. Achmea has limited the increase in premiums for the basic health insurance policy for 2017 by allocating €434 million from our earnings for the 2016 financial year. This amount is returned, by way of premiums, to customers of Zilveren Kruis, Interpolis, Avéro Achmea, Pro Life, OZF, FBTO and De Friesland Zorgverzekeraar. Over the past three years, Achmea has already reimbursed around €1.2 billion from its reserves by setting the premium below cost. Offering health insurance below cost is not sustainable in the long run, as health insurers must possess adequate reserves in the interest of their customers. Sharp rises in premiums in the future are therefore unavoidable for this reason alone. It was recently revealed that the capital restrictions in our health insurance business could become permanent. The Dutch House of Representatives has adopted an initial bill to this effect, despite the serious objections made by both the Minister of Public Health and the Council of State. The Minister's appeal that De Nederlandsche Bank and the Netherlands Healthcare Authority be consulted on this issue was ignored. In the current polarised political climate in the Netherlands, the decision-making process appears to be based increasingly less on facts and existing

commitments. The legislative proposal is currently being reviewed by the Senate. Achmea does not support this bill, because we feel it is redundant, while also having negative consequences for Achmea, our health insurance business and the functioning of the overall healthcare system. This results in a higher capital burden and, therefore, higher premiums. In addition, it will also result in an increase in operating expenses. Private capital resources are being expropriated. The private nature of the Dutch healthcare system and the insurers operating within this system will no longer be accessible to new entrants. Back in 2006, Achmea deliberately decided to join the new, fully private health insurance system. This decision was made on the understanding that arrangements were in place to abolish the capital restrictions on distributing profits in ten years' time. If previously made commitments are reversed in such a dramatic way, this affects the credibility of our government.

We also provide our customers with customised pension solutions. Within the **Retirement Services** operating chain, we are investing in the Centraal Beheer General Pension Fund (APF) and in our services to company and sector pension funds. Initial feedback from the market on the Centraal Beheer APF has been very positive. The Centraal Beheer APF welcomes RBS and Bavaria as its first customers. We are currently working on developing an integrated pension proposition for customers with products from the second, third and fourth pension pillar. Asset management through Achmea Investment Management and savings products offered by Achmea Bank constitute a significant and integral part of our retirement services strategy. We have made the strategic decision to reduce the administrative services provided by Syntrus Achmea Pension Management to mandatory sector pension funds. This decision will have an impact on our customers and employers. We have made a point of revealing the nature of these decisions at the earliest possible stage, giving customers sufficient opportunity to find an alternative administrative pension services provider. At the same time, we also aim to end this period of relative uncertainty for our customers as soon as possible.

In the **Pension & Life** operating chain, we manage the 'closed book' containing pension and life insurance policies. We focus on an execution that is as efficient as possible, maintaining the current high level of services. We expect to achieve economies of scale through the long-term management of these two portfolios. We are also working on reducing expenses and increasing solvency, while at the same time maintaining the high level of services provided to our customers.

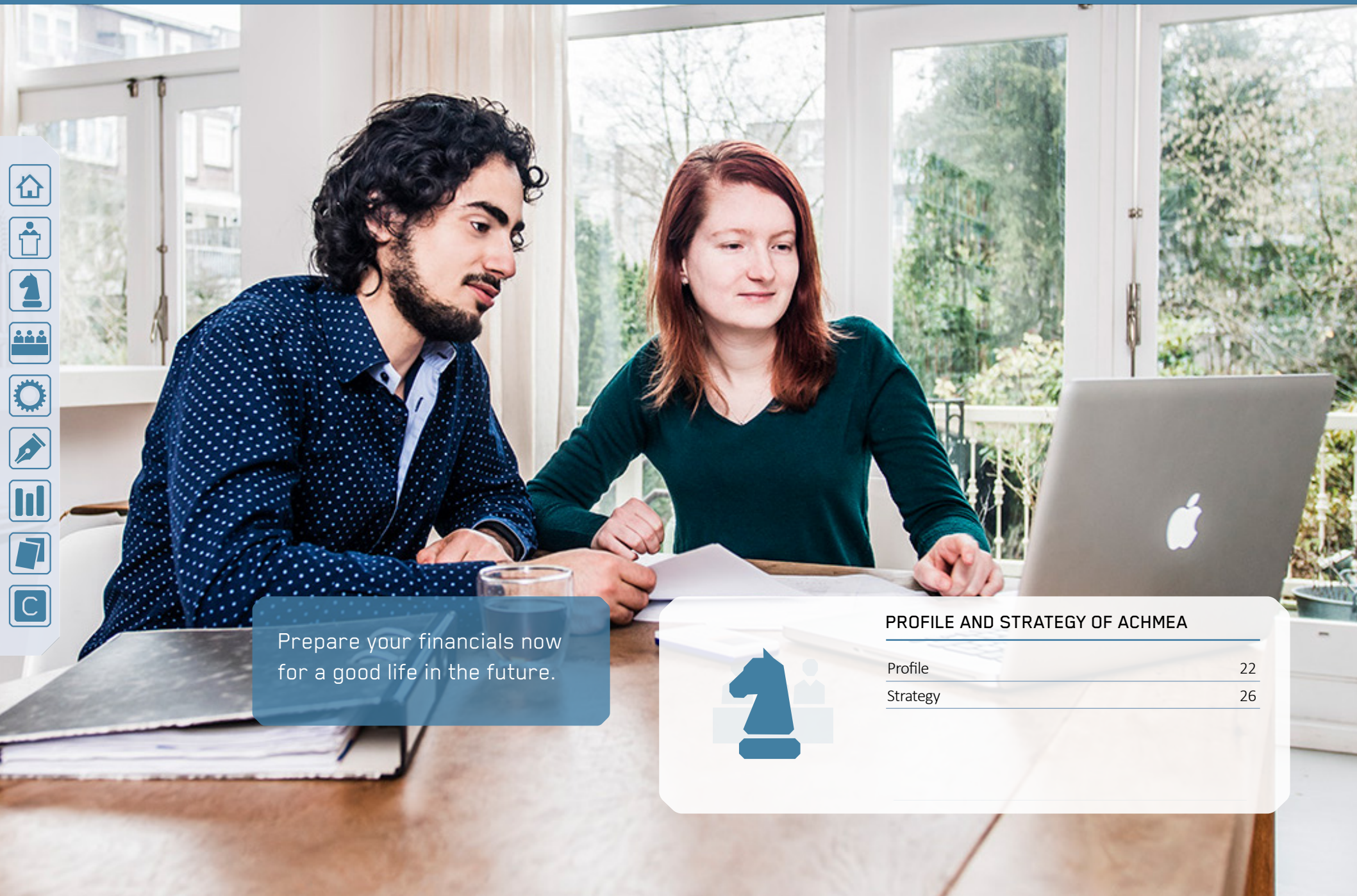
In the **International** chain, we focus fully on achieving growth in markets where we see opportunities, by operating in an innovative way. Our international strategy, which we reassessed in 2015, is being successfully implemented. The Group's core competencies – direct online, banking distribution and non-life and health insurance – are central to our growth strategy. In addition to our presence in existing markets, a research was conducted on entering the Canadian market with online insurance operations. Our commercial and strategic partnership with our bancassurance partner, the Garanti Bank in Turkey, continues unabated, and shows very positive developments.

Based on these five market chains, Achmea will be operating as a single group in the future. As the largest insurance company in the Netherlands, we aim to be trendsetting with our products and services, both in the markets in which we operate and in a wider societal context. Our identity as a cooperative will continue to serve as our compass throughout. We assist and support our customers through our expertise in insurance and prevention. We are actively involved in issues relating to healthcare, mobility, housing and financial security, now and in the future. In this, our responsibility extends beyond providing compensation to customers after an accident, burglary, fire or storm. We apply new technologies which add new solutions to insurance products, making us relevant to our customers every day. It also means a change in the traditional revenue model of insurance companies. We help our customers – both individuals and businesses – to achieve long-term sustainability.

Acknowledgements

Following the General Meeting of Shareholders in March 2017, Huub Arendse will step down as the Group's Chief Financial Officer (CFO). Michel Lamie, who joined the Executive Board on 1 January 2017, will then take over his position as CFO. Mr Arendse has been extremely valuable to Achmea due to his great dedication and commitment. We are very grateful to him. Aad Veenman was appointed Chairman of the Achmea Supervisory Board in August 2016. He will succeed Erik van de Merwe, who served as a Supervisory Board member for more than 12 years, the last four years of which as Chairman. Mr Van de Merwe also held a variety of managerial and supervisory roles at Achmea during this time. In his capacity as a Supervisory Board member, Mr Van de Merwe dedicated himself to Achmea and the functioning of the Achmea group by giving a great deal of his time, energy and decisiveness. Achmea owes Mr Van de Merwe a great debt of gratitude for this.

PROFILE AND STRATEGY OF ACHMEA



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for a good life in the future.

PROFILE AND STRATEGY OF ACHMEA

PROFILE

Achmea, which is originally founded as a cooperative, is the largest insurance company in the Netherlands. We were established in 1811 by farmers and a number of notable citizens, with employers' organisations, labour unions, health insurance funds and mutual insurance companies eventually joining the new company. Each of these organisations occupied a prominent role in society. We have been very much shaped by our history and even today remain a company with a strong cooperative identity. Through our healthcare, income protection and pension insurance activities, we have long been actively involved in public-private initiatives and projects.

The insurance companies Centraal Beheer, Interpolis, Zilveren Kruis, Avéro Achmea, De Friesland, FBTO, InShared, OZF and Pro Life collectively serve approximately 10 million private customers across the Netherlands. We are the market leader in the Dutch non-life and health insurance markets, and are ranked third in income protection and life insurance. In addition, we are the fifth-largest asset management company in the Netherlands. We offer our customers a comprehensive range of insurance products and related financial products and services through the banking, direct and brokerage distribution channels. We focus primarily on non-life and income protection insurance and health insurance. Achmea also offers customers the option of building retirement income. Internationally, we operate in Greece, Turkey, Slovakia and Ireland and have a partnership with Rabobank in Australia. We focus on a select number of growth markets, where we use the knowledge and experience we have acquired in our home market of the Netherlands to benefit our international customers.

Our roots as a cooperative organisation compel us to think and act in the interest of our customers, who are closely involved in the management of our company and our product development processes. Their involvement is officially guaranteed through the presence of customer or member councils for all Achmea brands. This gives customers significant influence over our products and services. The members of the customer councils also constitute a prominent part of the Vereniging Achmea Members Council, our main shareholder. This ensures that customers have an impact at all levels of our organisation: in their day-to-day interaction with us, in the customer councils for the various brands, and in the Members Council of the Vereniging Achmea (Achmea Association). The way in which our customers can exert influence on their own insurance company is what makes us unique.

- **1811** The history of Achmea begins in Achlum, the Netherlands
- **1909** A group of Dutch mutual insurers form the Coöperatieve Vereniging Centraal Beheer
- **1949** Zilveren Kruis founded
- **1956** The first Dutch direct writer FBTO is founded
- **1992** Centraal Beheer and Avéro Insurance merge to AVCB
- **1995** Achmea founded out of AVCB and Zilveren Kruis
- **2001** Achmea acquires InterAmerican Greece
- **2005** Achmea merges with Interpolis, Rabobank becomes second largest shareholder
- **2007** Achmea acquires 80% of Eureko Sigorta; Achmea and Agis merge
- **2010** Achmea creates InShared
- **2011** Achmea merges with DFZ and acquires Independer
- **2013** Start change programme: 'Accelerating & Innovation'
- **2016** Concentration of asset management activities in Achmea Investment Management
- **2016** Foundation of Centraal Beheer General Pension Fund (APF)

Where are we heading?
Bold ambition: customer relevant & trendsetting.

WHY DO WE EXIST?

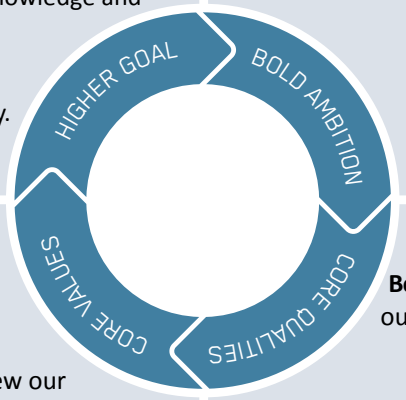
We are committed, customer driven and results-oriented.

We support our customers with knowledge and solutions to feel more secure.

Together we work on realising a healthier, safer, future proof society.

WHERE ARE WE HEADING?

Relevant to our customers and leading



WHAT DO WE STAND FOR?

Empathising: We understand the needs of our customers

Innovating: We continuously renew our insurance products and service

Delivering: We honour our agreement and beat expectations

WHAT DO WE EXCEL AT?

Being professional: We differentiate ourselves through knowledge, skills and the use of information

Improving: Continuous improvement is in our DNA

Connecting: We cooperate closely with our customers and partners

CREATING VALUE

Our ambitious goal is to meet our customers' needs and remain relevant on a daily basis, as well as to play a leading role, along with our partners, in the markets in which we operate. We believe it is a given that we act in a responsible and forward-looking manner, and do so by continuing to invest in new products and solutions to provide our customers with even better solutions. In addition to insurance products, we are also in the process of extending our range of services, including those relating to prevention. We offer our customers insight and solutions relating to the uncertainties in their lives. This is the basis for keeping customer satisfaction scores high, remain financially solid, and ensure the continuity of our services. We want to do so by providing products and services which have added value for society and through responsible investment.

For example, we work with our customers, members and partners to create a healthy, safe and sustainable society, and, in so doing, provide a broad basis for the principle of solidarity. We organise our operations such that we create value for four categories of stakeholders: customers, employees, business partners and shareholders. The majority of the shares in Achmea are owned by Vereniging Achmea and our strategic partner Rabobank. Our shareholders and the other stakeholders endorse our strategy, which focuses primarily on ensuring continuity of services to our customers in the long term.

ROLE IN SOCIETY

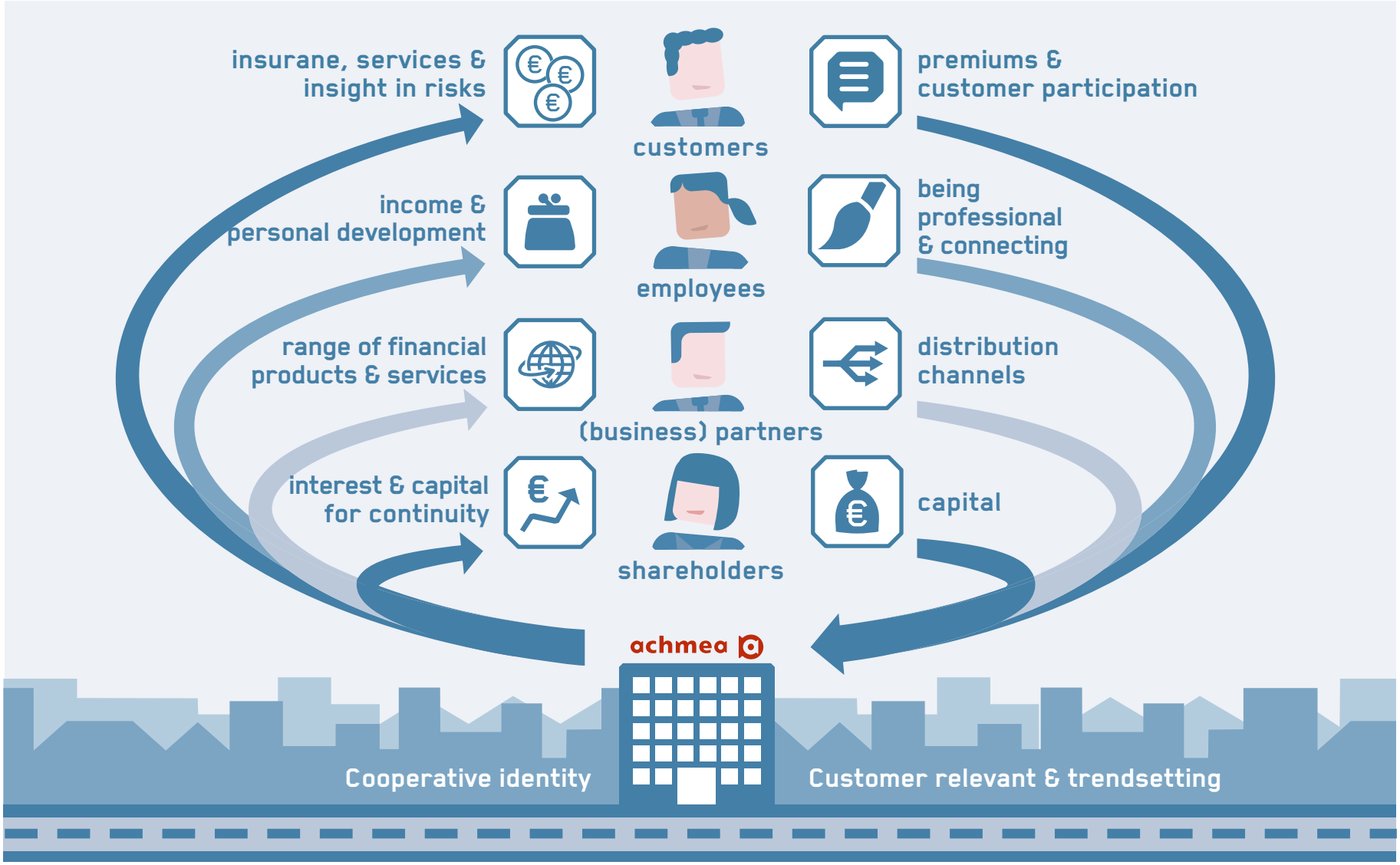
As a service provider we operate in the role of risk manager and risk bearer, our societal role is threefold:

- Insight. Creating insight into uncertainties and the corresponding risks.
- Advice. Assisting customers in determining how they wish to deal with uncertainties (avoidance through preventive measures, or through insurance or acceptance).
- Propositions. We offer consumers, businesses, institutions and collectives insurance policies and services that match their choices with respect to solidarity and risk appetite.

As an insurance company, we ensure that our customers can continue living their lives or running their business after being faced with unexpected setbacks. Insurance is based on the principle of solidarity, which means that, although all individual policyholders pay premiums, not all of them will suffer actual loss. The impact on individual policyholders will therefore remain manageable due to the shared risk.

Our knowledge of risks allows us to help our customers to take preventive measures. In doing so we reduce the risk of damage or loss and keep premiums affordable.

ACHMEA'S STAKEHOLDER VALUE MANAGEMENTMODEL



About Achmea's stakeholder value management model

INSURANE, SERVICES & INSIGHT IN RISKS

As an insurance company, we provide our customers with the security that they can continue living their lives after being faced with unexpected setbacks. We make people aware of risk and help them to prevent loss and insure it where necessary, as well as compensating the loss and repairing damage when it occurs. We help them to become healthier, safer and more future proof.

INCOME & PERSONAL DEVELOPMENT

We work on customer focus, customer centricity and on improving our employees' expertise and personal skills, so as to allow us to better assist our customers. Achmea invests in improving the expertise of its employees through training courses, which are offered both in-house and by external providers. The company is also aimed at facilitating the personal development of employees and at achieving and retaining a strong position in the job markets.

RANGE OF FINANCIAL PRODUCTS AND SERVICES

Achmea's brands serve consumers and businesses with insurance products relating to healthcare and non-life, or to make arrangements for your income and services for the future.

INTEREST & CAPITAL FOR CONTINUITY

Achmea pays interest to debt holder by way of compensation for providing funds. Achmea holds a part of its financial result for itself. These results are employed to strengthen the financial position of Achmea in order to remain a solid company. Achmea is allowed to distribute a portion of realised results to shareholders. The two largest shareholders of Achmea are Vereniging Achmea (Association Achmea) (share: 65.3%) and Rabobank (share: 29.2%). Vereniging Achmea is the cooperative hart of Achmea where collective interests of our customers are taken care for. In conjunction with this role Vereniging Achmea has the objective to safeguard the continuity of Achmea. The customers are represented by the customer council of Vereniging Achmea. The customer council mirrors the profile of the total number of customers of Achmea as much as possible. Rabobank is a cooperative. (Please see: www.rabobank.com). The cooperative identity of both Achmea and Rabobank are a good stand for the partnership.

PREMIUMS, COMPENSATION & CUSTOMER PARTICIPATION

Premiums and compensation

Insurance is based on the principle of solidarity, which means that, although all individual policyholders pay premiums, not all of them will suffer actual loss. Since our customers pay premiums in a cooperative context, we can offer them continuity when facing unexpected adversity. We ask for suitable compensation in order to ensure responsible returns.

Customer participation

Customers occupy a prominent role in Achmea's brands and have influence over our products and services. They are represented on the Members Council, our forums for co-creation and they ensure compliance with the standards and values associated with the brand.

BEING PROFESIONAL AND CONNECTING

Customer service comes naturally to us. being professional and connecting are keywords in our identity, and our employees do everything they can to provide our customers with the best possible services.

DISTRIBUTION CHANNELS

Some customers like to handle their business themselves online, while others value the input of an advisor, or may choose to manage their business through Rabobank. Achmea provides a unique service in that it serves the direct, intermediate and banking channels. We offer the best insurance products through a variety of channels. Our customers can purchase products and services directly and online, notably in healthcare and non-life insurance. Through the local Rabobanks, Interpolis is the main supplier. Avéro Achmea is the brand through which we provide a variety of insurance products through agents and brokers.

CAPITAL

A strong capital position means that we can meet our commitments to our customers under a variety of circumstances. Our capital exceeds the requirements. Achmea aims to earn a responsible return. We add a portion of our profit to our capital; this ensures our continuity and provides us the reach to invest in solutions for our customers, now and in the future. A secure financial position is necessary in order to keep the interest payable low. We aim to achieve a capital position at a solid AA level S&P capital. This ensures that our interest charges remain low and that we can offer competitive premiums to our customers.

STRATEGY

Customer-relevant & Trendsetting
We aim to be customer-relevant & trendsetting. We do so by putting customers first, by providing products and services with added value for society and through sustainable investment. From our background as a cooperative, we are customer-driven and result-oriented. We continue to renew ourselves. We have a strong tradition in direct customer contact, as one of the first insurance companies in the market. Together with Rabobank, we combine banking and insurance solutions. We understand the importance of online communications: our customers want to manage their insurance policies online. We facilitate and support them in this. Together we deliver.

ACCELERATION & INNOVATION

In 2016, we completed the Acceleration & Innovation change programme. We strive to be a modern, customer-driven organisation, offering competitive prices and responsible returns. We are first in the market when it comes to customer focus. Our consistently high NPS scores are proof of this. The AFM Customer Centricity score has significantly improved. We have further enhanced our IT systems. We have set up market-oriented supply chains, with a new brand policy and a focus on marketing and sales. This makes our organisation more efficient and more customer-focused.

We ended operations which generated losses or were no longer in line with our strategy, including the majority of our pension insurance and life insurance policies. We are scaling back the pension management services provided to sectoral pension funds; the pension and life portfolios are currently managed on a closed book basis. Yet we have also made investments, in digital customer service and strategic initiatives. In launching the Centraal Beheer General Pension Fund (APF) we have taken an important step in the new strategy for retirement provisions. We renewed the partnership with Rabobank, and a new international strategy has been put in place.

As a result of these measures, expenses and the number of FTEs are reduced. By mid-2017, we expect to have achieved €450 million in cost savings and reduced the number of FTEs by 3,500 since introducing the Acceleration & Innovation programme in 2013. Employee engagement levels remain consistently high. We are working towards the sustainable employability of our employees.

EXTERNAL ENVIRONMENT

The Dutch economy continues to grow, with the unemployment rate falling and purchasing power increasing. The Dutch central government's budget of 2017 is balanced for the first time since 2008. With a growth rate of 2.1% in 2016 and the same percentage expected for 2017, the CPB (Netherlands Bureau for Economic Policy Analysis) has concluded that the Dutch economy has emerged from the crisis. More people have jobs. Wages are also increasing. The strong growth in the housing market is a key driver of the increased expenditure. Greater flexibility in the labour market and uncertainty about retirement provisions are creating insecurity and keeping consumer spending down. Inflation is set to increase in 2017, but will remain limited in the Eurozone. Interest rates are expected to remain low. Geopolitical uncertainty can lead to a growth slowdown and economic shocks.

Sustainability, wellbeing and the human dimension are topical issues. This provides opportunities for companies to distinguish themselves, for example in areas such as sustainable investment. The solidarity of insurance is no longer a given. People are sharing risks selectively and increasingly in trusted circles, including outside the usual channels. A preference for local products and providers, the creation of small-scale initiatives and the sharing economy all reinforce this trend. Group insurance schemes and provisions are cut back. A growing number of risks are transferred to citizens, self-employed individuals and employees. Technology has a huge impact on our lives, including robotisation and artificial intelligence. New medical technologies, 3D printing, the Internet of Things and cybersecurity are also changing our lives.

A new risk landscape is emerging for insurance companies. Europe already has claims risks due to more extreme weather conditions. This provides opportunities for new products and services relating to an adjustment to climate change. Technological advances are accelerating the possibilities for new services, including for new entrants. For us, these can be competitors or partners.

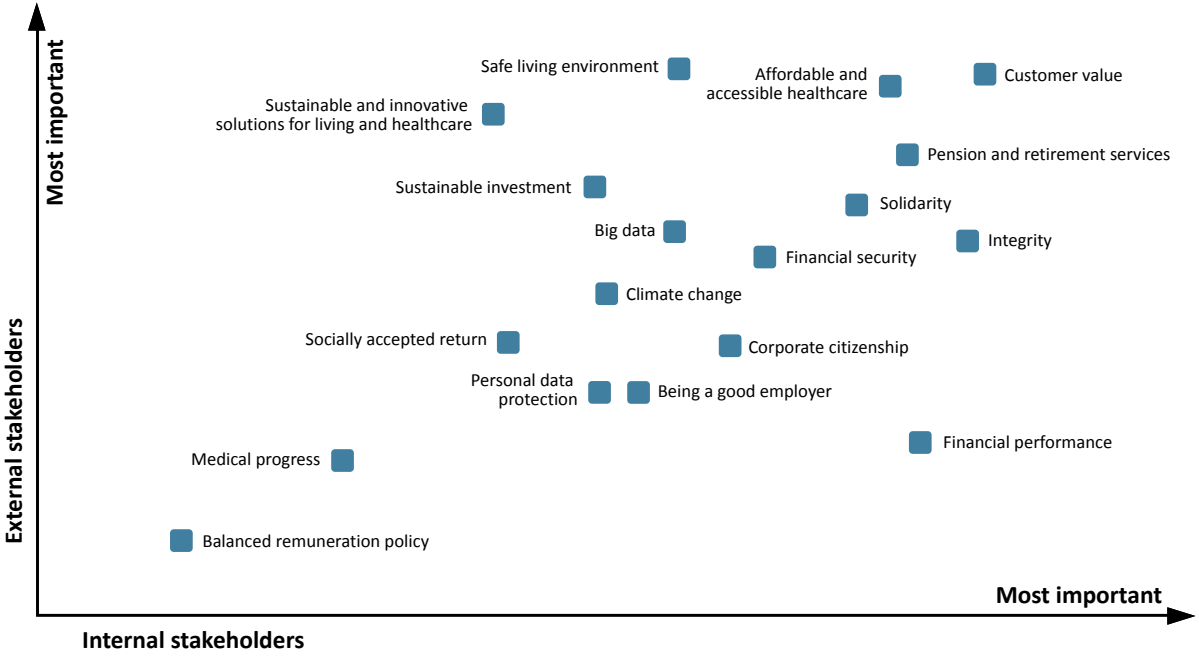
MATERIALITY AND STRATEGY MAP

We closely monitor what is going on in society. We do this in order to be able to continue meeting our customers' needs. We are therefore engaged in an ongoing dialogue with our stakeholders: what issues are important to them and to Achmea? We discuss these through customer contacts, customer councils, Vereniging Achmea, sector organisations, and so on. We classify these key issues as 'material' and display them in a Materiality Matrix. The greater the impact of an issue on society and Achmea's operations, results and strategy, the greater the materiality of this issue.

MATERIALITY MATRIX

An extensive survey conducted in 2015 revealed the following top priorities: creating value in the areas of healthcare, retirement services and the combination of housing and healthcare. In 2016 we worked out these issues in-depth with the Executive Committee (including the Executive Board) and 70 of our stakeholders. Stakeholder groups are identified on the basis of their influence on Achmea. Partly on the basis of this dialogue conducted, we created the Materiality Matrix for 2016 (see the figure). The matrix corresponds largely with the 2015 version. However, the significance of some issues has changed; climate change, financial security, financial performance, sustainable investment and Big data have become more material. Please see Appendix B for a comprehensive summary on the stakeholders' consultation and an explanation of the concepts in the materiality matrix.

The input from the stakeholders is important for our strategic decisions. After the stakeholder consultation by the Executive Committee, we reassessed our strategic goals on the Strategy Map. This took place in a dedicated core team, which included the Chairman and the Vice-chairman of the Executive Board, as well as the directors for HR, Strategy, Marketing and Innovation (also responsible for CSR) and Communications. The decision-making on this was completed by the Executive Board – due to its overall responsibility for the identification, evaluation, decision making and management approach of the material issues – in consultation with directors.



STRATEGY MAP

Most of the material issues from the Materiality Matrix are also included in Achmea's new Strategy Map. This Strategy Map operates on the basis of six different perspectives and sixteen critical success factors that determine the way we work. In the next pages, we describe the strategic decisions and KPIs that we use for steering purposes. A detailed explanation on the Strategy Map can be found in Appendix D. The connection between the material issues and KPIs derived from the Strategy Map can be found in Appendix C.

PROGRESS GOALS STRATEGY MAP 2017-2019

Strategy map 2017-2019

Delivering together

CUSTOMER PERSPECTIVE →

- Customers feel strongly connected to our brands
- Customers are served well by our insurances and services
- Customers are closely involved in improving of our insurances and services

SOCIETY PERSPECTIVE →

- Together with Achmea Association we strengthen the cooperative foundation of Achmea
- Based on our expertise we contribute to a healthier, safer and a future proof society

EMPLOYEE PERSPECTIVE →

- We accelerate in customer focus, being professional and adaptability
- Management leads the way and work together on the realisation of our strategy
- Working on employability is at everybody's heart

PARTNER PERSPECTIVE →

- With our (distribution) partners we improve and innovate our insurances and services
- Insurance is successful for Rabobank

PROCESS PERSPECTIVE →

- Our processes lead to the highest Net Promotor Score
- We work digital and based on standards
- We use information as the differentiating factor

FINANCIAL PERSPECTIVE →

- We optimise our portfolio and realise profitable growth
- We ensure a robust balance and effective capital and liquidity management
- We realise a competitive below market cost level

OUR ANALYSIS

Achmea is faced with saturated markets for traditional products and services. The requirements for our operations and management are changing. The solidarity of insurance is less obvious. At the same time, collective, solidarity-based solutions for sharing risks are still needed. Digital service in other sectors is raising customers' expectations. New ecosystems are emerging. These meet a portion of the customer needs which are not or inadequately met by insurance companies. The business model itself is under pressure. Competition is also emerging from new players. Existing competitors are working hard on innovation and on reducing expenses. The results of the Acceleration & Innovation programme demonstrate that Achmea is on the right track, with customer-driven innovations, cost savings and investments in new revenue models.

SWOT ANALYSIS

The insights from the environmental analysis and insights from discussions we have held with our stakeholders provide an idea of the opportunities and strengths, and of the threats and weaknesses. We display these in a SWOT (Strengths, Weaknesses, Opportunities, Threats; see figure).

STRENGTHS

- Market position
- Scale in home market
- Strong brands
- Customer satisfaction
- Diversification
- Partnership with Rabobank
- Direct and online distribution
- Innovation capabilities

WEAKNESSES

- Financial result under pressure
- Solvability under pressure
- Size of international operations
- Expense level not on benchmark yet
- IT-complexity in property and casualty

OPPORTUNITIES

- Cross-sell
- Insurance related services
- Insure for instead of against
- Deployment of digital competences abroad
- Prevention using technology (P&C)
- New business models (combination of services and insurance)
- Centraal Beheer APF to strengthen our market position
- Legislative changes in pension and income protection

THREATS

- Saturated market
- Macro-economic situation (growth, interest rate level)
- New and departing risks
- New eco-systems, blurring between sectors, changing roles in value chain
- Societal and political pressure health insurance
- Dwindle away of traditional life
- Changing feeling of solidarity

Strategic decisions 2017-2020

OUR OBJECTIVE: DELIVERING TOGETHER

From our position of strength, we can protect our position in the market and strengthen it in some areas. Mainly through the digital knowledge and expertise which we are developing at a rapid pace. Customers expect us to provide a good digital customer service. The need for risk sharing continues to exist, but our revenue model is under pressure. Due to new entrants, but also due to existing competitors.

We continue to focus on insurance products and services in the non-life and healthcare segments, in addition to retirement services, and with international activities both direct and through the banking channel. For the short term, we are focusing on improving profitability and free capital generation. This term expresses the amount of free capital that an insurance company can generate. In the medium term, we plan to update our business models in line with the market developments.

Our role is shifting from compensating and preventing loss to making life more enjoyable for people. This may range from indemnifying people against loss and helping them to preserve or achieve something: a healthy body, a fit mind, a sense of safety, and financial planning. We are evolving into a dynamic provider of digital services which plays an important role in the lives of our customers. Each and every day.

We invest in innovation themes such as mobility, a safe home and living environment, healthcare innovation and retirement services, and innovative strength. We make (investment) room available to create new business models. In this, we increasingly choose to work with partners.

The Acceleration & Innovation programme has made our company more efficient and improved Achmea's foundation. Using the motto 'Delivering together', we build with confidence on this robust foundation.

Our company's future

In some aspects, our future company will look different from today:

- The customer comes first: we provide more than insurance products alone: a broad range of services for (financial) security. At a good price, with top-level service, even greater convenience through digital, innovative solutions – mainly relating to security and mobility and assistance in preventing loss.
- We will become a smaller, more compact, digital group, offering strong brands and a unique market position. This results in customer appreciation and a strong financial performance.
- We work differently and stand out by our expertise, connections with partners, fast and flexible way of working, and lower expenses. Operating as a data-driven and technology-driven company. We provide products and services which make society safer, healthier and more sustainable. Supported by employees who enjoy working for us.

Decisions in submarkets

The translation of our strategy in submarkets differs. Each supply chain comes with its own set of challenges and is at a different stage of development. Each with its own matching roles and accents. We therefore choose – in addition to strengthening the business – to enhance the strategic role of the various business segments.

Non-Life

Our Non-Life division, one of the cornerstones of Achmea, is faced with market saturation. We are the market leader and our customers show above-average customer satisfaction scores, including on account of the high quality of our online services, the strong Rabobank distribution network, and our position among brokers. Expenses remain below the benchmark, but profits in some segments have lagged behind. The use of new technologies can lead to downsizing, but also provides opportunities for new business models.

Our long-term focus is on growth in profitable market segments and on taking measures to reduce claims. We identify opportunities for growth in the private and SME portfolios. In the immediate future, we will reduce the unprofitable portfolios and take substantial measures with regard to premium; we are doing this to improve the financial result. We innovate with a focus on improving mobility and the living environment in the private non-life market. We use digital interaction, data and technology in order to be personally relevant for customers. Each and every day.

We are currently ranked third in the market for income protection insurance. By taking measures related to quality and rates we have improved the results from the income protection portfolio. We see opportunities in accessible solutions and in extending into new areas of segments of the labour market. The focus is on improving the profitability of individual occupational disability insurance. We base our choices for group income insurance products on estimated returns. In both segments, we will be renewing our partnership with Rabobank.

Health

We are the market leader, with significant distribution strength and a strong position in the group insurance market. Profits are strongly impacted by necessary loss provisions. Administrative expenses remain above the benchmark. There are opportunities for services relating to prevention, healthy living and increasing vitality.

The dependence on political decision-making and societal pressure weigh heavily on the healthcare market. After some years in which the healthcare expenses

have increased modestly, we have partly used the accumulated reserves to limit the increases in premiums. The possibility to use reserves to keep premiums down is finite. This is one of the reasons why we expect a sharp increase in the nominal premium over the next years. This will be a market-wide trend. Its impact on politics and society is yet unclear. In addition, there is the challenge of achieving economies of scale in distribution and purchasing. Many customers choose based on price; this makes it more difficult for us to distinguish ourselves.

The health business is a closed system in which reserves and results, but also investments and innovations remain within the healthcare business. We invest in healthcare procurement, reduce administrative expenses and increase cross-selling. We aim to increase our added value by providing a better quality of service delivery, through innovations for arranging healthcare and contributing to improving the health of our customers, with solutions relating to vitality (Actify) and employability (Healthy Entrepreneurship).

Retirement Services

We anticipate changes in the pension system. The business segments on the supply chain, including Achmea Bank and Achmea Investment Management (Achmea IM) are managed by a single entity. The challenges are raising the profile of Centraal Beheer as a comprehensive financial services provider, cost management, increasing returns from banking operations and an increase in the assets under management at Achmea IM.

We focus on improving the market position of the Centraal Beheer APF, the repositioning of Achmea IM and the marketing of Centraal Beheer as a comprehensive financial services provider. We stick to the strategic decisions we make, also in temporary adverse economic conditions. We continue to invest in our market position and the business model of the Centraal Beheer APF and in an integrated proposition for the second, third and fourth pillars. We pursue a prudent growth strategy, making the careful consideration. In doing so, we consider whether it is better to organise the activities ourselves or procure them. At Achmea IM, this growth strategy is based on attracting new institutional clients and the contribution of the APF.

Pension & Life

We develop pension insurance on a closed book basis, modelled on the Life service organisation. We will remain active in the term life insurance market. The closed books are profitable, but with the book being reduced, the pressure on expenses is increasing, while the profit potential is declining. In the immediate future, the challenge lies in implementing mitigating measures to offset the lower Solvency II ratio, reducing interest-rate sensitivity through capital hedging, the growth of term life insurance policies through retirement services and Interpolis, and the transition of existing customers to the APF. The focus is on cost savings and value creation.

International

Our international business is outpacing the Dutch market and our market share is growing in all the countries in which we operate. The challenge is to achieve a relevant market share and increase our international reach over the long term. Our ambition is to double our written premiums and financial results. The success depends partly on country-specific risks.

We aspire to grow through our core businesses: online and banking, and non-life and healthcare. We are accelerating in markets in which we currently operate in order to achieve and exploit economies of scale. We also aim to 'disrupt' large mature market through an online proposition, as we are currently investigating in Canada. We are also exploring opportunities for marketing insurance products in East Africa.

FOCUS ON AMBITION

Our strategy, based on six perspectives, is clear and will remain in place. For a healthy future, we anticipate the needs of our customers and other stakeholders, as well as the changes around us. We therefore use critical success factors (CSFs). These determine our strategic decisions. We have translated these CSFs into key performance indicators (KPIs). By measuring these periodically and adjusting them if necessary, we concentrate on our strategic objectives and anticipate relevant developments. Members of the Executive Committee have been involved in both identifying material issues and preparing the Strategy Map. The table contains an overview of the KPIs and the issues outlined in the Materiality Matrix (Appendix C).

KEY PERFORMANCE INDICATORS

We have set one or more Key Performance Indicators (KPIs) for each of the six perspectives of our strategy. By measuring these periodically and, where necessary making adjustments based on the measured values, we try to achieve our strategic objectives and hence respond to societal developments.

	KPI	TARGET FOR 2019
CUSTOMER PERSPECTIVE		
	Relational NPS Score[1]	Top 5 in the market
	Achmea's score on KBC dashboard	4.2
	Number of customer council meetings	Each customer council convenes twice a year
SOCIETAL PERSPECTIVE		
	Implementation of innovative ideas which promote safety and health as part of the revenue model	At least 2 per brand[1]
EMPLOYEE PERSPECTIVE		
	Indicator of availability	Minimum of 72[2]
PARTNER PERSPECTIVE		
	Level of market penetration of Interpolis Insurance	
	Private	More than 25%
	Commercial	More than 29%
PROCESS PERSPECTIVE		
	Reduction in number of letters sent	More than 25%; down from 2016
FINANCIAL PERSPECTIVE		
	S&P Rating	Rating for insurance entities
	Reduction in operating expenses, 2016-2019	€200 million

1) Centraal Beheer, Interpolis, Zilveren Kruis

2) Score based on yearly employee engagement survey.

EXECUTIVE BOARD REPORT

RoadGuard: the first on demand road assistance in the Netherlands

EXECUTIVE BOARD REPORT

OUR CUSTOMERS

Achmea is customer-driven: we embed our customer's voice throughout the entire organisation. This includes, first of all, the Members Council of Vereniging Achmea, our main shareholder and the company's cooperative core. In addition, we involve Customer and Policyholders Councils in the process of improving our insurance products, services and customer service. We conduct in-depth customer and market surveys. In co-creation sessions with customers we ask for feedback and to think along with us.

Customers are generally familiar with our brands: they understand what makes them competitive, have a high level of trust in these brands, and feel involved with the brands. We have learned this from the results of the customer satisfaction surveys conducted by the Dutch Association of Insurers (Verbond van Verzekeraars), in which Achmea's brands scored the industry average, or higher than this average, in 2016. The pension insurance market was the only market in which we received a rating just below average.

In the coming years, we aim to communicate with our customers through our brands in a way that is even more personal, relevant and digital. We attach great value to the needs and experiences of our customers and keep the lines of communication with them open at all times. This dialogue results in the improvement, development and innovation of our products, service delivery, processes and communications.

Achmea's background as a cooperative puts us in a good position to ally ourselves with customers.

Within Achmea's brands, customers have a more than prominent role and have influence over our products and services. Customers are represented by Customer and Policyholders Councils, of which there are nine altogether.

PERMANENT DIALOGUE WITH OUR CUSTOMERS

The Policyholders Councils of Zilveren Kruis and De Friesland Zorgverzekeringen have a legal basis. Achmea maintains a total of nine Customer and Policyholders Councils. Both the Policyholders Councils and the Customer Councils are important for upholding our standards and values as a cooperative in our products and services. Our cooperative roots enable us to form strong alliances with our customers. Customers have a prominent role in Achmea's brands and have much influence over our products and service delivery.

Vereniging Achmea represents the shared interests of Achmea's customers. For this reason, all customers of the Achmea brands are also customer members of Vereniging Achmea. The Members Council of Vereniging Achmea represents the shared interests of the customer members. Achmea has two objectives: ensuring continuity of Achmea and representing the shared interests of its customer members. It is essential that customers feel they are being heard and that the shared voice of customers is being heard. For this reason, they are represented by the Vereniging Achmea's Members Council. The Members Council reflects Achmea's customer member database, with a delegation from the Customer and Policyholders Councils.

ACTIVE DIALOGUE WITH OUR CUSTOMERS

Centraal Beheer established a customer council for its private customers at the end of 2015, the Centraal Beheer Klantraad, which convenes on several occasions each year. In 2016, the council was consulted on the issue of the sharing economy and Centraal Beheer's initiatives to respond to this for its customers. Another issue discussed in the past year was the 'frequent claimers' policy: how does Centraal Beheer handle customers who file an above-average number of claims? Other topics of discussion included new concepts such as Road-Guard and ideas for new services. Employees and managers at Centraal Beheer have found these meetings to be extremely positive. Several members of the Centraal Beheer Members Council are also represented in the Achmea Members Council.

CUSTOMER SATISFACTION

A good dialogue with customers is essential to be relevant, now and in the future. Measuring customer satisfaction is important in order to find out whether we are meeting their expectations. This is done in various ways, including the customer satisfaction surveys conducted by the Dutch Association of Insurers (Verbond van Verzekeraars). In 2016, too, the majority of our brands carried the Customer-Oriented Insurance quality seal. Achmea also achieved an above-average score in the Customer Centricity Dashboard of the AFM, the Netherlands Authority for the Financial Markets. In Appendix E the customer satisfaction scores for each of the Achmea brands have been included.

The Customer-Oriented Insurance quality seal (KKV) is a seal that reflects the quality of the services and customer centricity of insurance companies. If an insurance companies bears this seal, customers can rely on understandable information, tailored insurance policies and optimum service levels. The Stichting Toetsing Verzekeraars (Foundation for the Review of Insurers) grants the right to use the quality seal. The Centraal Beheer, Interpolis, Avéro Achmea, Zilveren Kruis, Pro Life, FBTO and InShared brands all bear the Customer-Oriented Insurance quality seal. They have successfully passed the surveys on the topics of complaints assessment and customer contact. Additional information regarding complaints procedures and customer surveys (in relation to the Customer-Oriented Insurance quality seal) is available on the websites of participating insurance brands and on www.keurmerkverzekeraars.nl.

KPI 2016	ACHMEA	SECTOR
PRIVATE INSURANCE MARKETS		
Non-Life[1]	7.4	7.2
Life[1]	6.9	6.8
Health[2]	8.0	8.0
COMMERCIAL INSURANCE MARKETS[3]		
Commercial Claims	7.5	7.4
Income Protection	7.2	7.2
Pension	6.4	6.5
AFM Customer Centricity Dashboard[4] (5-point scale)	4.0	3.8
Number of brands with the Customer-Oriented Insurance quality seal	all Achmea brands	

1) The Customer Satisfaction Survey of the Dutch Association of Insurers (Verbond van Verzekeraars) has been amended in 2016. As a result, these figures are not comparable with previous figures of the Dutch Association of Insurers. In the new Survey, all participating brands of Achmea score above the industry average, in both the non-life and life insurance market.

2) Source: SAMR, KlantenMonitor Zorgverzekeringen (Health Insurance Customer Monitor), March 2016 The Achmea average is based on the scores of all Achmea participants, including: Zilveren Kruis, Interpolis, FBTO, De Friesland Zorgverzekeraar, Avéro Achmea, Pro Life and OZF Achmea.

3) Source: Dutch Association of Insurers (Verbond van Verzekeraars), Customer Satisfaction Survey for Businesses 2016 (conducted by SAMR). Participating Achmea brands: Centraal Beheer (non-life and pension), Interpolis (non-life) and Avéro Achmea (non-life and pension).

4) This information relates to Achmea's Dutch operations, not including 'third-party' companies.

AFM DASHBOARD AND 'SELF-REGULATION BY THE DUTCH ASSOCIATION OF INSURERS (VERBOND VAN VERZEKERAARS)

The Netherlands Authority for the Financial Markets (AFM) has set a number of standards in order to verify that the products and services provided by the six major Dutch insurance companies are sufficiently customer-centric. Achmea was awarded a Customer Centricity score of 4.0 (on a scale of 5) over the most recent assessment period (2015/2016). This is higher than the industry average of 3.8. Achmea achieved the following scores:

MODULE	ACHMEA	MARKET
ABOVE-AVERAGE SCORE		
Claims settlement	3.8	3.4
Mortgages	3.9	3.8
Modern savings policy	4.8	4.5
AVERAGE SCORE		
Investment insurance activities after-care	3.0	3.0
Customer contacts	3.8	3.8
Complaints management	4.5	4.5
AGGREGATE SCORE	4.0	3.8

Achmea is therefore on the right track, but there is still some room for improvement. As an insurance company with cooperative roots, we aim to improve our services to customers on an ongoing basis.

MANAGING CUSTOMER FEEDBACK

Achmea conducts in-house customer surveys. In here, we focus on customer feedback, among others through the Net Promoter Score. We continuously ask our customers to share their experiences with us. We use this feedback to improve our customer services, communications, products and services. It also helps in achieving the planned target values on the AFM dashboard.

- In 2016, we developed new customer channels, including chatting, chatbots and WhatsApp. We have also made a number of improvements to our customer services, products and communications.
- To achieve good communication with customers, the website, letters, proposals and so on must be clear and transparent. We actively involve customers and consumers in assessing our communications.
- Through various new product launches (including Centraal Beheer Thuis Hypotheek and Centraal Beheer APF) and product upgrades we can respond to customer needs even better. Partly as a result of this, the Centraal Beheer car insurance and Interpolis' home contents and building insurance perform better in product bench mark. As an example, Interpolis began providing cover for temporary rentals such as Airbnb.
- We provide new services, including Centraal Beheer's RoadGuard, Interpolis' Thuismeester, and Zilveren Kruis' Actify.
- Customers can manage a growing number of their insurance needs online, including the submission of damage reports, and claims. In addition to being easy, this also provides a number of benefits. Zilveren Kruis reimburses claims of medical expenses within three days if they have been submitted using the Mijn Zilveren Kruis app or the reimbursement app.

OUR OBJECTIVES

Achmea's objective is to improve the customer satisfaction score according the customer oriented insurance quality seal compared to the score in 2015. In 2016 the basics of the research initiative were changed. Therefore the actual measurement against the objective could not be performed any longer. The research outcomes point out that Achmea on all participating brands scores above sector average. This relates to Non-life and Life insurance. Achmea scores on sector average with it's healthcare insurance brands. An overview of the scores can be found in Appendix E.

FAST CUSTOMER CONTACT THROUGH CHATTING AND TEXT MESSAGES

Many customers use chat as a fast and efficient way to reach Centraal Beheer and Zilveren Kruis. Centraal Beheer also introduced a chatbot to report damage in 2016, which customers can use to easily report damage 24/7, while FBTO even exchanges messages with its customers through WhatsApp. It is mainly due to the introduction of these new customer contact channels that the use of email decreased for the large Achmea brands in 2016.

DILEMMA

Ending relationships with loyal customers in order to prevent long-term losses

Pensions are important societal cornerstones, in which Achmea has traditionally played a key role and intends to continue doing so. Syntrus Achmea Pensioenbeheer was involved in the pension management of sector pension funds for a long time, but was faced with the choice of either parting from these customers or accepting structural losses. The latter would weaken the company's position and could be to the detriment of other customers. A growing number of smaller pension funds have joined larger ones in recent years. As a result, we have fewer pension funds among our clientele. In order to keep expenses of members to a minimum in this particular situation, it is necessary to keep pension schemes and processes as simple as possible. For smaller sector pension funds this can hardly be achieved due to the specific administration requirements. We have been talking with each other for a long time. This made it clear that the necessary improvements and simplification were not feasible for these customers within a reasonable period of time. The alternative – devising personalised pension schemes for each individual sector fund – would involve an investment of millions of euros in IT resources. These expenses would be too high for both the members but also for Syntrus. For this reason, we were compelled to end the relationship with a number of loyal customers. In close consultation, we will be working on an efficient transfer to other administrators. In the future, Syntrus Achmea Pensioenbeheer will focus on company pension funds and occupational pension funds.

OUR SOCIETAL RESULTS

Achmea has traditionally and historically been committed to creating value for society. We aim to contribute to a sustainable future for our customers, society and our company. This is more important than ever in the face of the social, economic and environmental changes our society is undergoing. This includes the labour market, digitisation and opportunities, trends and developments in the technological healthcare market and medical advances, as well as climate change and the energy transition. Developments – new risks – that call for modern solutions through which we can help our customers get ahead and strengthen society. This extends beyond providing financial services alone: Achmea aims to contribute to a future proof, healthy and safe society in which people are (financially) self-sufficient. Within our supply chains, we continue to look for ways to match our services with society's (new) needs. This includes entering into partnerships.

SOCIAL ADDED VALUE

In their role as risk managers and risk bearers, insurance companies play a key role in facilitating safety, sustainability and sustainable social and economic development. This includes both risk prevention (through understanding and prevention) and the assumption of risks to ensure social and economic continuity. These new risks faced by society require that insurance companies play a proactive role. This is a global trend. Against this background that insurance companies worked with the United Nations in 2012 to define the Principles for Sustainable Insurance (PSI). Through this, the industry demonstrates its responsibility for managing these new risks. This is not only because these principles create value for our customers and society, but also because they represent opportunities to develop a sustainable revenue model using new products and services. Achmea is one of the initiators of, and first signatories to, these sustainability principles. In its role as an investor, too, Achmea assumes responsibility for a sustainable future. This is why Achmea has signed the Principles of Responsible Investment. In joining these initiatives, we demonstrate that we wish to be held accountable for how we aim to contribute to a sustainable future for our customers and society (for further information, see Appendix I). By engaging in a debate with our stakeholders, we can gain insight into societal questions.

FUTURE PROOF

Demographic, financial and societal developments all have an impact on our welfare society. This, in turn, affects people's pensions, housing (both buying and renting properties), social insurance, and healthcare. Employers are stripping down their pension contracts and increasingly opt for offering flexible employment to their people.

This means that citizens and employed people are exposed to a greater number of risks for which they must assume personal responsibility. These developments relating to housing, employment, healthcare and retirement all affect Achmea's scope of operation. We feel responsible for ensuring that our new products and services contribute to the sustainability of our customers and of Dutch society at large.

Pensions.
The Centraal Beheer General Pension Fund (APF) is an example of how Achmea responds to changes in the pension market.

Housing/healthcare combinations.
Achmea is increasingly developing new concepts together with its partners. For example, the company owns a stake in the new social enterprise 'On(t)roerend Goed', in order to meet the growing demand for new combined housing and healthcare facilities. In conjunction with Syntrus Achmea Vastgoed, vacant properties are repurposed into appropriate housing/living environments for senior citizens and families with (future) healthcare needs.

Sharing economy.
Patterns of consumption are changing. In some situations usage has become more important than ownership. This creates platforms where supply and demand come together. For example, to share one's car, drill or home at certain moments. The popularity of these types of services is expected to increase, and Centraal Beheer facilitates the sharing economy by including sharing in the insurance cover or by providing specially developed insurance policies for sharing platforms.

Our role as a health insurance company goes beyond financing, organising and safeguarding available high-quality care. We support and invest in healthcare innovation: initiatives which make it possible for older people to live at home longer, the support provided by informal carers, and information about healthy diet and lifestyle. Achmea also believes it is important for people to remain healthy as long as possible. Therefore, Zilveren Kruis supports its customers by word and deed by encouraging them to lead the healthiest possible lifestyle and remain in good health as long as possible. For example, we invest in the quality of life of our policyholders, while at the same time keeping healthcare affordable and accessible to all.

HEALTHY ENTREPRENEURSHIP

Achmea's 'Gezond Ondernemen' (Healthy Entrepreneurship) product offers a comprehensive package for supporting businesses in maintaining the health of their employees, the fast and effective reintegration of sick employees, and insurance against financial risk for employees with long-term illnesses. Our comprehensive package includes:

1. Support for sick employees and in their reintegration, causing a decline in healthcare and absenteeism expenses. 2. Investing in prevention, causing productivity to increase and absenteeism to decline. 3. Strengthening employees in order to improve their motivation and sense of satisfaction.

CONSCIOUS LIVING WITH ACTIFY

Through Actify, Zilveren Kruis is promoting a healthier lifestyle in an appealing way. Actify went live in October 2016. Actify attempts to promote healthier living by improving everyday habits through minor changes in diet, sleeping habits or exercise. The Actify project is aimed at its two million customers, while non-customers can also sign up. More than 40,000 people have registered so far and are enrolled in the 'Maaltijd Match' ('Meal Match'), the 'Stappen Challenge' ('Step Challenge') or are using the 'Sleep programme' to improve their sleep.

NEOKIDNEY

Zilveren Kruis – and peer insurance companies Menzis and CZ – are investing €6.8 million in Neokidney, the initiative of the Kidney Foundation to develop a wearable artificial kidney. This is an innovative, small hemodialysis device which can be kept on the user's night table or brought as carry-on baggage when travelling. This means patients no longer have to undergo dialysis for four hours in a hospital three to four times a week. This brings more freedom of choice: patients and doctors can choose between short-term and long-term, and more frequent dialysis, in a location and at a time to be chosen by the patient. This improves the quality of life and gives patients more energy and freedom, It also decreases healthcare expenses. The Kidney Foundation has called the partnership a 'milestone'. A prototype of the wearable artificial kidney is scheduled to be tested in a clinical setting by an initial group of patients at the end of 2017.

SAFE

As an insurance company, we are a key partner when it comes to safety. We are particularly knowledgeable about the risks facing our customers, for example relating to traffic, fire, burglary and theft. We can use these insights to assist our customers in dealing with or preventing these risks.

Digital tools can help to improve safety in and around the house. Interpolis' 'ThuisMeester' service provides an app, which is linked to a smoke and water alarm and a lamp. If smoke or a water leak is detected, the customer is alerted by smartphone. The lamp can be operated remotely to make it appear as if someone is at home.

Interpolis regards the prevention of loss and the inconvenience this causes as a main social issue. As a leading insurance company Interpolis aims to increase the safety of its customers through innovations and smart solutions. New solutions are always tested by the target audience first. In this, the focus is on promoting traffic safety, safety in and around the home, and safety for businesses. Interpolis has joined forces in these efforts with a number of external stakeholders, including Veilig Verkeer Nederland, Home Wizard, Stichting Wetenschappelijk Onderzoek Verkeersveiligheid (the 'Institute for Road Safety Research') and the Ministry of Infrastructure and the Environment.

Climate change is and will be causing increasingly extreme weather conditions in the Netherlands. The likelihood of more extreme precipitation in the Netherlands– cloudbursts, large hailstones – is most significant. Yet also periods of extended drought and heat waves are expected to occur. Various Achmea working groups identified some of the problems and their potential impact in 2016. Achmea is faced with the question of how to deal with more substantial claims. This will result in premium increases in the immediate future, but this is not a long-term solution. Therefore, Achmea has therefore established a steering committee that creates solutions for customers to protect themselves from the effects of extreme weather conditions. Some of the flooding can be prevented through measures in the public space, as well as at the individual level by businesses, homeowners and tenants. We are looking for solutions together with customers and other stakeholders, as well as with research and educational institutions, governments and business partners.

In order to manage and prevent climate risk, it is important that the global temperature increase remains below 2 degrees Celsius. A transition to sustainable energy sources is therefore essential. Consistent government policy to achieve this therefore serves as the foundation. This gives businesses the freedom to invest in the energy transition. Achmea and several other companies have called on the Dutch government to lay this foundation through a climate law.

ADDED VALUE

Insurance is important for our society. We connect our contribution to society to independent surveys relating to corporate social responsibility, transparency, and investment.

The 'Eerlijke Verzekeringswijzer' ('Honest Insurance Guide') compares and assesses the investment policies of Dutch insurance companies. In 2016, Achmea significantly improved its score in the survey conducted by the Honest Insurance Guide. We achieved a score of 9 (almost the maximum score) in the areas of Health, Nature, Forestry, Food and the Financial Services Industry. At the international level, Sustainalytics and Morgan Stanley Capital International (MSCI) are the leading consultancies in sustainability. They provide advice to investors and financial institutions. Sustainalytics qualified Achmea as an 'Industry Leader' against other insurers worldwide (top 5) based on its performance in the areas of environmental, social and governance aspects (ESG). According to Sustainalytics, Achmea is therefore relatively well able to anticipate future social and environmental changes which could potentially affect the insurance industry.

MSCI gave Achmea an AA rating in 2016 for its ESG performance. This places us among the highest-performing 22% worldwide. We scored particularly high on the criteria 'Access to the Capital Market', 'Responsible Investment' and 'HR development'.

In the immediate future, we intend to determine our added value to society based on the number of initiatives relating to a healthy, safe and sustainable society.

INVESTING IN SOCIETY

Insurance is based on collaboration and sharing risks and solidarity. Therefore, we promote and support activities aimed at social engagement and solidarity.

A large number of Achmea employees work as volunteers on social initiatives. Achmea promotes these activities, including by granting extra days off. The Achmea Foundation makes an annual amount of €100,000 available in order to financially support 20 volunteer organisations directly.

The Achmea Foundation and Stichting Achmea Slachtoffer en Samenleving (SASS) focus on enhancing the resilience of vulnerable groups in society.

The Achmea Foundation supports initiatives which improve socioeconomic conditions, in the Netherlands and in rural areas in developing countries. The focus is on agriculture, healthcare and financial services. We work together with partner organisations. In addition to providing financial support, we also use the expertise of Achmea employees.

Stichting Achmea Slachtoffer & Samenleving promotes and funds surveys and projects aimed at providing information, prevention, and the treatment of victims. Practical applicability is an advantage, because SASS aims to improve the position of victims in society.

Three foundations, which are co-funded by Achmea, are dedicated to improving health and healthcare in the Netherlands and the areas where we traditionally play an important role: Stichting Gezondheidszorg Spaarneland, Stichting Theia and Stichting Achmea Gezondheidszorg. Further information is available at www.achmea.nl.

OUR OBJECTIVE

The Transparency Benchmark conducted by the Ministry of Economic Affairs is a survey of the quality of corporate social responsibility reports published by Dutch companies. At 174 points, our score remained unchanged from 2015, but because other companies improved their scores as well, Achmea ended up ranking 44th, down from 22nd in 2015. As result of this we didn't met our objective to achieve top-20 position.

IMPROVED TRAFFIC SAFETY

Interpolis intends to promote traffic safety through the introduction of mutually reinforcing initiatives. Using a mobile phone behind the wheel is distracting. The AutoModus app helps drivers to drive their cars 'hands free'. The app has already been downloaded more than one million times.

The Smart Bicycle Bell warns cyclists about all the dangerous points they might encounter along the way. In this way, cyclists become more aware of hazardous junctions or roundabouts, and accidents can be prevented.

Veilig Verkeer Nederland and Interpolis developed the WegWijsVR virtual reality tool, designed to reduce the number of traffic accidents among school-age children. The tool allows children to walk or cycle to and from school in a virtual representation of their daily route, in various situations. This highly realistic representation ensures that children are better prepared when they leave their home.

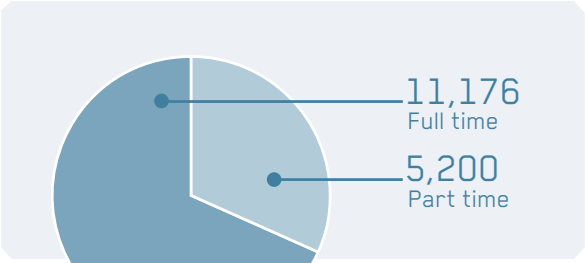
DILEMMA

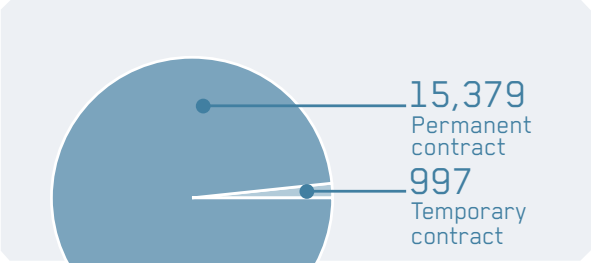
Keeping insurance affordable in a changing climate

Climate change has increased the amount of damage caused in the Netherlands by extreme precipitation. While this trend has been occurring for a while, severe hailstones caused a significant amount of damage in parts of the Netherlands in 2016, with the total damage involving vehicles, homes, and agriculture and horticulture companies insured through us amounting to nearly 300 million euros. Until now, the premiums for property and casualty did not sufficiently factor in climate-related risks. We have therefore been compelled to increase our premiums, as we are aware that these risks will increase and will cause more damage in the future. The dilemma to consider here was whether a premium increase leads to uninsurability. It is important that everyone has a chance to take out insurance, not just individual customers but also from a societal point of view, and this is possible only if premiums remain affordable. A premium increase to compensate these climate effects is therefore not a long-term solution. This means we need to help our customers to better protect themselves against extreme weather where possible, in order to keep the cost of claims down and insurance affordable.

OUR EMPLOYEES

Number of employees as at 31 December 2016 broken down by contract type





Our employees are changing along with the world around us. This means they must be ready to contribute to our ambitions through customer focus, by developing their expertise and improving on an ongoing basis. Managers play an important part in this. They are the ones who translate our strategy into their areas of responsibility and inspire, lead and coach their employees. Unfortunately, our change programme involves the reduction of a large number of jobs. Sustainable employability is of strategic importance in this process. It is each employee's responsibility to look ahead and be alert to changes in knowledge, skills and capacity.

PLEASE NOTE.: Further information on our employees can be found on these pages and in appendix F. The 2016 Remuneration Report, which contains detailed information about Achmea's remuneration policy, is published on www.achmea.nl.

Excelling in customer focus, professionalism and continuous improvement

We work continuously on improving our employees' customer focus and on improving their level of expertise and personal skills. This in turn enables us to provide our customers with an ever better service. Customer centricity is a major theme in our training programmes. Examples include courses for employees that cover the Financial Supervision Act (Wft) and communicating clearly with customers.

Following thorough preparations in 2016, in 2017 we will be taking a new IT application for HR into use. In doing so, we aim to make the HR task more user-friendly, cheaper and more flexible.

STRATEGIC HR PLAN

Our Strategic HR Plan lists the initiatives that receive additional attention. In addition to 'employability' and 'leadership', these include 'organising yourself flexibly', 'working in a digital environment' and the 'war for talent'.

The aim of 'organising yourself flexibly' is to make our company more flexible. 'Working in a digital environment' emphasises that we work at a digital insurer. We provide tangible tools to assist our employees in this. Via the 'war for talent' we are working on recruiting and retaining strategic, talented employees.

INVESTMENT IN TRAINING AND OPPORTUNITIES FOR PERSONAL DEVELOPMENT

Via our training programmes we invest in the expertise of our employees. In 2016, a total of 2.7% of the Dutch wage bill was spent on external training courses. As part of our plan for sustainable employability, we are focusing on job-oriented training and the personal development of employees. The ability to adapt is a major component here. We make our employees aware of the changing circumstances and new technologies. This combination of job-oriented expertise and personal skills assists employees in occupying and retaining a robust position on the job market.

Achmea offers its employees a variety of opportunities for development within the company. We have a Management Development programme to prepare future managers for managerial roles. We also help

our specialists to further develop their skills through Specialist Development programmes, in which they collaborate on challenging issues facing the company on a multidisciplinary basis. A range of training courses, workshops, meetings and seminars serve to expand and deepen the expertise of Achmea employees and provide them with opportunities for personal development.

ONGOING IMPROVEMENT IN ALL OUR ENDEAVOURS

We are committed to ensure ongoing improvement in our company. The procedures we have implemented to achieve this are based on the Lean principles, a management philosophy which prioritises customers. All employees provide input for improvement and everyone is invited to contribute new ideas.

We increasingly work according to an 'agile' concept; we respond more quickly to the wishes of our customers in a short cycle. To this end, we have developed a plan for 'agile working' and are implementing this in multidisciplinary teams.

Using continuous improvement ideas, we are working on better serving our customers and ensuring that our company remains in sound financial health.

Managers essential to realising our strategy

We would like to be aware of what is on the minds of our employees. That is why we conduct an Employee Engagement Survey (MBO) in the Netherlands in September each year. The KPI score for employee engagement is 76% over 2016. Based on the survey results, a number of key objectives are set, which managers and their teams then set out to achieve the following year. The response rate in 2016, at 87%, was once again high (although down 2 percentage points from 2015). The survey therefore provides a reliable picture. It enables us to assess whether we are on the right track towards becoming the most trusted insurer.

Achmea is changing considerably. This results, amongst others, in job losses and uncertainty about the content and future of employees' work. We also demand much from our employees' ability to adapt. The 2016 Employee Engagement Survey demonstrates that many of the scores remain high, e.g. 'leadership' (83%, down 1 percentage point versus 2015), 'engagement' (80%, the same) and 'satisfaction' (82%, down 3 percentage points).

Our managers play a vital role in implementing our strategy. They are the first point of contact for our employees and present the strategy to employees in a tangible and relevant way. In 2016, the score for: "I understand the intended direction in which my segment is heading" was 71% (75% in 2015).

AVERAGE EMPLOYEE INDICATOR (IN % AND THE DIFFERENCE VERSUS 2015)[1]

Average Employee Indicator	75	+0
Work Satisfaction	82	-3
Health & Vitality	70	+3
Relationships with colleagues and managers	90	-0
Career & Opportunities for Promotion	70	-2
Learning & Development	71	+0

1) This information relates to Achmea's Dutch operations, not including 'third-party' companies. Differences versus 2015 are calculated based on identical statements in both surveys.

STRONG FOCUS ON (NEW) MANAGERS

New managers participate in a special onboarding programme in which they are instructed on aspects such as our leadership model and our perspective on being an employer. Another important issue is sustainable employability and how this can be promoted among employees. Regular meetings and training courses (including e-learning) are held for all managers to inform them on important topics. Managers are also invited to attend meetings with the Executive Board in order to discuss the company's strategy and identity.

'ACHMEA IN TRANSITION' NETWORK

The 'Achmea in transition' network was created during the Acceleration & Innovation programme period. Its participants work on: Achmea's broad connection with society, accelerating themes on the management agenda and combining forces for change within the company. Participants are chosen based on their influence on and input into change processes within the company. The network met seven times in 2016. It comprises a core group of permanent participants and was expanded to include 'wildcards' on five occasions.

COMMUNICATIONS ON ACCELERATION & INNOVATION

At physical and online sessions in 2016, we informed employees and managers of the Acceleration & Innovation change programme. The annual Group Conference (for management boards and senior management) was awarded a score of 7.8 in 2016. The three interactive webinars received an average score of 8.2. Managers are an important factor in the communication to employees.

ALIGNMENT MONITOR

We measure internal support for corporate strategy via the alignment monitor. This is an international communications survey conducted annually online. The results give a reliable picture of the support among Achmea employees for Achmea's objectives, per segment and for the company as a whole. Support for corporate identity has risen versus the score from December 2015. This applies to both the higher (+1.9) and the challenging (+1.6) objectives. Support among managers for Acceleration & Innovation has risen compared to 2015 (+1.3); among employees this score is down for the first time (-3.9).

Employability is everyone's responsibility

Employability is a priority in Achmea's employment practices. This includes attention to the three themes of 'vitality and health', 'learning and development' and 'mobility and careers'. Achmea provides many instruments, plenty of information and a range of activities in order for employees to develop further. Employees consequently are and remain flexible, in good professional shape and valuable.

HEALTH & VITALITY

Healthy Working Areas have been set up at seven Achmea locations. Here, employees can take advantage of work-related physiotherapy and psychology services and participate in yoga classes. The career coaches also work in these areas. Achmea also identifies jobs that may become obsolete in future. Employees in these jobs are given preventive assistance in their personal development. This reinforces their position on the job market and contributes to the sustainable employability of employees.

LEARNING & DEVELOPMENT

Achmea provides many opportunities for personal development (see section above 'Investment in training and opportunities for personal development'). According to the Employee Engagement Survey, 78% of employees think there are enough opportunities for their personal development.

CAREER & MOBILITY

The company continued to apply its Social Plan in 2016. This assists redundant employees in finding new jobs. The plan focuses on employees in jobs that may become obsolete in future. Greater emphasis will be placed on preventive mobility. This is consistent with our principles of sustainable employability. Employees in jobs that may become obsolete in future can call on provisions that will help them with career orientation and mobility issues.

ACHMEA TRANSFER CENTRE

The reorganisation had an impact on a portion of our colleagues in 2016. The Achmea Transfer Centre (ATC) supports redundant employees in finding alternative, suitable employment within or outside the company. Employees may be made redundant following a corporate reorganisation or relocation of operations. Achmea is endeavouring to increase the probability of placement by limiting the headcount reduction to external employees and not renewing temporary contracts where possible. Candidates for reassignment take priority with respect to internal vacancies.

A total of 601 employees used the services of the ATC in 2016. The ATC successfully reassigned 33% of these employees. The external placement rate for 2016 was 18% (versus 13% in 2015). On average, 71 of the redundant employees being assisted by the ATC were employed at Achmea on a temporary basis.

DILEMMA

Remaining an appealing employer at a time of streamlining

Acceleration & Innovation, the large-scale change programme implemented by Achmea over the past few years, unfortunately resulted in a large number of job losses. Our organisation needs to constantly adapt to the changing needs and expectations of our customers. We can only achieve this by employing motivated and highly qualified people, while at the same time remaining alert to the size of our organisation and the associated expenses. It is therefore inevitable that we will have to let some people go over the next few years, which will obviously have a significant impact, not only on the people becoming redundant but also on those who will remain employed by Achmea going forward. It could, unfortunately, also have a negative effect on the recruitment of new employees. This presents us with the question of how we can be and remain an attractive employer for our people in the future.

OUR PARTNERS

Achmea works with a variety of partners. For our distribution processes, we have built a unique strategic partnership with Rabobank. The shared objective is to turn insurance services for local Rabobanks and its customers into a success. We have also been working with other partners, including insurance brokers and NGOs. These partnerships focus on improving and innovating products and services. These partners also allow to increase our market reach.

In the insurance market, new 'tech' companies respond to customer needs. These may be start-ups, but also new entrants from other sectors. With the help of technology and data, they provide solutions regarding loss prevention or risk management. The traditional supply chains of customers through brokers to insurers are changing into 'ecosystems'. In here, several partners work together to serve customers. Achmea has followed this trend: we build bridges with innovative players to build the insurance supply chains of the future.

RABOBANK

Rabobank and Achmea are strategic partners who enjoy a strong position in the insurance market. Rabobank is the largest insurance broker in the Netherlands, and, with Interpolis, the market leader in bancassurance. Besides being a distribution partner of Interpolis, Rabobank is an Achmea shareholder.

Rabobank and Interpolis maintain strong market positions through their comprehensive solutions for private customers and businesses, which they develop and market together. Combined with good claims settlement, this results in a high customer satisfaction score and loyalty.

The ambition of Achmea and Rabobank is to further develop their bancassurance business through Interpolis. The Interpolis propositions are being integrated into Rabobank's service delivery.

In this partnership, Rabobank focuses entirely on advice and customer contract. In this context, the insurance solutions provided by Interpolis are integrated into Rabobank's service formats. For example, by incorporating insurance products into the Rabo Banking App. In addition, Rabobank has given Interpolis a more prominent place in its communications.

SHARING VISIONS IN THE 'DE KAMER' INITIATIVE

Developments at the administrative, economic and societal level follow one other in rapid succession. We have experienced the impact of these changes among ourselves and our customers. In keeping with our identity as a cooperative, we took an initiative in order to unite the forces of corporate executives in De Kamer. With the purpose to look beyond the Dutch business community and civil society. In De Kamer, the people invited share their ideas, challenges and perspectives. We enrich each other by sharing knowledge and experience in relation to issues such as Trust, Impact on the Future, Sustainability, and the Impact of growing older. We pass on the experiences we acquire. In this way, we inspire each other and the Dutch business community.

In this partnership, Interpolis focuses on insurance solutions, additional services and prevention. One exmple is the AutoModus app. Use of smartphones in cars causes accidents. The AutoModus app helps drivers reduce their smartphone usage and, in so doing, improves road safety. In this partnership, we take advantage of opportunities to digitise customer services and processes. Most important is that customers are properly serviced ('first time right') through the channel they have chosen themselves.

Over the next few years, we will continue to develop this partnership, by integrating insurance into banking services and by developing new prevention services.

EMPLOYERS

Our other key partners are employers. We target employers with private insurance for loss, income protection and healthcare, and solutions for retirement services. This is generally done through group insurance schemes which employees join either mandatorily or voluntarily. Achmea helps employers to take care of their staff in the areas of income protection, health and vitality.

SECTORS AND UMBRELLA ORGANISATIONS

Sectors and umbrella organisations are employers' organisations and unions which provide benefits to their members; smaller and large businesses. Through Achmea they provide income protection and health insurance products which meet sector requirements.

We have forged typical alliances with the metal, education, construction and graphic media industries.

Sectors and umbrella organisations are looking for ways to remain relevant to their members. They regard Achmea as a partner in this process.

INTEREST GROUPS

From its cooperative background, Achmea works with social interest groups. One example is the partnership between Zilveren Kruis and the Ouderenbond senior citizens' group, especially for health services provided to senior citizens.

BROKERS

Brokers serve as key partners to Achmea. In the market, they remain significant mainly in the business and mortgage advisory markets, representing a share of more than 50%. Customers rate their advisory and comparison services positively. Achmea has opted to partner with major insurance brokers in the Netherlands. In this, Avéro Achmea and Zilveren Kruis are the main brands. With a focus on mortgages and term life insurance products, Centraal Beheer was added to this in 2016.

EUROPEAN PARTNERS IN THE EURAPCO NETWORK

Achmea is a member of the Eurapco alliance, a network of European cooperative insurance companies. Through Eurapco, we work together on issues such as digital insurance, innovation and social security. This provides us with access to expertise in these issues at the European level. Achmea is an active member of these working groups and leads the development of the strategic issue of digital insurance products.

INTERNATIONAL PARTNERS MAXIS AND AXA PPP INTERNATIONAL

Maxis Global Benefits Network (GBN) in London is a joint venture between AXA Group (France) and MetLife (US) and helps multinationals by providing solutions for employee risks relating to income protection, healthcare and pensions. Achmea is one of the Top 10 partners in the network and sits on the Maxis GBN Member Committee. This partnership has strengthened our position in the commercial market.

AXA PPP International is the international health insurance company of the AXA Group (France) and focuses on insurance products for expats employed by multinationals. OZF Achmea is the local partner in the Netherlands for the mandatory basic insurance for foreign expats in the Netherlands. Since 2016, Zilveren Kruis has served as a local partner in the Netherlands with the Zilveren Kruis International Health Plan for Dutch expats residing abroad.

GARANTI BANK

Achmea has been operating in Turkey since 2007. Its subsidiary Eureko Sigorta sells insurance products through its strategic partner, Garanti Bank in Turkey. Garanti is the second-largest private bank in Turkey, with more than 950 branches and over 14 million customers. Eureko Sigorta and Garanti Bank have a leading position in the non-life bancassurance channel in Turkey. From the partnership, insurance products are offered to private customers, SMEs and corporate clients. Achmea shares its knowledge of bancassurance in the Netherlands with its Turkish partners. As a result of this partnership, gross written premiums in the bancassurance channel has increased by 22% since 2014.

BLOCKCHAIN B3 INITIATIVE

Blockchain is a new technology that enables people to transfer ownership in a reliable manner without the intervention of a third party. Blockchain is known through 'bitcoin', the digital currency on the Internet, but also provides opportunities for other applications, including insurance products. Achmea launched a successful blockchain pilot project in 2016 for peer-to-peer insurance. We are working with the Achmea Foundation to explore opportunities to use this for crop insurance in Eastern Africa. In the Netherlands, we are one of the first insurance companies to join the B3i: the Blockchain Insurance Industry Initiative. This is a consortium of several European insurance companies with the objective of developing a blockchain standard for insurance products. Other members include Swiss Re, Munich Re, Allianz and Zurich.

START-UPS

Achmea believes in open innovation: together with start-ups we accelerate our innovative processes. With 'Lab55', Centraal Beheer is building bridges between innovative start-ups and Achmea's product and proposition development. Lab55 is run from the Centraal Beheer offices in Apeldoorn and provides workspace to external businesses and customers through the 'seats2meet' concept. Achmea also takes part in Startupbootcamp. This provides us with access to fintech companies worldwide. Especially for the healthcare market, Zilveren Kruis participates in start-ups through Achmea Zorgparticipaties.

OUR OBJECTIVE

In recent years, Rabobank's satisfaction has been mapped in a 'partner satisfaction survey'. With the 'Bankverzekeren 2.0' initiative, Achmea and Rabobank have renewed their strategic partnership in 2016. Accordingly, the resposibilities of Achmea and Rabobank were reset. As a result of this, the principles on which partner satisfaction has been measured, have changed in 2016. Therefore, the partner satisfaction survey has not been conducted in 2016.

EURAPCO HOMERO INITIATIVE

Toghether with our Eurapco partners, we are collaborating in Homero. This is a customer survey on potential solutions relating to safe housing. It provides us with European-wide access to knowledge about customer needs relating to safe housing and opportunities for insurance companies to respond to this using technology. We use this information in order to innovate our services.

DILEMMA

Tension between creativity and strict standards

We are innovating our services together with our partners. We are increasingly working with entrepreneurial start-ups with specific propositions or expertise. We would like to make use of their entrepreneurship in order to accelerate our own innovation. This sometimes confronts us with the choice to choose between creativity and innovation on the one hand, and our stringent standards with our high standards regarding laws and regulations on the other hand. These young companies generally operate outside the parameters of financial services we deem self-evident. If we ally with these new, young companies, reputation risk may emerge. Yet at the same time, we do want to take advantage of their creativity and not restrict ourselves too much by imposing our high standards on them directly.

OUR PROCESSES

We aim to serve our customers with optimum personalised service, using the communication means demanded by the customer.

In order to facilitate this, we have organised our processes in such a way that they result in the highest NPS (Net Promoter Score). We aim to respond to customer questions directly and 'first time right'. Therefore, we work digitally and according to standards as much as possible. Working digitally provides greater ease for customers. Working according to standards ensures simplicity and reliability of services.

Information is a differentiating factor. We serve customers based on information about their personal situation. We also provide customers with access to their personal data.

INFORMATION AS A COMPETITIVE ADVANTAGE

Due to technology and information, we can remain relevant to our customers on a daily basis and serve them individually and digitally. This can be done through a single, shared IT environment for Achmea. This facilitates efficient and effective IT support and allows for the use of technological innovations.

The performance of our IT services has been structurally improved: a higher rate of productivity and lower expenses. We also achieved this by investing in employee development.

In 2016, our IT organisation was redesigned based on market-oriented IT supply chains, due to the new Achmea-wide organisation structure. This increases our agility to rapidly respond to changes by using technology. We have improved our resilience against cybercrime and we will continue this. This is necessary in order to protect customer information. Building on the foundation which we have laid in the past years, we will further shape digitisation.

MARKET-ORIENTED SUPPLY CHAINS

In 2016, we continued to improve the Achmea organisation by streamlining our distribution and production processes: we do this through market-oriented supply chains. In this way, we improve our customer centricity, effectiveness and efficiency.

We use our brands in order to serve our customers with optimum personalised service. Customer satisfaction (NPS) and customer feedback are leading in this. Putting our customers first ensures that we are becoming increasingly effective. Streamlining processes ensures that we are working increasingly efficiently.

NON-LIFE

All Achmea brands have taken steps toward innovating and digitising their customer services, our insurance policies, and services and processes.

For the Interpolis brand, we work closely with our strategic partner Rabobank. Since the end of 2016, Rabobanks have been selling the renewed 'Interpolis Alles in één Polis', which is more tailored to the needs of online customers. In the coming years, we will continue to develop our digital services to our customers online and mobile. Customers will then be able to purchase and manage their policies even more easily.

This serves as the basis for a full digital service to our private customers. In addition, we are implementing innovations for the private segment of Centraal Beheer and FBTO.

We are also innovating our commercial propositions. Here, too, we are meeting the needs of customers to communicate with us in a digital way. In late 2016, the Interpolis Zeker-Van-Je-Zaak package for SME customers became available online. We will expand this to mobile. For Rabobank's corporate customers, we will extend the Zeker-in-Bedrijf solution to include advice relating to risk management. We are also renewing the business non-life propositions of Centraal Beheer and Avéro.

We are digitising our claims service processes. Customers of Centraal Beheer, Interpolis and FBTO already have the option to report claims online. At Centraal Beheer, this can also be done via chat, while FBTO offers communication through WhatsApp. In the coming years, we will continue to expand these options. In addition, we are digitising claims settlement with our damage repair partners, as is already the case with damage caused to car windows.

For the income propositions, we have been working on reducing expenses for the past two years, digitising processes and managing claims. A digital health statement has been developed. The Centraal Beheer propositions and the Interpolis propositions have been adapted for online purchase and modification.

INSHARED

Inshared ("We all benefit") started seven years ago as an online-only insurance company. Inshared has more than 600,000 customers. Inshared teaches us how innovations in technology work in practice. Inshared customers give our fully digital claims submittal and settlement a rating of 8.2 (February 2017 score).

HEALTH AND HEALTHCARE

In 2015, Zilveren Kruis laid the foundation for digital customer services with the Mijn Zilveren Kruis environment. We are continuously working to improve customer satisfaction (NPS). We are also expanding self-service options for customers. Examples are: understanding the maximum cover for eyeglasses and contact lenses and a tool in selecting the appropriate health insurance policy.

Expense reports are currently processed almost fully automatically. We aim to reimburse expenses within three working days if they have been submitted via 'Mijn Zilveren Kruis' or through the app. The reimb processes for pharmaceuticals have been updated. These will be insourced beginning 2017. This results in cost savings on operating expenses.

The information provided by Zilveren Kruis employees in the call centre has improved. Customers with questions about their health insurance are served more quickly and efficiently, including through modern channels such as chat.

In 2017 we will continue to improve our digital services, as well as providing insight into the quality of the healthcare services provided. The improvements we implement for Zilveren Kruis are also adapted for health insurance customers of Interpolis, Avéro Achmea and Pro Life.

RETIREMENT SERVICES

In 2016 Achmea decided to focus more on retirement service solutions. Achmea Bank and Achmea Investment Management are positioned to support this strategy. Distribution is managed by the Centraal Beheer brand.

In 2016 the foundation was laid for the processes and technology to support retirement services. The processes are designed based on the 'digital first' principle: online self-service for customers and direct digital processing based on new market-standard technology. This basis is used for the Centraal Beheer General Pension Fund (APF). The initial contracts have been signed and are being implemented. Customers can access their products and information online through Centraal Beheer.

Centraal Beheer has expanded its supply of banking products with Thuis Hypotheek ('Home Mortgage') and the new investment products Gemaksbeleggen ('Easy Investment') and Fondsbeleggen ('Fund Investment') which can be purchased online.

Closed book

In addition to our Life portfolio, we will also be developing our Pension portfolio into a closed book service. The one exception is term life insurance. We will continue this as an integral part of the strategy in retirement services.

We will be using our experiences with the closed book Life, in run-off since 2013, in the management of the closed book Pensions. We have improved the system we use for our Pensions & Life activities. We have reduced our expenses in recent years. A closed book organisation allows for greater efficiency.

DILEMMA

Digital communications and privacy

Customers are increasingly communicating through electronic media. Email, WhatsApp and other media are easily accessible and attractive for exchanging information. Customers also expect ease of use and freedom of choice in the way they communicate with us. Yet, they also want their information to be secure with us and not be used for other purposes than for which it was provided.

Not all digital media are secure when it comes to transmitting customer information. We would like to use new digital media, yet we are always assessing the risk involved whether this can be done in a secure way. In the interest of the customer and his/her privacy, this may mean that we do not provide all media, even if this is not immediately understood from the perspective of convenience for customers.

Here, too, digitisation has high priority. Through digitisation we can improve convenience for customer and reduce management and administrative costs.

INTERNATIONAL

All our international operating companies have taken key steps towards further digitisation. This is in line with their international growth strategy: 'Strategy 2020 – Accelerate, Disrupt, Create'. One striking example is Onlia, Union's online-only insurance company in Slovakia.

Besides improvements to processes and propositions, investments have been made in training and education relating to Big data. This will enable our operating companies to focus more specifically on future profitability and relevant propositions for their customers. The International Division facilitates knowledge-sharing between the operating companies and our Dutch business.

OUR OBJECTIVES

Digitisation of our processes and of our communications with customers is one of our strategic objectives. In 2016, digital communications with customers by healthcare insurers Zilveren Kruis en Avéro Achmea increased from 1.9 million in 2015 to 2.2 million in 2016. Accordingly, Achmea achieved the set objective related to this.

Achmea also aims to increase the share of online sales of Interpolis's non-life insurance for private customers. In 2016, the share of online sales (Alles-in-een-Polis) grew to 29%. Accordingly, Achmea did not achieve its high ambition of a 35% share.

ONLIA, THE DIGITAL INSURANCE COMPANY IN SLOVAKIA

Onlia, a subsidiary of Union, is our digital insurance company in Slovakia. In 2016, Onlia introduced a number of significant changes. The new app launched in 2016 enables customers to report their claims by leaving a voice message and easily upload pictures or a video of the situation. Customers can use the "location tracker" to have damage repaired immediately by the nearest damage repair company.

DIGITAL CUSTOMER SERVICE

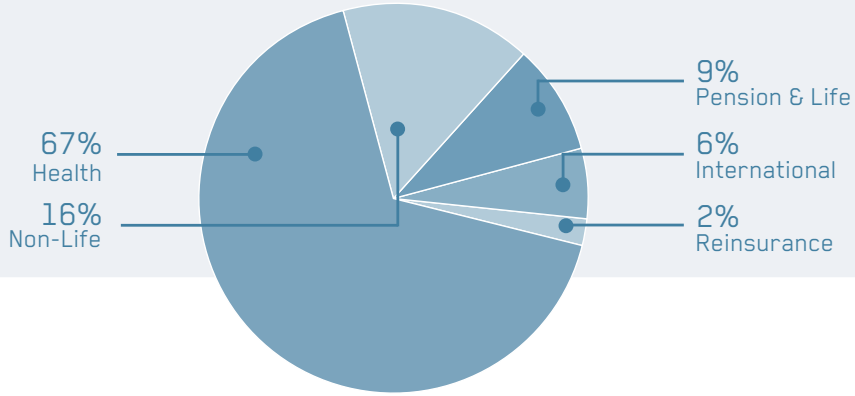
All the Achmea brands are taking measures to digitise customer services and the handling of customer questions. We maintain a record of all communications with customers: letters, phone calls, and so on. We will stop sending unnecessary letters. We will develop the online channels of the brands into fully-fledged digital self-service channels. This will improve convenience for customers. Digital communications also ensure a structural reduction in paper usage. We will continue with this strategy over the next few years and will expand our online services to include mobile and social media. We will also be increasing the digitisation of our business processes. In this, the NPS serves as our guideline.

OUR FINANCIAL RESULTS

Group results

GROSS WRITTEN PREMIUMS	NET RESULT	EQUITY	SOLVENCY II
€ 19,500 million	€ -382 million	€ 9,782 million	181%

Gross written premium



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 is caused by economic developments in Turkey that have resulted in a higher risk premium for country risk.

COMPOSITION OF NET PROFIT (€ MILLION)

	2016	2015
Operational result	**–323**	**368**
Impairments of intangible assets	–93	
Transaction result	–2	10
Profit before tax	**–418**	**378**
Tax	–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 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 an important factor when choosing a health insurance policy. Through the annual prolongation 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 made the decision to establish a closed book for our Penion and 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 foundation 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 net result of 2016 of more than €100 million.

RESULTS (€ MILLION)

	2016	2015	Δ
Gross written premiums	19,500	19,922	–2%
Net earned premiums	19,425	19,526	–1%
Investment income including associates	3,557	2,644	35%
Fee and commission income	406	421	-4%
Banking and other income	566	624	–9%
Total operational income	**23,954**	**23,215**	**3%**
Claims and movements in insurance liabilities	21,063	19,598	7%
Operating expenses	2,642	2,633	1%
Other expenses	572	616	–7%
Total operational expenses	**24,277**	**22,847**	**6%**
Operational result	**–323**	**368**	**–188%**
Profit before tax	**–418**	**378**	**n.m.**
Net result	**–382**	**386**	**n.m.**

n.m.: not meaningful

OPERATIONAL RESULT PER SEGMENT (€ MILLION)

	2016	2015
Non-Life Netherlands	–189	–7
Health Netherlands	–196	271
Pension & Life Netherlands	285	144
Retirement Services	–18	13
International Activities	25	44
Other Activities	–230	–97
Operational result	**–323**	**368**

Gross written premiums

Gross written premiums for 2016 amounted to €19,500 million (2015: €19,922 million). We recognized 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 closed book Pension & Life.

Operating expenses

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 accommodation 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.

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

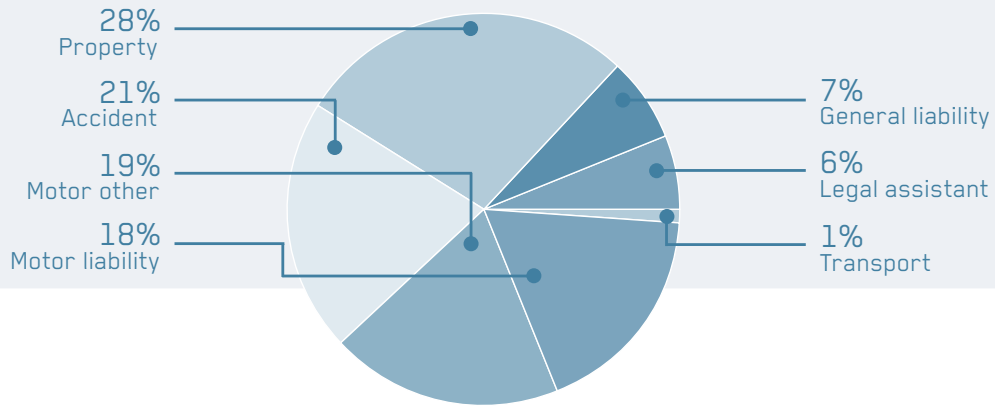
The number of jobs at the company was also further reduced in 2016. The number of jobs in the Netherlands (including both company employees and contractors) fell by 7% to 14,500 FTEs.

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

Non-life Netherlands

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	COMBINED RATIO PROPERTY & CASUALTY	COMBINED RATIO INCOME PROTECTION
€ 3,184 million	€ -189 million	€ 110.4%	92.9%

Gross written premiums P&C



RESULTS (€ MILLION)

	2016	2015	Δ
Gross written premiums	3,184	3,139	1%
Net earned premiums	3,085	3,087	0%
Investment income	160	199	–20%
Other income	15	8	88%
Total operational income	**3,260**	**3,294**	**–1%**
Insurance and investment contracts, reinsurance contracts	2,528	2,364	7%
Operating expenses	891	894	0%
Other expenses	30	43	–30%
Total operational expenses	**3,449**	**3,301**	**4%**
Operational result	**–189**	**–7**	**n.m.**

n.m.: not meaningful

GENERAL INFORMATION

Achmea is the market leader in the Netherlands in non-life insurance, holding an estimated market share of more than 20%, offering brands such as Centraal Beheer, Interpolis and FBTO. Through the direct, banking and brokerage channels, we provide our private 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 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. This also fully offset the lower investment results as a result of lower realisations on fixed income securities.

Property & Casualty

The operational result from our 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 private 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 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 mobility as a result of economic growth, combined 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 the amended regulations (WMO). We have therefore increased our provisions by €178 million (2015: €46 million).

In 2016 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 claim ratio improved in 2016 by 1.5% point to 68.2%. (2015: 69.7%) due to the implementation of efficiency measures. The cost ratio remained stable at 29.1% (2015: 29.1%).

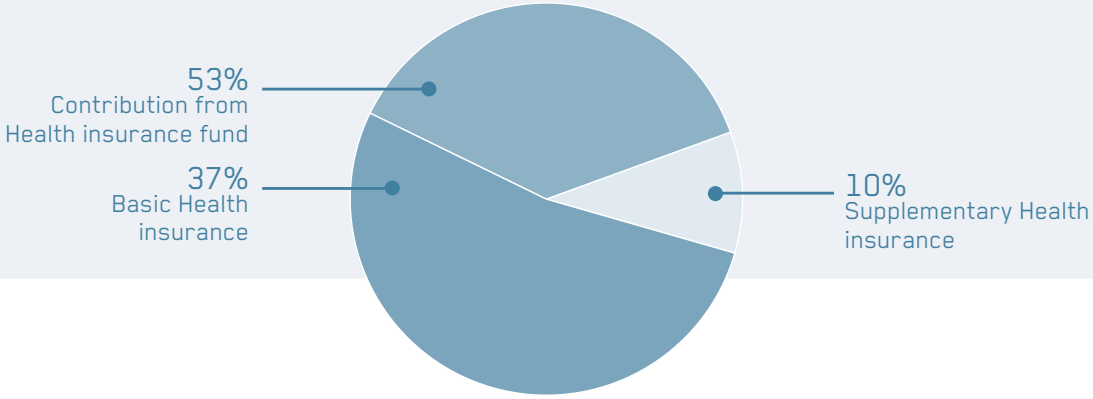
Income Protection

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 non-recurring higher release on the Group Disability portfolio. A focus on our claims management caused an acceleration of the recovery process resulting in the release of a portion of our Group Disability provision. 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

GROSS WRITTEN PREMIUMS	OPERATIONAL RESULT	COMBINED RATIO BASIC HEALTH INSURANCE	COMBINED RATIO SUPPLEMENTARY HEALTH INSURANCE
€ 13,092 million	€ -196 million	102.2%	98.1%

Gross written premiums



RESULTS (€ MILLION)

	2016	2015	Δ
Gross written premiums	13,092	13,488	–3%
Of which basic health insurance	11,779	12,179	–3%
Net earned premiums	13,367	13,439	–1%
Investment income	37	65	–43%
Other income	118	114	4%
Total operational income	**13,522**	**13,618**	**–1%**
Insurance and investment contracts, reinsurance contracts	13,160	12,757	3%
Operating expenses	535	573	–7%
Other expenses	23	17	n.m.
Total operational expenses	**13,718**	**13,347**	**3%**
Operational result	**–196**	**271**	**–172%**

n.m.: not meaningful

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 AV level remained more or less unchanged for 2016, at around 80%.

As part of the 2016/2017 campaign, the number of customers with an Achmea health insurance policy increased by approximately 14,000, 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.

The incidental result for 2016 was €-35 million (2015: €227 million). On the one side we received positive settlements for hospital care and municipal 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 control. We are committed to buy the best possible healthcare at the lowest possible cost in the most efficient way.

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%-point 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 oral care.

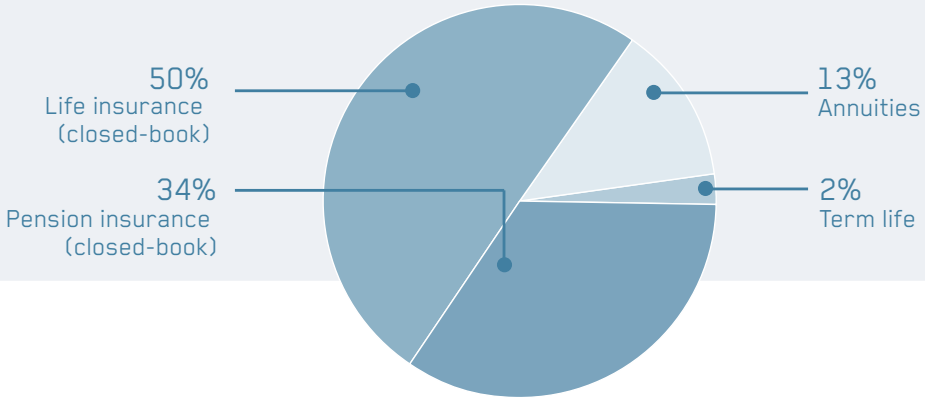
The combined ratio of supplemental health insurance policies increased to 98.1% in 2016 (2015: 96.4%), as a result of higher healthcare expenses during the 2016 underwriting year. Furthermore, earnings were boosted in 2015 by positive settlements of healthcare expenses from previous years. The cost ratio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

Pension & Life Netherlands

GROSS WRITTEN PREMIUMS € 1,794 million

OPERATIONAL RESULT € 285 million

Gross written premiums



RESULTS (€ MILLION)

	2016	2015	Δ
Gross written premiums	1,794	1,848	–3%
Net earned premiums	1,751	1,750	0%
Investment income	2,445	1,574	55%
Other income	821	582	41%
Total operational income	**5,017**	**3,906**	**28%**
Insurance and investment contracts, reinsurance contracts	4,499	3,460	30%
Operating expenses	212	226	–6%
Other expenses	21	76	–72%
Total operational expenses	**4,732**	**3,762**	**26%**
Operational result	**285**	**144**	**98%**

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.
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 immediately effective 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 non-recurring 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 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, the mortality results are in line again 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 to €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 equity securities and a lower result on foreign currency as a result of the stronger dollar.

Retirement Services Netherlands

NET INTEREST MARGIN	OPERATIONAL RESULT	ASSETS UNDER MANAGEMENT	COMMON EQUITY TIER 1 RATIO ACHMEA BANK
€ 112 million	€ -18 million	€ 116 million	19.1%

RESULTS (€ MILLION)

	2016	2015	Δ
Fees and commissions	158	167	-5%
Net interest margin	112	98	14%
Realised and unrealised gains and losses	0	5	–100%
Other income	–1	–8	n.m.
Total operational income	**269**	**262**	**3%**
Operating expenses	287	249	15%
Total operational expenses	**287**	**249**	**15%**
Operational result	**–18**	**13**	**–238%**

n.m.: not meaningful

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 build a foundation for the future. Operating expenses for retirement services were therefore €38 million higher in 2016 than in the previous year. These expenses represent non-recurring 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 sector pension funds. In addition to temporary transitional expenses we are confronted with a declining number of members within sector 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. This improvement was driven by a higher interest rate 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 substantially in 2016 with an increase of €14 billion. At year-end 2016, assets under management (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 sector 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 sector pension funds, resulting in an overall decline in administration fees.

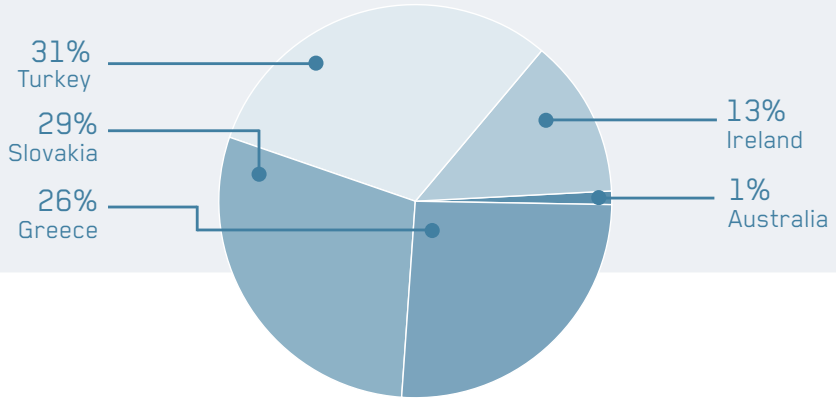
International Activities

GROSS WRITTEN PREMIUMS
€ 1,192 million

OPERATIONAL RESULT
€ 25 million

ACTIVE FOREIGN OPERATIONS
5

Gross written premiums



RESULTS (€ MILLION)

	2016	2015	Δ
Gross written premiums	1,192	1,124	6%
Net earned premiums	959	901	6%
Investment income	249	233	7%
Other income	29	31	–6%
Total operational income	**1,237**	**1,165**	**6%**
Insurance and investment contracts, reinsurance contracts	881	829	6%
Operating expenses	284	263	8%
Other expenses	47	29	62%
Total operational expenses	**1,212**	**1,121**	**8%**
Operational result	**25**	**44**	**–43%**

GENERAL INFORMATION

Achmea International is active in countries where 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 shrinking 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, we are also 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 for the higher rating received from the PIBA10 (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 non-recurring items, the operational result increased by €3 million.

DILEMMA

Risk selection versus solidarity in property and casualty

The basic principle of insurance is the concept of solidarity: sharing risks that an individual cannot bear. Increasingly, we have the capability of setting premiums for individual risk profiles. This could lead to the situation that being insured would be unaffordable for certain insured. The question could be raised what should be the limit point of individual risk selection and premium setting on one hand and affordability of premiums for risk classes having a high risk profile on the other hand.

6) Professional Insurance Brokers Association

Other Activities

OPERATIONAL RESULT OTHER ACTIVITIES	OPERATIONAL RESULT ACHMEA REINSURANCE	GROSS WRITTEN PREMIUMS ACHMEA REINSURANCE	ASSETS UNDER MANAGEMENT SYNTRUS ACHMEA REAL ESTATE & FINANCE
€ -230 million	€ 12 million	€ 360 million	€ 18.1 billion

RESULTS (€ MILLION)

	2016	2015	Δ
Total Income	334	593	–43%
Of which total gross Income	360	508	–29%
Operating expenses	440	427	3%
Interest expenses	63	62	2%
Other expenses	61	201	–74%
Total operational expenses	**564**	**690**	**–18%**
Operational result	**–230**	**–97**	**n.m.**

n.m.: not meaningful

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 coverage 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 coverage limited the impact of June's severe weather conditions on Achmea to 152 million[1], (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 realisations 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.

1) €132 million for the Non-life segment.

INVESTMENTS

OUR INVESTMENT POLICY

Achmea has a strictly defined, risk budget-led investment policy. Our policy mainly focuses on the long term and, consistent with our background as a cooperative, we implement this policy in a prudent manner. We also set strict limits for our investee companies and apply a strict risk policy.

We invest the insurance premiums in order to meet the commitments to our customers and safeguard continuity of the business. This is done within the replicating investment portfolio that follows the changes in value of the liabilities, mainly caused by interest rate and spread movements, as much as possible. In the second half of 2016, initial steps were taken for the pension and life insurance business to migrate towards capital hedging. This limits the interest rate sensitivity of the solvency that arises from the use of the Ultimate Forward Rate (UFR) in valuing the liabilities. The replicating portfolio contains government and corporate bonds, mortgages, loans, derivatives and cash.

In addition, a portion of our investments is held against our equity and, in principle, does not hedge any liabilities. These investments have been placed in the return portfolio. With this portfolio we aim for maximizing returns within the available market risk budget. In setting this budget, we take our risk appetite into account. This is based on our desired solvency, our cash position and the maximum desired level of profit volatility. This portfolio invests in convertible bonds, emerging market government bonds, equities, property, private equity and commodities.

The target return for both portfolios is determined by means of mandates, including outperformance targets for the various asset managers.

SUSTAINABLE INVESTMENT

As an institutional investor, we aim to invest our own-risk investments in a sustainable manner. This is to be able to influence the behaviours of our investee companies. Via advisory meetings and sessions we also advise and stimulate our customers to invest in a sustainable manner. However, this decision remains at their own discretion.

We are a signatory to the UN Principles for Responsible Investment and the UN Principles for Inclusive Finance, as well as participating in the Carbon and Water Disclosure Projects and adhering to several national and international guidelines. For a list of these, we refer to our website: Responsible Investment Guidelines. You will find the sustainable investment figures in Appendix G.

Our sustainable investment policy is composed of five cornerstones: 1. Exclusion policy 2. Engagement: engaging with companies (also known as 'enhanced engagement' and 'focus engagement') 3. Voting in shareholder meetings of institutions in which we invest 4. Integration of ESG criteria 5. Impact investments. Further information about sustainable investment can be found on our website: Responsible Investment.

In 2016, the enhanced engagement programme comprised engaging with companies on seventeen topics, including breaches of the Global Compact, environmental challenges for the oil and gas sector, CO_2 management in the property sector, social issues in the food and agriculture chain and safe working conditions in the clothing sector. Three new companies were added to the programme in 2016 and engagement is being conducted with a total of 11 companies. Corruption is the engagement topic for the three new companies.

IMPACT INVESTMENTS: GREEN BONDS

A growing number of companies and institutions, including EIB, Tennet and Rabobank, are arranging financing not just via 'regular' bonds but also via Green Bonds. These are bonds issued to finance 'green' projects, such as renewable energy, energy efficiency (e.g. highly-insulated buildings) and transportation with low CO_2 emissions. Issuing these bonds enables the institutions to increase awareness of their green activities both internally and externally. Investors in Green Bonds stimulate green activities at the issuing institutions.

Two very important aspects of Green Bonds are whether the proceeds are indeed used for green projects and that the company reports on the results. Achmea invests in Green Bonds issued by institutions that conform to the "Green Bond Principles" developed by the International Capital Market Association (ICMA) in conjunction with investors and the issuing institutions. Furthermore, we use our own analyses to form an opinion on the projects financed via Green Bonds. In 2016, Achmea invested €236 million (2015: €226 million) in Green Bonds.

ENGAGEMENTS

	2016		2015	
	NUMBER OF INVESTEES	NUMBER OF SUBJECTS	NUMBER OF INVESTEES	NUMBER OF SUBJECTS
On behalf of Achmea	**141**	**160**	**280**	**606**
Robeco	141	160	133	151
BMO	-[1]	-[1]	147[2]	455[2]
On behalf of Achmea IM / customers of Achmea Incl. Achmea Beleggingsfondsen Beheer (ABB)	**96**	**107**	**96**	**110**

VOTINGS

	2016		2015	
	NUMBER OF SHAREHOLDER MEETINGS	NUMBER OF VOTES	NUMBER OF SHAREHOLDER MEETINGS	NUMBER OF VOTES
On behalf of Achmea	**824**	**11,177**	**1,717**	**22,373**
Achmea IM[3]	824[4]	11,177[4]	1,669	21,922
BMO	-[1]	-[1]	48[2]	451[2]
On behalf of Achmea IM / customers of Achmea Incl. Achmea Beleggingsfondsen Beheer (ABB)	**3,345[4]**	**40,684[4]**	**3,213**	**39,131**

1) As the separated accounts managed by BMO have been liquidated as of 2016, the asset management has also been discontinued
2) Q1 until Q3 2015
3) Previously Syntrus Achmea Vermogensbeheer (SAVB)
4) The decline in comparison to 2015 is because Achmea Beleggingsfondsen Beheer (ABB) has become part (organisationally) of Achmea IM in the course of 2016. The large overlap between the investment mandate for ABB and the equity mandate of a number of clients of Achmea IM, results in only a slight increase in the number of shareholder meetings in which votes have been casted.

Enhanced engagement processes were successfully completed with five companies in 2016.

In the focus engagement programme we are concentrating on those companies related to Achmea's five key topics: Human Rights, Labour Rights, Health, Nature and Climate. At the end of 2015, Achmea introduced the key topic of Health, focusing on the engagement topic of 'Sustainability risks and opportunities in the biopharmaceutical industry'. In 2016, we made further progress on achieving our engagement goals.

INVESTMENT RETURNS

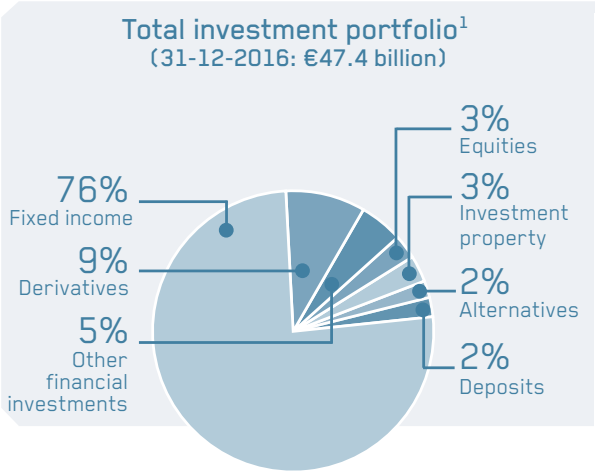
At €1,249 million, the result on Achmea's proprietary investments[5] was €10 million higher than over 2015 (2015: €1,239 million). This was in spite of the decline in direct investment income of €51 million due to low interest rates. Increased prices of equities and commodities in particular led to an increase of €66 million. In addition, the property portfolio experienced a positive revaluation of €29 million as a result of an increase in value of residential properties in particular. These two effects also compensate for the lower indirect result of €34 million on fixed income (including release from the FFA; (Fund for Future Appropriation). This result decreased due to lower realisations.

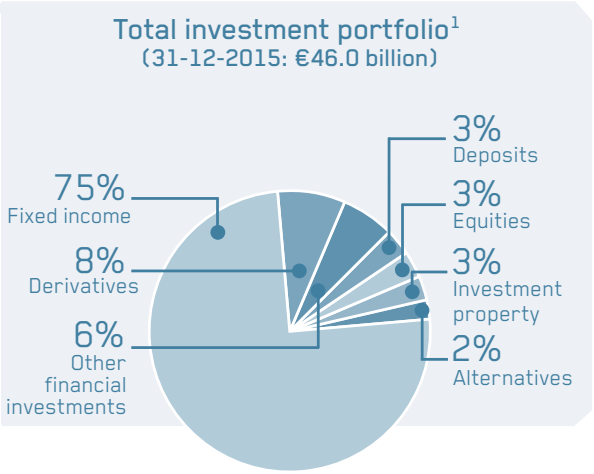
FIXED-INCOME PORTFOLIO

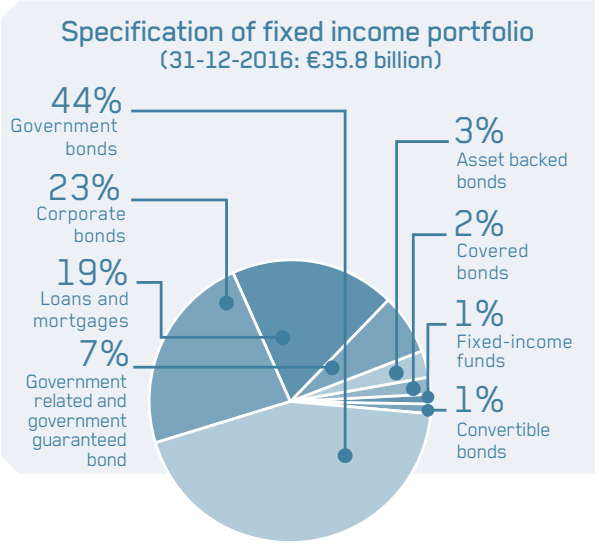
Partly as a result of the lower interest rates in the longer maturities, the value of our fixed-income portfolio increased by 3% in 2016 to €35.8 billion (year-end 2015: €34.6 billion). An amount of €18.3 billion (year-end 2015: €18.5 billion) of the total fixed-income portfolio, equivalent to 51% (year-end 2015: 53%), was invested in government bonds, government-related bonds and government-guaranteed loans. The bulk of this amount was invested in Dutch government bonds. Furthermore, we have large allocations to German and French government bonds and we invest amongst others in Austrian, Finnish and Belgian government bonds. Partly due to our activities in Ireland and Greece, we also invest in government bonds of these countries (€310 million and €7 million respectively at year-end 2016).

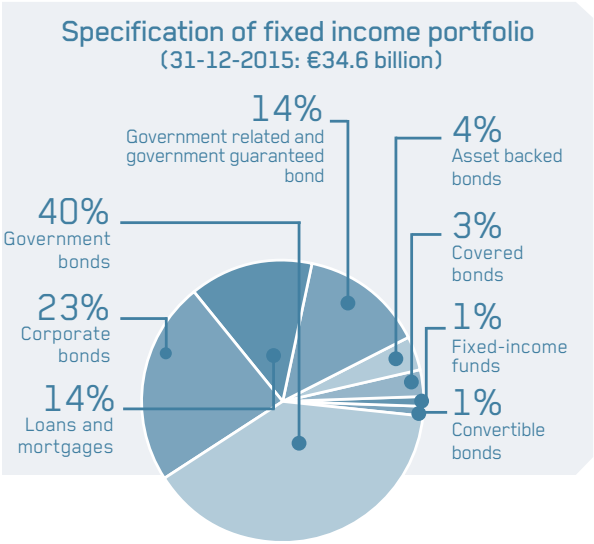
We further adjusted the fixed-income portfolio in 2016 in favour of direct residential mortgages. This portfolio increased to €5.8 billion (year-end 2015: 3.8 billion). Through this switch, we increase the returns on our portfolio and improve the composition of the replicating investment portfolio. We increased the share of direct mortgages in our portfolio in 2016 through the Tellius Toekomstvast, Woonfonds, Centraal Beheer Achmea and Hypotrust Woonbewust channels. We financed the further increase in our position in direct Dutch residential mortgages via the sale of government bonds and covered bonds.

5) The proprietary investment results are adjusted for fair value results and other investment returns that are directly related to insurance commitments.









1) The Annual Report shows fixed income funds as part of the fixed interest portfolio and real estate funds as part of Real Estate. In the financial statements, these components are shown as part of Equities and similar investments.

Our fixed income portfolio is prudently invested. The bulk of the portfolio has a AAA-rating. The increase percentagewise of fixed-income securities without a rating to 17% (year-end 2015: 12%) is the result of the increase in our exposure to direct mortgages.

EQUITY AND ALTERNATIVE INVESTMENT PORTFOLIO

Our equity portfolio had a total value of €1.5 billion at year-end 2016 (year-end 2015: €1.2 billion), i.e. a 3.2% share in our total investment portfolio. A positive growth in value of the portfolio in 2016 of about 10.9% and various purchases have increased the size of this portfolio. Currently, a total of 78% of our equity portfolio is invested in mature equity markets (year-end 2015: 85%) and 22% in emerging markets (year-end 2015: 15%). In addition to our equity portfolio, we also manage a portfolio of alternative investments such as private equity, hedge funds, infrastructure and commodities. The value of this portfolio at year-end 2016 was €1.2 billion (year-end 2015: €1.1 billion). Higher oil prices in 2016 had a positive impact on returns in the commodities investment class. We have hedged our investments in equity and alternative investments to a large extent. We use derivatives in order to hedge the currency risk and interest-rate mismatch risk between investments and liabilities.

PROPERTY PORTFOLIO

At €1.4 billion, our property portfolio retained a constant value throughout 2016 (year-end 2015: €1.4 billion) and has a 3.0% share in our total investment portfolio. At year-end 2016, our property portfolio comprised €1.1 billion in direct property investments, including 41% residential properties, 31% retail properties, 24% offices and 4% other property holdings. Additionally, our property portfolio comprised €286 million in indirect property investments.

TOP 5 SOVEREIGN EXPOSURE

(€ MILLION)

	31-12-2016	31-12-2015	RATING
The Netherlands	8,921	8,930	AAA
Germany	4,141	2,842	AAA
France	1,343	1,465	AA
Austria	503	523	AA+
Finland	448	417	AA+

FIXED-INCOME PORTFOLIO BY RATING

	31-12-2016	31-12-2015
AAA	43%	43%
AA	15%	15%
A	12%	15%
BBB	11%	13%
<BBB	2%	2%
Unrated[1]	17%	12%
Total	**100%**	**100%**

1) Includes the allocation to direct mortgages

In accordance with our expectations, 2016 showed a recovery in the value development of residential property. We expect house prices to increase further in the coming years. We expect for the office segment within our portfolio that the decline in value to moderate. For the retail segment, we anticipate a further slight decline in value over the coming year, after which this will level off. The retail market continues to face challenging times. Mid-price retail properties are also expected to remain under pressure over the next few years. Small and medium-sized cities will be faced with increasingly high vacancy rates, also in prime locations. We will continue to appraise our property portfolio in a prudent manner based on the most up-to-date appraisals.

We therefore perform a full appraisal of 25% of our portfolio on a quarterly basis, plus a review of the remaining 75%. This ensures that the entire property portfolio is fully reappraised over a one-year period.

CAPITAL AND RISK MANAGEMENT

As a financial services provider, Achmea is exposed to insurance risk, market risk, counterparty default risk, liquidity risk, operational risk, compliance risk and strategic risk.

Effective capital and risk management ensures that Achmea has sufficient capital and that risks are identified in time and are deliberately managed. Achmea pursues a capital and risk management policy that implements this effectively.

Key developments for capital and risk management in 2016:

- Solvency II, the new solvency regime for insurers in the European Union, entered into effect on 1 January 2016.
- Achmea has a solid capital position under Solvency II. The Solvency II ratio did decline in 2016 as a result of various non-recurring items, including the use of capital buffers in order to limit the increase in health insurance premiums, and the hail calamity of June 2016.
- Uncertainties remain in the global economy, as in the financial markets and the geopolitical climate. Key external events in 2016 included: the Brexit referendum, the low interest rates, the attempted coup in Turkey, the US presidential election and the Italian constitutional referendum.
- Key developments within the company in 2016 included: a license was granted for the Centraal Beheer APF; the decision to run off the existing second pillar pension insurance business; the decision to discontinue services to mandatory sector pension funds; the sale of reintegration company Winnock and of Staalbankiers' private banking business.
- The Loss Absorbing Capacity of Deferred Taxes (LACDT) is determined via a meticulous process which examines options for recovery in detail. At the start of February 2017, the Dutch Central Bank (DNB) issued guidance on the elements it includes in assessing the LACDT. Achmea will bring its LACDT calculation in line with DNB's guidance no later than the second quarter of 2017. As a result, uncertainty arises with regards to the valuation of this element.
- The House of Representatives of the Dutch Parliament adopted a draft legislative bill relating to a ban on profit distribution by (basic) health insurers. The legal interpretation of the bill and the potential consequences for the solvency margin are currently being further investigated.

This section details the main changes in the company's capital and liquidity position, the risk profile and the risk management system. See note 50, p. 225 'Capital and Risk Management' in the financial statements. Capital and Risk Management in the financial statements contains a detailed description of the risk management system and capital management. The Solvency II results as of 1 January 2016 were not audited. For further information, see the paragraph titled 'About this report'.

CAPITAL AND LIQUIDITY POSITION

Achmea aims to be adequately capitalised on a continuous basis. This is necessary in order to be able to protect the interests of all stakeholders in the short term and long term. It is important to at least comply with the capital requirements under Solvency II and to attain our rating goals.

Solvency II

For the calculation of required capital ('Solvency Capital Requirement (SCR)') under Solvency II, Achmea uses a partial internal model approved by the college of supervisors. This involves a calculation of the capital adequacy requirements for several insurance risks in the non-life segments using an internal model. The partial internal model is used by the Dutch non-life insurers, Achmea Reinsurance Company and Greek subsidiary InterAmerican Property & Casualty Insurance Company SA; the other risks are calculated using the Solvency II standard formula.

The solvency ratio under Solvency II is 181% (1 January 2016: 196%)[1].

SOLVENCY RATIO PARTIAL[2] (€ MILLION)

	31-12-2016	01-01-2016
Eligible own funds	8,345	9,167
Required capital	4,623	4,688
Surplus	3,722	4,479
Solvency II ratio[2]	181%	196%[1]

The eligible own funds amounts to € 8,345 million (versus €9,167 million on 1 January 2016).

1) New information has resulted in an adjustment of the spread risk in 2015.

2) Figure excludes banking entities and asset management.

ELIGIBLE OWN FUNDS PARTIAL INTERNAL MODEL

(€ MILLION)

	31-12-2016	01-01-2016	Δ
Tier 1 unrestricted	5,385	6,233	-848
Tier 1 restricted	911	911	0
Tier 2	1,356	1,327	29
Tier 3	693	696	-3
Total eligible own funds	**8,345**	**9,167**	**-822**

The relationship between the IFRS equity and the Solvency II eligible own funds is explained in Note 50 titled 'Capital and Risk Management' in the financial statements.

Main developments in the solvency position

The Solvency II ratio has decreased by 15%, mainly due to a decrease in the eligible own funds ("EOF"). EOF has been affected by several exceptional expenses, including the hail calamity, the increase in the provision for personal injury claims, an adjustment to estimated expenses in the Dutch pension and life insurance business and changes in the elimination of insurance contracts for the pension scheme own personnel. Dividend and coupon payments on capital instruments also contributed to the decrease in the EOF. On the other hand, interest rate and spread developments had a positive effect on the EOF.

The decrease in the required capital was mainly driven by a decrease in market risk and a higher Loss-Absorbing Capacity of Expected Profits. Within the market risk, there was a significant decrease in the spread risk related to the sale of a bond portfolio with a higher Capital Requirement, which was partly compensated for by higher equity and interest rate risk. Counterparty risk increased due to extension of the mortgage portfolio. The insurance risks increased slightly after diversification as a result of portfolio developments and lower interest rates. A quantitative explanation of the SCR can be found in the section 'Risk profile'.

Rating agencies

Rating agencies use their own methodologies to assess companies' creditworthiness. For this purpose, ratings are included which the rating agencies have assigned to the Achmea entities.

RATINGS

ENTITY	TYPE	S&P	FITCH	MOODY'S
Holding				
Achmea B.V.	CCR	BBB+		
Insurance entities				
Achmea Schadeverzekeringen N.V.	CCR/IFSR	A		
Achmea Zorgverzekeringen N.V.	CCR/IFSR	A		
Achmea Pensioen- & Levensverzekeringen N.V.	CCR/IFSR	A		
Achmea Reinsurance Company N.V.	IFSR	A-		
Bank entities				
Achmea Bank N.V.	CCR long term	A-	A	
	CCR short term	A-2	F1	
	Secured debt program	A-		
Achmea Bank N.V.	Covered bond program		AAA	AAA

** CCR: Counterparty Credit Rating,*
IFSR: Insurer Financial Strength Rating

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 holds an A- (A minus) rating. In February 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'[3] and the 'fixed-charge coverage ratio'[4]. 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).

Capital and Liquidity Flows

Both Achmea Bank and Achmea B.V. provide access to the capital and money markets. The holding company is responsible for financing the insurance entities. This might take on the form of capital deposits or granting subordinated loans.

The table below – in addition to the cash-flow statement included in the financial statements – contains a detailed statement of the capital and liquidity cashflows of Achmea B.V. and other holding company entities.

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

4) Fixed-charge coverage ratio: the ratio between fixed financing costs and the operational result adjusted for interest and depreciation. Based on the example of Standard & Poor's, the calculation has been adjusted based on the amortisation of intangible assets. The basis for the calculation has changed for 2016.

Achmea has good access to capital markets and therefore has sufficient flexibility to be able to offset volatility in solvency and liquidity.

CAPITAL AND LIQUIDITY CASHFLOWS OF THE HOLDING COMPANY[5]

	(€ MILLION)
Liquidity of the Holding at the beginning of 2016	**470**
Cash flow from operational activities	
Reinsurance the Netherlands	72
International	35
Other	21
Income from disposals	7
Financing / group activities	
Net payed interest	-52
Dividend and coupon payments	-234
Net movement loans	-2
Settlement through taxes	-49
Holding activities	-18
Investments in business entities and associates	
International	-1
Banking activities	-34
Other	-96
Net movement	**-351**
Liquidity of the Holding at the end of 2016	**119**

'Holding-company liquidity' is defined by Achmea as all bank balances and short-term other claims -/- debts of the holding companies allocated to the holding company, which are: Achmea B.V., Achmea Interne Diensten N.V., Achmea Services N.V. and Eureko Eastern Europe Holding B.V.

In 2016, the Holding liquidity declined by €351 million to €119 million. This decrease was mainly the result of €286 million in payments made to our shareholders and financiers. In addition, Achmea invested a total of €131 million, mainly for the acquisition of minority interests in Independer and Inshared. Earnings of €135 million were received from dividends of subsidiaries and the sale and liquidation of group companies. In 2016, no funding transactions were completed on behalf of Achmea B.V.

The liquidity of our bank businesses comfortably exceeds the statutory requirements. For Achmea Bank, a total of €50 million in private unsecured senior bonds were issued. Furthermore, €600 million in RMBS[6] was issued in November 2016. Achmea Bank has also redeemed €500 million in senior unsecured bonds and €60 million in the private market. Finally, a total of €568 million RMBS notes were redeemed in 2016.

DIVIDEND POLICY

During the capital increase in April 2009, the company and its shareholders agreed that the dividend payments to ordinary shareholders would amount to 45% of net profit, to be allocated to the shareholders. In dividend proposals, a prudent financial policy is taken into account.

If the solvency level exceeds 130% as of the year end (based on the partial internal model), the Executive Board will make a dividend proposal if the company earns a profit.

The dividend proposal is primarily based on the Group's long-term financial solidity and on the stakeholders involved in the company. This includes, among other things, a review of capital growth over the planning period, liquidity development, the outcome of scenario and stress tests and various ratios from a rating agency perspective, such as the S&P capital position, debt ratio and fixed-charge coverage ratio.

The Executive Board will carefully consider whether to pay a dividend based on all these indicators. Any decision to pay a dividend needs to be approved by the Supervisory Board and the General Meeting of Shareholders (see the chapter 'Corporate Governance' for further details).

RISK PROFILE

Below is a description of Achmea's general risk profile, based on the SCR (Solvency Capital Requirement) outcomes as calculated using the partial internal model and the outcomes of the integrated risk analysis periodically conducted by the management.

Partial internal model

The table below contains a description of Achmea's risk profile, based on the SCR (Solvency Capital Requirements) outcomes associated with the principal risks, calculated using the partial internal model.

5) This concerns Achmea B.V. and any changes in liquidity relating primarily to responsibilities of the holding company and are exclusive of the changes in the liquidity position which relate to specific operational activities.

6) Residential Mortgage Backed Security

PLEASE NOTE: Further details on the calculation of the solvency are available in Note 50 (p. 225) titled Capital and Risk Management in the financial statements.

SOLVENCY CAPITAL REQUIREMENT

(€ MILLION)

	31-12-2016	01-01-2016	Δ
Market Risk	2,291	2,422	-131
Counterparty Risk	560	467	93
Life Risk	1,861	1,771	90
Health Risk	1,861	1,835	26
Non Life Risk	770	742	28
Intangible Asset Risk	4	45	-41
Diversification	-2,645	-2,570	-75
Basis Solvency Capital Requirement	**4,702**	**4,712**	**-10**
Loss-Absorbing Capacity	-706	-685	-51
Operational Risk	596	615	-19
Solvency Capital Requirement (Cons)	**4,592**	**4,642**	**-80**
SCR Other Financial Sectors & Other entities	31	34	-3
SCR Ring Fenced Funds	0	12	-12
Solvency Capital Requirement	**4,623**	**4,688**	**-95**

Loss-Absorbing Capacity as presented in the table is composed of Loss-Absorbing Capacity Expected Profits and Loss-Absorbing Capacity Deferred Taxes.

A large part of the SCR results directly from the product offering and consists of insurance risk, comprising life, non-life and health risks. The total volume increased slightly in 2016 after diversification. As a financial service provider Achmea is also exposed to market risk due to its investment portfolio, minimum guarantees and profit sharing (life insurance and disability insurance) and retail banking products (mortgages, deposits, savings accounts and current accounts). The market risk has decreased in the past year. Further the risk profile according to the SCR includes counterparty risk due to exposure to various counterparties, and operational risk due to inadequate or failing internal processes, personnel or systems, or due to external events.

Key risks

The comprehensive risk analysis includes a periodic identification and assessment of the principal risks. The risk profile did not change substantially in 2016 compared to 2015. Profitability and 'free capital generation' are key themes in line with last year. In 2016, the low interest rates were carefully monitored. Based on this it was decided to adjust the hedging strategy.

Key themes for the medium and long term, the strategic risks, include:

- Profitability and 'free capital generation'. This issue relates, among other things, to external conditions and future profitability. External conditions which are monitored closely include the low interest rates, the changing law and (tax) regulations, and external pressure on the premiums in Health. Future profitability focuses, among other things, on anticipating future trends and developments, our flexibility and adaptability in a fast-changing environment, competencies and talents, and data management.
- The sale of products via distribution partners, such as Rabobank, because of its impact on the financial results.
- Fast implementation of the digital transformation in order to capitalise on IT opportunities. Other inherent priorities in any large-scale change programme include cost levels in the IT supply chain, the time-to-market, and the rate of adoption of new advances in technology.

Achmea monitors these themes closely, as part of the periodic monitoring of the risk profile and the annual ORSA (Own Risk and Solvency Assessment) report. Achmea takes additional measures if necessary.

Key short-term themes include:

- Interest-rate movements
- Changes in laws and regulations
- Liability claims products, services and activities
- Information security
- Insurance-related events such as disasters and more personal injury claims
- Longevity trends
- Volatility in the financial markets
- Reputation

These themes and derived risks are managed as part of the regular risk policy as described in Note 50 (p. 225) 'Capital and Risk Management' in the financial statements.

RISK MANAGEMENT SYSTEM

Following the introduction of Solvency II, Achmea has adjusted its risk management system in recent years. Changes made include the application of the partial internal model, the integration of regulations into the risk management system, the implementation and execution of the annual Own Risk and Solvency Assessment (ORSA) and the implementation of the Solvency II reporting process.

As part of the credit assessment process, S&P also considers the maturity of Enterprise Risk Management among insurance companies. Achmea's risk management system was once again assessed as 'strong' in 2016. S&P indicates that this means, among other things, that risk management plays a key role in the decision-making process and that there are strong capacities for identifying, measuring and managing risk positions.

Changes in 2016

The risk management system is evaluated annually and modified where necessary. The following changes were implemented in 2016 (list is not exhaustive):

- At the group level, there was a reorganisation of the second-line functions under Solvency II. Key functions under Solvency II such as the actuarial function, risk management function and compliance function, are clearly positioned separately in the Risk & Compliance department, supervised directly by the Chief Risk Officer in the Executive Board. Within the Dutch insurance divisions, the position of the Operational Risk & Compliance teams has shifted from the financial director to the division chairman.
- Our understanding of the integrated risk profile and the management of this risk profile has been further improved due to the integration of the risk and compliance report into a single report.
- The risk appetite was adjusted on several points. In this process, the risk appetite was not changed in material terms. These changes primarily involved a refinement of our risk appetite statements and the corresponding key risk indicators (KRIs).
- Following the introduction of Solvency II, the capital policy is related to the Solvency II models. For control purposes, Achmea uses a partial internal model approved by the college of supervisors.

Financial risks

Developments and measures relating to financial risks:

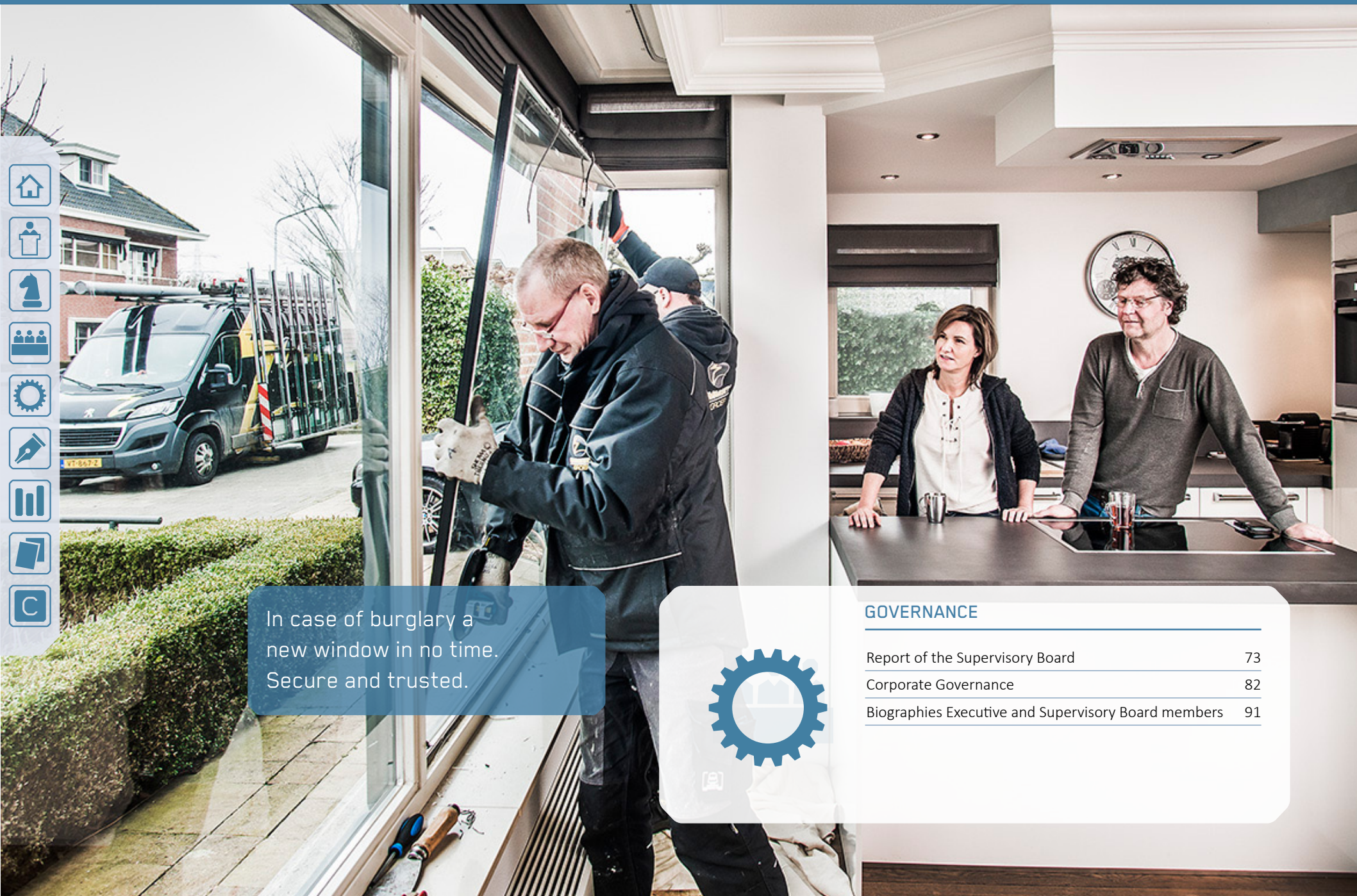
- Under Solvency II, Achmea's solvency ratio is sensitive to interest-rate movements. In order to reduce the interest-rate sensitivity of the Solvency II ratio, Achmea decided to adjust its hedging strategy accordingly. The company maintains an adequate and prudent investment policy, whereby the future liabilities to policyholders serve as the basis. Interest rate movements affect the value of assets and liabilities and, by implication, the balance between the two. Achmea protects itself with derivatives such as swaps and swaptions against the impact of interest-rate movements, in order to keep this balance stable. This ensures that Achmea will continue to be able to make payments to the policyholders in the future. In order to calculate the value of future liabilities to the policyholders, this must be discounted with a yield curve. Achmea's interest rate policy has traditionally been aimed at managing interest-rate risk on an economic basis, whereby the liabilities are discounted with the swap curve. Since the implementation of the Solvency II regime on 1 January 2016, Achmea's solvency is determined based on the Solvency II principles. Solvency under Solvency II is also sensitive to interest-rate movements, albeit in a different way than based on the swap curve. The Solvency II curve has a fixed interest-rate level in the very long term, and the long-term interest rates are heading towards this trend. This means interest-rate sensitivity under Solvency II is different than on an economic basis. The way in which we have prevented ourselves from adverse effects due to interest rate movements has been subject to change.
- The market risk budget associated with the investment portfolio has remained unchanged. Furthermore, Achmea has continued to further expand the mortgage portfolio, and a number of smaller changes were made to the investment mix in order to increase returns.
- Health expenses increased faster in 2016 than was estimated at the start of the year. This was mainly caused by the cost trends of medications. Another trend is the growing public pressure on health insurers to use their own reserves when setting premiums. The insurance companies set their premiums in competition with other providers, and the factors considered include solvency trends and the stability of the premiums, also in years to come. These aspects were included in the process of setting premiums for 2017.
- The hail calamity in June resulted in a large number of claims, which have an impact on the insurance result. This has resulted in, among other things, further investigation and measures relating to reinsurance and premium setting for non-life insurance.

Non-financial risks

Developments and measures relating to non-financial risks:

- In 2016 there has been paid special attention to privacy. Achmea began with the implementation of the General Data Protection Regulation (AVG), which will enter into effect on 25 May 2018. The obligation of reporting data leaks to the Personal Data Protection Authority (Autoriteit Persoonsgegevens) was introduced on 1 January 2016.
- The focus on information security remains consistently high on account of cybercrime and the growing digitisation. The maturity of the company's information security policy is periodically assessed, and measures are implemented where necessary.
- Achmea has achieved strong results in the AFM Customer Centricity Dashboard, attaining an above-average score. Recently, Achmea has focused on complaints management and product development, and has made improvements to both of these matters.
- The Internal Control Framework has been further refined in line with the organisational changes, including the quality of the documentation of the controls performed.

GOVERNANCE



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GOVERNANCE

Report of the Supervisory Board

MAIN DEVELOPMENTS IN 2016

The Supervisory Board performs its duties on the basis of three roles: (1) supervisory role (including formal approvals); (2) advisory role (solicited and unsolicited); and (3) employer's role.

In the past year, the Group's strategy, the continued development of the organisation and the completion of the three-year Acceleration & Innovation change programme were key items on the agenda for the Supervisory Board. The Acceleration & Innovation programme was completed in late 2016. In implementing this programme, Achmea has developed into a customer-driven, agile and flexible organisation. In 2016, the organisation further evolved, being more designed on the basis of market chains, which has made business operations more efficient. Operating expenses have fallen sharply since the launch of the Acceleration and Innovation programme. In 2016, much attention was paid to the Group's capital, liquidity and solvency positions, as well as the topics of the company's profitability and free capital generation. Other regular items on the agenda of the various meetings included the Group's strategy, the Business Plan for 2017-2019, and the macroeconomic environmental analysis which has an impact on Achmea's strategy. In the Supervisory Board committees, risk management, compliance, the simplified Achmea remuneration policy and management development were discussed several times. The composition of the Supervisory Board received a fair amount of attention due to a vacancy on the Supervisory Board and the appointment of a new chairman.

The Supervisory Board rates its relationship with the Executive Board to be excellent. The quality of the reports and information provided to the Supervisory Board were of a good level and the reports and information were further improved, partly on the basis of suggestions by the Supervisory Board. Where applicable, the reports incorporate the interests of all the company's stakeholders in a balanced fashion.

In 2016, the Supervisory Board devoted particular attention to succession planning and the composition of the Executive Board, in connection with the succession of Mr Arendse in 2017.

In 2016,the Supervisory Board convened on fourteen occasions, including eleven ordinary meetings and three extraordinary meetings. The Board maintains a total of three committees, which advise the full board: the Audit & Risk Committee, the Remuneration Committee and the Selection & Appointments Committee. The Audit & Risk Committee convened on nine occasions in 2016, the Remuneration Committee convened five times, and the Selection & Appointments Committee held a total of six meetings. Virtually all the meetings were attended by all members, with a few cases of absence. Members who were absent provided the meeting with input in advance. All meetings were held at Achmea's head office in Zeist, the Netherland.

In addition, the Supervisory Board paid a company visit to the Retirement Services division (ODV) in Leusden, and over a period of one week in June 2016, the members of the Supervisory Board and Executive Board visited around 15 innovative companies in Silicon Valley, California.

Strategy, Acceleration & Innovation and Delivering together

One of the Supervisory Board's key duties is to monitor the implementation of Achmea's strategy and provide advice on Achmea's strategy. The strategy was adopted in 2013, whereby challenging objectives were set in order to enhance Customer Centricity ('Klantbelang Centraal') in all our actions and policies, and the realisation of a modern, customer-driven organisation, competitive costs and sustainable returns. In 2016, the focus was on the consistent and logical implementation of the strategy in which the group-wide Acceleration & Innovation programme plays a key role. A part of this is reducing expenses, improving efficiency, as well as strengthening digital customer service and improving the revenue model towards the future. Achmea is doing this, among others, by investing in strategic initiatives.

The Supervisory Board noted that progress has been made in each of these areas. The scores on the AFM Customer Centricity Dashboard have improved strongly. Significant steps have been taken in the transformation of IT systems. Since the organisation is designed more based on market-oriented chains, in combination with a new brand policy with a focus on marketing and sales, the organisation will become more efficient. The objectives of the Acceleration & Innovation have virtually all been completed, and the implementation of the programme will become fully visible in 2017. Despite the profound changes, employee engagement remains high. In addition, the Supervisory Board has concluded that loss-making operations have been discontinued, along with operations which no longer fit in Achmea's strategy. At the same time, investments

have been made in digital customer service and strategic initiatives to increase long-term returns, e.g. through the establishment of the Centraal Beheer General Pension Fund (APF), which implements the new strategy for Retirement Services, the renewed partnership with Rabobank, and the development of a new International strategy.

Together with the Supervisory Board, the Executive Board concluded that a great deal has been achieved, while at the same time changing environmental factors, such as changing customer needs, technological, social, economic and (geo) political developments have created the need for further measures over the next few years to create a revenue model which is sustainable in the long term. The Supervisory Board endorses and underscores its commitment to further reducing expenses and complexity, while also continuing to invest in digital customer service, renewal and innovations. This has resulted in a substantial change task.

In several meetings the Executive Board and Supervisory Board focused on strategy. The Supervisory Board and the Executive Board together discussed the group's financial goals, the economic uncertainties and its related challenges, scenarios and sensitivities facing the Group, and the measures defined by the Executive Board for the long term and short term. The Supervisory Board drew attention to, among other topics, an improvement of the company's structural performance, maintaining liquidity and the structure of the organisation in connection with the substantial change task defined by the Executive Board. At the end of 2016, the Board approved the Business Plan for 2017-2019 as well as improving the Budget for 2017. The Acceleration & Innovation programme has improved Achmea's foundation. The world around us is changing rapidly. Changes in customer needs, technological advances, and innovations. There have also been economic and political changes. During the new planning period, innovating our services will remain the central focus. In this, 'Delivering together' is the motto, whereby further implementation is given to the strategy. Achmea focuses on insurance products and services in the non-life, income protection and healthcare divisions, along with Retirement Services and International operations through the direct and banking channels. The digital transformation is part of the current business plan.

In addition, In the short term, there will be focus on improving profitability, free capital generation to facilitate future growth, and providing the required liquidity and solvency. Renewal of business models, outlining the Group's operations based on the needs of the individual segments, and strategic initiatives aimed at Achmea's opportunities to improve the medium-term results are also included in the Business Plan. The Supervisory Board examined in detail the measures proposed by the Executive Board and the urgency of the implementation of these measures, which were required in part due to the continued pressure on insurers' business models. The Supervisory Board endorses the plans defined by the Executive Board, the measures implemented and the urgency of their implementation.

In 2016, the implementation of the international strategy focused on i) growth in existing markets, based in part on the core qualities of the Dutch business; ii) the development of a digital non-life insurance company in existing international markets with the use of online competencies from the Dutch business; iii) an exploration of opportunities in selected emerging markets. The Supervisory Board is well informed of the progress of the implementation of the strategy along the various focus points. The Board is also pleased to conclude that the Executive Board has turned its attention to opportunities to enter other markets as an innovative digital insurance company.

Composition of the Executive Board

The Executive Board remained unchanged in 2016. Mr Michel Lamie joined the Executive Board effective 1 January 2017, filling the position which was vacated following the retirement of Mr Huub Arendse effective 1 April 2017. Before joining Achmea, Mr Lamie held a variety of positions at several Dutch insurance companies (including Achmea), most recently as Chief Executive Officer of De Goudse NV.

Composition of the Supervisory Board

The Supervisory Board's composition was also on the agenda on several occasions. In February 2016, Mr Wim de Weijer joined the Achmea B.V. Supervisory Board after being appointed by the General Meeting of Shareholders.

Effective 9 August 2016, Mr Erik van de Merwe stepped down as chairman of the Achmea B.V. Supervisory Board and as a member of the Audit & Risk Committee. Mr Aad Veenman was appointed chairman of the Achmea B.V. Supervisory Board as of the date stated, and resigned as chairman of the Audit & Risk Committee on 2 December 2016, as soon as the appointment process of his successor, Mr Roel Wijmenga, was completed. The Supervisory Board is focusing at present on filling the current vacancy on the Supervisory Board.

Finances and risk

In each quarter of 2016, the Supervisory Board discussed Achmea's financial situation in detail based on the interim and quarterly results, in addition to discussing and approving the annual report and financial statements for 2015. At these meetings, also attended by the external auditor, the main focus was on the impact of the hail calamity and climate change, the breakdown of the financial results, income, expenses, risks, and FTEs. The Supervisory Board and the Audit & Risk Committee also discuss regularly, also with the external auditor, important issues relating to the financial statements. The Supervisory Board urged the

Executive Board to focus on improving the structural results over the long term and on taking measures to reduce the interest-rate sensitivity of the Solvency II ratio. The Supervisory Board has noted that the Executive Board has implemented profound measures to improve the structural performance and has further embedded the process of establishing the rolling forecast into the organisation.

Risks and the impact of these risks on Achmea were again an important agenda item for the Supervisory Board in 2016. This includes the Group's risk appetite, risk and compliance reports, which are discussed regularly, and any new special risks which may arise. For example, much attention was paid in 2016 on internal controls, including privacy regulations, a reassessment of cost assumptions for Closed Book, cyber-security, ethics regulations, outsourcing management and the embedding of the product approval process (also known as a Product Approval & Review Process or PARP). The Supervisory Board concluded that the focus on risk appetite has been further embedded in the organisation and in corporate planning over the course of the year and that the integral risk reporting has improved further.

The Supervisory Board has approved the carefully considered proposal of the Executive Board to the General Meeting of Shareholders to pay dividends for 2015 to ordinary shareholders and holders of preferential shares, in accordance with the applicable dividend policy.

Compliance with laws and regulations and auditing

The Supervisory Board noted in 2016 that there are stricter compliance requirements arising from laws and regulations, external regulation and (inter)national industry associations and other organisations. The Supervisory Board views the clarity and transparency of the requirements imposed by regulators positively, but the amount of time this entails, both for the Executive Board and the organisation, remains as high as ever.

The Supervisory Board and its committees discussed a variety of issues in detail, including the impact of the General Data Protection Regulation and the introduction of Solvency II.

Also, in the Audit & Risk Committee and the Supervisory Board in-depth discussions were conducted with the external auditor and Internal Audit on the conclusions set out in the management letter and the audit memorandum. Topics discussed included the assurance of the reliability of the Solvency II reporting process and data governance and the embedding of the Product Approval & Review Process processes.

Remuneration

Achmea maintains its own Remuneration Policy, which is in accordance with laws such as the 2015 Act on Remuneration Policies of Financial Undertakings (Wet Beloningsbeleid Financiële Ondernemingen/WBFO) and (international) laws and regulations, on the basis of which the Dutch Central Bank and the Netherlands Authority for the Financial Markets (AFM) conduct supervision. In addition, it also complies with laws which apply to specific components of the Group, such as the Executives' Pay (Standards) Act (*Wet normering topinkomens*) for executives in Achmea's health insurance division.

Over the past few years, Achmea, based on its identity, has implemented various amendments and economies to the remuneration policy for board members and senior management. The Supervisory Board, in its capacity as the highest body in the organisation, monitors the general business of the company, including the overall responsibility of the remuneration policy. In this respect, it ensures that the Group's remuneration policy complies with the principles for a balanced remuneration policy. Achmea's Remuneration Committee monitors the Group's remuneration policy and advises the Supervisory Board on this issue. The Remuneration Committee also advises the Supervisory Board on the remuneration of the members of the Executive and Supervisory Boards. Remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders.

In 2015, the Act on Remuneration Policies of Financial Undertakings (WBFO) came into effect. Achmea complies with this law, and no material changes to the policy were necessary in 2016. For instance, under the Achmea Collective Labour Agreement variable remuneration has been restricted to a maximum of 20% for the small group of employees in the Netherlands who were eligible for variable remuneration. For Dutch employees whose remuneration does not derive (exclusively) from the Achmea Collective Labour Agreement, the remuneration policy complies with the statutory requirements (by an average of no more than 20%). This is because the variable remuneration for this category had already been more than halved in 2012 and 2013. Since 2011, the Achmea remuneration policy for the Dutch and the international businesses has stipulated variable remuneration of 100% of the fixed remuneration on an annual basis in order to control the performance-based pay of foreign employees as well. The WBFO stipulations for capping any severance payment for board members and day-to-day policymakers were also met in 2016. Severance payment of a maximum of 100% of their fixed remuneration applies to directors and employees involved in day-to-day policymaking.

Achmea will release detailed information on its remuneration policy in its 2016 Remuneration Report, which will be published in May 2017 and will be available at www.achmea.nl.

Achmea B.V.'s General Meeting of Shareholders decided to raise the remuneration of the Chairman of the Supervisory Board in 2015, in accordance with the recommendation of the Remuneration Committee. The policy, which was amended in 2015, remained unchanged

in 2016; for new appointments and amendments in 2016, the remuneration was approved in accordance with this policy. Information on the remuneration of the Supervisory Board in 2016 is provided in Note 30 to the financial statements in the Remuneration Report, which will be published on www.achmea.nl in May 2017.

Permanent education

Three permanent education sessions were organised for Supervisory Board members in 2016. Each of these was attended by virtually all members.

The first permanent education session focused on the Long-Term Care Act (*Wet langdurige zorg*). In the second extensive permanent education/innovation session, attention was given to disruptive innovation in the financial sector. The Supervisory Board and the Executive Board visited several innovative companies in Silicon Valley, where it was considered how innovations facilitate new business models in financial services and what impact new technologies have on our own environment. In doing so, a closer look was given to topics including innovations in healthcare, digital branding, extreme customer focus, blockchain technology and machine learning. In the third permanent education session, the General Data Protection Regulation was dealt with extensively.

The members of the Supervisory Board are also invited to the permanent education sessions, which are organised by the core of supervised companies within the group (also known as OTSO, for onder toezicht staande ondernemingen), i.e. Achmea Schadeverzekeringen N.V., Achmea Pensioen- en Levensverzekeringen N.V. and Achmea Zorgverzekeringen N.V.).

The Supervisory Board believes that permanent education adds value to the performance of the Supervisory Board and the Executive Board.

Evaluation of the Supervisory Board

The Supervisory Board carries out an extensive self-assessment based on feedback forms, in June of each year. Once every three years this process is conducted using input from an external consultant. In this context, the Chairman of the Supervisory Board also conducts individual interviews with Supervisory Board and Executive Board members and incorporates information obtained in these sessions in the evaluation. This is discussed during a private section of the meeting. The Chairman of the Supervisory Board also discusses the outcome with the Executive Board.

In the evaluation of the Supervisory Board, the following topics were discussed in 2016: the relationship between the Supervisory Board and the Executive Board, the Central Works Council and other relevant relationships within the company; the level of the information provision; the relationship with the shareholders; and other aspects relating to the performance of the Supervisory Board, including training and education, remuneration, use of time, and informal interactions. The evaluation concluded that the Supervisory Board generally performs well and that collaboration within and with the committees runs smoothly. There is room for debate, different opinions and discussing sensitive subjects, and the Board acts independently and is well-equipped for its duties. The careful preparatory duties conducted by the committees increase the efficiency of the Supervisory Board's meetings. The preparations conducted by the Executive Board are also assessed positively. Furthermore, the information provision and transparency by the Executive Board and the quality of the reports were judged positively.

Suggestions for improvement in 2016 included more formal feedback from the Supervisory Board's Audit & Risk Committee to the Supervisory Board of the core OTSOs; reducing the size of the Audit & Risk Committee; regular feedback regarding the recommendations and decisions of the Supervisory Board of the core OTSOs to the Supervisory Board of the Group, and an extra focus on innovation and trends in social developments and the impact of these developments on the strategy; all these suggestions have been acted on and implemented.

The following suggestions for improvement were discussed in 2017: further improvement of the performance of the governance system of the Supervisory Board of OTSOs within the Group in relation to the Group's Supervisory Board, and an extra focus on visionary discussion on the Group strategy.

Dilemmas

The Supervisory Board also discussed a number of dilemmas in 2016, including the impact of new innovative and disruptive technologies on strategy and the future business model; the impact of the low interest rates; the impact of interest rate movements on solvency; the impact of climate change on the number of claims; and the future sustainability of the substantial allocation of reserves in the health insurance business in order to limit the increase in the basic health insurance premiums.

Shareholder relations

With the exception of the General Meeting of Shareholders, the Supervisory Board as a corporate body has restricted contact with shareholders. The Chairman of the Executive Board is the primary point of contact for shareholders. However, the Chairman of the Supervisory Board does hold regular meetings with shareholders on topics such as proposals for the appointment of Supervisory Board members and talks to them in the context of the General Meeting of Shareholders. In doing so, the chairman is always invited to attend meetings of Vereniging Achmea, the majority shareholder of Achmea B.V., as an observer. In March 2016, in the Members Council of Vereniging Achmea, the Chairman of the Supervisory Board explained the supervision conducted by the Board.

In the context of our relationship with customers and members of Vereniging Achmea, the members of the Supervisory Board are invited to Members Council meetings organised by Vereniging Achmea.

Relations with the external auditor

PricewaterhouseCoopers Accountants N.V. (PwC) is the Group's external auditor. The Chairman of the Supervisory Board and the Chairman of the Audit & Risk Committee meet annually with the external auditor's lead partner. The Audit & Risk Committee also held two private meetings with the external auditor in 2016, where topics of discussion included specific measures to improve performance, the focus on achieving goals, changes in the Group's Finance column, and the process relating to year-end closing. The Supervisory Board discusses the external auditor's performance annually. The external auditor is not present on this occasion.

The Supervisory Board and the Audit & Risk Committee agree that the relationship with PwC is good. The cooperation is good and transparent. PwC adds value to improving the financial reporting process and challenges the company in a constructive and positive manner. PwC specifically focused in 2016 on the comparison with other international insurance companies (benchmarking). The Supervisory Board, in consultation with the external auditor, concluded that the level of control of the financial reporting risks and internal control within Achmea is sufficient.

Relations with Internal Audit

The Supervisory Board maintains an independent relationship with the Internal Audit department. For instance, the Audit Plan is laid down annually by the Audit & Risk Committee. The audit memorandum, together with the external auditor's management letter, provide the Supervisory Board with an excellent overview of the Group's position and of the main focus areas. The Supervisory Board is satisfied with the good relationship between the Audit & Risk Committee and the director of Internal Audit. The Chairman of the Supervisory Board and the chairman of the Audit & Risk Committee meet regularly with the director of Internal Audit. The Supervisory Board discusses Internal Audit's performance annually; the director of Internal Audit is not present on this occasion.

Relations with Compliance

The Supervisory Board has noted that the integration of the holding company departments Compliance and Operational Risk Management is now completed. This means the compliance function is well integrated into the organisation while at the same time being more efficiently organised. The risk report and compliance report were integrated into a single report in 2016, which further improves insight into Achmea's integrated risk profile. In the Audit & Risk Committee, an explanation is given which outlines the main developments and focus areas relating to the main risks faced by Achmea, along with details on the main developments within individual segments and details relating to the various financial, operational and compliance risks.

Relationship with the Central Works Council

The Supervisory Board members took turns attending meetings of the Central Works Council in 2016. The Supervisory Board notes that there is a solid working relationship and a constructive and open dialogue between the Executive Board and the Central Works Council. Relations between the Supervisory Board and the Central Works Council are good. In line with the legally reinforced right of recommendation, the Central Works Council (1/3) may propose candidates for three of the nine Supervisory Board seats. The Central Works Council agrees that in line with corporate governance all Supervisory Board members are independent following their appointment and exercise their duties without obligation or compulsion.

Conflicts of interest

In line with the Dutch Corporate Governance Code, transactions involving Supervisory Board members in which there are conflicts of interest must be listed in the Annual Report. We can report that no such transactions occurred in 2016.

The Supervisory Board established a Risk Self Assessment Committee in 2016 which provides advice to the Chairman of the Supervisory Board relating to new additional positions held by Board members in connection with potential conflicts of interest.

AUDIT & RISK COMMITTEE REPORT

In 2016, the Audit & Risk Committee's ordinary meetings were dominated by an analysis and discussion of the results during the reporting period, the evaluation and discussion of the annual and interim results for external publication, and the quarterly results for distribution among the shareholders for consolidation purposes, along with a discussion of the related audit reports issued by the external auditor. Throughout the year, the risk reports, compliance reports and audit memoranda were also discussed in detail, while actuarial certification is discussed annually. The Audit & Risk Committee is comprised of the following members of the Supervisory Board: Mr Roel Wijmenga (Chairman), Mr Aad Veenman, Ms Lineke Sneller and Ms Petri Hofsté (composition as at 31 December 2016). Meetings of the Audit & Risk Committee are attended by the Chairman of the Executive Board, the Chief Financial Officer, the Chief Risk Officer and the external auditor. At the Chairman's request, the directors of Internal Audit, Finance, Compliance and Risk Management were invited to discuss the agenda items relevant to them. Specialists may be invited to attend part of the meeting for discussions on specific topics.

During the meeting to discuss the 2015 financial statements, much attention was given to Achmea's solvency

and liquidity position of Achmea and the breakdown of the financial results. In addition, the proposal for, and careful consideration of, the Executive Board regarding the payment of dividends to the holders of preferential and ordinary shares were discussed, along with the adequacy test at the end of 2015. Another item on the agenda was the online purchasing process, especially in Health, and the adoption of the Solvency II ratio.

In 2016, the Audit & Risk Committee regularly discussed the progress of the change agenda and the Acceleration & Innovation programme, partly based on the Rolling Forecast and the Business Plan for 2016-2018. In-depth discussions were held on the FTE and cost reduction targets in this respect, on Achmea's capital, liquidity and solvency positions and the measures to improve these. Other topics discussed by the committee included the impact of the creation of a General Pension Fund, the 2016 Recovery Plan, the Own Risk and Solvency Assessment (ORSA), the Regular Supervisory Report (preparatory Solvency II report) and the Achmea Valuation 2015.

The Committee also discussed, on several occasions, the reassessment of the key controls as part of the Control Framework, the company's risk appetite and capital hedging (for the purpose of making solvency less sensitive to interest-rate fluctuations under Solvency II). The Audit & Risk Committee has been fully briefed on capital hedging and discussed this topic in detail. The Audit & Risk Committee endorses the measures taken by the Executive Board in this context.

In the discussion regarding the Compliance reports, key issues included privacy, data quality and the Product Approval & Review Process. Periodic risk reports were also discussed. Mid-2016, both reports were integrated into a single Risk & Compliance Report.
The Audit & Risk Committee discussed the implementation and reassessment of the Audit Plan; the lead time for audits was mentioned as one of the key focus areas. The Internal Audit Charter, which was updated in 2016, focuses more specifically on the OTSO governance in relation to Achmea's Main Outlines of Organisation & Management. The Risk Charter and Independence Policy were likewise amended in 2016, along with the Risk Appetite.

The Audit & Risk Committee carefully reviewed the internal controls relating to the IFRS Liability adequacy test for Achmea Pension & Life. The recommendations following an investigation, which were made with the objective of improving the reliability of the test results and the manageability of the underlying process, have now been implemented. Furthermore, the IFRS capital adequacy tests were also discussed periodically.

The Audit & Risk Committee was also briefed in 2016, through a series of deep-dive briefings, regarding the strategy for Retirement Services, capital hedging, the Achmea Control Framework and Investments.

The Audit & Risk Committee also discussed the disappointing annual results. The disappointing annual results were caused by a variety of factors, including the substantial damage caused by the hail calamity as a result of the 'super cell' end of June, the adjusted outlook for personal injury claims, and the sharp increase in Health expenses. The Executive Board was consulted on options to improve both the financial result and the operational result. It was concluded that significant progress has been made on major issues such as Retirement Services and the Centraal Beheer General Pension Fund. The Committee endorses the measures taken by the Executive Board to achieve a structural improvement in the result.

The Business Plan for 2017-2019 and the Budget for 2017 were discussed at the end of 2016, and made a positive recommendation about this to the Supervisory Board. The Committee examined in detail the proposed additional measures deemed necessary by the Executive Board, partly due to the persistent and growing pressure on the revenue model of insurers. The committee endorses and emphasises the need to take additional measures in order to increase profitability.

The Audit & Risk Committee and PwC discussed the Management Letter of PwC, which included addressing the improvement in Achmea's structural profitability. Furthermore, it was concluded that innovation is a strength that is used primarily through the customer line and that Achmea achieves at least at the same level as, and in some cases outperforms, peer companies across Europe. Another item on the agenda was, once again, the quality of the internal reports, which continued to improve in the past year.

The Audit & Risk Committee questioned both PwC and the Executive Board on the findings contained in the management letter. To the satisfaction of the Committee, it was concluded that all the topics addressed have the intensive attention of the Executive Board.

The company's risk management and risk appetite are important topics for the Supervisory Board, particularly in the current financial climate. The Committee advised the Supervisory Board on discussions on the risk appetite, including comprehensive risk reporting and Own Risk & Solvency Assessment (ORSA). The internal control statement was discussed with the Executive Board. Following a thorough assessment of the risks and how Achmea controls these, the Executive Board listed the main risk points for specific planning and monitoring. The Committee examined these measures closely together with the Executive Board and the Risk & Compliance department. The Committee shares the Executive Board's analysis of these topics. Other topics which the committee discussed extensively with the Executive Board include the annual Internal Audit/PwC 2017 Audit Plan, the 2017 Investment Plan and the corresponding controls and monitoring.

Finally, the Committee spoke on several occasions about the Group's tax position and several special cases in this context.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is comprised of the following members of the Supervisory Board: Ms Mijntje Lückerath (Chair), Ms Joke van Lonkhuijzen, Mr Aad Veenman and Mr Antoon Vermeer (composition as at 31 December 2016).

Responsible remuneration

One of the duties of the Remuneration Committee is monitoring the application of, and compliance with, (variable) remuneration. Responsible remuneration is an important matter for Achmea (for more information please also see the section on Remuneration).
Since 2011, Achmea has been pursuing a variable remuneration policy which supports its strategy, is in line with its identity, and complies with the more stringent regulatory requirements.

For example, in the Remuneration Committee meetings, meticulous reporting takes place by the staff departments tasked with the implementation of the key controls on the remuneration policy. This involves, among others, the key controls relating to target setting, the method used to determine whether goals have been achieved (sustainably), and in order to adopt the periodic risk analysis of the Achmea remuneration policy. The adoption of the 'risk takers' and identified staff are also regularly discussed in these meetings. Periodic discussions take place whether the established Group Remuneration Policy should be amended.

Simplifying the performance management process

One specific subject on which the Remuneration Committee focused in 2016 is the simplifying and refinement of the process, requested by the Executive Board and Remuneration Committee, of the performance management process and the variable remuneration.

This process has been conducted within Achmea for some time based on a carefully balanced performance management method, which has been implemented at various levels of the organisation. Based on the multi-year Strategy Map, a link is established annually from six different perspectives (i.e. customers, societal context, employees, partners/business partners, processes and financial results) with goals which apply to the Achmea Group, for divisions and entities, and, within this structure, for individual board members and employees. At all these levels, a careful implementation is made based on these perspectives to the goals set within the organisation.

We have noted that this approach results in valuable and balanced management, while at the same time concluding that the processes relating to this management and the tests could be simplified. The performance management process was reviewed and optimised in 2016, on the initiative of the Remuneration Committee and others, in conjunction with the regulator and other parties. The link to the variable remuneration (performance-based pay) has been simplified at the same time. The streamlined process of performance management and performance-based pay was implemented on 1 January 2017.

Performance evaluation and performance-based pay of the Executive Board

During 2016, the Remuneration Committee reviewed the performance of the Executive Board using predefined targets. These include performance targets relating to customer centricity and customer satisfaction, operational result, collaboration with (business) partners, including Rabobank and the brokerage network, metrics relating to compliance and risk management, employee satisfaction, and metrics relating to corporate social responsibility, along with goals relating to personal leadership.

In relation to the achievement of this during the performance year 2015, the Remuneration Committee made a proposal to the Supervisory Board in 2016 to award variable remuneration to the members of the Executive Board. The Supervisory Board has adopted this proposal. Half of the variable remuneration allocated for 2015 has been postponed by five years.

In 2016, there were no downward adjustments or clawback of bonuses awarded to the Executive Board relating to previous years (2015: zero).

The variable remuneration awarded for 2015 has been accounted for in the Remuneration Report 2015, which was published on www.achmea.nl on 31 May 2016. With regard to 2016 in the Netherlands, no variable remuneration is awarded to the Executive Board and senior executives, aside from the scores relating to the performance goals. This is due to the weak financial results for 2016. The allocation of variable remuneration is accounted for in Note 30 to the financial statements.

The statutory regulation provides the option to use a higher percentage than 20% of the fixed remuneration as a maximum for the variable remuneration, provided that the variable remuneration of staff in the Netherlands not covered by the Collective Labour Agreement averages no more than 20%. In the context of the above-mentioned simplifying of the performance management system and variable remuneration, the Remuneration Committee and the Supervisory Board decided, however, to cap the variable remuneration of the members of the Executive Board as part of the total remuneration effective 1 January 2017 for members of the Executive Board at 20% of the fixed remuneration.

This is partially offset by the fixed remuneration, which, at the Executive Board's request, will not commence until January 2018. More information about this is available in the Remuneration Report, which will be published on our websites in May 2017.

2016 Remuneration Report

A detailed summary of the remuneration for the active members of the Executive Board is given in the financial statements, Note 29 "Transactions between affiliated parties". The remuneration package for Executive Board members includes the potential award of variable remuneration and pension in addition to the fixed remuneration. As explained above, variable remuneration was paid in 2016 for the performance year 2015. In awarding variable remuneration for the performance year 2015, it was also decided not to award variable remuneration in the Netherlands exceeding 20%.

The pension scheme which applies to directors and personnel who come under the Collective Labour Agreement also applies to Executive Board members. The tax rules relating to pension accrual were overhauled on 1 January 2015. Pension accrual is currently capped at an annual legally-stipulated limit (2016: €101,519). Agreements were made at the time for all employees, including the Executive Board, on a different use for contributions to pension accrual above this tax limit. This will be implemented in the form of an employer contribution to the net pension scheme above the tax limit and also a (gross) wage supplement above the tax limit. This is likewise accounted for in Note 29 to the financial statements.

For more information about remuneration, please see the Remuneration Report, which will be published on our websites www.achmea.nl and www.achmea.com in May 2017.

SELECTION & APPOINTMENTS COMMITTEE REPORT

The Selection & Appointments Committee is responsible for monitoring the composition and profile of both the Supervisory Board and the Executive Board. The Committee looks for and makes recommendations regarding potential candidates, in some cases in consultation with shareholders or the Central Works Council.

The Selection & Appointments Committee is comprised of the following members of the Supervisory Board: Mr Aad Veenman (chairman), Ms Mijntje Lückerath and Mr Antoon Vermeer (composition as at 31 December 2016).

Changes and vacancies

The main priorities in 2016 were the selection and appointment of an Executive Board member to fill the vacancy created on the Board in 2017, along with the selection and nomination of a new supervisory board member for the vacancy that had arisen on the Supervisory Board.

Michel Lamie (50) was selected by the Supervisory Board based on his many years of managerial experience in the financial services industry – and on account of being generally highly qualified for the position – and was appointed to the Executive Board effective 1 January 2017. He will succeed Huub Arendse as the Group's Chief Financial Officer (CFO) following the General Meeting of Shareholders in March 2017. The appointment of Mr Lamie has been approved by the Dutch Central Bank. The Supervisory Board is pleased to note that the appointment of Michel Lamie has ensured that a successor was found in a timely manner, thereby facilitating a smooth transition and continuity. The decisive factors in this selection process – in addition to the specifically required (professional) competencies associated with the role of Chief Financial Officer – were maintaining and enhancing the right combination of skills.

The Committee also discussed the composition of the Supervisory Board. In 2015, Mr Overmars resigned from the Board. After a careful review by the Selection & Appointments Committee of the current composition of the Supervisory Board and the required competencies on the Board in light of the current regulatory challenges, a profile was compiled and discussed with Vereniging Achmea, which was able to put forward a candidate. The profile concerned the general profile for members of the Supervisory Board, plus specific knowledge of and experience with health insurance, as well as the Healthcare sector in general. In addition, senior experience in the management of large cooperatives, mutual insurance companies and/or organisations in the public and/or private domain was sought. The recommendation was discussed by the Selection & Appointments Committee and approved by the Supervisory Board. The General Meeting of Shareholders appointed Mr Wim Weijer, and he joined the Supervisory Board in February 2016.

Mr Erik van de Merwe announced in 2016 that he would resign as of 9 August 2016. After Mr Van de Merwe's announcement of his departure as Chairman of the Supervisory Board, Stichting Administratiekantoor Achmea appointed Mr Aad Veenman as Chairman of the Supervisory Board effective 9 August 2016, with the approval of the Supervisory Board and subject to approval by the Dutch Central Bank, which approval was granted by the Dutch Central Bank.

Furthermore, the Committee recommended to the Supervisory Board that Mr Roel Wijmenga be appointed Chairman of the Audit & Risk Committee. Mr Aad Veenman has resigned as Chairman of the Audit & Risk Committee on account of his chairmanship of the Supervisory Board. The Supervisory Board appointed Mr Roel Wijmenga as Chairman of the Audit & Risk Committee subject to the approval of the Dutch Central bank, which approval was granted by the Dutch Central Bank in early December 2016.

Succession planning

The Selection & Appointments Committee regularly discussed succession planning for the Supervisory Board, the Executive Board and for the first management level below the Executive Board in 2016, based on a discussion of the Human Resources Performance potential portfolio. This meeting was once again held in 2016, with all members of the Supervisory Board in

attendance. Items on the agenda included the diversity policy, Achmea's Management Development policies, including the focus on internal training and education and internal promotion. In addition, succession planning at Group level was discussed in the Supervisory Board. This provided the Supervisory Board with thorough insight into the management potential and management capabilities within the Group.

The Supervisory Board underscores the importance of a balanced male/female ratio on the Executive Board and at senior levels of the company, and along with the Executive Board, it aims to further increase the number of women in senior positions in the company.

2016 financial statements and dividends

PwC audited the Achmea B.V. 2016 financial statements and issued an unqualified audit report on 9 March 2017. In line with the proposal by the Executive Board and the recommendation of the Audit & Risk Committee, the Supervisory Board recommends that shareholders approve the 2016 financial statements. Based on the current dividend policy and following approval of the financial statements by the General Meeting of Shareholders, the Executive Board proposes that no dividends be paid per ordinary share. In the case of preferential shares, the Executive Board recommends that the General Meeting of Shareholders agrees to the payment of the full dividend equal to 5.5% of the fully paid-up capital. Apart from the approval of the financial statements, the General Meeting of Shareholders will also be asked to discharge the Executive Board members from liability for the management they have conducted and to discharge the Supervisory Board members from liability for the supervision they have conducted in the 2016 reporting year.

ACKNOWLEDGEMENTS

We would like to take this opportunity to thank the Executive Board, the Central Works Council and all Achmea employees for their great commitment and the enthusiasm they have shown over the past reporting year. We would like to thank Mr van de Merwe, who resigned from the Board on 9 August 2016, for his many years of commitment as a Supervisory Board member at Achmea and its subsidiaries, and the very valuable contribution he has made to our Group.

The Executive Board would also like to thank Mr Arendse, who is to step down in April 2017, for all he has done for our company. He has been of great value to Achmea, including through his responsibility for the successful implementation of Solvency II.

9 March 2017

The Supervisory Board

A.W. (Aad) Veenman, Chairman
A.J.A.M. (Antoon) Vermeer, Deputy Chairman
P.H.M. (Petri) Hofsté
S.T. (Joke) van Lonkhuijzen-Hoekstra
M. (Mijntje) Lückerath-Rovers
A.C.W. (Lineke) Sneller
W.H. (Wim) de Weijer
R. Th. (Roel) Wijmenga

CORPORATE GOVERNANCE

MAIN DEVELOPMENTS IN 2016

Achmea B.V. is a private limited liability company domiciled in Zeist, the Netherlands. Although in real terms Achmea is governed, organised and managed in the same manner as many listed organisations, its origins as a cooperative contribute to the way corporate governance is structured at the Supervisory Board and shareholder levels. Achmea adheres to the following relevant corporate governance codes: the Dutch Insurers' Code, the Dutch Banking Code and the Dutch Corporate Governance Code.

Developments in the Executive Board

The Executive Board remained unchanged in 2016. Mr Michel Lamie joined the Executive Board effective 1 January 2017. This filled the position which was vacated following the step down of Mr Huub Arendse effective 1 April 2017. Mr Lamie will assume the role of CFO as of the same date. Before joining Achmea, Mr Lamie held a variety of positions at several Dutch insurance companies most recently as CEO of De Goudse NV.

The Executive Board and the Supervisory Board are grateful to Mr Arendse for all he has done for our company. He has been extremely valuable to Achmea, including through his responsibility for the successful implementation of Solvency II.

Developments in the Supervisory Board

In February 2016, Mr Wim de Weijer joined the Supervisory Board of Achmea B.V. after being appointed by the General Meeting of Shareholders. On 9 August 2016, Mr Erik van de Merwe stepped down as chairman of the Supervisory Board of Achmea B.V. and as a member of the Audit & Risk Committee. In his capacity as a Supervisory Board member, Mr Van de Merwe dedicated himself to Achmea and to the operation of the group by giving a great deal of his time and energy, as well as through his decisive action. The Executive Board would like to express its gratitude for his contribution. Mr Aad Veenman was appointed Chairman of the Supervisory Board of Achmea B.V as of the date stated, and has resigned as chairman of the Audit & Risk Committee on 2 December, as soon as the appointment process of his successor, Mr Roel Wijmenga, was completed. The Supervisory Board is focusing at present on filling the current vacancy in the Supervisory Board.

CORPORATE GOVERNANCE CODES

Insurers' Code of Conduct

The distinguishing principles (taken from the Insurers' Code of Conduct which was terminated on 1 January 2016) relating to the conscientious treatment of customers and the permanent education of directors and internal supervisors, are included in the Insurers' Code of Conduct. This Code of Conduct (the latest version; 2015) combines existing and new self-regulation of the sector with general provisions, including core values and rules of conduct. Based on the Code of Conduct, insurers give more depth to their public role based on their corporate vision. Achmea is doing this by means of, for example, the identity and strategy map, and has integrated this into its processes and the Achmea Code of Conduct. For information about the embedding of the principles of careful customer treatment, please refer to 'Our Customers (p. 34) of this Annual Report. Details on how permanent education of directors and internal supervisors is integrated into the organisation is included in the relevant paragraphs in this chapter.

Dutch Banking Code

The services we provide to our customers also include banking activities, which we provide through Achmea Bank N.V. and Staalbankiers N.V. The Banking Code (2015), Het Maatschappelijk Statuut (the Social Charter) and the rules of conduct associated with the Bankers' Oath together make up the Future-Oriented Banking (Toekomstgericht Bankieren) package. The purpose of this package is to play a key role in restoring trust in society in relation to banks and their roles in the community. Achmea Bank N.V. and Staalbankiers N.V. comply with virtually all the requirements under the Code. Achmea Bank N.V. and Staalbankiers N.V. account for their compliance with the principles from the Banking Code through their websites, www.achmeabank.nl, www.achmeabank.com and www.staalbankiers.nl. In doing so, specific examples were used to illustrate how the principles were complied with. In those cases where a principle was not applied, or not applied completely, this is supported by reasons on the website.

Dutch Corporate Governance Code

Since 1 January 2004, listed companies in the Netherlands have been required to report on compliance with the Dutch Corporate Governance Code on a 'comply or explain' basis. Although Achmea is not a listed company, we have voluntarily adopted and embedded the majority of the Code's principles in our governance structure. Where applicable, we are almost fully in compliance with the principles and best practices. In 2016, as in previous years, we did not fully comply with the following two principles of the Dutch Corporate Governance Code:

- The duration of the appointment of members of the Executive Board (principle II.1.1.)

- The independence of members of the Supervisory Board (principle III.2.2.)
- The chairmanship of the Audit Committee (principle III.5.6.)

The Code recommends that members of the Executive Board be appointed for four-year terms. The only exception, where Achmea does not comply with this principle, is the term of the Chairman of the Executive Board. He was appointed for an indefinite period. This contractual agreement is complied with.

ETHICS COMMITTEE

The Achmea Ethics Committee advises the Executive Board and group entities on ethical dilemmas. It does so by assessing ethical and societal issues, as well as practical situations, against our company's values and standards. This makes it possible to develop 'moresprudence' (ethical jurisprudence) and formulate ethical and moral guidelines specifically for Achmea. Mr Kaptein was involved in the Ethics Committee as an external member. Any Achmea employee may submit an ethical question or dilemma to the Ethics Committee. The Ethics Commitee is chaired by the Executive Board and further consist of employees from different divisions. The Ethics Committee met three times in 2016. Subjects reviewed by the Ethics Committee included the following:

- Integrity and social media
- Sustainable investment
- Climate effects
- Big data and information security
- Unit-linked policies
- Long-term care
- Asbestos
- Solvency and socially accepted returns

Although all members of Achmea's Supervisory Board fulfil their duties without obligation and compulsion, two of the eight members of the Supervisory Board of Achmea B.V. did not comply with principle III.2.2.f. because they are members of an executive board or supervisory board of an organisation holding more than 10% of the shares in Achmea. Members of Achmea's Supervisory Board are nominated by our shareholders (i) Vereniging Achmea, (ii) Rabobank, (iii) Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Schweizerische Mobiliar Holding jointly, and by the Central Works Council (COR). Mr De Weijer was nominated by Vereniging Achmea and also serves on the board of Vereniging Achmea, which is composed of customers' representatives. However, this relationship is considered appropriate for Achmea because of its identity as a cooperative and the relationship with shareholders, whose focus is more on the interests of the customer and Achmea's continuity. Ms Hofsté was nominated by the Central Works Council in 2015 and joined the Rabobank Supervisory Board in late December 2016. No single group of members of the Supervisory Board nominated by individual shareholders or the Central Works Council has a majority on the Supervisory Board. Members of the Supervisory Board are nominated by the General Meeting of Shareholders based on their expertise and independence and take part in the meetings without reference to or prior consultation with the parties which nominated them.
The manner in which we have adopted and embedded the Corporate Governance Code was discussed with, and has been approved by, the Supervisory Board. The General Meeting of Shareholders has likewise approved our current corporate governance structure.

Achmea Code of Conduct

Achmea aims to be a leader in terms of its own rules of conduct and in terms of anticipating current and new regulations. For example, it requests that all employees take a special oath or affirmation for the financial industry, which is in line with the Achmea identity. Active control exercised to foster integrity and prevent integrity violations and fraud reduces any negative impact on trust and returns, as well as limiting the cost of claims. Achmea therefore drew up a company Code of Conduct to ensure ethical conduct in accordance with Achmea's values and standards. A copy of the Achmea Code of Conduct is available at www.achmea.nl.

The recording of duties and responsibilities in the area of fraud, risk management and checks guarantees the control and limitation of fraud. Should an ethics violation or incident of fraud nevertheless occur, this can be reported on a confidential basis. A whistleblower policy, a copy of which is available at www.achmea.nl, is in place for this purpose.

EXECUTIVE BOARD

Responsibilities and role in corporate governance

The Executive Board is responsible for managing the company. This involves a responsibility and authority to make decisions concerning Achmea's day-to-day business in accordance with the principles set out in the Articles of Association. The Executive Board maintains a set of regulations that govern the specific duties and activities of and the division of duties between the individual members, as well as the decision-making process within the Executive Board. The Executive Board is obliged to inform the Supervisory Board of any fundamental differences of opinion between the Executive Board and the boards of Achmea companies or entities. There were no fundamental differences of opinion in 2016.
The Executive Board reports directly to the Supervisory Board. Each board member is directly responsible for specific Achmea activities (for further reference, see the personal profiles of the members of the Executive Board in the 2016 Annual Report), with clear reporting lines of divisional and staff directors. The entire Executive Board is involved in risk management. Risk management is

the essence of Achmea's business. Involvement in risk management is evidenced by, among other things, the fact that at least two members of the Executive Board are also members of the Finance & Risk Committee (including the CFO and CRO) and that risk management and compliance are regularly discussed in Executive Board meetings.

The Executive Board and its independently acting members, ensure that the interests of all parties that have dealings with Achmea, including customers, shareholders and employees, are considered in a balanced way. The Executive Board takes Achmea's continuity, the social environment in which we operate and applicable regulations and codes into account when considering these interests. All members of the Executive Board took the oath or affirmation.

Achmea has been using the 'four stakeholders' model for many years – this model ensures that overall management and decision-making are in line with the interests of customers, employees, (business) partners and shareholders. This is all embedded in the strategy and identity of the Group and subsequently in the leadership profile, business plans and remuneration policy, and is also part of the considerations in every resolution adopted by the Executive Board. The formulation of targets for the Executive Board and senior management is based on the Stakeholder Value Management model. The annual targets have been ranked according to six different perspectives: customers, society, employees, partners, processes and financials. Barring any special circumstances, all members of the Executive Board attended virtually all board meetings.

Composition and diversity

Members of the Executive Board are appointed by the Supervisory Board on the non-binding nomination of the A-shareholder. Executive Board members are selected based on their proven experience and competence in the financial services industry where we strive for recruitment within the organisation for the appointment of members of the Executive Board. The members of the Executive Board provide a good mix of specific insurance experience (health, non-life, life & pensions) and experience in the public/private market (healthcare, pensions) and the various distribution channels (direct, broker and bancassurance), as well as areas such as Finance, IT and HR. All current Achmea Executive Board members match the general profile for members of the Executive Board and have been approved by the Dutch regulators.

The Executive Board is comprised of six members (five male and one female). Achmea aims to establish a good male/female ratio on the Executive Board. In addition to the aim of maintaining a balance in the Executive Board's skills while ensuring at the same time that newly appointed members have the experience required in terms of insurance, financial and risk experience, improving gender diversity is included in considerations regarding the filling of Executive Board vacancies. The advancement of women to top positions remains a priority in successor planning for the Executive Board and the management level immediately below the Executive Board. Although Achmea recognises the importance of greater gender diversity and quality, maintaining and strengthening the right mix of skills remain the key decisive factors in the selection process.

Permanent education

At the beginning of each year, the themes for the permanent education programme of the Executive Board are established in consultation with the chairman of the Executive Board and the chairman of the Supervisory Board. This programme is aimed at maintaining and broadening the expertise of the members of the Supervisory Board and Executive Board. In addition to these special sessions, which are usually attended together with the members of the Supervisory Board, attention is also given to relevant developments related to areas such as the financial industry, corporate governance, compliance, customer centricity and auditing through presentations given by internal and/or external specialists during regular meetings. Members of the Executive Board register their own individual education. Barring exceptional cases, all members of the Executive Board participate in permanent education sessions. Permanent education in 2016 focused on areas such as reinsurance, ORSA, the Risk Appetite and the General Data Protection Regulation (Algemene Verordening Gegevensbescherming). The members of the Supervisory Board joined our Executive Board in 2016 for a study tour to Silicon Valley. The objective of the trip was to learn more about "thinking and acting innovatively" and experiencing this first hand. The tour took the participants to many different companies, including Google, Singularity University and Palantir.

COMPOSITION OF THE EXECUTIVE BOARD AS OF 1 JANUARY 2017

NAME	NATIONALITY	GENDER	EDUCATION	POSITION	APPOINTED
W.A.J. van Duin (1960)	Dutch	Male	Law	Chairman	January 2004
R. Konterman (1956)	Dutch	Male	Economics	Deputy Chairman	April 2013
H. Arendse (1958)	Dutch	Male	Economics/ Accountancy	Chief Financial Officer	April 2013
H. Timmer (1961)	Dutch	Male	Economics	Chief Risk Officer	April 2014
B.E.M. Tetteroo (1969)	Dutch	Female	Accountancy	Member	June 2015
R. Otto (1967)	Dutch	Male	Law/MBA	Member	August 2015
M.A.N. Lamie (1966)	Dutch	Male	Economics/ Accountancy	Member	January 2017

SUPERVISORY BOARD

Responsibilities and role in corporate governance

The Supervisory Board plays an important role in Achmea's corporate governance. The members of the Supervisory Board are responsible for supervising and advising the Executive Board, and ultimately for approving the Executive Board's conduct and general management of the business. Supervisory Board approval is required primarily for important business-related decisions, such as the appointment and dismissal of members of the Executive Board, strategic decisions, transfer of a significant part of the business, entering into or terminating a long-term partnership, major participations and investments, and termination of the employment of a considerable number of employees or significant changes in the employment conditions of a significant number of employees. This applies irrespective of the fact that fundamental and large-scale strategic changes or investments must have the approval of 80% of the votes in the General Meeting of Shareholders. The Supervisory Board and its individual members have a responsibility to obtain all relevant information needed to perform their duties. These requirements are communicated to the Chairman of the Supervisory Board. Information sources are usually the Executive Board, the Company Secretary and the external auditor. However, if deemed appropriate by the Supervisory Board, information can also be obtained from corporate officers and external advisers who can be invited to attend Supervisory Board meetings or provide continuing education. The Supervisory Board consists of members who, although they are nominated by shareholders or the Central Works Council, act in the interest of the company as a whole in the performance of their duties. All members of the Supervisory Board participate in meetings with no reference to or prior consultation with the parties that nominated them. All members of the Executive Board have sworn the oath or affirmation. Barring exceptional circumstances, all members of the Supervisory Board attend all Supervisory Board meetings and the meetings of the committees of which they are members.

Composition and diversity

The composition of the Supervisory Board and nominations in the event of vacancies reflect the cooperative shareholder structure and employee participation through Achmea's Central Works Council. In conjunction with the shareholders, the company decided in 2013 to reduce the number of Supervisory Board members from twelve maximum to nine to ten members, which coincided with a reduction in the number of nominations made by majority shareholders. Vereniging Achmea is authorised to nominate candidates for four[1] seats on the Supervisory Board, one member of which is appointed on the recommendation of De Friesland Zorgverzekeraar (DFZ)[2]. As a result of the merger between the shareholder of DFZ (Vereniging De Friesland Zorgverzekeraar) and Vereniging Achmea and the subsequent transfer of DFZ's operations to Achmea, DFZ's right of nomination passed to Vereniging Achmea. As the indirect holder of the A-share, Vereniging Achmea also has the right to appoint the chairman from among the members of the Supervisory Board. Rabobank may nominate candidates for two[3] seats. Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Swiss Mobiliar have the right to jointly nominate one candidate. The Central Works Council appointed three members of the Supervisory Board effective 31 December 2016[4]. This arrangement is in keeping with the legal framework of the Central Works Council's right of recommendation. The Central Works Council is entitled to directly nominate three members based on a total of nine to ten members of the Supervisory Board.

The members of the Supervisory Board intend to attend a meeting of the Central Works Council at least once a year. All the proposed changes to the composition of the Supervisory Board are submitted for approval to the General Meeting of Shareholders and discussed with the Central Works Council.

The Supervisory Board currently has eight members, with one vacancy. In filling these positions, the company's objective is to maintain a balanced mix of skills in the Supervisory Board while at the same time ensuring that the newly appointed member also has the required insurance, financial and risk management experience. Members of the Supervisory Board are selected and appointed based on a profile of the required professional background, education, experience (international experience), skills, diversity and independence. The current composition of the Supervisory Board is such that the members can perform their duties properly because of the appropriate mix of experience and expertise. As of 31 December 2016, the Supervisory Board consisted of five male and four female members.

In addition to diversity in terms of knowledge, expertise and age, there is also gender diversity. Achmea's Supervisory Board therefore meets the legal requirement regarding gender diversity. All members of the Supervisory Board are in compliance with the Management and Supervision (Public and Private Companies) Act in terms of the number of supervisory board memberships that they hold.

1) Effective 31 December 2016: Veenman, Van Lonkhuijzen, De Weijer, vacancy

2) Van Lonkhuijzen

3) Vermeer and Wijmenga

4) Lückerath, Sneller and Hofsté

COMPOSITION OF THE SUPERVISORY BOARD

NAME	NATIONALITY	GENDER	POSITION	TERM (MAX) THREE TERMS	START OF CURRENT TERM
P.H.M. Hofsté[c] (1961)	Dutch	Female	Member	First	2015
S.T. van Lonkhuijzen[a] (1960)	Dutch	Female	Member	Second	2015
M. Lückerath[c] (1968)	Dutch	Female	Member	Second	2015
A.C.W. Sneller[c] (1965)	Dutch	Female	Member	First	2013
A.W. Veenman[a] (1947)	Dutch	Male	Chairman*	Second	2013
A.J.A.M. Vermeer[b] (1949)	Dutch	Male	Vice-Chairman	Third	2014
R.Th. Wijmenga[b] (1957)	Dutch	Male	Member	First	2015
W.H. de Weijer[a] (1953)	Dutch	Male	Member	First	2016

**) Chairman as of 9 August 2016*
a) Nominated by Vereniging Achmea
b) Nominated by Rabobank
c) Nominated by the Central Works Council

OVERVIEW OF EXPERTISE AS OF 31 DECEMBER 2016

NAME	EDUCATION	MANAGEMENT	GOVERNANCE	INSURANCE	BANKING	FINANCE/ RISK/AUDIT	HR/ REMUNERA-TION	LEGAL/ COMPLIANCE	COMMERCE/ CUSTOMER CENTRICITY	IT	HEALTH
P.H.M. Hofsté	Economics/ Accountancy	•	•		•	•		•			
S.T. van Lonkhuijzen	Business Administration	•		•			•				•
M. Lückerath	Economics		•		•	•	•	•			
A.C.W. Sneller	Econometrics/ Controlling	•				•			•	•	
A.W. Veenman	Mechanical Engineering	•	•			•		•	•	•	
A.J.A.M. Vermeer	Agricultural Sciences	•	•				•		•		
W.H. de Weijer	Healthcare Management	•	•	•			•				•
R.Th. Wijmenga	Econometrics	•	•	•		•		•	•		

Permanent education

At the beginning of each year, the themes for the permanent education programme of the Supervisory Board are established in conjunction with the Chairman of the Executive Board and the Chairman of the Supervisory Board. The programme's purpose is to maintain and increase the expertise of the members of the Supervisory Board. In addition to these special sessions, which are typically attended together with the members of the Executive Board, attention is also given to, amongst others relevant developments related to; the financial industry, corporate governance, compliance, customer centricity and auditing through presentations given by internal and/or external specialists. In addition, new members attend an introduction programme specially designed for them. Barring exceptional cases, all members of the Supervisory Board attend permanent education sessions. For more information on education courses attended by our employees in 2016, please see the Report of the Supervisory Board in this Annual Report.

Supervisory Board committees

The Supervisory Board maintains three specialised committees that advise the full board: the Audit & Risk Committee, the Remuneration Committee and the Selection & Appointment Committee. All members of the Supervisory Board receive the minutes of the meetings of these committees and, on request, also the agenda and accompanying documents.

Financial, control, risk and compliance issues are discussed by the Audit & Risk Committee. These meetings are attended by the Chairman of the Executive Board, the CFO, the directors of Internal Audit, Finance , Risk management, the CRO and the external auditor. The directors of Internal Audit, Finance, Risk Management and Compliance. The Audit & Risk Committee holds meetings with the external auditor in the absence of the members of the Executive Board at least twice a year. Please see the Report of the Supervisory Board for further information.

The principal duty of the Remuneration Committee is to advise the Supervisory Board on remuneration policy for the entire Achmea Group (including foreign operating companies). The Remuneration Committee is responsible for formulating guidelines and monitoring the implementation of and compliance with the remuneration policy for the entire Achmea Group. This responsibility includes advising the Supervisory Board on the performance management (maintaining the balance between short and long-term interests and customers' interests, for example) of the Executive Board's members. Remuneration is regularly evaluated and the committee assesses whether remuneration levels are appropriate in terms of the duties and responsibilities associated with a

position. This requires thorough preparation of the policy reviews or corrections necessary to ensure compliance with new legislation and regulations. The Chairman of the Executive Board attends all meetings of the Remuneration Committee except if his own remuneration is on the agenda or in other cases to be determined at the discretion of the committee chairman.

The Selection & Appointment Committee's task is to safeguard the composition and profile of both the Supervisory Board and the Executive Board. The committee looks for and makes recommendations regarding potential candidates, in some cases in consultation with the Central Works Council. The chairman of the Executive Board attends all meetings of the Selection & Appointment Committee except if his own performance is on the agenda or in other cases to be determined at the discretion of the committee chairman.

SHARES, SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The majority of Achmea's shareholders are non-listed European organisations with roots as cooperatives. Customers in the Netherlands are directly represented by Achmea's largest shareholder (Vereniging Achmea) and indirectly through Stichting Administratiekantoor Achmea (STAK Achmea). STAK Achmea is a shareholder that has issued depositary receipts for shares to Vereniging Achmea. STAK Achmea's board consists of the chairman and two deputy chairmen of Vereniging Achmea.
The prior approval of Vereniging Achmea's board is required for the adoption of important resolutions by STAK Achmea. In certain cases, the prior approval of Vereniging Achmea's members' council is also required. At the end of 2016, Vereniging Achmea owned a total of 65.3% of Achmea's dividend rights and 61.6% of the voting rights in the General Meeting of Shareholders.

Rabobank, Achmea's second largest shareholder, is likewise a cooperative organisation. At the end of 2016, Rabobank held a total of 29.2% of the dividend rights in Achmea and 27.6% of the voting rights in the General Meeting of Shareholders.

Other shareholders that collectively represent 5.5% of the dividend rights and 5.2% of the voting rights in the General Meeting of Shareholders are BCP Pension Fund, Stichting Beheer Aandelen Achmea, Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Schweizerische Mobiliar Holding. Gothaer Allgemeine Versicherung, Gothaer Finanz Holding and Schweizerische Mobiliar Holding are members of the Eurapco alliance of independent European financial services providers (see www.eurapco.com for further information).

Apart from ordinary shares, 5.6% of Achmea's outstanding share capital consists of preference shares held by Achmea Tussenholding B.V., which is under the direction of Achmea's Executive Board. All shares in Achmea Tussenholding B.V. are owned by Stichting Administratiekantoor Achmea Tussenholding, which has issued depositary receipts for shares to investors. Those investors therefore receive the dividend paid on the preference shares. They do not have the right to vote in Achmea's General Meeting of Shareholders, as this right is held by Achmea Tussenholding B.V.

SHAREHOLDERS AS AT 31 DECEMBER 2016

	CAPITAL RIGHTS	VOTING RIGHTS
Vereniging Achmea		
Vereniging Achmea (direct and via STAK)	65.31%	61.62%
Rabobank	29.21%	27.57%
BCP Group	2.77%	2.61%
Gothaer Allgemeine Versicherung	0.52%	0.49%
Gothaer Finanz Holding	0.59%	0.56%
Schweizerische Mobiliar Holding	0.69%	0.65%
Stichting Beheer Aandelen Achmea	0.92%	0.86%
Achmea Tussenholding B.V.*		5.63%

** Preference shares*

Shareholders' meetings

In addition to the annual General Meeting of Shareholders, extraordinary meetings of shareholders may also be convened on the basis of legislation and regulations, Articles of Association and business documentation if deemed necessary. An extraordinary meeting may also be convened by shareholders that hold more than 10% of the voting rights.

Due to the statutory two-tier regime that applies to Achmea, the authority of the General Meeting of Shareholders is restricted. Under the law and agreements in force, certain responsibilities rest with the Supervisory Board. The approval of the shareholders is nevertheless required for important corporate-law issues such as amendments to the Articles of Association; approval of the financial statements and decisions regarding profit appropriation and dividend distribution; resolutions

concerning the issue of shares or the granting of rights to subscribe for shares (or instructing the Executive Board to arrange for such issue of shares or granting of rights); the reduction of Achmea's share capital and the appointment and dismissal of members of the Supervisory Board, and resolutions to dissolve, merge or divide Achmea. Crucial strategic resolutions that entail a fundamental change of course in Achmea's strategy and large-scale investments must be approved in the General Meeting of Shareholders by 80% of the votes cast. In the annual General Meeting of Shareholders, which was held in April 2016, resolutions –in addition to regular resolutions regarding the 2015 annual report and financial statements, the company's dividend policy, the dividend distribution, the discharge from liability of the members of the Executive Board and the Supervisory Board – were adopted concerning the use of the Dutch language in the consolidated financial statements and the transfer of certificates by JP Morgan Chase Bank N.A. to J.P. Morgan Securities Plc., and extensive attention was given to questions from one of the minority shareholders regarding the governance of the Group.

Voting rights

Specific rights are attached to A-shares, which are indirectly held by Vereniging Achmea, including the right to make a non-binding recommendation to the Supervisory Board concerning the appointment of members of the Executive Board, the appointment of the chairman of the Supervisory Board, the approval of a resolution concerning the dissolution, merger or division of Achmea, and the issue and transfer of Achmea shares. Holders of depositary receipts issued for A-shares and ordinary Achmea shares have the right to attend the General Meeting of Shareholders. They do not have the right to vote, however. Shareholders and holders of depositary receipts for shares may authorise someone in writing to represent them. Members of the Executive Board and Supervisory Board are authorised to attend the General Meeting of Shareholders. They have an advisory and informative role in this meeting.

Statutory provisions of the dividend policy

The distribution of dividend is set out in Achmea's Articles of Association. Dividend is owed and payable four weeks after it has been adopted by the General Meeting of Shareholders (unless a different date is determined in this regard). The Executive Board may propose to the General Meeting of Shareholders that the dividend be distributed wholly or in part otherwise than in cash. The General Meeting of Shareholders may resolve to distribute all or part of the net profit. On a proposal from the Executive Board, the General Meeting of Shareholders may resolve to distribute an interim dividend. Achmea's dividend policy is detailed in the 'Capital and Liquidity Management' chapter.

BIOGRAPHIES EXECUTIVE AND SUPERVISORY BOARD MEMBERS

Executive Board

WILLEM A.J. VAN DUIN (1960)

Chairman of the Executive Board
Willem van Duin joined Achmea in 1987. Prior to being appointed to the Executive Board in January 2004, he held a variety of positions at the holding company level, as well as in the Health, Broker and Direct divisions. He was appointed Deputy Chairman of the Executive Board on 1 October 2008, and Chairman on 10 February 2009.
In addition to his overall responsibility for Achmea, his core responsibilities include Corporate Strategy & CSR, Communications, Human Resources policy, Internal Audit, Administrative Bureau, external regulators and the Central Works Council.
Mr Van Duin also serves as a member of the Executive Board of European Alliance Partners Eurapco and as deputy chairman of the Dutch Association of Insurers (Verbond van Verzekeraars), and member of the board of VNO-NCW and Nationale Coöperatieve Raad (National Council of Cooperatives). Internationally, he is the acting chairman of the International Federation of Health Plans (IFHP) and a member of the Geneva Association.

From left to right: Roelof Konterman, Bianca Tetteroo, Henk Timmer, Willem van Duin Michel Lamie, Huub Arendse, Robert Otto.

ROELOF KONTERMAN (1956)

Vice-Chairman of the Executive Board as of 1 June 2015
Mr Konterman has worked for Achmea in various capacities since 1983, including working five years abroad in Sweden and the US. He started as a marketing manager at Avéro Achmea and also served as managing director of FBTO. Since 2000, he has held various managerial positions in the Achmea Health Division and for health-related business units such as Eurocross and several Health Services. Since 2008, he has been divisional chairman of Achmea Health, where he was responsible for the merger of Achmea and Agis in 2011. Mr Konterman joined the Executive Board on 1 April 2013. His core responsibilities within the Executive Board include the Zilveren Kruis and De Friesland Zorgverzekeraar divisions, the International Division and the IM&IT Division. In addition, Mr Konterman serves as chairman of the Supervisory Board of Eureko Sigorta Turkey, a member of the Supervisory Boards of Independer and De Friesland Zorgverzekeraar, a member of the Supervisory Board of Scout 24 and a member of the Advisory Board of the Amsterdam Health & Technology Institute.

HUUB ARENDSE (1958)

Chief Financial Officer
Huub Arendse joined the Executive Board of Achmea as CFO in April 2013. After earning his degree in Economics at VU University Amsterdam, he began his career at Peat Marwick Nederland, which later formed KPMG. He qualified as a qualified chartered accountant in 1985. Mr Arendse headed KPMG Financial Services from 2003 to 2007. Before joining Achmea, Mr Arendse was also a member of the Global Insurance Leadership Team of KPMG International. His international experience at listed insurance groups and smaller insurance companies has enabled him to develop insight into a range of insurance activities such as non-life, health, life and reinsurance.
His core responsibilities on the Executive Board include Finance, Reporting, Asset Management, Tax Affairs, and Asset Management and Reinsurance, Investment Office and Staalbankiers. Mr Arendse is also a member of the Financial-Economic Affairs Committee of the Dutch Association of Insurers, IRSG (Insurers and Reinsurers Stakeholder Group) and AMICE.

MICHEL A.N. LAMIE (1966)

(appointed effective 1 January 2017)
Mr Lamie joined the Executive Board on 1 January 2017 and will succeed Mr Arendse as CFO effective 1 April 2017. Mr Lamie graduated from VU University Amsterdam with a degree in Economics and Accountancy. Having completed his study, he began his career at KPMG, followed by a position as CFO of RSA Benelux. Mr Lamie worked at Achmea during the period from 2002 to 2005, most recently as Group Director Finance & Control. He has been a member of the board of De Goudse Verzekeringen since 2005, including three years as Deputy Chairman/CFO and, since 2009, as Board Chairman. In addition, Mr Lamie also served for many years as a director of the Dutch Association of Insurers (Verbond van Verzekeraars), and between 2007 and 2009 he served on the Supervisory Board of insurance broker Van Lanschot Chabot, first as a member and later as a chairman. He resigned from this secondary position in 2016.

ROBERT OTTO (1967)

Robert Otto joined the Executive Board in August 2015. After reading Law at Leiden University, he began his career in 1992 at ING. In his final position at the banking and insurance group he was responsible for ING Insurance and Postbank Insurance. After a period of two years as CEO of OHRA, he became managing director of the commercial division of Delta Lloyd in 2010. In mid-2013, he joined Achmea as chairman of the Non-life & Income Protection division. His core responsibilities on the Executive Board are the business units Centraal Beheer, Interpolis, Non-Life, Market Strategy and Corporate Relations. In addition to his position at Achmea, Mr Otto also serves on the board of online retailer Thuiswinkel.org, as well as being the chairman of Sectorbestuur Schade (Non-Life Insurance Industry Board) of the Dutch Association of Insurers (Verbond van Verzekeraars) and chairman of the Supervisory Boards of Hagelunie and InShared.

BIANCA E.M. TETTEROO (1969)

Bianca Tetteroo joined the Executive Board in June 2015. Ms Tetteroo qualified as a chartered accountant in 1997 and has also completed several executive training courses, including Corporate Governance and Leadership at INSEAD. After starting her career in 1988 at the accountancy firm Mazars, she entered the financial services industry in 1996 at what was then called Fortis, where she held various positions in, among other things, Asset Management and De Verzekeraar. She joined Achmea in 2009, where she held the position of financial director at pension administrator Syntrus Achmea. Ms Tetteroo had headed the Pension & Life division since 2012. Her core responsibilities on the Executive Board are Pensions and Life Insurance, Asset Management, Achmea Bank and Syntrus Pensioenbeheer. Ms Tetteroo also serves on the Supervisory Board of De Kunsthal.

HENK TIMMER (1961)

Chief Risk Officer

Henk Timmer joined the Executive Board in March 2014. After earning degrees at the universities of Utrecht and Tilburg, Mr Timmer held various positions in auditing, consultancy and IT. He joined Achmea in 1997 as an auditor and manager for several business units, including IT, Health, Non-Life and Brokerage Distribution. In 2008, Mr Timmer was appointed managing director of Group Audit & Risk Services. In this role, he headed the Audit, Risk and Integrity staff services. When the audit function was separated in 2012, he became a Director of Internal Audit, whose scope is the entire Achmea Group, including both its national and international operations. Mr Timmer joined the Executive Board on 1 March 2014, where his key responsibilities are Risk Management, Compliance, Legal Affairs, Human Resources and Central Services. Mr Timmer is a member of the Expert Group on Security of Stichting Maatschappij en Veiligheid, as well as representing Achmea in the CRO Forum. The latter is a group of professional risk managers representing the European insurance industry which focuses on developing and promoting best practices in Risk Management.

Supervisory Board

AAD W. VEENMAN (1947)

Chairman of the Supervisory Board
Aad Veenman is Chairman of the Supervisory Board. He is also Chairman of the Supervisory Board of Achmea Schadeverzekeringen N.V. From 2002 to 2009 he was President of NS Dutch Railways. Prior to this he worked for many years at the Stork industrial group, where he joined the Executive Board in 1990 and served as board chairman from 1998 to 2002. From 1998 until mid-June 2010, he also served on the Supervisory Board of Rabobank Nederland. Mr Veenman is the current Chairman of the Supervisory Board of TenneT B.V., a representative of the government-designated 'Topsector Logistiek', and the chairman of Topteam Technology Base Twente.

ANTOON J.A.M. VERMEER (1949)

Deputy Chairman of the Supervisory Board
Mr Vermeer serves as Deputy Chairman of the Supervisory Board. He is also chairing the Supervisory Board of Achmea Schadeverzekeringen N.V. Mr Vermeer is co-owner of a dairy farm and until June 2014 he was Deputy Chairman of the Supervisory Board of Rabobank Nederland.

ROEL TH. WIJMENGA (1957)

Roel Wijmenga was appointed member of the Supervisory Board as of 1 January 2015. He is also Chairman of the Supervisory Board of Achmea Pensioen- & Levensverzekeringen N.V. and a member of the Supervisory Board of Achmea Schadeverzekeringen N.V. Mr Wijmenga was CFO of ASR Verzekeringen from February 2009 to May 2014. Prior to this, he was, among other things, a member of the Executive Board of Achmea and of the Board of Directors of Interpolis and a member of the Executive Board of Fortis ASR Verzekeringen. Mr Wijmenga previously held several business roles in the insurance industry, at AMEV and Fortis. From 2002 to 2007 he was also chairman of the employer delegation for the insurance industry's collective employment agreement. Mr Wijmenga is, among other things, currently chair of the Supervisory Board of the Philips Pension Fund and a member of the Bouwinvest Supervisory Board.

From left to right: Wim de Weijer, Petri Hofsté, Roel Wijmenga, Joke van Lonkhuijzen-Hoekstra, Lineke Sneller, Aad Veenman, Mijntje Lückerath-Rovers. Not pictured: Antoon Vermeer.

WIM H. DE WEIJER (1953)

Wim de Weijer joined the Supervisory Board on 3 February 2016. He is also a member of the Supervisory Board of Achmea Zorgverzekeringen N.V. and its subsidiaries, a member of the Supervisory Board of De Friesland Zorgverzekeringen and Deputy Chairman of the Supervisory Board of PGGM N.V. In addition, he is Chairman of the Supervisory Board of Wielco B.V., a member of the Supervisory Board of ADG, and an advisory board member of participations at NPM Capital.

PETRI H.M. HOFSTÉ (1961)

Petri Hofsté joined the Supervisory Board on 1 January 2015. She is also a member of the Supervisory Board of Achmea Pensioen- en Levensverzekeringen N.V., as well as serving as a member of the Supervisory Board of Achmea Bank N.V. and a member of the Supervisory Board of Achmea Investment Management N.V. and a member of the Supervisory Board of Rabobank (effective 30 December 2016). Ms Hofsté, a qualified chartered accountant, started her career at KPMG, where she was a partner in the Financial Services audit practice until 2006. She subsequently held the positions of group controller and Deputy CFO at ABN AMRO Group, Division Director of Banking Regulation at De Nederlandsche Bank and CFRO at APG Groep N.V. Ms Hofsté is a member of the Supervisory Board of BNG Bank N.V., Fugro N.V. and Kasbank N.V. and a member of the board of Stichting Nyenrode and Vereniging Hendrick de Keyser. In addition, she chairs the Risk Management Advisory Board for Banking Regulation of the Netherlands Enterprise Agency (RVO).

MIJNTJE LÜCKERATH-ROVERS (1968)

Mijntje Lückerath-Rovers is a member of the Supervisory Board. She is also a member of the Supervisory Board of Achmea Pensioen- & Levensverzekeringen N.V. Ms Lückerath-Rovers is a Professor of Corporate Governance at Tilburg University. Her other roles include member of the Supervisory Board at NRC Media, ASN Bank Investments Funds and Groenfonds, board member of the Dutch Payments Association (Betaalvereniging Nederland), a member of the Supervisory Board of the Royal Dutch Guide Dog Foundation, and a member of the Pension Fund Code Monitoring Committee. She is the author of a large number of scientific and popular scientific articles and a member of the editorial board of the Corporate Governance Yearbook.

LINEKE C.W. SNELLER (1965)

Lineke Sneller is a member of the Supervisory Board and a member of the Supervisory Boards of Achmea Zorgverzekeringen N.V. and its subsidiaries. Ms Sneller is a Professor of Accounting Information Systems and Management Accounting at Nyenrode Business University. Since starting her career at Ortec Consultants in 1988, she has held CIO positions at InterfaceFLOR and telecoms providers Tele2 and Vodafone. Ms Sneller is a member of the Supervisory Boards of ProRail and CCV and a non-executive director at Ortec.

JOKE S.T. VAN LONKHUIJZEN-HOEKSTRA (1960)

Joke Van Lonkhuijzen-Hoekstra is a member of the Supervisory Board, and for part of 2016 she also served as a member of the Supervisory Board of Achmea Zorgverzekeringen N.V. and its subsidiaries. Prior to the merger between Vereniging De Friesland, the shareholder of De Friesland Zorgverzekeraar, and Vereniging Achmea and the subsequent transfer of the Friesland Group's operations to Achmea, she was a member of the Supervisory Board and Audit Committee of De Friesland Zorgverzekeraar N.V. She has held a wide variety of positions in the healthcare sector and began her career as a nurse. Until 2012, she was the Chair and CEO of the Amsterdam-based mental health service GGZ inGeest, and from 2013 to 2015 she served as CFO and member of the Executive Board of healthcare provider Cordaan. Additionally, she was a member of the Supervisory Board and the Audit and Risk Committee of mental health research centre the Trimbos Institute, a board member of the Netherlands Association of Healthcare Managers (NVZD) and Chair of the Board of Trustees for the postgraduate programme in Change Management at VU University Amsterdam.

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

Achmea 2016

Financial Statements

Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2016	31 DECEMBER 2015
Assets			
Intangible assets	6	825	970
Associates and joint ventures	7	145	143
Property for own use and equipment	8	431	452
Investment property	9	1,129	1,114
Investments	10	46,294	44,875
Investments backing linked liabilities	11	18,941	18,730
Banking credit portfolio	12	13,679	14,866
Deferred tax assets	13	739	817
Deferred acquisition costs	14	132	137
Income tax receivable		94	
Amounts ceded to reinsurers	19	1,397	1,381
Receivables and accruals	15	7,027	7,837
Cash and cash equivalents	16	2,171	2,117
		93,004	**93,439**
Assets classified as 'held for sale'	5	11	
Total assets		**93,015**	**93,439**
Equity			
Equity attributable to holders of equity instruments of the Company	17	9,774	10,263
Non-controlling interest	18	8	17
Total equity		**9,782**	**10,280**
Liabilities			
Insurance liabilities	19	45,174	44,821
Insurance liabilities where policyholders bear investment risks	20	16,171	16,240
Investment contracts	21	2,613	2,338
Post-employment benefits	22	960	891
Other provisions	23	374	334
Banking customer accounts	24	5,548	5,995
Loans and borrowings	25	6,994	7,603
Derivatives	10	1,565	1,793
Deferred tax liabilities	13	10	15
Income tax payable			192
Other liabilities	26	3,822	2,937
		83,231	**83,159**
Liabilities classified as 'held for sale'	5	2	
Total liabilities		**83,233**	**83,159**
Total equity and liabilities		**93,015**	**93,439**

CONSOLIDATED INCOME STATEMENT

(€ MILLION)

	NOTES	2016	2015
Income			
Gross written premiums Non-life	31	3,780	3,684
Gross written premiums Health	32	13,504	13,872
Gross written premiums Life	33	2,216	2,366
Gross written premiums		**19,500**	**19,922**
Reinsurance premiums		−104	−295
Change in provision for unearned premiums (net of reinsurance)		29	−101
Net earned premiums		**19,425**	**19,526**
Income from associates and joint ventures	34	13	6
Investment income	35	943	1,012
Realised and unrealised gains and losses	36	1,687	905
Income from investments backing linked liabilities	37	914	721
Banking income	38	511	572
Fee and commission income, and income from service contracts	39	406	421
Other income	40	59	62
Total income		**23,958**	**23,225**
Expenses			
Gross claims	41	21,001	19,554
Gross movements in insurance liabilities own risk	41	−1,171	199
Claims and movements in insurance liabilities ceded to reinsurers	41	−145	−153
Profit sharing and bonuses for policyholders	42	1,360	644
Movements in insurance liabilities where policyholders bear investment risks		−57	−765
Fair value changes and benefits credited to investment contracts	43	75	119
Operating expenses	44	2,642	2,633
Banking expenses	45	349	401
Interest and similar expenses		63	63
Other expenses	46	259	152
Total expenses		**24,376**	**22,847**
Result before tax		**−418**	**378**
Income tax expenses	47	−36	−8
Net result		**−382**	**386**
Net result attributable to:			
Holders of equity instruments of the Company		−383	383
Non-controlling interest		1	3
Earnings per share	49	−1.13	0.81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ MILLION)

	2016	2015
Net result	**–382**	**386**
Items that will not be reclassified to the Income statement		
Remeasurements of net defined benefit liability [1]	26	9
Unrealised gains and losses on property for own use [2]	5	13
Total items that will not be reclassified to the Income statement	**31**	**22**
Items that may be reclassified subsequently to the Income statement		
Currency translation differences (including realisations) on subsidiaries, intangible assets, associates [3]	–51	–51
Unrealised gains and losses on financial instruments available for sale [2]	901	–114
Share in other comprehensive income of associates and joint ventures [3]	2	3
Transfer from/to provision for profit sharing and bonuses for policyholders [2]	–661	83
Gains and losses on financial instruments available for sale reclassified to the Income Statement on disposal [2]	–136	–215
Impairment charges on financial instruments available for sale reclassified to the Income Statement [2]	23	22
Total items that may be reclassified subsequently to the Income statement	**78**	**–272**
Net other comprehensive income	**109**	**–250**
Comprehensive income	**–273**	**136**
Comprehensive income attributable to:		
Holders of equity instruments of the Company	–274	133
Non-controlling interest	1	3

[1] Accounted for as part of Retained earnings

[2] Accounted for as part of Revaluation reserve

[3] Accounted for as part of Exchange difference reserve

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2016	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUA-TION RESERVE	EXCHANGE DIFFER-ENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRU-MENTS	EQUITY ATTRIBUT-ABLE TO HOLDERS OF EQUITY INSTRU-MENTS OF THE COMPANY	NON-CON-TROLLING INTEREST	TOTAL EQUITY
Balance at 1 January	**11,357**	**–235**	**672**	**686**	**–271**	**–7**	**–3,672**	**383**	**1,350**	**10,263**	**17**	**10,280**
Net other comprehensive income				132	–49		26			109		109
Net result								–383		–383	1	–382
Comprehensive income				**132**	**–49**		**26**	**–383**		**–274**	**1**	**–273**
Appropriations to reserves			15	12			356	–383				
Dividends and coupon payments							–215			–215	–1	–216
Other movements											–9	–9
Balance at 31 December	**11,357**	**–235**	**687**	**830**	**–320**	**–7**	**–3,505**	**–383**	**1,350**	**9,774**	**8**	**9,782**

Share capital/premium includes €10,923 million share premium (31 December 2015: €10,923 million). With regards to the result for the year 2015 a total of €147 million (€0.36 per ordinary share) dividends were distributed in 2016 to holders of ordinary shares (2015: €0 million). In 2016 an amount of €20 million (2015 €20 million) dividend on preference shares (of which Achmea B.V. received €3 million in dividend on the depositary receipts it holds in Stichting Administratiekantoor Achmea Tussenholding) and an amount of €51 million (2015: €44 million) coupon payment on Other equity instruments have been paid (net of taxes). In connection with the acquisition of the remaining minority interests in Inshared and Independer the item Non-controlling interest decreased with €9 million. For more information reference is made to Notes 17 and 18.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2015	SHARE CAPITAL/ PREMIUM	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 January	**11,357**	**–235**	**670**	**871**	**–225**	**–7**	**–3,608**	**14**	**967**	**9,804**	**14**	**9,818**
Net other comprehensive income				–211	–48		9			–250		–250
Net result								383		383	3	386
Comprehensive income				**–211**	**–48**		**9**	**383**		**133**	**3**	**136**
Appropriations to reserves			2	17			–5	–14				
Dividends and coupon payments							–63			–63		–63
Issue, repurchase and sale of equity instruments									383	383		383
Other movements				9	2		–5			6		6
Balance at 31 December	**11,357**	**–235**	**672**	**686**	**–271**	**–7**	**–3,672**	**383**	**1,350**	**10,263**	**17**	**10,280**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ MILLION)

	2016	2015
Cash flow from operating activities		
Result before tax	−418	378
Adjustments of non-cash items and reclassifications:		
Unrealised results on Investments and Investments backing linked liabilities, including foreign currency results	−1,981	−387
Amortisation and impairment on Intangible assets, Property for own use and equipment, including foreign currency results*	215	181
Amortisation of Deferred acquisition costs, including foreign currency results	35	30
Income from Associates and joint ventures	−13	−6
Value changes and provisions in Banking credit portfolio	45	149
(Accrued) Interest expenses	23	
	−2,094	**345**
Changes in operating assets and liabilities:		
Changes in Receivables and accruals and Other liabilities*	1,723	−1,638
Changes in Insurance liabilities net of reinsurance*	−338	−779
Changes in Income tax		−30
Changes in Other provisions	40	−79
Changes in Employee benefits	95	−89
Changes in Banking customer accounts and Loans and borrowings related to banking activities	−1,129	483
	391	**−2,132**
Cash flows operating items not reflected in Result before tax:		
Purchase of Investment property	−13	−36
Purchase of Investments	−23,638	−29,292
Purchase of Investments backing linked liabilities	−8,845	−11,087
Investments in Banking credit portfolio	−1,489	−1,146
Divestments of Investment property	38	41
Divestments of Investments	23,974	30,820
Divestments of Investments backing linked liabilities	9,640	11,636
Divestments of Banking credit portfolio	2,631	1,358
Capitalised Deferred acquisition costs	−30	−28
Income taxes paid	−191	−84
Other changes	−54	11
	2,023	**2,193**
Total Cash flow from operating activities	**320**	**406**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(€ MILLION)

	2016	2015
Cash flow from investing activities		
Purchase of Property for own use and equipment	−55	−55
Investments in Intangible assets	−12	−28
Disposal of Subsidiaries, Associates and joint ventures and other divestments (net of cash)	17	
Sales and disposal of Property for own use and equipment*	17	14
Divestments of Intangible assets*	2	13
Dividends received from Associates and joint ventures	1	
	−30	**−56**
Cash flow from financing activities		
Issue, repurchase and sale of equity instruments		383
Dividends and coupon payments	−232	−78
Interest paid	−66	−52
Issuance of Loans and borrowings	73	−202
Acquisition of minority interest	−11	
	−236	**51**
Net cash flow	**54**	**401**
Net cash and cash equivalents at 1 January	2,117	1,716
Net cash and cash equivalents at 31 December	**2,171**	**2,117**
Cash and cash equivalents include the following items:		
Cash and bank balances	2,028	1,825
Call deposits	143	292
Cash and cash equivalents at 31 December	**2,171**	**2,117**

* *In 2016 there has been a reassessment of the classification of some movements. To provide a better understanding of the developments in this line item, the comparative figures have been adjusted accordingly.*

Included in the cash flows from operating activities for 2016 is interests received amounting to €886 million (2015: €1,005 million), dividends received amounting to €62 million (2015: €69 million) and interest paid amounting to €20 million (2015: €11 million).

GENERAL INFORMATION

Achmea B.V. is a private company with limited liability incorporated in the Netherlands and seated in Zeist. The head office is located at Handelsweg 2 in Zeist. The Achmea Group (hereafter called Achmea) comprises Achmea B.V. and the entities it controls.

Achmea is a financial services provider with insurance activities in the field of non-life, health, income and life. Furthermore Achmea offers banking services, asset management and pension management services and other services. If references are made to the balance sheet in these financial statements, this refers to the statement of financial position.

1. ACCOUNTING POLICIES

A AUTHORISATION FINANCIAL STATEMENTS

The Achmea Consolidated Financial Statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Executive Board on 9 March 2017. At the same date, the Supervisory Board gave its advice to the General Meeting to adopt the Financial Statements. The Executive Board may decide to amend the Financial Statements as long as these have not been adopted by the General Meeting. The General Meeting may decide not to adopt the Financial Statements, but may not amend these.

B BASIS OF PRESENTATION

The Achmea Consolidated Financial Statements, including the 2015 comparative figures, have been prepared in accordance with the International Financial Reporting Standards - including International Accounting Standards (IAS) and Interpretations - as at 31 December 2016 and as adopted by the European Union (hereafter EU and EU-IFRS). Furthermore, the Achmea Consolidated Financial Statements comply with the requirements of Section 362, paragraph 9, Book 2 of the Dutch Civil Code. All amounts in the Consolidated Financial Statements are in millions of euros, unless stated otherwise.

C INITIAL APPLICATION OF ACCOUNTING POLICIES

In 2016, the following new Standards, amendments to Standards and Interpretations issued by the International Accounting Standard Board (IASB) were adopted:

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and amortisation.
- Amendments to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations.
- Amendments to IAS 16 Property Plant and Equipment and IAS 41: Agriculture: Bearer Plants.
- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements.
- Amendments to IAS 1: Disclosure Initiative.
- Annual improvements to IFRSs 2012-2014 cycle: annual improvements consisting of a number non-urgent amendments.

These amendments do not have impact on Total equity and the Net result of Achmea.

D CHANGES IN STANDARDS AND AMENDMENTS WITH FUTURE APPLICATION DATE

The following standards and Interpretations were issued in 2016 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2016. These are:

ACCOUNTING STANDARD	DESCRIPTION	EXPECTED IMPACT ON TOTAL EQUITY / NET RESULT
AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS	The amendments are intended to address concerns about the different effective dates of the new standard for financial instruments, IFRS 9, and the new standard for insurance contracts (IFRS4II or "IFRS 17"). These different effective dates may give rise to a temporary (accounting) volatility of results because of the lack of consistency between the valuation of the investments and the insurance liabilities. The amendments provide two options: the overlay approach and the deferral approach. The overlay approach permits entities that issue insurance contracts to reclassify the volatility of income or expenses arising from designated financial assets that results from implementing IFRS 9 from profit or loss to other comprehensive income. The deferral approach permits entities whose predominant activity is issuing contracts an optional temporary exemption from applying IFRS 9. Both approaches may be applied, if the requirements are met, until 2021. As at 31 December 2016, these amendments have not been endorsed by the EU.	Achmea is assessing the impact of these amendments and whether Achmea is eligible for temporary exemption from applying IFRS 9. The impact of a possible introduction of IFRS 9 must be considered together with the measurement principles of the insurance liabilities. The impact is currently being assessed.
IFRS 9 FINANCIAL INSTRUMENTS	IFRS 9 introduces a new model for the classification of financial assets. This model is driven by the cash flow characteristics and the business model in which an asset is held. With regard to financial liabilities the changes as a result of IFRS 9 are limited and for most financial liabilities the existing amortised cost measurement can be maintained. As part of IFRS 9, the IASB has introduced an expected-loss model to determine impairment losses. This model requires taking into account expected credit losses when financial instruments are first recognised. In case of a significant credit deterioration expected credit losses should be taken into account for the full lifetime. Finally, IFRS 9 introduces a model for hedge accounting that aligns the accounting treatment with risk management activities. The standard is effective for reporting periods beginning on or after 1 January 2018, with early application permitted.	Achmea is assessing the impact of this standard, taken into account the interaction with the current standard for the accounting of insurance contracts (and proposed amendments thereon) and also the future standard for the accounting of insurance contracts.
IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS	The standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide accounting principles for transactions that were not previously addressed comprehensively (for example service revenue and contract modifications) and provide principles for multiple-element arrangements. IFRS 15 Revenue from Contracts with Customers is effective for reporting periods beginning on or after 1 January 2018, with early application permitted. In 2016, the IASB issued amendments to clarify a number of requirements in IFRS 15 with regard to the application of the standard. The IASB also issued amendments to ease the first application of the standard. With the exception of the amendments in 2016, this standard (including amendments in the years before 2016) has been endorsed by the EU.	As Achmea is primarily an insurance company, the standard is not expected to have a material impact on the Net result and Total equity of Achmea.

IFRS 16 LEASES	IFRS 16 Leases establishes principles for the recognition, measurement and presentation of leases. In the financial statements of the lessee all leases, except for leases with a lease term of 12 months or less and so-called small leases, are recognised as an asset reflecting the right to use the asset for the lease period and a liability reflecting the obligation to pay the future lease payments. For the lessor, the reporting consequences of the new standard are limited. The amendments are effective for reporting periods beginning on or after 1 January 2019. As at 31 December 2016, this standard has not been endorsed by the EU.	As a lessee, Achmea shall include both an asset and a liability in the balance sheet for a number of operating leases. However, the value thereof is limited as at 31 December 2016. Therefore Achmea does not expect the standard to have a material impact on Total equity and the Net result of Achmea.
AMENDMENTS TO IAS 7: DISCLOSURE INITIATIVE	The amendments are intended to clarify the disclosure requirements for changes in liabilities arising from financing activities. The amendments are part of the Disclosure Initiative of the IASB, made up of a number of projects aimed at improving the effectiveness of disclosures in financial reports. The amendments are effective for reporting periods beginning on or after 1 January 2017. As at 31 December 2016, these amendments have not been endorsed by the EU.	The amendments will not have impact on the Total equity, Net result, presentation and disclosures of Achmea.
AMENDMENTS TO IAS 12: INCOME TAXES: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES	The amendments clarify the requirements for recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for reporting periods beginning on or after 1 January 2017. As at 31 December 2016, these amendments have not been endorsed by the EU.	The amendments are not expected to have a material impact on the Total equity and Net result of Achmea.
AMENDMENTS TO IAS 40: TRANSFERS OF INVESTMENT PROPERTY	The amendments clarify that an entity may transfer property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments are effective for reporting periods beginning on or after 1 January 2018. As at 31 December 2016, these amendments have not been endorsed by the EU.	Achmea is assessing the impact of these amendments.

Except for the above (amendments to) standards, there are (amendments to) standards that were issued in 2016 or prior years and are not applied by Achmea in preparing its Consolidated Financial Statements 2016. Since these (amendments to) standards have no impact on Total equity, Net result or presentation and notes of Achmea, they are not described further. It concerns the following (amendments to) standards:

- IAS 38 Intangible assets (amendments)
- IAS 41 Agriculture (amendments)
- IAS 27 Separate financial statements (amendments)
- IFRS 2: Classification and Measurement of Share-based Payment Transactions (amendments)
- IFRIC Interpretation 22 Foreign currency transactions and advance consideration
- Annual Improvements to IFRS Standards 2014-2016 Cycle

E AMENDMENTS RELATED TO ACCOUNTING POLICIES, PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION

Changes in presentation

As of 2016, Claims and movements in insurance liabilities will not be presented as a single line item in the Consolidated Income Statement but will be presented separately as part of Gross claims and Gross movements in insurance liabilities own risk. Achmea has made this adjustment for the purpose of a consistent presentation of Movements in insurance liabilities own risk and Movements in insurance liabilities where policyholders bear investment risks in the Consolidated Income Statement. This adjustment has no impact on Net result, Total equity and earnings per share. The comparative figures have been adjusted accordingly.

As of 2016, invoiced and paid amounts exceeding turnover limits and contracted prices agreed upon in contractual arrangements with healthcare institutions are no longer netted with Insurance liabilities, but presented as part of the Receivables and accruals. This change in presentation has resulted in an increase in Receivables and accruals and Insurance liabilities as at 31 December 2015 of €522 million (1 January 2015: €627 million). This change in presentation has no impact on Net result, Total equity and earnings per share. The comparative figures have been adjusted accordingly.

Furthermore, in 2016, a number of changes have been made to the (presentation of items in the) notes to balance sheet items. Further information is included in the note to the relevant balance sheet item. These changes in presentation have no impact on Net result, Total equity and earnings per share. The comparative figures have been adjusted accordingly.

F CHANGES IN ACCOUNTING ESTIMATES

In preparing these Consolidated Financial Statements, the significant judgements made by management in applying Achmea's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Consolidated Financial Statements 2015, except for the following changes:

The manner in which the risk margin is determined, which is used to test the adequacy of the insurance liabilities of the Dutch life insurance business under IFRS, has changed. The cost of capital as used for calculating the risk margin is after the change based on the specific characteristics of Achmea.

Until the change Achmea used the cost of capital to calculate the risk margin based on European averages. This change in estimates did not have an impact on Net result, Total equity and the solvency ratio of Achmea at the date of the change (1 July 2016).

G CONSOLIDATION FRAMEWORK

Basis for consolidation

All of Achmea's subsidiaries, associates and joint ventures are included in the Consolidated Financial Statements, based on Achmea's accounting framework. The following principles apply to Achmea's Consolidated Financial Statements:

Subsidiaries

Subsidiaries are entities over which Achmea has control. Achmea controls an entity when Achmea is exposed or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the economic substance of the relationship between Achmea and the entity and, among other things, considers existing and potential voting rights that are substantive. For a right to be substantive, Achmea must have the practical ability to exercise that right. Third-party interests in these entities are presented as Non-controlling interest within Total equity.

Investment funds managed by Achmea in which Achmea holds an interest are consolidated in the Consolidated Financial Statements if Achmea has power over that investment fund and it is exposed, or has rights, to variable returns from its involvement with the investment fund and has the ability to affect those returns through its power over the investment fund. The assessment of control is based on the economic substance of the relationship between Achmea and the investment fund and, amongst others, considers existing and potential voting rights that are currently exercisable and convertible. In assessing control, all interests held by Achmea in the investment fund are considered, regardless if the financial risk related to the investment is borne by Achmea or by the policyholders. An exception to this is when the fund meets the definition of a silo (i.e. assets, liabilities and/or equity within the relevant entity are separated) or when, under strict facts and circumstances, a direct link between the policyholder and the fund can be assumed. On consolidation of an investment fund, a liability is recognised to the extent that Achmea is legally obliged to buy back participations held by third parties. The liability is presented in the Consolidated Financial Statements as Other liabilities. Where this is not the case, other participations held by third parties are presented as Non-controlling interests. The assets allocated to participations held by third parties are presented as Investments, whereas participations held by Achmea on behalf of policyholders are presented in the Consolidated Financial Statements as Investments backing linked liabilities.

Joint ventures

Entities over which Achmea and other entities share joint control by means of contractual arrangements are considered to be joint ventures. Achmea accounts for joint ventures using the equity method.

Associates

Entities over which Achmea exercises significant influence are accounted for using the equity method. Generally, significant influence is presumed to exist when the participation in ordinary share capital or voting rights (including potential voting rights) is between 20% and 50%.

Intra-group adjustments

Intra-group transactions have been eliminated in the Consolidated Financial Statements. Profits and losses resulting from transactions with associates and joint ventures are eliminated to the extent of Achmea's interest in the associate or joint venture.

Business combinations of entities under common control

For the accounting of business combinations of entities or businesses under common control, Achmea uses the pooling of interest method in case of a (legal) merger and carry over accounting (transfer based on the carrying amount) in case of an acquisition. Such transactions do not have an impact on Net result and Total equity of Achmea.

Consolidated statement of cash flows

The Consolidated Statement of Cash Flows has been prepared according to the indirect method with a breakdown into cash flows from operating, investing and financing activities. Cash and cash equivalents comprise cash, bank balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Achmea's cash management processes are recognised as a component of Cash and cash equivalents. In Total cash flow from operating activities, Result before tax is adjusted for those items in the Income Statement and changes in operating assets and liabilities, that do not result in actual cash flows during the year. Due to the nature of Achmea's activities, in which both insurance and banking are part of the operations, cash flows related to Investment property, Investments and Investments backing linked liabilities and the Insurance liabilities are presented as part of Total cash flows from operating activities. This is also the case for cash flows related to Banking credit portfolio, Banking customer account and Loans and borrowing related to the banking activities.

Foreign currency differences

The Consolidated Financial Statements are presented in euros, which is Achmea's functional and presentation currency. Items included in the Financial Statements of Achmea's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). For consolidation, assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated into euros at the year-end exchange rates. The income and expenses of these subsidiaries are translated at the weighted average exchange rates for the reporting period.

Translation differences arising from the application of year-end exchange rates to the opening balance of net assets and goodwill of these subsidiaries and to the results for the reporting period are recognised in Total equity and reported as Net other comprehensive income.

The net asset value of associates and joint ventures with a functional currency other than the euro is translated into euros at the year-end exchange rates. The results of associates and joint ventures are translated at the weighted average exchange rates for the reporting year. Translation differences, arising from the application of reporting date exchange rates to the opening net asset value of associates and joint ventures and to the results for the reporting period, are recognised in Total equity and reported as Net Other Comprehensive Income.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in Net result. Excepted are foreign exchange gains and losses recognised in Total equity as part of qualifying cash flow hedges or a qualifying net investment in a foreign operation. Refer to I Assets and liabilities for more details regarding the accounting of foreign currency differences for specific assets and liabilities.

Recognition financial instruments

When Achmea becomes a party to the contractual provision of a financial instrument (i.e. at trade date), Achmea recognises the instrument at fair value including transaction cost (unless the financial instrument is classified as 'at fair value through profit or loss').

Derecognition financial instruments

A financial asset (or part of a financial asset) is derecognised when the contractual rights to receive cash flows from the financial asset have expired or when Achmea has transferred substantially all risks and rewards of ownership. Also if Achmea neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if Achmea no longer has control over the asset.

In transfers where control over the asset is retained, Achmea continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Achmea is exposed to changes in the value of the asset. A financial liability (or a part of a financial liability) is derecognised when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Upon derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement as a realised gain or loss. Any cumulative unrealised gains or losses previously recognised in Total equity are transferred from Total equity to the Income Statement. Achmea uses the average cost method when derecognising financial assets and liabilities.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at the net amount in the balance sheet when Achmea:

- has a current legally enforceable right to offset the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

Achmea applies fair value hedge accounting for its banking and treasury operations and certain investment portfolios. When Achmea applies fair value hedge accounting, a fair value adjustment is recognised in the Income Statement that reflects the changes in the fair value of the hedged items attributable to the hedged risk. Achmea assesses the effectiveness of the hedge relationship at each reporting date. The hedge relationship is discontinued when the effectiveness is not within the 80%-125% range or when the hedge is terminated or revoked. Achmea starts amortising the related fair value adjustment over the remaining duration of the hedged item when the hedge relationship is discontinued. When Achmea applies cash flow hedge accounting or applies hedge accounting for a net investment in a foreign operation, the fair value changes of the hedging instruments net of taxes are, for the effective part of the hedge relationship, recognised in the Hedging reserve, part of Total equity. Fair value changes due to ineffective parts of the hedge relationship are recognised in the Income Statement. Amounts accumulated in Total equity are recycled through the Income Statement in the periods in which the hedged item affects Net result.

Impairment

In general, an impairment of an asset exists when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, Achmea assesses whether there is an indication that an asset could be impaired and whether it is necessary to recognise an impairment loss.

The goodwill from business combinations and other intangible assets with an indefinite life is tested for impairment every year. Impairments on Investments are recognised as Realised and unrealised gains and losses in the Income Statement. All other impairments are recognised as Other expenses in the Income Statement. Impairment losses recognised in prior years are reversed if the reversal can be objectively attributed to the disappearance or removal of the impairment event since the impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An increase in the carrying amount due to the reversal of the impairment loss will not exceed the carrying amount if no impairment loss would have been recognised in prior periods. The increase due to a reversal of an impairment loss is recognised in the Income Statement (Realised and unrealised gains and losses for fixed-income investments and in Other expenses for other reversals). Impairment losses on equity instruments classified as 'Available for sale' are not reversed through the Income Statement. Subsequent fair value changes are recognised in the Revaluation reserve (part of Total equity). An impairment regarding goodwill is not subject to reversal. For more details relating to the specific accounting policies for impairment, reference is made to the accounting policies for the specific items as included in I Assets and Liabilities.

Held for sale classification

Assets or components of assets and related liabilities are classified as 'Held for sale' when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A sale of an asset or a group of assets is highly probable if:

- Achmea is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The assets are actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification as 'Held for sale'.

Assets and liabilities classified as 'Held for sale' are measured at the lower of their carrying amount or fair value less costs to sell and are presented separately in the Statement of Financial Position.

If a loss occurs when classifying assets and liabilities as 'Held for sale', this loss is recognised in Other expenses in the Income Statement.

Borrowing costs

Borrowing costs incurred for the construction of qualifying assets (assets that take a substantial period of time to acquire or construct) are capitalised during the period required to complete and prepare the asset for its intended use. As Achmea borrows funds on a general basis, the amount of borrowing costs is based on the weighted average of the borrowing costs applicable to the borrowings of Achmea that are outstanding during the period. Other borrowing costs are recognised in the Income Statement in the period in which they have been incurred.

Leasing

Leases entered into by Achmea are primarily operating leases. The total payments made under operating leases are recognised in the Income Statement on a straight-line basis over the period of the lease. A property interest that is held by Achmea under an operating lease and rented out to a third party is not classified as Investment property.

Income from service contracts

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The outcome of a transaction can be estimated reliably when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to Achmea, the stage of completion of the transaction can be measured reliably and the costs incurred for the transaction and to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable (“zero profit method”).

Revenue is measured at the fair value of the consideration received or receivable. Revenue is accounted for based on the stage of completion method, which depends on the nature of the contract. In case a contract mainly constitutes the rendering of services, revenue is based on proportion of services performed to date as percentage of total services to be performed. In case a service has a determinate number of acts over a specified period, revenue is accounted for on a straight line basis.

I ASSETS AND LIABILITIES

All assets and liabilities are measured at fair value, unless a different measurement is stated in the accounting policies.

Intangible assets

Goodwill

Goodwill arising on a business combination represents the excess of the consideration transferred to acquire the business over the fair value of the net identifiable assets (including separately identified intangible assets), liabilities and contingent liabilities acquired at acquisition date. Goodwill is stated at cost less accumulated impairment losses. Recognised goodwill is subject to an impairment test at least annually, as it is perceived to have an indefinite useful economic life. Achmea has allocated the acquired goodwill due to business combinations to cash generating units (CGUs) that are expected to benefit from the business combination. This is done on the basis of synergies expected to be realised by the combination. Goodwill is monitored at business unit level, being an aggregation of products or group of products with the same risk characteristics and at which level risks are managed and capital is allocated. Any excess of the carrying amount of the domain over its recoverable amount will firstly be allocated to goodwill. Impairment tests at CGU level are performed at a fixed time every year and more frequently if triggering events occur. If an impairment loss occurs, it will be allocated to the relevant CGU. An impairment recognised for goodwill is not subject to reversal in a subsequent period.

Intangible assets excluding goodwill

Below, the specific accounting principles for each major class of Intangible assets are given. The accounting policies described below apply to all Intangible assets excluding goodwill.

Amortisation charges are recognised as Other expenses in the Income Statement. At each reporting date, Achmea assesses whether an indication of an impairment exists for intangible assets with a finite useful economic life. Various indicators are used, such as whether the intangible asset is abandoned, readily obtainable in the market, or the cost to maintain the intangible asset is significantly higher than expected. In addition, Achmea assesses at each reporting date whether there is any indication that an impairment loss recognised in a prior period for intangible assets may no longer exist or may have decreased. Achmea considers the various indicators, such as: whether the asset's market value has increased significantly during the period; whether significant changes (technological, market, economic or legal environment) with a favourable effect on Achmea have taken place during the period; whether market interest rates have decreased and are likely to affect the discount rate used in calculating value in use and increase recoverable amount materially. If this is the case, the carrying amount of the intangible asset is increased to its recoverable amount. An increase in the carrying amount of the asset due to the reversal of the impairment may not exceed the carrying amount if no impairment loss would have been recognised in the prior period. A reversal of an impairment on Intangible assets is recognised as Other expenses in the Income Statement. Expenditures related to internally generated goodwill, brand names and research costs are recognised in the Income Statement as an expense when incurred.

Software

Externally acquired software is recognised at cost. Internally developed software is recognised at cost (including borrowing cost incurred) and is capitalised if the following criteria are met:

- Internally developed software is clearly defined and the costs attributable can be separately identified;
- The technical feasibility can be demonstrated;
- Management has indicated the intention to develop and market, or use, the product or process; and
- There is a clear indication of a future market for the product or process, or its usefulness can be demonstrated.

Software is amortised using a straight-line method over a maximum useful life of five years, or up to ten years when related to insurance policy systems. Software that is an integral part of a computer or a computer-controlled tool and in which that tool or computer does not work without the software (e.g. operating system software), is classified equipment.

Brand name

When Achmea enters into a business combination it recognises a brand name as an intangible asset. The initial measurement of a brand name is based on the application of the 'relief of royalty method', with the use of market observable variables and when not available management expectations that are presumed to be representative of assumptions market participants would use. The valuation techniques used are commonly used in the market. Based on management expectations, Achmea assesses whether the useful life is either finite or indefinite. In the event of a finite useful life Achmea will decide the appropriate useful life on a case-by-case basis, however up to a maximum of twenty years. The amortisation policy is straight-line unless a different method is more appropriate. When the useful life is indefinite, an annual impairment test is performed to assess the recoverability of the carrying amount.

Achmea subsequently measures the brand names at the initially established value and if applicable less accumulated amortisation and impairments losses.

Value of business acquired

Achmea applies an extended presentation and recognises the value of business acquired (VOBA) as part of the acquisition of a portfolio of insurance contracts or as part of a business combination separately as intangible asset. The initial measurement of VOBA is equal to the difference between the fair value of 'in force' (insurance) contracts in the acquired business using current estimates and assumptions at the time of the business combination and the liability measured according to Achmea's accounting principles. Achmea will subsequently value VOBA at this initially established value less accumulated amortisation and impairment losses. The amortisation policy is straight-line over the expected life unless a different method is more appropriate.

Distribution networks

When Achmea enters into a business combination it recognises distribution networks as an intangible asset. The initial measurement of this intangible asset is based on the application of the 'multi-period excess earnings method', with the use of market observable variables and management expectations. The valuation techniques used are commonly applied within the industry. Based on management expectations, Achmea determines on a case-by-case basis the appropriate useful life generally not exceeding twenty years. Achmea will subsequently measure Distribution networks at the initially established value less accumulated amortisation and impairment losses. The amortisation policy is straight-line unless a different method is more appropriate.

Other intangible assets

Other intangible assets acquired by Achmea are stated at cost less accumulated amortisation and impairment losses. Based on management expectations, Achmea assesses whether the useful life is either finite or indefinite. Achmea will decide on a case-by-case basis the appropriate useful life, generally not exceeding twenty years. When the useful life is indefinite an annual impairment test is performed to assess the recoverability of the carrying amount. Other intangible assets with a finite useful life are amortised using the straight-line method unless a different method is more appropriate.

Property for own use and equipment

Property for own use

Property for own use is measured at the revalued amount, being its fair value at the date of the revaluation less any (subsequent) accumulated depreciation and (subsequent) accumulated impairment losses. Property for own use that is under construction or in development is stated at cost until its fair value can be reliably determined. Changes in the carrying amount resulting from revaluations of Property for own use are recorded in the Revaluation reserve, part of Total equity net of deferred taxes. A decrease in the carrying amount due to revaluation is recognised in the Revaluation reserve, part of Total equity, to the extent of any credit balance existing in the revaluation reserve in respect of that asset and for the remaining part in the Income Statement. A revaluation decrease will be reversed through the Income Statement in subsequent years if the revalued amount is higher than the carrying amount, but not higher than the cost minus accumulated depreciation. When Property for own use is derecognised, revaluations included in the Revaluation reserve will be transferred directly to Retained earnings and not through the Income Statement. If Property for own use comprises major components with a different useful life, they are accounted for as separate items. Depreciation on Property for own use or on items accounted for separately is charged to the Income Statement on a straight-line basis over the estimated useful economic life, generally not exceeding fifty years. The depreciation method and useful economic life are reviewed annually and adjusted if circumstances or expectations have changed significantly. Land is not depreciated. When Property for own use or its separate items accounted for is revalued, the cumulative depreciation is eliminated against the gross carrying amount of that item of Property for own use.

Equipment

Equipment is measured at cost (including borrowing costs incurred) less accumulated depreciation and impairment losses. If equipment comprises major components with a different useful life these are accounted for as separate items. Depreciation of equipment is charged to the Income Statement on a straight-line basis over the estimated useful life of items of equipment. The estimated useful life is: software three to five years, hardware three to four years, office furniture (including components) three to six years and other equipment three to six years. The depreciation method and useful life of equipment is reviewed annually and altered prospectively if circumstances or expectations have changed significantly.

Investment property

Investments in real estate are measured at fair value. All fair value changes are recognised as Realised and unrealised gains and losses in the Income Statement.

Rental income from Investment property is recognised as Investment income in the Income Statement.
Investment property that is being constructed or developed for future use as Investment property is classified as 'Property in development' and stated at cost until its fair value can be reliably determined.

Investments

An investment is initially measured at fair value increased by transaction costs that are directly attributable to the acquisition or issue of an investment, unless an investment is classified as 'At fair value through profit or loss'. In that case the initial measurement equals the fair value and transaction costs are included directly in the Income Statement. In some cases, the fair value deviates from the transaction price, (so called day 1 gain/loss). If the fair value is evidenced by observable market data, the 'day 1 result' will be accounted for in the Income Statement as Realised gains and losses. In all other cases, the value is adjusted to defer the difference between the fair value and initial value to future periods. The 'day 1 result' is recognised in the Income Statement only to the extent it arises from a change in a factor (including time) that market participants would take into account.

Investments classified as 'Available for sale'

Investments backing insurance liabilities are classified as 'Available for sale' except for investments backing insurance liabilities measured at fair value, investment backing insurance liabilities where cash flows are discounted using current market interest rates and investments in the form of savings accounts that are directly linked to insurance obligations. Furthermore, all investments not backing insurance or banking liabilities are classified as 'Available for sale'. Investments classified as 'Available for sale' are measured at fair value. Exchange differences resulting from changes in the amortised cost of fixed-income investments are recognised in the Income Statement. Other changes in fair value are transferred to the Revaluation reserve, part of Total equity net of deferred taxes. Upon derecognition of the investment any cumulative unrealised gains or losses, previously recognised in Total equity, are transferred from Total equity to the Income Statement as Realised gains and losses. Interest income on fixed-income investments is determined by using the effective interest rate method. At each reporting date, Achmea assesses whether there is objective evidence that an asset is impaired. If any such evidence exists the decline in the fair value below the (amortised) cost that has been recognised in Total equity is transferred to the Income Statement. In the case of investments in equities classified as 'Available for sale', objective evidence that the cost may not be recovered can be demonstrated through a significant (20% or more) or prolonged (12 consecutive months or longer) decline in the fair value below its cost. Fixed-income investments are impaired if there is objective evidence that, as a result of one or more loss events (e.g. financial difficulty at the issuer or breach of contract), estimated future cash flows are impacted negatively.

Investments classified as 'At fair value through profit or loss'

The classification 'At fair value through profit or loss' is used for investments that are either designated at initial recognition to be measured at fair value with changes in fair value recognised in the Income Statement, or for investments 'Held for trading'.
Achmea designates an investment as 'At fair value through profit or loss' whenever:

- this designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (also referred to as an 'accounting mismatch');
- financial assets, financial liabilities or both are managed as a group, and their performance is evaluated by management on a fair value basis in accordance with a documented risk management or investment strategy; or
- financial instruments contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows.

Achmea usually does not invest in financial instruments principally for the purpose of selling or repurchasing them in the near term (i.e. for trading purposes).

Investments classified as 'Loans and receivables'

The classification 'Loans and receivables' is used for investments that are backing financial liabilities measured at amortised cost and for savings accounts which are directly linked to insurance liabilities not measured at fair value nor of which the cash flows are discounted using current market based interest rates. These investments are stated at amortised cost, less any allowance for uncollectability. If there is objective evidence that an impairment loss on 'Loans and receivables' has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet occurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The interest income recognised on an impaired loan or receivable is disclosed separately. A new amortised cost schedule is determined which governs the future interest income recognised in the Income Statement.

Equity and similar investments

Equity investments and similar investments are classified as either 'Available for sale' or 'At fair value through profit or loss'. When optional dividends are taken up as shares, an amount equal to the cash dividend is recognised in the Income Statement. Part of the portfolio of Equity and similar investments consists of Private

equity and alternative investments. Private equity and alternative investments are classified in accordance with the framework as described above either 'At fair value through profit or loss' or 'Available for sale' as depending on the measurement basis of the related insurance liabilities. Private equity (venture capital) in the form of capital interests in investment funds in which these investment funds are not considered to be a subsidiary or an associate or joint venture, are classified as 'At fair value through profit or loss'. The fair value of Private equity and alternative investments that are not listed on a stock exchange is based on models as recommended in the International Private Equity and Venture Capital Valuation Guidelines.

Fixed-income investments

For fixed-income investments classified as 'Available for sale' that cover insurance liabilities of which the cash flows are based on locked assumptions within the Dutch life insurance business, unrealised fair value changes are included in Total equity and subsequently transferred to Profit sharing and bonuses for policyholders as part of the Insurance liabilities. This transfer is halted whenever Profit sharing and bonuses for policyholders is negative. Unrealised losses on the fixed-income investments included in the Income Statement, in case the transfer to Profit sharing and bonuses for policyholders was halted, are reversed through the Income Statement if the fair value of the investments subsequently increases. When the reversal is complete, the transfer to Profit sharing and bonuses for policyholders is resumed.

Derivatives

All derivatives are classified as 'At fair value fair value through profit and loss'. Achmea uses derivatives to manage its exposure to market risks arising from operating, investing and/or financing activities. Derivatives embedded in other financial instruments are separated and measured separately if they are not closely related to the host instrument. A convertible bond is separated into a bond part classified as 'Available for sale' and an equity conversion option classified as a derivative. The bond part is measured according to the valuation of a similar bond with the same characteristics. The fair value of interest rate swaps is the estimated amount that would be received or paid to terminate the swap at reporting date, taking into account current interest rates and creditworthiness of the swap counterparties. Depending on their value, derivatives are either presented as Investments (assets) or as Derivatives (liabilities).

Other financial investments

Other financial investments includes Investments related to cash collateral received in securities lending, that are directly related to invested collateral under securities lending programmes. The investments are not at free disposal and can only be used to repay the collateral provided by the borrower on the related securities lending transaction. The repayment obligation with respect to the collateral provided is included in the Statement of Financial Position as part of Other liabilities. The investments are measured at fair value with unrealised value changes recognised in Total equity net of taxes, unless there is evidence of defaults regarding these investments, which are treated as an impairment loss.

Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the Statement of Financial Position and are measured in accordance with the accounting policy as described under I Assets and Liabilities.

Investments backing linked liabilities

Investments backing linked liabilities are investments related to insurance contracts where the policyholder bears the investment risk or which are backing 'Investment contracts'. These investments comprise investments relating to insurance contracts with segregated investments, deposits for group life contracts with full profit sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under insurance or investment contracts where the benefits are index-linked. These investments are designated as 'At fair value through profit or loss' to reduce a measurement inconsistency that would arise as related liabilities are measured at fair value and both are managed as a group.

Banking credit portfolio

These assets relate to the banking activities and consist of loans and advances to customers and loans and advances to credit institutions. These assets are either measured at amortised cost and classified as 'Loans and receivables' or measured at fair value and classified as 'At fair value through profit or loss'. The classification 'At fair value through profit or loss' is used for assets that are either designated at initial recognition to be measured at fair value with changes in fair value recognised in the Income Statement or as 'Held for trading'. Assets are designated as 'At fair value through profit or loss' whenever this designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them using different bases. Foreign currency results are recognised in the Income Statement. The Banking credit portfolio, measured at amortised cost, is adjusted to reflect identified incurred losses (including incurred but not yet reported losses) within the portfolio. If all or part of the portfolio proves to be uncollectible, the amount concerned is written off from the corresponding allowance account. Achmea applies hedge accounting for some of its banking and treasury operations.

Deferred acquisition costs

Acquisition costs are expenses incurred in connection with the issue of new insurance contracts or the renewal of existing contracts (including investment contracts). They include commissions paid and expenses for processing of proposals. Acquisition expenses directly or indirectly related to the sale of insurance contracts not measured at fair value are deferred to the extent that they are deemed recoverable from future revenues. Deferred acquisition costs are subject to recoverability testing at the time of policy issue and included in the liability adequacy test of insurance liabilities at the end of each reporting period. Acquisition expenses related to securing the right to provide investment management services related to investment contracts are deferred to the extent deemed recoverable from future revenues. Deferred acquisition costs related to investment contracts are tested separately for impairment. Achmea does not consider anticipated investment income in the determination of the recoverability. Any irrecoverability of Deferred acquisition costs as a result of liability adequacy testing is recognised as an impairment loss and included in Operating expenses. Deferred acquisition costs are amortised over the lifetime of the related contracts.

Amounts ceded to reinsurers

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Prepaid reinsurance premiums represent the ceded portion of unearned premiums. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured risk. An impairment loss is accounted for if there is objective evidence as a result of an event that Achmea will not receive all amounts due under the contract and this amount can be measured reliably. Accordingly, revenues and expenses related to reinsurance agreements are recognised consistently with the underlying risk of the business reinsured.

Receivables and accruals

Receivables and accruals are measured at amortised cost, which usually equals the face value, adjusted for accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and call deposits and are measured at fair value.

Total equity

Achmea shares held by the company (own shares) are accounted for by a reduction within Total equity at the moment of purchase by Achmea or its subsidiaries on the basis of the purchase price paid. Any results upon the subsequent sale of such treasury shares are recognised directly within Total equity. Any Non-controlling interest related to subsidiaries is presented as a separate component within Total equity and is equal to the third-party share in the subsidiary's equity based on Achmea's accounting principles.

Insurance liabilities

Insurance contracts are defined as contracts that transfer significant insurance risk. Insurance risk exists if a scenario exists that has commercial substance under which, based on an insured event, additional payments have to be made. Insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur.

General measurement principles

Gross written premiums for Life insurance contracts are generally recognised in the Income Statement when due. Gross premiums for Non-life insurance (except for disability insurance contracts) and Health insurance are recognised at the effective date of the insurance contract for the premiums to be received during the contract period. The contract period is the period during which Achmea is unable to (entirely) adjust the premiums or the insurance policy conditions for the changed risk profile of policyholders. Premiums for Non-life and Health insurance contracts are generally recognised as earned in proportion to the period of insurance coverage provided. A loading for expenses is included in premiums. When premiums are recognised, the loadings emerge and are included in Insurance liabilities and subsequently released in future periods to offset actual expenses (operating expenses, non-deferrable acquisition costs and amortisation of deferred acquisition costs). When premiums are recognised, liabilities for future contract benefits are recorded, resulting in benefits and expenses being matched with the revenues and profits being recognised over the lifetime of the contracts.

The assumptions used in the calculation of the provisions are based on objective externally published data or, when not available, internal data. For participations in underwriting pools, co-insurance or guarantee fund agreements an amount equal to the share in these agreements, generally measured based on the specific provisions in these agreements, is recognised. The information used is received from the management of these agreements.

Options, guarantees and other derivatives embedded in an insurance contract that do not bear any insurance risk and that are not closely related to the host insurance contract are separately recognised as a derivative. Options and guarantees that are closely related to the insurance contract are included in the measurement of Insurance liabilities.

Achmea tests the adequacy of the recognised insurance liabilities and related assets at each reporting date and more often if deemed necessary. The test applies to

value of business acquired (VOBA), deferred acquisition costs and insurance liabilities. The test considers current estimates of all contractual cash flows of the insurance liabilities, including expected cost for claim handling, guarantees and embedded options. If the test shows that the insurance liabilities are inadequate, Achmea will recognise a loss. In this, first the recognised value of business acquired will be reduced. Any remaining deficit is either compensated first by reductions of deferred acquisition costs or ultimately by increasing the related insurance liabilities.

Profit sharing and bonuses for policyholders (Life and Non-life)

A provision is made for any profit share that policyholders or beneficiaries are entitled to. Vested rights that have not yet been credited to policyholder accounts are included in the provision for profit sharing and bonuses for policyholders. Other vested rights are included in the Provision for life policy liabilities. The calculation of the provision depends on the extent to which policyholders benefit from any surpluses earned on insurance contracts or operations. The provision includes amounts allocated under the relevant local statutory or contractual regulations to the account of policyholders. The provision for profit sharing and bonuses for policyholders also includes amounts arising from the valuation of certain fixed-income investments at fair value and derivatives held to mitigate the interest rate risk inherent in the related insurance liabilities. Unrealised gains and losses in connection with the measurement of these investments that were recognised in Total equity are subsequently transferred to Profit sharing and bonuses for policyholders, to the extent that the policyholder will participate in such gains and losses on the basis of statutory or contractual regulations.

Provision for unearned premiums (Health and Non-life)

Gross written premiums attributable to income of future periods are accrued in the Provision for unearned premiums. The Provision for unearned premiums is determined in proportion to the duration of the contract.

Provision for premium deficiency and unexpired risks (Health and Non-life)

The Provision for premium deficiency is calculated for each insurance portfolio on the basis of estimates of future claims, costs, premium earned and proportionate investment income. For insurance policies covering a risk which increases during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision.

Outstanding claims provision including incurred but not reported claims (Health and Non-life)

The Outstanding claims provision relates to insurance claims that have not been settled at reporting date. The provision is determined either case-by-case or statistically. The provision also includes amounts for incurred but not reported claims at reporting date. In determining the provision, costs for claim handling are taken into account. The Outstanding claims provision is based on estimates of expected insurance losses and unexpired risks for all lines of business. This takes into consideration management's judgement on the anticipated level of inflation, regulatory risks and trends in claims and claim handling. Estimates of expected insurance losses are developed using historical claims experience, other known trends and developments, and local requirements. No deductions are made for salvage, subrogation and other expected recoveries from third parties for reported claims. These are accounted for under non-insurance assets acquired by exercising rights to recoveries, as part of Receivables and accruals. Expected claim payments included in the Outstanding claims provision are not discounted except for the expected claim payments under disability insurance contracts. For this type of insurance contracts the provision reflects the present value of the expected claim payments, calculated on the basis of a fixed interest rate (3%). Waiting periods are taken into account when determining the provision. An average term is taken into account for the probability of rehabilitation. For some risks no adequate statistical data are available, such as environmental and asbestos damage claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Provisions for such claims have been made following an analysis of the portfolio in which such risks occur.

Provision for life policies

Insurance liabilities for traditional life insurance contracts are established by the net-level premium method and based on the actuarial and economic assumptions used in pricing the contracts. The assumptions on which the calculations are based vary, particularly with regard to mortality, morbidity and interest rates. These assumptions are initially based on best estimates of future experience at policy inception date, in some cases taking into account a margin for the risk of adverse deviation. The assumptions used are regularly reviewed, compared to actual experience and, if necessary, updated, depending on the type of products. The provision for unearned premiums, provision for premium deficiency and unexpired risks and provision for outstanding claims are included to the extent that these relate to the life insurance business. In the adequacy test mortality and morbidity rate assumptions are based on most recent observations as published by relevant bodies which are adjusted to reflect Achmea's own experience and to allow for the trend in mortality risk over the coming years. Persistency assumptions are based on historical experience. Different accounting principles are used to measure the life policy liabilities based on the matching characteristics between (financial) assets and the life policy liabilities and the

specific nature of the portfolios, profit sharing features and embedded options:

- Insurance liabilities measured at fair value. All assumptions used are based on actual assumptions and current market interest rates. Fair value changes are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.

- Insurance liabilities whose cash flows are discounted using current market based interest rates which are sometimes based on the (projected) market return of related financial investments. Changes in the value of these insurance liabilities are recognised in the Income Statement. The related financial investments are classified as 'At fair value through profit or loss'.

- Insurance liabilities whose cash flows are based on locked assumptions are discounted at fixed discount rates (often 3% or 4% depending on their date of inception). For the Dutch life insurance business, the fair value changes of related interest sensitive financial instruments, classified as 'Available for sale', are transferred through Total equity to Profit sharing and bonuses for policyholders. This component of Profit sharing and bonuses for policyholders may not be negative. Part of the Dutch life insurance business comprises insurance liabilities that are directly linked to savings accounts, for which the value is determined based on these accounts. The related financial investments are classified as 'Loans and receivables'.

- Insurance liabilities whose cash flows are directly influenced by profit sharing features are adjusted through the application of shadow accounting. Unrealised fair value changes of investments (classified as 'Available for sale') backing these insurance liabilities are transferred to Total equity. The related change in the value of the insurance liabilities is also transferred to Total equity.

Deferred interest surplus rebates

The deferred interest surplus rebates in the Dutch life insurance industry are netted with the provision for life policy liabilities. These rebates are granted in any year on regular or single premiums for pension and life insurance which are based on the expectation that actual investment yields will exceed the discount rate applied in the pricing of the policies. The rebates are amortised over a 10-year period on the basis of annually increasing amounts, consistent with the manner in which the interest surplus was expected to be realised.

Insurance liabilities where policyholders bear investment risks

Insurance liabilities for unit-linked policies and other insurance contracts where the policyholder bears the investment risk are accounted for at the value of the associated investments. The insurance liabilities for contracts with segregated investments are generally calculated on the basis of the contractual provisions for the insurance contract. In case of a surplus of these segregated assets, the amounts are recognised as Other liabilities.

Investment contracts

Contracts with no or insignificant insurance risk are recognised as Investment contracts. Investment contracts are measured at fair value with changes in fair value through the Income Statement. These contracts are designated as 'At fair value through profit or loss' because they are, together with the related investments backing these liabilities, managed as a group. The fair value of investment contracts is the higher of the fair value of the financial instruments linked to the investment contracts, the surrender value (adjusted for any surrender penalties) and the discounted maturity value (against a risk-free interest rate). The fair value for non-linked investment contracts is the higher of the discounted exit value using a risk-free interest rate or the surrender value (adjusted for surrender penalties).

Post-employment benefits

Contributions payable to defined contribution pension plans are recognised as an expense in the Income Statement when incurred. The net obligation in respect of defined benefit pension plans is calculated separately for each plan, using the 'projected unit credit method'. In accordance with this method, the future benefits that employees have earned in return for their service in the current period and prior periods are estimated. The rates used for salary developments, discounting and other adjustments reflect the specific country conditions. The liability is discounted to determine the present value. Subsequently, the fair value of plan assets is deducted in order to calculate the Net defined benefit liability/asset. Current service cost and net interest on the Net defined benefit liability/asset based on assumptions at the beginning of the reporting period are included in the consolidated Income Statement. Remeasurements of the net defined benefit liability are included in the Consolidated statement of comprehensive income. In calculating the Net defined benefit liability future employee contributions are included.

Achmea recognises past service cost as an expense at the earlier of:

- plan amendment or occurrence of the curtailment; and
- when it recognises related service cost or termination benefits.

Achmea recognises a gain or loss on settlement of a defined benefit plan when the settlement occurs. The present value of defined benefit assets at reporting date is recognised to the amount of the economic benefit that will be available to Achmea in the form of refund from the plan or reductions in future contributions.

Other provisions

Other provisions are recognised when a legal or constructive obligation, which can be reliably estimated, exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the provision is to be used over a period longer than one year, expected cash flows are discounted.

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring was either commenced or has been announced to the parties concerned prior to reporting date. Costs relating to the ongoing activities of Achmea are not provided for.

Achmea's net obligation in respect of other long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current period and prior periods. The obligation is calculated using the 'projected unit credit method' and is discounted to its present value. The fair value of related assets is deducted.

Banking customer accounts and Loans and borrowings

Banking customer accounts are measured at amortised cost.

Loans and borrowings include all loans from external parties to Achmea, financial lease liabilities and financial reinsurance liabilities. These consist of deposits from banks, secured banks loans, unsecured bank loans and subordinated loans. These liabilities are measured at amortised cost. Collateral received from borrowers as far as this is invested in the securities lending programmes is recognised as a financial liability as there is an obligation to repay the cash received as collateral. These liabilities are measured at amortised cost. As no premiums or discounts are received on the collateral, the amortised cost equals the nominal value. Fair value hedge accounting is applied to some loans when this is in accordance with the financial risk management policy. Some financial liabilities are designated as 'At fair value through profit or loss' when these liabilities are recognised due to the termination of insurance contracts and the future sale of related financial assets to reduce measurement inconsistencies.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in Total equity, in which case these items are recognised in Total equity net of taxes. Expected tax receivable or payable are based on the taxable profit or loss for the year using tax rates enacted or substantially enacted at reporting date, and any adjustment to income tax receivable or payable in respect of previous years. Deferred tax is provided for using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of these assets and liabilities. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

J KEY ACCOUNTING ESTIMATES

For the measurement of certain items of the Statement of Financial Position, Achmea uses assumptions and estimates concerning future results or other developments, including the likelihood, timing or amounts of future transactions or events. Inherent to estimates is that the actual results may differ materially. The accounting estimates that are most critical to Achmea's business operations and to the understanding of its results and which involve complex or subjective decisions or assessments are presented below.

Control assessment

In making the assessment whether Achmea has control over an entity, Achmea analyses whether it has power over the entity. The outcome of this analysis depends on the purpose and design of the entity, what are the relevant activities (that drive the entity's returns) and how decisions about them are taken and whether rights of the entity give current ability to direct the relevant activities. In performing this assessment, Achmea has defined the most relevant activity as the ability to determine the strategic policies of an entity. The outcome of the analysis also depends on whether Achmea is exposed to or has rights to variable returns from its involvement with the entity and whether Achmea has the ability to use its powers over the entity to affect the amount of its returns. If an investee performs activities for the benefit of the public good and not only for the benefit of Achmea and/or its customers (for example health related foundations), no ability for Achmea to use its power over the entity to affect the entity's return is presumed to exist. Different assumptions may result in a different outcome of the control assessment.

Impairment testing of intangible assets

In testing for impairment of intangible assets, the carrying amount is compared with the recoverable amount, e.g. the higher of an asset's fair value less costs to sell and value in use. Determining the value in use is an area involving management judgement, requiring assessment as to whether the carrying amount of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the net future cash flows, assumptions are required to be made in respect of uncertain elements like timing and amount of projected cash flows and development of future discount rates. Assumptions regarding goodwill impairment testing are further disclosed in Note 6 Intangible assets.

Fair value of Property for own use and Investment property

The methods used to determine the revalued amount for Property for own use and fair value of Investment property are described in Note 4 Fair value hierarchy.

The assumptions used in applying some of these methods are supported by the terms of any existing lease and other relevant contracts and by external evidence such as recent and expected general economic trends, current market rents for similar properties in the same location and condition. Various assumptions should be made and techniques applied in valuing property whereby these assumptions and techniques, may have significant consequences for the valuation.

Impairment testing of financial assets

There are a number of significant risks and uncertainties inherent in the process of monitoring financial assets and determining if an impairment loss exists. For example, Achmea's assessment of a counterparty's ability to meet all of its contractual obligations when the creditworthiness of that counterparty or the economic outlook of the counterparty changes. Achmea applies judgement to establish whether a loss event has occurred, resulting in an impairment loss for a fixed-income investment. When the financial condition of a counterparty changes, Achmea specifically assesses the counterparty's ability to meet both principal and interest payments. Objective evidence of impairment of an equity investment classified as 'Available for sale' includes information about significant changes with an adverse effect have taken place in the market, the technological, economic or legal environment in which the counterparty operates, and indicates that the cost of the investment in the equity investment may not be recovered. A significant or prolonged decline in the fair value of an equity investment below its cost is also objective evidence for impairment. Equity investments held in an unrealised loss position that are below cost for over twelve consecutive months or significantly below cost (20%) at reporting date are impaired. When determining the impairment loss, qualitative indicators are also used before these thresholds are met. The Banking credit portfolio is evaluated for impairment on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Current observable data may include changes in unemployment rates, property and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of financial assets and liabilities determined using valuation techniques

In the absence of an (active) market, the fair value of non-quoted financial assets and liabilities is estimated by using present value or other valuation techniques. Reference is made to Note 4 Fair value hierarchy for a detailed description of the methods used. Valuation techniques are subjective in nature and can have a significant impact on the determination of fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions on the pricing factors. The use of different valuation techniques and assumptions could have an effect on the fair value.

Recognition of deferred tax assets or deferred tax liabilities

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry forwards of unused tax losses and carry forwards of unused tax credits when, in the judgement of management, it is likely that Achmea will receive the tax benefits. A change in judgement could have a substantial effect on value of the deferred tax asset. In determining the tax position, Achmea has taken into account its estimate of the associated future expenses. Furthermore, management considers tax planning strategies to increase the likelihood that the tax assets will be realised.

Measurement of income tax receivable

The measurement of the income tax receivable depends among other things on the application of the tax rules. It can be unclear how a specific tax law provision applies to a certain transaction or event. There may be a lack of clarity regarding the application of the participation exemption facility to income derived from the sale of certain activities. At the end of 2016 this was the case for a specific transaction. The acceptability of the tax treatment chosen by Achmea depends on a court judgement. The difference of opinion between Achmea and the (Dutch) tax authorities as to the tax treatment of this transaction ranges from €0 to €295 million. When determining the income tax payable Achmea has taken this uncertainty into account by assuming the most likely outcome within this range. However, the actual income tax to be paid depends on the judgement in legal proceedings and therefore may result in other cash flows under the tax position.

Receivables and accruals - Health segment

The private health insurance system that is in force in the Netherlands consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is heavily determined by law and influenced by political processes. The basic health system (inherently) comprises uncertainties, due to the calculation methods applied. A system of risk mitigating features is in force in the Netherlands to reduce the uncertainties that are raised by the system. The measurement of receivables regarding the Health Insurance Fund is an inherently uncertain process, involving assumptions for national healthcare costs and allocation of healthcare costs to budget parameters. For more details regarding the uncertainties and the risk mitigating factors in health insurance, a reference is made to Note 50 Capital and risk management. Any change in the assumptions could have an impact on the settlement with the Dutch government (Health Insurance Fund).

Insurance liabilities including deferred acquisition costs (DAC) and value of business acquired (VOBA)

The measurement of insurance liabilities, DAC and VOBA is an inherently uncertain process, involving assumptions for changes in legislation, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, and other factors, and, in the Life and part of the Non-life insurance business, assumptions concerning mortality and morbidity trends. Specifically, significant assumptions related to these aspects that could have a material impact on Net result include interest rates, mortality and morbidity rates, trends in claims and assumptions used in the liability adequacy test. The data used to calibrate the Insurance liability outstanding claims related to Dutch health-insurance contracts is based on historical information. The results on the equalisation fund (including standard nominal premium) and claims level are preliminary and will probably change and shift between insurers for some years. Achmea reassesses provisions for the underwriting year on an annual basis based on the latest information on claims level, macro-neutrality and settlements with the Dutch government (equalisation fund allocation for the related underwriting year). When appropriate, Achmea has made additional provisions. In addition, the adequacy of the Insurance liabilities for life policies liabilities, net of DAC and VOBA, is evaluated regularly.

The assumptions used are based on a combination of experience within Achmea and market benchmarks, such as those supplied by the statistics department of the Dutch Association of Insurers and the Dutch Society of Actuaries and similar bodies throughout Europe. Where possible, Achmea uses market observable variables and models / techniques which are commonly used in the industry. The use of different assumptions in this evaluation could have an effect on the insurance liabilities and underwriting expenses.

Insurance liabilities also include the impact of minimum guarantees which are included in certain insurance contracts. The recognition of these guarantees depends on the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions on inflation, investment returns, policyholder behaviour, and mortality and morbidity trends. The use of different assumptions on these factors could have an effect on insurance liabilities and underwriting expenses.

Valuation of Post-employment benefits

The determination of the defined benefit plan liability is based on actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions for discount rates, rates of increase in future salary and benefit levels, mortality rates, expected healthcare costs and consumer price index. The assumptions are based on available market data and are updated annually. Reference is made to Note 22 Post-employment benefits for the assumptions used in connection with pension and other post-employment benefits. The actuarial assumptions may differ from the actual results due to changes in market conditions, economic trends, mortality rates, and other assumptions. Any changes in these assumptions could have an impact on the valuation of defined benefit plans.

Valuation of Other provisions

The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows. See Note 23 Other provisions for further clarification on the most important assumptions.

2. SEGMENT REPORTING

Segments are components of Achmea that are regularly reviewed by the Executive Board in order to allocate resources to the segment and to assess its performance. In 2016, the reportable segments were changed as compared to 2015 due to organisational changes (including managing and monitoring). As of 2016 Achmea recognises the following segments:

Non-life Netherlands

Consists of insurance contracts issued by Dutch entities to cover customers' risks related to motor vehicles, property, general liability, occupational health and accident, including disability and short term sickness.

Health Netherlands

Covers basic and supplementary health insurance and health services in the Netherlands. The segment Health Netherlands consists of two operating segments that have been aggregated based on the fact that they have similar economic characteristics, i.e. the same kind of insurance products are sold by these operating segments.

Pension & Life Netherlands

Covers life and pension insurance contracts issued in the Netherlands, including unit-linked insurance.

Retirement Services Netherlands

Covers all asset management and pension management activities in the Netherlands. Furthermore, this segment includes the activities of Achmea Bank focused on providing residential mortgage loans, saving accounts and investment funds.

International

Contains all activities outside the Netherlands. Segment International operates actively in the countries Greece, Slovakia, Turkey and Ireland, as well as a greenfield start up in cooperation with Rabobank in Australia. The international activities include primarily insurance activities. These activities relate to the provision of Non-life, Health and Life insurance policies, including the provision of investment contracts containing no or insignificant insurance risk. Furthermore, associates outside the Netherlands over which Achmea has significant influence are included within this segment.

Other activities

This segment consists of a broad range of activities that, on an individual basis, do not comply with the threshold for a reportable segment. The segment covers amongst others Independer.nl, Staalbankiers and Achmea Reinsurance. Furthermore, investments not related to the abovementioned segments, shared service centres and staff departments, net of their recharges to the above segments, are included in this segment.

The main changes in segment reporting compared to 2015 are:

- As of the financial year 2016, there will be a new segment Retirement Services Netherlands. This segment covers all asset management activities (Achmea Investment Management) and pension management activities (Syntrus Achmea). Furthermore, this segment includes the activities of Achmea Bank focused on providing residential mortgage loans, saving accounts and investment funds. As a result, the segment Banking Netherlands, which was reported as a separate segment up to and including the financial year 2015, no longer exists.

- As of the financial year 2016, the reinsurance activities are reported in its entirety as part of the segment Other activities. Up to and including the financial year 2015, these reinsurance activities were allocated to the segment Non-life Netherlands and Pension & Life Netherlands.

- As of the financial year 2016, restructuring costs are charged on to the segment concerned. Up to and including the financial year 2015, these were presented as part of the segment Other activities.

In addition to the changes described above, some other minor changes have been made to align segment reporting with the organisational structure effective as of financial year 2016. Comparative figures have been adjusted based on the new segmentation.

The segments formulate strategic, commercial and financial policies within the overall strategy, performance targets and risk appetite set by the Executive Board. All segment revenues reported (Gross written premiums, Income from banking activities and Fee and commission income), with the exception of internal reinsurance contracts, relate to external customers.

Achmea uses operational results as a measure of segment profit and loss, instead of Result before tax. Operational result is calculated by adjusting Result before tax for special items. These are items within income and expense that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently.

This includes for instance goodwill impairments and result before tax related to divested activities.

Given the relative size and composition of Achmea's operations, no customers with a contribution of 10% or more to the revenues (Gross written premiums, Banking income and Fee and commission income) are identified. Achmea's activities are located mainly in the Netherlands.

The accounting policies of the segments are the same as those described in the section Accounting policies. Prices for intersegment transactions are set at a 'cost-price-plus' basis. Segment results represent revenues earned by each segment minus operational and other expenses allocated to the segment.

Expenses for shared service centres and corporate expenses are allocated to segments based on the activities performed.

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL	OTHER [1]	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets	635		7		91	92		825
Associates and joint ventures		4	56		76	9		145
Property for own use and equipment	57	7	3		55	309		431
Investment property			1,045		38	46		1,129
Investments	6,318	3,477	34,255	657	2,804	1,352	−2,569	46,294
Investments backing linked liabilities			16,163		2,778			18,941
Banking credit portfolio				13,637		42		13,679
Deferred tax assets	13				54	672		739
Deferred acquisition costs			16		101	15		132
Income tax receivable	203		−247	6	−4	136		94
Amounts ceded to reinsurers	241	8	272		972	134	−230	1,397
Receivables and accruals	1,183	5,167	309	73	354	168	−227	7,027
Cash and cash equivalents	38	449	590	693	238	216	−53	2,171
	8,688	**9,112**	**52,469**	**15,066**	**7,557**	**3,191**	**−3,079**	**93,004**
Assets classified as 'held for sale'		11						11
Total assets	**8,688**	**9,123**	**52,469**	**15,066**	**7,557**	**3,191**	**−3,079**	**93,015**
Equity								
Equity attributable to holders of equity instruments of the Company	1,745	3,116	4,021	863	799	−770		9,774
Non-controlling interest	8							8
Total equity	**1,753**	**3,116**	**4,021**	**863**	**799**	**−770**		**9,782**
Liabilities								
Insurance liabilities	6,407	4,754	30,756		3,535	940	−1,218	45,174
Insurance liabilities where policyholders bear investment risks			15,929		242			16,171
Investment contracts					2,613			2,613
Post-employment benefits		24			34	−88	990	960
Other provisions	32	10	8	6	35	283		374
Banking customer accounts				6,480		87	−1,019	5,548
Loans and borrowings	36	1	9	6,842		1,707	−1,601	6,994
Derivatives	16	11	728	765		45		1,565
Deferred tax liabilities						10		10
Other liabilities	444	1,205	1,018	110	299	977	−231	3,822
	6,935	**6,005**	**48,448**	**14,203**	**6,758**	**3,961**	**−3,079**	**83,231**
Liabilities classified as 'held for sale'		2						2
Total equity and liabilities	**8,688**	**9,123**	**52,469**	**15,066**	**7,557**	**3,191**	**−3,079**	**93,015**

[1] *Within segment Other there are intercompany positions with the other segments which can result in negative positions.*

The intersegment eliminations consist primarily of the elimination of intersegment financing activities. The following capital expenditures are included in segments: Pension & Life Netherlands €8 million (2015: €17 million), International €10 million (2015: €21 million), Non-life Netherlands €23 million (2015: €22 million), Health Netherlands €2 million (2015: €1 million), Retirement Services Netherlands nil (2015: nil) and Other activities including intercompany adjustments €25 million (2015: €23 million).

SEGMENT CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICES NETHERLANDS	INTER-NATIONAL	OTHER [1]	INTER-SEGMENT ELIMINATIONS	TOTAL
Assets								
Intangible assets	636		10		188	136		970
Associates and joint ventures		3	54		78	8		143
Property for own use and equipment	66	6	3		57	320		452
Investment property			1,015		57	42		1,114
Investments	6,211	3,519	32,597	776	2,902	1,827	−2,957	44,875
Investments backing linked liabilities	19		16,182		2,529			18,730
Banking credit portfolio				14,551		315		14,866
Deferred tax assets					69	748		817
Deferred acquisition costs			24		92	21		137
Income tax receivable								
Amounts ceded to reinsurers	120	13	356		987	47	−142	1,381
Receivables and accruals	1,081	6,090	333	40	307	207	−221	7,837
Cash and cash equivalents	22	479	344	823	158	374	−83	2,117
	8,155	10,110	50,918	16,190	7,424	4,045	−3,403	93,439
Assets classified as 'held for sale'								
Total assets	**8,155**	**10,110**	**50,918**	**16,190**	**7,424**	**4,045**	**−3,403**	**93,439**
Equity								
Equity attributable to holders of equity instruments of the Company	1,833	3,287	3,747	824	959	−387		10,263
Non-controlling interest	2					15		17
Total equity	**1,835**	**3,287**	**3,747**	**824**	**959**	**−372**		**10,280**
Liabilities								
Insurance liabilities	6,003	5,698	29,678		3,557	907	−1,022	44,821
Insurance liabilities where policyholders bear investment risks	13		15,963		264			16,240
Investment contracts					2,338			2,338
Post-employment benefits		19			22	−30	880	891
Other provisions	12	9	9	1	32	271		334
Banking customer accounts				6,714		488	−1,207	5,995
Loans and borrowings	46	1	13	7,580		1,789	−1,826	7,603
Derivatives	4	8	843	896		42		1,793
Deferred tax liabilities						15		15
Income tax payable	−55		294	24	−2	−69		192
Other liabilities	297	1,088	371	151	254	1,004	−228	2,937
	6,320	**6,823**	**47,171**	**15,366**	**6,465**	**4,417**	**−3,403**	**83,159**
Liabilities classified as 'held for sale'								
Total equity and liabilities	**8,155**	**10,110**	**50,918**	**16,190**	**7,424**	**4,045**	**−3,403**	**93,439**

[1] *Within segment Other there are intercompany positions with the other segments which can result in negative positions.*

SEGMENT CONSOLIDATED INCOME STATEMENT 2016

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE	INTERNATIONAL	OTHER	INTERSEGMENT ELIMINATIONS	TOTAL
Income								
Gross written premiums	3,184	13,092	1,794		1,192	360	−122	19,500
Reinsurance premiums	−109	228	−43		−204	−98	122	−104
Change in provision for unearned premiums (net of reinsurance)	10	47			−29	1		29
Net earned premiums	**3,085**	**13,367**	**1,751**		**959**	**263**		**19,425**
Income from associates and joint ventures		1	1		9	2		13
Investment income	83	21	790	−1	85	11	−46	943
Realised and unrealised gains and losses	77	15	1,654		45	−104		1,687
Income from investments backing linked liabilities			804		110			914
Banking income				494		19	−2	511
Fee and commission income, and income from service contracts		104		158	20	140	−16	406
Other income	15	14	17		9	3	−3	55
Total income (excluding non-operational items) [1]	**3,260**	**13,522**	**5,017**	**651**	**1,237**	**334**	**−67**	**23,954**
Expenses								
Gross claims	2,375	13,839	3,785		939	174	−111	21,001
Gross movements in insurance liabilities own risk	363	−898	−593		44	2	−89	−1,171
Claims and movements in insurance liabilities ceded to reinsurers	−213	219	−16		−154	−182	201	−145
Profit sharing and bonuses for policyholders	5		1,356		−1			1,360
Movements in insurance liabilities where policyholders bear investment risks	−2		−33		−22			−57
Fair value changes and benefits credited to investment contracts					75			75
Operating expenses related to insurance activities	871	529	212		272	157		2,041
Other operating expenses	20	6		280	12	283		601
Banking expenses				382		22	−55	349
Interest and similar expenses	3	1	4		1	63	−9	63
Other expenses	27	22	17	7	46	45	−4	160
Total expenses (excluding non-operational items) [1]	**3,449**	**13,718**	**4,732**	**669**	**1,212**	**564**	**−67**	**24,277**
Operational result	**−189**	**−196**	**285**	**−18**	**25**	**−230**		**−323**
Impairments goodwill / intangible assets					−93			−93
Transaction results (mergers and acquisitions)						−2		−2
Result before tax	**−189**	**−196**	**285**	**−18**	**−68**	**−232**		**−418**
Income tax expenses								−36
Net result								**−382**
Expense ratio [2]	28.2%	4.0%			23.2%			
Claims ratio [2 3]	78.9%	98.5%			74.3%			
Combined ratio [2 3]	107.1%	102.5%			97.5%			
Amortisation charges	8	3	3		14	58		86
Impairment losses	6	7	13		93	5		124

[1] *Total income and Total expenses are presented in the Segment Consolidated Income Statement excluding non-operational items. The amounts as presented in the table above can be reconciled with the amounts as presented in the Consolidated Income Statement as follows: Transaction results (mergers and acquisitions) are presented as part of Other income and Other expenses in the Consolidated Income Statement. Impairments are presented as part of the Other Expenses.*

[2] *The ratios of the segment International include both Non-life and Health insurance.*

[3] *The ratios of segment Non-life Netherlands are corrected for technical interest.*

SEGMENT CONSOLIDATED INCOME STATEMENT 2015

(€ MILLION)

	NON-LIFE NETHERLANDS	HEALTH NETHERLANDS	PENSION & LIFE NETHERLANDS	RETIREMENT SERVICE	INTERNATIONAL	OTHER	INTERSEGMENT ELIMINATIONS	TOTAL
Income								
Gross written premiums	3,139	13,488	1,848		1,124	508	−185	19,922
Reinsurance premiums	−113	96	−99		−207	−159	187	−295
Change in provision for unearned premiums (net of reinsurance)	61	−145	1		−16		−2	−101
Net earned premiums	**3,087**	**13,439**	**1,750**		**901**	**349**		**19,526**
Income from associates and joint ventures		−2			7	1		6
Investment income	102	35	836		85	7	−53	1,012
Realised and unrealised gains and losses	97	32	738		−4	42		905
Income from investments backing linked liabilities			575		145		1	721
Banking income				543		31	−2	572
Fee and commission income, and income from service contracts		106		167	21	140	−13	421
Other income	8	8	7		10	23	−4	52
Total income (excluding non-operational items) [1]	**3,294**	**13,618**	**3,906**	**710**	**1,165**	**593**	**−71**	**23,215**
Expenses								
Gross claims	2,355	12,773	3,168		894	422	−58	19,554
Gross movements in insurance liabilities own risk	29	−103	464		−6	−181	−4	199
Claims and movements in insurance liabilities ceded to reinsurers	−41	87	−37		−173	−49	60	−153
Profit sharing and bonuses for policyholders	20		625				−1	644
Movements in insurance liabilities where policyholders bear investment risks	1		−760		−5		−1	−765
Fair value changes and benefits credited to investment contracts					119			119
Operating expenses related to insurance activities	877	566	226		254	254		2,177
Other operating expenses	17	7		250	9	173		456
Banking expenses				448		13	−60	401
Interest and similar expenses	2		5			62	−6	63
Other expenses	41	17	71	−1	29	−4	−1	152
Total expenses (excluding non-operational items) [1]	**3,301**	**13,347**	**3,762**	**697**	**1,121**	**690**	**−71**	**22,847**
Operational result	**-7**	**271**	**144**	**13**	**44**	**-97**		**368**
Transaction results (mergers and acquisitions)					5	5		10
Result before tax	**−7**	**271**	**144**	**13**	**49**	**−92**		**378**
Income tax expenses								−8
Net result								**386**
Expense ratio [2]	28.4%	4.2%			22.6%			
Claims ratio [2 3]	73.2%	94.9%			73.9%			
Combined ratio [2 3]	101.6%	99.1%			96.5%			
Amortisation charges	12	2	39		22	72		147
Impairment losses	9	3	15	5	1			33

[1] *Total income and Total expenses are presented in the Segment Consolidated Income Statement excluding non-operational items. The amounts presented in the table above can be reconciled with the amounts presented in the Consolidated Income Statement as follows: Transaction results (sales) are presented as part of Other income and Other expenses in the Consolidated Income Statement.*

[2] *The ratios of the segment International include both Non-life and Health insurance.*

[3] *The ratios of segment Non-life Netherlands are corrected for technical interest.*

GEOGRAPHICAL SEGMENT REPORTING, INCLUDING INTERGROUP ADJUSTMENTS

(€ MILLION)

	THE NETHERLANDS	TURKEY	GREECE	IRELAND	SLOVAKIA	OTHER	TOTAL 2016	TOTAL 2015
Gross written premiums Non-life	3,205	339	186		38	12	3,780	3,684
Gross written premiums Health	13,092	29	84		299		13,504	13,872
Gross written premiums Life	2,011		40	154	11		2,216	2,366
Total gross written premiums	**18,308**	**368**	**310**	**154**	**348**	**12**	**19,500**	**19,922**
Banking income	511						511	572
Fee and commission income, and income from service contracts	387		19				406	421
Income tax expenses	−60	5	10	2	1	6	−36	−8
Total assets	85,458	680	1,328	5,179	131	239	93,015	93,439
Non-current assets	68,675	358	725	2,581	99	171	72,609	65,983

3. INTERESTS IN SUBSIDIARIES

Information about principle subsidiaries

Set out below are Achmea's principal subsidiaries as at 31 December 2016. These principal subsidiaries of Achmea B.V. are listed by geographical segment. The Dutch subsidiaries are large entities. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, asset management or services related to these activities. The voting power in these subsidiaries held by Achmea is equal to the shareholding.

The country of incorporation or registration is also their principal place of business.

	CORPORATE SEAT	% OF OWNERSHIP INTEREST HELD BY THE GROUP
THE NETHERLANDS		
Achmea Bank N.V.	The Hague	100%
Achmea Interne Diensten N.V.	Utrecht	100%
Achmea Investment Management B.V.	Zeist	100%
Achmea Pensioen- en Levensverzekeringen N.V.	Apeldoorn	100%
Achmea Reinsurance Company N.V.	Tilburg	100%
Achmea Schadeverzekeringen N.V.	Apeldoorn	100%
Achmea Zorgverzekeringen N.V. (including Zilveren Kruis Zorgverzekeringen N.V.)	Zeist	100%
DFZ Tussenholding N.V. (including De Friesland Zorgverzekeringen B.V.)	Leeuwarden	100%
Independer.nl N.V.	Hilversum	100%
N.V. Hagelunie	The Hague	100%
Syntrus Achmea Pensioenbeheer N.V.	Amsterdam	100%
Syntrus Achmea Real Estate & Finance B.V.	Amsterdam	100%
GREECE		
Interamerican Hellenic Life Insurance Company S.A.	Athene	99,89%
IRELAND		
Friends First Holdings D.A.C.	Dublin	100%
TURKEY		
Eureko Sigorta A.S.	Istanbul	100%
SLOVAKIA		
Union Poist'ovna A.S.	Bratislava	99,97%
Union Zdravotná Poist'ovna A.S.	Bratislava	100%

The full list of participations as set forth in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce.

Consolidated structured entities

Achmea Bank N.V. (a subsidiary of Achmea B.V.) uses securitisation as a funding source. In all these securitisation transactions, Achmea Bank assigns a portfolio of mortgage receivables to a special-purpose vehicle (SPV) which issues Notes on the capital markets. With the proceeds of the Notes the SPV can finance the assigned mortgage receivables and with the received interest on the mortgage receivables the SPV can pay the interest on the Notes. The names of these SPVs are Dutch Mortgage Portfolio Loans X B.V. (DMPL X B.V.), Dutch Mortgage Portfolio Loans XI B.V. (DMPL XI B.V.), Dutch Mortgage Portfolio Loans XII B.V. (DMPL XII B.V.), Securitised Guaranteed Mortgage Loans II B.V. (SGML II B.V.), Dutch Residential Mortgage Portfolio I (DRMP I), Dutch Residential Mortgage Portfolio II (DRMP II).

All these SPV's are controlled by Achmea and are therefore consolidated, in accordance with IFRS. Reference is made to Note 12 Banking credit portfolio for more information about these consolidated structured entities.

Significant restrictions related to subsidiaries

Certain of Achmea's subsidiaries, principally insurance and banking companies, are subject to restrictions on the amounts of funds they may distribute in the form of cash dividends or otherwise to their parent companies.

Total equity contributed by a number of subsidiaries was subject to regulations and restrictions contained in the statutes. At year-end 2016 this amounted to €627 million (31 December 2015: €621 million) of Total equity.

Under these restrictions, these subsidiaries are required to be active on a non-profit basis. These subsidiaries may not distribute any profits or dividends to their shareholders. They may also not, pursuant to restrictions under the law and the articles of association, cease their activities.

In Ireland, Investments backing linked liabilities amounting to €2.6 billion (31 December 2015: €2.3 billion) are ring-fenced, i.e. are financially separated.

4. FAIR VALUE HIERARCHY

Fair value hierarchy and fair value measurement

This note provides an analysis of assets and liabilities that are measured subsequently to initial recognition at fair value, grouped into three levels (fair value hierarchy) based on the significance of the inputs used in making the fair value measurements. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets and liabilities valued using quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are considered less than active or valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant non-observable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the non-observable inputs have a significant effect on the valuation of the assets or liability, such as investment property, venture capital investments, private equity investments, private sector loans, mortgages loans and advances which are part of the Banking credit portfolio.

Cash and cash equivalents are classified as level 1 when not subject to restrictions. Commercial paper, included within Deposits with credit institutions, is classified as level 1, due to the fact that these are traded in money markets. Other deposits with credit institutions are in general classified as level 2, due to the fact that these are not traded and subject to restrictions.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS AS AT 31 DECEMBER 2016

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2016
Assets				
Recurring fair value measurements				
Investment property				
residential		6	459	465
retail		24	300	324
offices		7	291	298
other		1	41	42
Investments				
equities and similar investments	1,428	1,392	603	3,423
fixed income investments	27,397	2,581	5,849	35,827
derivatives	2	4,079		4,081
other financial investments	38	54		92
Investments backing linked liabilities				
Investment property				
residential				
retail		258		258
offices		167		167
other		27		27
equities and similar investments	4,731	1,546		6,277
bonds and other fixed-income investments	3,532	128		3,660
derivatives		380		380
cash and other financial investments	356	7,816		8,172
Banking credit portfolio			261	261
Cash and cash equivalents	2,171			2,171
Total assets measured at fair value on a recurring basis	**39,655**	**18,466**	**7,804**	**65,925**
Non-recurring fair value measurements				
Property for own use and equipment			431	431
Total assets measured at fair value on a non-recurring basis			**431**	**431**
Liabilities				
Investment contracts		2,613		2,613
Loans and borrowings		9		9
Derivatives	1	1,564		1,565
Total liabilities measured at fair value on a recurring basis	**1**	**4,186**		**4,187**

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING AND NON-RECURRING BASIS AS AT 31 DECEMBER 2015

(€ MILLION)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31 DECEMBER 2015
Assets				
Recurring fair value measurements				
Investment property				
residential		7	422	429
retail		23	315	338
offices		12	281	293
other		12	42	54
Investments				
equities and similar investments *	1,528	828	583	2,939
fixed income investments	27,471	3,601	3,777	34,849
derivatives	8	3,742		3,750
other financial investments	76	91		167
Investments backing linked liabilities				
Investment property				
residential				
retail		169		169
offices		90		90
other		22		22
equities and similar investments	4,912	1,114		6,026
bonds and other fixed-income investments	3,375	228		3,603
derivatives		389		389
cash and other financial investments *	572	7,859		8,431
Banking credit portfolio			289	289
Cash and cash equivalents	2,117			2,117
Total assets measured at fair value on a recurring basis	**40,059**	**18,187**	**5,709**	**63,955**
Non-recurring fair value measurements				
Property for own use and equipment			452	452
Total assets measured at fair value on a non-recurring basis			**452**	**452**
Liabilities				
Investment contracts		2,338		2,338
Loans and borrowings		13		13
Derivatives		1,793		1,793
Total liabilities measured at fair value on a recurring basis		**4,144**		**4,144**

* *In 2016 equities and similar investments and cash and other financial investments were reclassified from level 2 to level 3 (€12 million) and from level 1 to level 2 (€151 million) respectively. For a better insight into the developments in these items the comparative figures have been adjusted accordingly.*

Main changes in the fair value hierarchy in 2016

At each reporting date Achmea assesses the classification of assets and liabilities measured at fair value. The assessment of the classification in the fair value hierarchy requires judgement, for example the importance of (un)observable inputs used in determining the fair value or with respect to activity of the market. In case of inactive markets, judgement is required on the valuation techniques to be used in order to determine the fair value as well as the interpretation of the level of using market data. As a result, the outcome of the classification process may differ between reporting periods. Achmea's policy is to determine the level of the fair value hierarchy each reporting period and to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. In 2016 there were no changes in classification, except for the reclassifications referred to in the above footnote, for which the comparative figures of 2015 have been adjusted.

Valuation techniques used and valuation process within Achmea for level 2 and 3 measurements.

Depending on the specific assets and liabilities Achmea has set valuation policies and procedures for determining the fair value. Below, for each type of assets or liability a summary is provided of the valuation process, a description of the technique used and the relevant inputs.

Investment property

Investment property consists of commercial and residential property. The fair value is based on prices in an active market, adjusted, if necessary, for any difference in nature, location or condition of the specific asset. All properties are appraised each quarter. The valuations are carried out by external independent appraisers who hold recognised and relevant professional qualifications. All valuations are carried out following valuation guidelines common in the industry. The level 2 Investment property, included within Investments backing linked liabilities, are located in Ireland. The fair value of this Investment property is determined generally using the income capitalisation method. According to this method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations, if any, are separately capitalised.

The level 3 Investment property are located in the Netherlands. The fair value of this Investment property is determined generally using discounted cash flow (DCF) projections based on estimates of future cash flows using a discount rate that reflects current market assessments of the uncertainty on the amount and timing of the cash flows.

Transactions of properties sold in the Netherlands cannot (easily) be compared due to the lack of public available information. For this reason, the valuation of investment property has a higher degree of uncertainty compared to a more stable and active market situation, where comparable, current transactions are used to validate the appraisal process. The assumptions used in applying the DCF-method are supported by the terms of any existing lease and other relevant contracts and by external evidence, such as recent and expected general economic trends and current market rents for similar properties in similar location and condition. Common costs and obligations related to investment property such as vacancies, rent-free periods, maintenance and repair as well as any obligations that restrict the feasibility of the income and proceeds on disposal of the property are taken into account in the DCF-method. Rental growth rates are based on general economic trends, taking into account specific characteristics of the property being valued. Projections for the cash flows in the DCF-method are made for at least 10 years. The discount rate used depends on both the type of property being valued (e.g. commercial and residential property) as well as the specific characteristics of the property being measured. Due to the characteristics of the inputs for the valuation method used, all in the Netherlands located Investment Property is classified as level 3.

Equity and similar investments

When available, Achmea uses quoted market prices in active markets to determine the fair value of its equities and similar investments. The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. If no market prices are available, internal models are used to determine fair value.

The level 2 classified Equities and similar investments are mainly Investments backing linked liabilities, which comprise mostly investments in unit linked funds. Investments backing linked liabilities are investments related to insurance contracts where the policyholder bears investment risks. These investments are classified as 'At fair value through profit and loss'. The fair value of the investments in unit linked funds is Achmea's share in the Net Asset Value of these funds. These unit linked funds invest primarily in listed securities and therefore the Net Asset Value of the fund is derived from observable input (e.g. quoted prices in active markets for these securities). The remaining level 2 classified Equities and similar investments comprise Commodities and Real estate funds.

The fair value of Commodities, classified as 'At fair value through profit or loss', represents amounts estimated to be received from or paid to a third party in settlement of these instruments. These instruments are valued by the broker based upon quoted prices in active markets. The fair value of Real estate funds, classified as 'Available for Sale' investments, represents the Net Asset Value of funds managed by Achmea. Achmea reviews these fair values and performs analytical procedures and trend analysis to ensure the fair values are appropriate.

The level 3 classified Equities and similar investments comprise private equity and alternative investments which are mainly classified as 'Available for Sale' investments. The private equity investment portfolio mainly consists of investments with a highly diversified nature in terms of sector, geographical region and type of investment. The alternative investment portfolio, classified as 'Available for Sale' investments, mainly consists of infrastructure related investments. The fair value of these portfolios is determined using the Net Asset Value as reported by the fund manager or general partner, which is considered to be the best proxy of fair value of the investment. If an adjustment needs to be recorded in the reported Net Asset Value, this is reflected in the fair value. Part of the private equity investment portfolio is related to Achmea's venture capital and is classified as 'At fair value through profit or loss'. The pricing models are based on models as recommended in the International Private Equity and Venture Capital Valuation Guidelines. Achmea reviews the valuations and performs analytical procedures to ensure the fair values are appropriate.

Bonds and other fixed-income investments (including Loans and mortgages, Deposits with credit institutions and Cash and other financial investments)

In general, the fair value of these fixed-income investments is determined by means of a net present value methodology using estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics. The level 2 classified Bonds and other fixed-income investments comprise mainly the bond part of a convertible bond. The related derivative part of the instrument is presented as part of derivatives. In general, the convertible bond is listed and the value of the instrument is therefore market observable. However, for the separate bond-part this is not the case. The fair value is determined by means the valuation of a similar bond with the same characteristics or if not available using a net present value methodology using estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics. The level 2 classified Loans and mortgages comprise mainly investment loans. The fair value of these investment loans is determined by means of a net present value methodology using an internally calculated yield taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics. The level 3 classified Loans and mortgages mainly comprise mortgage loans within the insurance business. The fair value of these mortgages is determined using pricing models based on the discounted value of estimated future cash flows using current interest rates. The interest rate used is based on rates in the consumers market adjusted for spreads for amongst others the price risk during the offering period. Part of assumptions used in determining the fair value are unobservable. The fair value derived by the pricing model is back tested with market information derived from recent market transactions for similar mortgages (where available) and/or internal prices used when issuing mortgage loans.

The level 2 classified Deposits with credit institutions comprise short-term deposits with banks with a fixed maturity. These deposits are not tradable and subject to restrictions due their fixed maturity. The fair value of these deposits is in general equal to the nominal value taking into account the time value of money were material.

The level 2 classified Cash and other financial investments comprise mainly saving accounts, part of Investments backing linked liabilities. The fair value is determined by means of a net present value methodology using estimated future cash flows during the fixed interest period, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

Derivatives (assets and liabilities)

The level 2 classified derivatives comprise Interest rate derivatives (including swaptions) currency derivatives and equity derivatives. Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied. The valuation is performed by a data vendor. The valuation techniques incorporate all factors that a market participant would consider and are based on observable market data when available. Fair values of interest rate derivatives (including swaptions), equity derivatives and currency derivatives represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using directly observed prices from exchange-traded derivatives or external pricing services or if not available using pricing models based on the net present value of estimated future cash flows. The pricing models which are used are standard industry valuation models (like Black and Scholes-model) and make use of current market data. The market data for interest rate derivatives and cross currency interest rate derivatives consist mainly of the swap curve of the related interest period and currency, where applicable adjusted for contract fees and margin (when part of the contractual cash flows of the derivative).

Achmea normally mitigates counterparty default risk in derivative contracts by entering collateral agreements into the contracts where possible.

Banking credit portfolio

The level 3 classified Banking credit portfolio comprises mainly private sector loans and advances, which are classified as 'At fair value through profit or loss'. The fair value of these loans and advances is determined using pricing models based on the discounted value of estimated future cash flows using current interest rates. The interest rate used is based on rates in the consumers market adjusted for spreads for amongst others the price risk during the offering period. Some of the assumptions used in determining the fair value are unobservable. The fair value derived by the pricing model is compared with market information derived from recent market transactions for similar mortgages (where available) and/or internal prices used when issuing mortgage loans.

Property for own use

The fair value of Property for own use is wholly based on appraisals by independent qualified appraisers. The valuation was determined by reference to both observations in the market and various calculation methods, such as the discounted cash flow method. Reflecting the economic environment and market conditions during the recent years, the frequency of property transactions has decreased. Appraisals are therefore generally based on the discounted cash flow method. This method establishes the fair value using the rental income of the property. The appraisers use a market based discount rate adjusted for age, location and remaining rental contract period. Due to the lack of actual market transactions that can be used to validate this appraisal process, the valuation of Property for own use has a high degree of uncertainty. For 100% of the total fair value of Property for own use in the Netherlands an appraisal was executed during 2016.

Investment contracts

The level 2 classified investment contracts comprise linked and non-linked investment contracts. The fair value of linked investment contracts is the higher of the fair value of the financial instruments linked to the investment contracts, the surrender value (adjusted for any surrender penalties) and the discounted maturity value (against a risk-free interest rate). The fair value for non-linked investment contracts is the higher of the surrender value (adjusted for surrender penalties) and discounted exit value (against a risk-free interest rate).

Loans and borrowings

The level 2 classified loans and borrowings comprise loans related to value transfers. The fair value of these loans is determined using pricing models based on the value of contractual future cash flows discounted using current interest rates based on the swap curve including a credit spread.

Fair value changes related to Investment property and Equities and similar investment included in the Income Statement are presented as part of Realised and unrealised gains and losses; Fair value changes related to Fixed-income investments included in the Income Statement are presented as part of Investment income.

Fair value changes included in Other comprehensive income related to Equities and similar investments and Loans and mortgages are presented as part of Revaluation reserve. Changes due to reclassification are changes between Investment property and Property for own use related to changes in the use.

MOVEMENT SCHEDULE FOR LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS

ASSETS (€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	FIXED-INCOME INVESTMENTS	BANKING CREDIT PORTFOLIO	TOTAL 2016
Balance at 1 January	**1,060**	**583**	**3,777**	**289**	**5,709**
Investments and loans granted	11	60	2,241		2,312
Divestments and disposals	–20	–57	–227	–28	–332
Fair value changes included in Income Statement	39	–11	–16		12
Fair value changes included in Other comprehensive income		28	160		188
Changes due to reclassification *	1		–86		–85
Balance at 31 December	**1,091**	**603**	**5,849**	**261**	**7,804**

* *The reclassification with respect of fixed-income investments relates to the building accounts. In previous years these were classified as other liabilities.*

MOVEMENT SCHEDULE FOR LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS

ASSETS (€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS *	FIXED-INCOME INVESTMENTS	BANKING CREDIT PORTFOLIO	TOTAL 2015
Balance at 1 January	**1,069**	**506**	**1,577**	**314**	**3,466**
Investments and loans granted	24	71	2,212		2,307
Divestments and disposals	–28	–81	–136	–24	–269
Fair value changes included in Income Statement	–5	6		–1	
Fair value changes included in Other comprehensive income		81	124		205
Balance at 31 December	**1,060**	**583**	**3,777**	**289**	**5,709**

* *In 2016 equities and similar investments were reclassified from level 2 to level 3. For a better insight into the developments in this item the comparative figures have been adjusted accordingly.*

Significant unobservable inputs for level 3 asset and liabilities measured at fair value

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2016 IN MILLIONS	VALUATION TECHNIQUE USED	UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investment property					
Residential	459	Discounted cash flows	Discount rate	6.0 - 8.4 (7.4) (%)	Increase will result in a decrease in value
Retail	300	Discounted cash flows	Discount rate	3.4 - 11.6 (6.6) (%)	Increase will result in a decrease in value
Offices	291	Discounted cash flows	Discount rate	6.5 - 13.5 (8.2) (%)	Increase will result in a decrease in value
Other	41	Discounted cash flows	Discount rate	5.8 - 10.1 (7.2) (%)	Increase will result in a decrease in value
Investments					
Equities and similar investments	603	Net Asset Value	N/A	N/A	N/A
Loans and mortgages	5,849	Discounted cash flow	Total spread	143 - 403 (bp)	An increase has no direct impact in the income statement or equity, but is transferred to the Fund for future appropriation through a shadow adjustment
Banking credit portfolio	261	Discounted cash flow	Total spread	116 - 260 (bp)	An increase of 10 basis points will result in a €0.9 million lower income in the income statement

DESCRIPTION	FAIR VALUE AS AT 31 DECEMBER 2015 IN MILLIONS	VALUATION TECHNIQUE USED	UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Investment property					
Residential	422	Discounted cash flows	Discount rate	6.5 - 8.8 (7.8) (%)	Increase will result in a decrease in value
Retail	315	Discounted cash flows	Discount rate	4.0 - 11.8 (6.9) (%)	Increase will result in a decrease in value
Offices	281	Discounted cash flows	Discount rate	6.5 - 24.0 (8.9) (%)	Increase will result in a decrease in value
Other	42	Discounted cash flows	Discount rate	6.1 - 10.1 (7.4) (%)	Increase will result in a decrease in value
Investments					
Equities and similar investments	583	Net Asset Value	N/A	N/A	N/A
Loans and mortgages	3,777	Discounted cash flow	Total spread	157 - 346 (bp)	An increase has no direct impact in the income statement or equity, but is transferred to the Fund for future appropriation through a shadow adjustment
Banking credit portfolio	289	Discounted cash flow	Total spread	121 - 328 (bp)	An increase of 10 basis points will result in a €0.8 million lower income in the income statement

Equities and similar investments mainly consist of private equity investments, amounting to €603 million (31 December 2015: €571 million). These investments have a highly diversified nature in terms of sector, geographical region and type of investment. The fair value of these investments is mainly determined using the Net Asset Value as reported by the fund manager or general partner as there is no significant unobservable input or combination of inputs that can be used to perform a sensitivity analysis.

The table below provides an overview of all assets and liabilities that are not measured at fair value, but for which the fair value is disclosed in the notes.

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE FOR WHICH THE FAIR VALUE IS DISCLOSED

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2016	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2016
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Investments					
Deposits with re-insurers	643			643	643
Other financial investments	2,228		2,519		2,519
Banking credit portfolio					
Credit institutions	1,132		1,132		1,132
Loans	12,286		43	12,513	12,556
Receivables and accruals	7,027		6,618	422	7,040
Financial liabilities					
Banking customer accounts	5,548		5,576		5,576
Loans and borrowings					
Deposits from credit institutions					
Secured bank loans	2,077		2,049		2,049
Unsecured loans	4,382	1,008	3,581		4,589
Subordinated loans	506	544	10		554
Others	20		20		20
Other liabilities	3,822		3,813		3,813

(€ MILLION)

	CARRYING AMOUNT AS AT 31 DECEMBER 2015	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	FAIR VALUE AS AT 31 DECEMBER 2015
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets					
Investments					
Deposits with re-insurers	742			742	742
Other financial investments	2,428		2,756		2,756
Banking credit portfolio					
Credit institutions	1,277		1,277		1,277
Loans	13,300		132	13,312	13,444
Receivables and accruals	7,837		7,152	497	7,649
Financial liabilities					
Banking customer accounts	5,995		5,732		5,732
Loans and borrowings					
Deposits from credit institutions					
Secured bank loans	2,158		2,148		2,148
Unsecured loans	4,890	973	4,058		5,031
Subordinated loans	522	538	29		567
Others *	20		19		19
Other liabilities	2,937		2,920		2,920

* *In 2016 the item Others was reclassified from level 1 to level 2. For a better insight into the developments in this item the comparative figures have been adjusted accordingly.*

Receivables are in general classified as level 2, due to the fact that the amount deducted for counterparty default risk is insignificant as compared to the fair value of the nominal cash flows of these receivables. If the amount deducted for counterparty default risk is not insignificant, these assets are classified as level 3. Other liabilities, except for liabilities to credit institutions, are classified as level 2 due to the fact that there is no active market for these financial instruments. Cash liabilities are classified as level 1.

Valuation techniques used and valuation process within Achmea for level 2 and 3 measurements

Depending on the specific assets and liabilities, Achmea has formulated valuation policies and procedures for determining the fair value. For each type of asset or liability a summary is provided of the valuation process, a description of the technique used and the relevant inputs.

Investments

The level 2 classified Investments mainly comprise saving accounts related to life insurance policies in force. The fair value is determined by means of a net present value methodology using estimated future cash flows during the fixed interest period of linked mortgages, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics. The level 3 classified Deposits with re-insurers comprise accounts into which premiums and expected claims payments are deposited related to a specific risk insurance program, over which an agreed upon interest rate is earned. The unobservable inputs include amongst others models used for determining incurred but not reported losses related to the reinsurance contract.

Banking credit portfolio

The fair value of the level 2 classified loans to credit institutions is equal to the net present value of the estimated future cash flows, taking into account current interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The level 3 classified Banking credit portfolio comprises mainly of private sector loans and advances. These loans are classified as 'Loans and receivables' and measured at amortised cost less accumulated impairment losses. The fair value of these loans and advances is determined based on the discounted value of estimated future cash flows using current interest rates. The interest rate used is based on rates in the consumers market adjusted for spreads for amongst others the price risk during the offering period. Some of the assumptions used in determining the fair value are unobservable.

Receivables and accruals

The level 2 and 3 classified Receivables and accruals comprise mainly short-term amounts due related to the ordinary operating activities of Achmea. These receivables are measured at amortised cost less accumulated impairment losses.

The fair value of these receivables is determined based on discounted value of the expected cash flows, taking into accounted expected credit losses. For receivables expected to be recovered within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value.

Banking customer accounts

The fair value of the level 2 classified Banking customer accounts comprise saving accounts and deposits. The fair value is based on the discounted present value of the expected future cash outflows, using current market interest rates.

Loans and borrowings

The main part of the total Loans and borrowings is not measured at fair value. The fair value of these level two loans is determined using pricing models based on the net present value of estimated future cash flows.

The pricing models are based on current market data, such as the euro swap curve. In addition to the euro swap curve there are unobservable market inputs. The unobservable market inputs may include spreads which are embedded in the discount curve.

Other liabilities

The level 2 classified Other liabilities comprise mainly short-term amounts payable related to the ordinary operating activities of Achmea. These other liabilities are measured at amortised cost. The fair value of these liabilities is determined based on discounted value of the expected cash flows. For Other liabilities expected to be settled within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value.

5. ASSETS AND LIABILITIES HELD FOR SALE AND DIVESTMENTS

Winnock B.V.

On 1 July 2016 Achmea reached an agreement on the sale of its shares in Winnock B.V., a company offering reintegration and rehabilitation services. Winnock B.V. is a 100% subsidiary of Achmea Services N.V. and is reported in the segment Health Netherlands. The proposed transaction is subject to the approval of the relevant regulatory and competition authorities. The Works Council has been involved in the process. It is expected to complete the transaction in the first half of 2017. As of 31 December 2016 the assets and liabilities of Winnock B.V. have been reclassified to 'Assets and liabilities held for sale'.

This reclassification of the assets and liabilities has no impact on the results.

Staalbankiers N.V.

On 8 August 2016 Achmea reached an agreement on the sale of a group of assets (disposal group), including the sale of the asset management activities, customer accounts as well as the brand name. Staalbankiers N.V. is a 100% subsidiary of Achmea B.V. and is reported in the segment Other activities. The sale was completed on 15 December 2016 and generated a provisional net result of €4.5 million, excluding consultancy fees. The result consists of €12 million provisional sale proceeds, and €7.5 million expenses relating to the execution of the transfer of the asset management activities, both recognised in 'Other income'. The final proceeds of the sale depend on the value of the transferred assets under management and could total up to €8 million more. It is expected that the transaction will be finalised in the first half of 2017.

6. INTANGIBLE ASSETS

INTANGIBLE ASSETS

(€ MILLION)

	GOODWILL	SOFTWARE*	BRAND NAME	VALUE OF BUSINESS ACQUIRED	DISTRIBUTION NETWORKS	TOTAL 2016	TOTAL 2015
Cost							
Balance at 1 January	1,313	295	133	740	326	2,807	2,815
Internally developed		3				3	5
Sale, disposals and decommissioning		−12				−12	−23
Purchases and Acquistions		9				9	23
Changes due to reclassification and other movements	−2	−1	1	−2	1	−3	11
Foreign currency differences	−14	−1			−18	−33	−24
Balance at 31 December	**1,297**	**293**	**134**	**738**	**309**	**2,771**	**2,807**
Amortisation and impairment losses							
Balance at 1 January	554	221	123	725	214	1,837	1,749
Sale, disposals and decommissioning		−10				−10	−10
Amortisation charge for the year		23	2	4	11	40	100
Impairment loss recognised in profit or loss	93	1				94	
Changes due to reclassification and other movements	−2	−2	1	−2		−5	1
Foreign currency differences					−10	−10	−3
Balance at 31 December	**645**	**233**	**126**	**727**	**215**	**1,946**	**1,837**
Carrying amount							
At 1 January	759	74	10	15	112	970	1,066
At 31 December	**652**	**60**	**8**	**11**	**94**	**825**	**970**

* *In the component Software an amount of €17 million (31 December 2015: €19 million) is included for internally developed software.*

With the exception of goodwill, all intangible assets have a finite useful life and are amortised accordingly.

An amount of €784 million (31 December 2015: €924 million) of the Intangible assets is expected to be recovered more than twelve months after the reporting date.

The foreign currency differences in 2016 on goodwill of €-14 million, on software of €-1 million and on distribution networks of €-18 million relate to the cash generating unit Eureko Turkey.

GOODWILL BY CASH GENERATING UNIT

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Non-life Netherlands	617	617
Eureko Turkey		107
Independer	35	35
	652	**759**

At the end of 2016 the goodwill relating to the cash generating unit Eureko Turkey was fully impaired for an amount of €93 million (consisting of €107 million goodwill at 31 December 2015 and €-14 million foreign currency differences during 2016). Eureko Turkey comprises the subsidiary Eureko Sigorta, operating in the Turkish non-life insurance market, and the associate Garanti Emeklilik, operating in the Turkish pension and life insurance market. The principal reasons for the impairment are the negative geopolitical and economic developments in Turkey. These have resulted in a higher discount rate and a lower expected profitability for both Eureko Sigorta and Garanti Emeklilik. As a consequence, the recoverable amount of Eureko Sigorta is below its carrying amount. The recoverable amount as determined at year-end 2016 amounted to €263 million and is based on the value in use. For Eureko Sigorta this was determined based on a discount rate before taxes of 19.0% (31 December 2015: 14.2%) and an increase in terminal value of 5% (31 December 2015: 5.5%). For Garanti Emeklilik the discount rate was 15.4% (31 December 2015: 14.0%) and the VNB multiplier 10 (31 December 2015: 15). The impairment is presented as Other expenses, part of the segment International.

Irrespective of whether there is any indication of an event requiring an impairment test, every year, Achmea tests goodwill from business combinations for impairment. An impairment loss is recognised when the recoverable amount of a cash generating unit is lower than the carrying amount of the cash generating unit. The recoverable amount is the higher of the 'fair value less cost to sell' and the 'value-in-use'. The assumptions are assessed at each reporting date and adjusted when appropriate. At year-end 2016 goodwill is fully related to Achmea's Dutch operations.

For the cash generating unit Non-life Netherlands, Achmea uses a Dividend Discount Model (DDM) to calculate the recoverable amount. The cash flow projections for the first three years are based on the budget approved by Achmea’s Executive Board. After these three years the terminal value is determined by applying a perpetual growth rate, i.e. the average long-term growth rate, to the perpetual dividend. Achmea uses the cost of equity to discount the projected cash flows.

For the cash generating unit Independer, Achmea calculates the recoverable amount using the Discounted Cash Flow (DCF) model. The cash flow projections for the first four years are based on the budget approved by Achmea's Executive Board. After these four years the terminal value is determined by applying a perpetual growth rate to the perpetual free cash flow. Achmea uses the cost of equity in combination with the cost of debt to discount the projected cash flows.

The most sensitive key assumptions in calculating the value-in-use in the yearly impairment test are:

2016	NON-LIFE NETHERLANDS	INDEPENDER
Average annual premium growth rate	1.4%	2.4%
Average claims ratio	70.6%	n.a.
Average expense ratio [1]	26.9%	76.0%
Value of New Business (VNB) multiplier	n.a.	n.a.
Terminal value growth	0.5%	0.5%
Discount rate	8.5%	7.6%

2015	NON-LIFE NETHERLANDS	INDEPENDER
Average annual premium growth rate	0.3%	4.8%
Average claims ratio	70.6%	n.a.
Average expense ratio [1]	27.9%	63.7%
Value of New Business (VNB) multiplier	n.a.	n.a.
Terminal value growth	1.5%	2.0%
Discount rate	8.1%	9.2%

n.a.: not applicable

1) The average expense ratio also includes, in addition to costs related to staff, IT, housing and acquisition also holding costs.

Where possible, the assumptions are calibrated using external sources. The discount rates are determined by an external party and are based on a so-called CAPM model (Capital Asset Pricing Model). This methodology is based on a risk-free rate plus a risk premium. This risk premium is based on the 'equity risk premium' (return on equity investments above risk-free rate) times the beta that represents the specific risk profile of the cash generating unit. If applicable the risk-free rate and equity risk premium are adjusted for country specific risks. The terminal value growths, being the long-term average growth rate, are on a gross basis (not adjusted for inflation) and reflect expected industry averages. Achmea has performed a sensitivity analysis on its most sensitive assumptions used to calculate the value-in-use.

The surplus, being the positive difference between the value-in-use and carrying amount, for Non-life Netherlands amounts to €1,037 million (2015: €1,197 million). The recoverable amount for the cash generating unit Non-life Netherlands is sensitive for negative deviations within major assumptions (business related assumptions, discount rate and terminal value growth). A decrease in the average annual premium growth with 0.5% would lead to a €37 million lower surplus. An increase in the claims ratio based on compound annual growth rates with 0.5% would lead to a €195 million lower surplus. An increase in the average expense ratio with 0.5% would lead to a €199 million lower surplus. An increase in discount rate with 0.5% would lead to a €273 million lower surplus. A 0.5% lower terminal value growth would lead to a €151 million lower surplus.

The surplus, being the positive difference between the value-in-use and carrying amount, for Independer amounts to €162 million (2015: €262 million). The recoverable amount is sensitive for negative deviations within major assumptions (business related assumptions, discount rate and terminal value growth). A decrease in the average annual revenue growth of 0.5% would lead to a €4 million lower surplus. An increase in the average expense ratio with 0.5% would lead to a €4 million lower surplus. An increase in discount rate with 0.5% would lead to a €21 million lower surplus. A 0.5% lower terminal value growth would lead to a €18 million lower surplus.

7. ASSOCIATES AND JOINT VENTURES

(€ MILLION)

NAME OF THE COMPANY	COUNTRY	DESCRIPTION OF BUSINESS	DATE OF ACQUISITION	% OWNERSHIP 2016	NET ASSET VALUE 2016	BOOK VALUE 31 DECEMBER 2016	BOOK VALUE 31 DECEMBER 2015
Garanti Emeklilik ve Hayat A.S.	Turkey	Life insurance	2007	15.00%	51	73	77
Sprint Invest B.V.	The Netherlands	Investment entity	1996	50.00%	56	56	54
Other						16	12
						145	**143**

Although Achmea holds less than 20% of the shares of Garanti Emeklilik ve Hayat A.S., Achmea exercises significant influence by virtue of its strategic interest, close co-operation with Eureko Sigorta and the contractual right to appoint an Executive Board member. The book value of the associates and joint ventures is determined based on the (IFRS) financial statements for the same financial year of those entities, where available.

If not available, Achmea bases the book value on preliminary, unaudited figures received from the associate or joint venture. Achmea has established that, in the past, there were no material differences between those preliminary, unaudited figures and the (IFRS) financial statements of the associate or joint venture concerned.

Due to their nature, Associates and Joint Ventures consist mainly of assets expected to be recovered after more than twelve months after the balance sheet date.

MOVEMENTS IN ASSOCIATES AND JOINT VENTURES

(€ MILLION)

	TOTAL 2016	TOTAL 2015
Balance at 1 January	143	145
Investments and loans granted	2	
Annual results	13	6
Revaluations	1	2
Foreign currency differences	−14	−10
Balance at 31 December	**145**	**143**

The summarised financial statements of Garanti Emeklilik ve Hayat A.S. and Sprint Invest B.V. are included in the table on the next page. These are the only associate and joint venture of Achmea as at 31 December 2016, which, in the opinion of management, are material.

As the 2016 financial statements of the before mentioned holdings are not yet publicly available, values are based on published financial statements for the financial year 2015 and calculated in accordance with the accounting principles of Garanti Emeklilik ve Hayat A.S. and Sprint Invest B.V.

The amounts are translated into euros at the exchange rate ruling at reporting date. Total revenue and Total result are translated using the weighted average exchange rate for the year.

(€ MILLION)

	GARANTI EMEKLILIK VE HAYAT A.S.	SPRINT INVEST B.V.	TOTAL 2015	GARANTI EMEKLILIK VE HAYAT A.S.	SPRINT INVEST B.V.	TOTAL 2014
Current assets	2,831	4	2,835	2,592	4	2,596
Non-current assets	13	105	118	12	95	107
Total assets	2,844	109	2,953	2,604	99	2,703
Current liabilities	2,461		2,461	2,253		2,253
Non-current liabilities	48		48	41		41
Total liabilities	2,509		2,509	2,294		2,294
Total equity	335	109	444	310	99	409
Adjustments when using the equity method [1]	−258	−55	−313	−229	−48	−277
Book value	77	54	131	81	51	132
Revenue	208	9	217	182	–	182
Result before tax from continuing operations	80	9	89	76	−16	60
Net result from continuing operations	63	9	72	60	−16	44
Net result from discontinued operations						
Other comprehensive income						
Total comprehensive income	63	9	72	60	−16	44

[1] *adjustments when using the equity method also contain the elimination for the share in ownership.*

8. PROPERTY FOR OWN USE AND EQUIPMENT

(€ MILLION)

	2016	2015
Property for own use	292	298
In development		4
In use	292	294
Equipment	139	154
Software	11	13
Hardware	14	10
Office furniture	26	32
Other	88	99
Balance at 31 December	**431**	**452**

The carrying amount of Property for own use is the revalued amount, being its fair value at the date of the revaluation less any accumulated depreciation and impairment losses. For the valuation techniques used and valuation process of Property for own use refer to Note 4 Fair value hierarchy.
Equipment is measured at cost less accumulated depreciation and impairment losses.

Due to their nature Property for own use and Equipment consist mainly of assets expected to be recovered after more than twelve months after the balance sheet date.

Financial Statements - Notes to the consolidated financial statements

PROPERTY FOR OWN USE AND EQUIPMENT

(€ MILLION)

	PROPERTY FOR OWN USE	EQUIPMENT	TOTAL 2016	TOTAL 2015
Revalued amount				
Balance at 1 January	331	481	812	828
Acquisitions				-4
Disposals				
Change in composition of the Group				**-4**
Purchases and acquisitions	6	49	55	55
Sale, disposals and decommissioning		-49	-49	-69
Unrealised gains and losses recognised in equity	7		7	13
Unrealised gains and losses recognised in income	-1		-1	-7
Depreciation eliminated against the gross carrying amount due to revaluation	-15		-15	-14
Foreign currency differences	-3		-3	-3
Transfer to investment property	-1		-1	
Changes due to reclassification	−6	−1	-7	9
Balance at 31 December	**318**	**480**	**798**	**812**
Amortisation and impairment losses				
Balance at 1 January	33	327	360	356
Acquisitions				
Disposals				
Change in composition of the Group				
Sale, disposals and decommissioning		-32	-32	-55
Depreciation charge for the period	15	46	61	66
Depreciation eliminated against the gross carrying amount due to revaluation	-15		-15	-14
Changes due to reclassification	-7		-7	7
Balance at 31 December	**26**	**341**	**367**	**360**
Carrying amount				
At 1 January	298	154	452	472
At 31 December	**292**	**139**	**431**	**452**

Financial Statements - Notes to the consolidated financial statements

Part of Property for own use is financed by means of internal loans between the insurance entities and other entities within the Group. These loans are eliminated in full in these Consolidated Financial Statements. Property has been pledged on these internal loans.

Other equipment includes assets related to operational lease activities by WagenPlan B.V. amounting to €57 million (31 December 2015: €65 million).

If Property for own use were recognised on the historical cost basis, the amounts would be stated as follows:

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Costs	541	530
Cumulative amortisation and impairment losses	249	230
Net book amount based on 'cost model'	**292**	**300**

9. INVESTMENT PROPERTY

(€ MILLION)

	2016	2015
Balance at 1 January	1,114	1,125
Purchases	13	36
Disposals	−38	−41
Fair value changes recognised in profit or loss	25	−4
Changes due to reclassification *	14	−2
Transfer from property for own use	1	
Balance at 31 December	**1,129**	**1,114**

* *The reclassification relates to the rent incentive presented as part of Investment property as of 2016, instead of as part of Receivables and accruals.*

For the valuation techniques used and valuation process of investment property reference is made to Note 4 Fair value hierarchy.

ACHMEA'S INVESTMENT PROPERTY CONSISTS OF:

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Residential	465	429
Retail	324	338
Offices	298	293
Other	42	54
Total	**1,129**	**1,114**

10. INVESTMENTS

INVESTMENTS CLASSIFIED BY NATURE

(€ MILLION)

	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	31 DECEMBER 2016
Equities and similar investments	2,868	555		3,423
Fixed income investments *	31,104	4,723	643	36,470
Derivatives		4,081		4,081
Other financial investments	60	32	2,228	2,320
	34,032	**9,391**	**2,871**	**46,294**

(€ MILLION)

	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	31 DECEMBER 2015
Equities and similar investments	2,614	325		2,939
Fixed income investments *	30,312	4,537	742	35,591
Derivatives		3,750		3,750
Other financial investments	162	5	2,428	2,595
	33,088	**8,617**	**3,170**	**44,875**

* *Excluding saving accounts linked to life insurance contracts. These are presented as part of Other financial investments.*

The investments designated as 'At fair value through profit or loss' as at 31 December 2016 amounted to €5,309 million (31 December 2015: €4,887 million). Derivatives are used for hedging purposes. Achmea holds no financial instruments for trading purposes.

Based on their contractual maturity, an amount of €34,757 million (2015: €33,797 million) of fixed income investments and other investments is expected to be recovered after twelve months after reporting date. For all assets without a contractual maturity date, it is assumed that they will be expected to be recovered after twelve months after the reporting date.

INVESTMENTS MEASURED AT FAIR VALUE

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	FIXED INCOME INVESTMENTS	DERIVATIVES	OTHER FINANCIAL INVESTMENTS	TOTAL 2016	TOTAL 2015
Balance at 1 January	2,939	34,849	1,957	167	39,912	41,686
Investments and loans granted	1,094	22,300	8	154	23,556	28,885
Divestments and disposals	−840	−22,045	−506	−206	−23,597	−29,839
Fair value changes	176	930	1,050	11	2,167	−1,014
Foreign currency differences	41	−77	5		−31	278
Accrued interest		−44	2		−42	−87
Effect of change in benchmark rate						2
Changes due to reclassification	13	−86		−34	−107	1
Balance at 31 December	**3,423**	**35,827**	**2,516**	**92**	**41,858**	**39,912**
Comprising						
Assets	3,423	35,827	4,081	92	43,423	41,705
Liabilities			1,565		1,565	1,793

The reclassification with respect of fixed-income investments (mortgages) (€-86 million) relates to the presentation of building accounts. In previous years these were classified as other liabilities (net amount building accounts). The other changes due to reclassification relate to the application of IFRS 10 to the investment pools, resulting in a reclassification of the minority interests to Other liabilities and reclassification of Investments and Investments backing linked liabilities. Please refer to Note 11.

EQUITIES AND SIMILAR INVESTMENTS

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Listed ordinary shares	1,391	1,077
Alternatives	1,178	1,086
Real estate funds	286	265
Fixed-income funds	422	359
Other	146	152
	3,423	**2,939**

Alternatives comprise of €249 million investments in commodities (31 December 2015: €214 million), €334 million investments in private equity (31 December 2015: €319 million), €268 million investments in infrastructure funds (31 December 2015: €234 million) and €322 million investments in hedge funds (31 December 2015: €314 million).

FIXED INCOME INVESTMENTS

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Bonds		
Government and government related or guaranteed bonds		
Netherlands	8,921	8,930
Germany	4,141	2,842
France	1,343	1,465
Austria	504	523
Finland	448	417
Ireland	310	412
Belgium	312	369
Government guaranteed bonds	838	1,690
European governmental institutions	590	494
Other	904	1,280
Securitised bonds		
Asset backed	954	1,551
Covered	560	1,172
Corporate bonds	8,415	7,990
Convertible bonds	302	287
Loans and Mortgages		
Investment loans	1,009	1,052
Loans and mortgages to policyholders	19	19
Other loans and mortgages	5,850	3,777
Deposits with credit institutions		
Deposits within the European Union	241	390
Other	166	189
Total	**35,827**	**34,849**

Government and government related or guaranteed bonds include bonds issued by supranationals and (local) governments as well as sovereign bonds denominated in currencies other than the domestic currencies. Furthermore it includes government owned or sponsored entities and government guaranteed (corporate) bond issues.

Corporate bonds include investment grade bonds, that are relatively safe, having a high bond rating. Furthermore, corporate bonds include high yield bonds, having a lower rating than investment grade. These corporate bonds are not guaranteed by governments.

Deposits with credit institutions, subject to restrictions amounted to €5 million (31 December 2015: €51 million). These restrictions are in place to secure the rights of the policyholders in case Achmea for any reason will have to discontinue its operations.

For more details regarding Achmea's risk management policies reference is made to Note 50 Capital and risk management.

Financial Statements - Notes to the consolidated financial statements

SECURITISED BONDS – ASSET BACKED

Achmea's interests in unconsolidated structured entities such as bonds with collateral mortgages, collateral demand for car leasing and other pledged assets are presented in the line item Investments - Securitised bonds (Asset backed). The composition of Achmea's portfolios in the interests in structured entities is widely dispersed looking at the individual amount per entity. For the main part Achmea invests in the senior rated interest of these Assets backed securities, limiting the potential credit losses. For the most significant structured entities the following table presents the maximum exposure to loss for Achmea as at 31 December 2016, which equals the carrying amount of the securities at that date. Furthermore, the table presents a comparison of Achmea's interest with the total amount of issued notes by the structured entity. The amount shown as Total amount of issued notes is based on the deal size at issue of the notes.

INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES (€ MILLION)

	31 DECEMBER 2016		31 DECEMBER 2015	
	MAXIMUM EXPOSURE TO LOSS	TOTAL AMOUNT OF ISSUED NOTES AT ISSUE DATE	MAXIMUM EXPOSURE TO LOSS	TOTAL AMOUNT OF ISSUED NOTES AT ISSUE DATE
Mortgage backed securities	761	62,889	1,144	109,133
Car leasing receivables backed securities	69	6,934		446
Other securities	124	5,201	407	4,598
Carrying amount of interest in structured entity as at 31 December	**954**	**75,024**	**1,551**	**114,177**

Achmea did not provide financial or other support to unconsolidated structured entities. Nor does Achmea have intentions to provide financial or other support to unconsolidated structured entities in which Achmea has an interest or previously had an interest.

DAY 1 GAINS / LOSSES

At initial recognition, the transaction price of certain purchased financial instruments differed from the calculated fair value of assets measured using significant unobservable data (level 3). This initial gain or loss (day 1 gains / losses) is separately recognised as part of Loans and Mortgages and amortised over the expected maturity of these mortgages by means of the effective interest method. The amortisation is part of the Investment income in the Income Statement.

DAY 1 GAINS / LOSSES (€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Balance at 1 January	-13	-18
Deferred gains and losses in current period		3
Recognised in Income Statement current period	2	2
Balans per 31 december	**-11**	**-13**

DERIVATIVES

(€ MILLION)

	ASSETS	LIABILITIES	31 DECEMBER 2016
Interest rate derivatives	3,927	1,431	2,496
Currency derivatives	103	107	–4
Equity derivatives	48		48
Other derivatives	3	27	–24
	4,081	**1,565**	**2,516**

	ASSETS	LIABILITIES	31 DECEMBER 2015
Interest rate derivatives	3,545	1,704	1,841
Currency derivatives	149	69	80
Equity derivatives	49		49
Other derivatives	7	20	–13
	3,750	**1,793**	**1,957**

Derivatives assets and liabilities relating to the same counterparty are generally not included in the balance sheet on a net basis, as the IFRS requirements netting have not been met.

Bilateral arrangements regarding collateral to be received or provided have been agreed with Achmea's counterparties. The collateral to be received or provided is based on the derivatives assets and liabilities combined of the relevant counterparty. In some cases derivative positions are cleared centrally. In those cases, in addition to the initial margin, the collateral to be provided depends on the combined position of derivatives assets and liabilities at the relevant clearing agent.

In the event of collateral these arrangements are recorded in so-called ISDA Credit Support Annex agreements. These also stipulate the conditions – the so-called 'default events' – under which the party may use the cash collateral to reduce possible losses.

Collateral received is not included in the Achmea balance sheet, unless Achmea acquires the economic benefits of the asset. The collateral provided will remain included in the Achmea balance sheet, unless Achmea has transferred the economic benefits of the asset. In most cases the collateral to be received consists of liquid investments (government bonds). Transfer of the collateral takes place by "transfer of title", meaning the legal ownership is transferred to Achmea. The economic benefits, such as interest income, do not transfer to the receiver of the collateral.

As at 31 December 2016 €2,419 million of the total position of derivatives assets and liabilities was covered by collateral (31 December 2015: €2,568 million). The fair value of the collateral held for the total position of derivatives assets and liabilities combined amounts to €2,090 million (31 December 2015: €2,697 million), mainly comprising liquid assets such as government bonds and cash or cash equivalents. The total value of the collateral held also includes collateral deposited for cleared derivatives positions, a so-called initial margin, of €452 million.

ANALYSIS BY ESTIMATED TIME TO MATURITY OF UNDISCOUNTED CASHFLOWS OF DERIVATIVES (LIABILITIES)

(€ MILLION)

2016	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	→ 5 YEARS	TOTAL
Interest rate derivatives*	120	285	238	859	1,502
Currency derivatives	108				108
Other derivatives	4	23	1		28
Balance at 31 December	**232**	**308**	**239**	**859**	**1,638**

2015	WITHIN 1 YEAR	1-3 YEARS	3-5 YEARS	→ 5 YEARS	TOTAL
Interest rate derivatives*	104	253	297	1,181	1,835
Currency derivatives	69				69
Other derivatives	19	1			20
Balance at 31 December	**192**	**254**	**297**	**1,181**	**1,924**

* *The undiscounted contractual cash flows of derivative liabilities held for risk management exclude the cash flows of the back to back swaps. The fair value of the back to back swaps amounted to €99 million at 31 December 2016 (31 December 2015: €139 million).*

The table below summarises the notional amounts of Achmea's interest rate derivatives and the fair values of the interest rate derivatives.

INTEREST RATE DERIVATIVES

(€ MILLION)

	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Insurance activities						
Interest derivatives	30,160	3,744	668	27,431	3,323	808
Future interest cash flow of the liability interest derivatives	416			444		
Banking activities						
Interest derivatives	7,383	183	763	12,858	222	896
Future interest cash flow of the liability interest derivatives	763			897		
Total						
Interest derivatives	37,543	3,927	1,431	40,289	3,545	1,704
Future interest cash flow of the liability interest derivatives	1,179			1,341		

Achmea applies fair value hedge accounting for the interest rate risk related to banking activities. For more details related to hedge accounting and the results on hedge accounting, reference is made to note 12 Banking credit portfolio. The fair value of the interest rate derivatives of the banking activities designated as hedging instrument for the purpose of hedge accounting as at 31 December 2016 amounted to €574 million (31 December 2015: €642 million).

The table below summarises the notional amounts of Achmea's currency derivatives and the fair values of these derivatives.

CURRENCY DERIVATIVES

(€ MILLION)

	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL AMOUNT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Forward exchange contracts	3,503	30	107	3,958	71	70
Currency/cross currency swaps	9	73		325	78	
Total currency derivatives	**3,512**	**103**	**107**	**4,283**	**149**	**70**

Achmea applies fair value hedge accounting for the portfolios exposed to foreign currency risk. Fair value hedge accounting implies that the fair value movements from the hedging instrument and the fair value movements from the hedged item that are attributable to the hedging risk are recognised in the Income statement.

Foreign exchange contracts are used as hedging instruments. The fair value of the currency derivatives designated as hedging instrument for the purpose of hedge accounting as at 31 December 2016 amounted to €-24 million (31 December 2015: €-6 million).

The fair value of a foreign exchange contract varies with the foreign exchange rate which corresponds with the fair value changes related to foreign currency differences of an investment in a foreign currency. These results are presented in the table on the following page.

RESULTS ON HEDGE ACCOUNTING

(€ MILLION)

FOREIGN CURRENCY FAIR VALUE HEDGES	2016	2015
Fair value changes of the hedged item attributable to the hedged risk	–13	–89
Fair value changes of the related derivatives	25	67
Net result	**12**	**-22**

IMPAIRMENTS

(€ MILLION)

	EQUITIES AND SIMILAR INVESTMENTS	BONDS	OTHERS	2016	2015
Impairment losses during the year	–25		–3	–28	–29

In 2016, impairment losses were due to significant or prolonged decline of specific stock prices.

The nominal value of the impaired Fixed income investments amounted to €10 million (31 December 2015: €14 million). For 2016, interest income related to the impaired part of Fixed income investments was €1 million (2015: nil). Impairment losses are included in Realised and unrealised gains and losses.

INVESTMENTS MEASURED AT AMORTISED COST

(€ MILLION)

	2016	2015
Balance at 1 January	3,170	3,555
Investments and loans granted	84	411
Divestments and disposals	−377	−981
Foreign currency differences	−108	69
Accrued interest	102	116
Balance at 31 December	**2,871**	**3,170**

Investments measured at amortised cost mainly concern saving accounts linked to life insurance contracts held with Rabobank Groep, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan. These investments are recognised as part of Other financial investments.

11. INVESTMENTS BACKING LINKED LIABILITIES

Investments backing linked liabilities comprise assets for insurance contracts with segregated investments, deposits for group life contracts with full profit sharing, unit-linked life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked.

Investments backing linked liabilities are separated from other investments which are invested in accordance with the requirements towards holders of life insurance or investment contracts. Policyholders and holders of investment contracts are entitled to all gains recorded and to the total amount of the investments shown under this heading, but they also have to carry any losses.

For this reason Insurance liabilities where policyholders bear investment risks are related to this account. These investments are classified as 'At fair value through profit or loss'.

Investments backing linked liabilities are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of Achmea.

INVESTMENTS BACKING LINKED LIABILITIES

(€ MILLION)

	INVESTMENT PROPERTY	EQUITIES AND SIMILAR INVESTMENTS	BONDS AND OTHER FIXED-INCOME INVESTMENTS*	DERIVATIVES	CASH AND OTHER FINANCIAL INVESTMENTS	TOTAL 2016	TOTAL 2015
Balance at 1 January	281	6,026	3,603	389	8,431	18,730	18,680
Investments and loans granted	159	4,232	4,296	90	68	8,845	11,087
Divestments and disposals		−4,446	−4,655	−79	−422	−9,602	−11,636
Fair value changes recognised in profit or loss	12	573	54	−21	−43	575	342
Foreign currency differences		5	8			13	2
Accrued interest and rent			9		266	275	268
Changes due to reclassification		66	−21	1	−44	2	−1
Cash movements					−38	−38	−82
Other movement		−179	366		−46	141	70
Balance at 31 December	**452**	**6,277**	**3,660**	**380**	**8,172**	**18,941**	**18,730**

* *Excluding saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan. These are presented as part of Cash and other financial investments.*

Other movements relate to the consolidation of a number of investment pools. These pools are included in the consolidated figures of Achmea Pensioen- en Levensverzekeringen N.V. because there is control as defined in IFRS 10. Changes due to reclassification relate to reclassification within Investments and Investments backing linked liabilities.

12. BANKING CREDIT PORTFOLIO

BANKING CREDIT PORTFOLIO CLASSIFIED BY NATURE

(€ MILLION)

2016	LOANS AND RECEIVABLES AT AMORTISED COST	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions			
Loans and advances to banks	1,093		1,093
Cash advances, overdrafts and other balances due on demand	39		39
Loans*			
Secured by mortgages	12,316	261	12,577
Other loans and advances to private sector	48		48
Allowance account	78		78
Balance at 31 December	**13,418**	**261**	**13,679**

* *Of which non-performing loans €288 million*

(€ MILLION)

2015	LOANS AND RECEIVABLES AT AMORTISED COST	AT FAIR VALUE THROUGH PROFIT OR LOSS	TOTAL
Credit institutions			
Loans and advances to banks	1,104		1,104
Cash advances, overdrafts and other balances due on demand	173		173
Loans*			
Secured by mortgages	13,203	289	13,492
Other loans and advances to private sector	194		194
Allowance account	97		97
Balance at 31 December	**14,577**	**289**	**14,866**

* *Of which non-performing loans €305 million*

An amount of €1,093 million (2015: €928 million) is not available on demand and consists of collateral for derivatives and reserve funds related to securitisation transactions. An amount of €11,718 million (2015: €12,671 million) of the Banking credit portfolio is expected to be recovered after twelve months after reporting date.

BANKING CREDIT PORTFOLIO AT AMORTISED COSTS

(€ MILLION)

	CREDIT INSTITUTIONS	LOANS	TOTAL 2016	TOTAL 2015
Balance at 1 January (excluding Allowance account)	1,277	13,397	14,674	15,029
Investments and loans granted	684	805	1,489	1,146
Divestments and disposals	−829	−1,774	−2,603	−1,333
Change in value due to fair value hedge accounting		−64	−64	−168
Balance at 31 December (excluding Allowance account)	**1,132**	**12,364**	**13,496**	**14,674**
Balance at 1 January (Allowance account)		97	97	116
Additional allowances		21	21	15
Allowances used		−31	−31	−24
Amounts released		−9	−9	−10
Balance at 31 December (Allowance account)		**78**	**78**	**97**
Carrying amount				
At 1 January	1,277	13,300	14,577	14,913
At 31 December	**1,132**	**12,286**	**13,418**	**14,577**

The fair value of the Banking credit portfolio measured at amortised cost at year-end is €13,688 million (2015: €14,721 million).

RESULTS ON HEDGE ACCOUNTING

(€ MILLION)

	GAINS	LOSSES	TOTAL 2016	TOTAL 2015
Fair value changes of the hedged item attributable to the hedged risk	150	−211	−61	-165
Fair value changes of the related derivatives (including discontinuation)	220	−156	64	167
Fair value changes of the hedging instrument - ineffective portion	370	−367	3	2

The fair value of the derivatives designated as hedging instruments related to the Banking credit portfolio amounted to €574 million as at 31 December 2016 (31 December 2015: €642 million).

In accordance with hedge accounting policies, Achmea designates the hedge relationship each month. The change in fair value of the Banking credit portfolio that is determined to be the hedged item is recognised as part of the Banking credit portfolio and is subsequently amortised to profit or loss over the remaining life of the hedging instrument. Amortisation is based on the effective interest rate method.

As at 31 December 2016, the carrying amount of the loans is affected by impairment losses amounting to €184 million (2015: €255 million). The carrying amount is reduced through use of an allowance account. The impairment loss is mainly a result of individual assessments of the expected cash flows in relation to the loans.

For 2016, the interest income related to impaired financial instruments is €5 million (2015: €9 million).

The fair value of the banking portfolio measured at fair value is subject to changes in creditworthiness of the issuer. The impact on the fair values of the Banking credit portfolio is as follows:

FAIR VALUE CHANGE RELATED TO CHANGES IN THE SPREAD, INCLUDED CREDIT RISK COUNTERPARTY

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Current period	1	−1
Cumulatively	8	7

To finance its banking activities, Achmea has issued several funding instrument, secured by pledges on (receivables from) Loans part of the Banking credit portfolio. Due to these pledges part of the Banking credit portfolio is not freely disposable. These pledges can be analysed as follows:

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Pledge by means of trust arrangements	230	258
Third-party pledge	1,291	274
Pledge by means of securitisation	3,931	4,236
	5,452	**4,768**

As part of the pledges by means of trust arrangements, Achmea Bank (a fully owned subsidiary of Achmea) periodically pledges mortgage receivables to a Trustee as security for designated liabilities. In the event of default by Achmea Bank, investors can recover the debt from the pledged mortgage receivables.

Third-party pledges on loans are set up by means of covered bond programme, in which Achmea Bank acts as originator and issuer under the programme. The payment of the principal of interest on the bonds issued is guaranteed by a bankruptcy remote 'Special Purpose Vehicle' (SPV). The guarantee provided by this SPV is supported by mortgage receivables, pledged by Achmea Bank to the SPV. The outstanding amount of these transferred mortgage receivables will at all times be at least 33.3% higher than the bonds issued under the programme. In the event of default by Achmea Bank, an investor has recourse on the bank and the underlying mortgage portfolio. The liabilities related to these pledges are included in Note 25 Loans and borrowings, as part of Secured bank loans. The pledges by trust arrangements and the covered bond programme are not classified as transferred assets as mentioned in IFRS paragraph 7.42.

Achmea Bank uses securitisation as a funding source. In all these securitisation transactions, Achmea Bank assigns a portfolio of mortgage receivables to a special-purpose vehicle (SPV) which issues Notes on the capital markets. With the proceeds of the Notes the SPV can finance the assigned mortgage receivables and with the received interest on the mortgage receivables the SPV can pay the interest on the Notes.

The liabilities related to these securitisations are included in Note 25 Loans and borrowings. The table below provides an overview of both the outstanding amount and the fair value of the Loans and advances to customers and the fair value of the related debt securities part of Debt securities issued.

(€ MILLION)

	31 DECEMBER 2016		31 DECEMBER 2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Loans part of Banking credit portfolio included in securitisation	3,931	4,305	4,236	4,590
Related secured bank loans part of Loans and borrowings	–3,075	–3,106	–3,321	–3,359
Net position as at 31 December	**856**	**1,199**	**915**	**1,231**

The maximum loss for Achmea on the transferred assets and liabilities amounted to €873 million as at 31 December 2016 (31 December 2015: €813 million) and has been determined based on the Notes of the SPV's which are held by Achmea and the Deferred Purchase Price (excess margin).

13. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year can be specified as follows:

(€ MILLION)

	BALANCE AT 1 JANUARY 2016	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2016
Intangible assets	−28	3	2		−23
Property for own use and equipment	12	−4	−2	−4	2
Investments	−971	−281	−30	−58	−1,340
Deferred acquisition costs		4			4
Insurance liabilities	1,739	351		−60	2,030
Post-employment benefits	−1	6	−14		−9
Other provisions	10	10		1	21
Amortisation	36	2		1	39
Other liabilities	−8	−3		−3	−14
Loss carry-forwards	13			6	19
	802	**88**	**−44**	**−117**	**729**
Comprising:					
Deferred tax assets					739
Deferred tax liabilities					10

(€ MILLION)

	BALANCE AT 1 JANUARY 2015	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2015
Intangible assets	122		2	−152	−28
Property for own use and equipment	16		−3	−1	12
Investments	−1,597	455	65	106	−971
Deferred acquisition costs	6	−6			
Insurance liabilities	1,980	−193		−48	1,739
Post-employment benefits	1	−6		4	−1
Other provisions	3	7			10
Amortisation	1	4		31	36
Other liabilities	−34	26			−8
Loss carry-forwards	11	1		1	13
	509	**288**	**64**	**−59**	**802**
Comprising:					
Deferred tax assets					817
Deferred tax liabilities					15

The tax rates used in calculating deferred tax assets and liabilities differ per jurisdiction, and in both 2016 and 2015 these tax rates ranged from 10% to 30%. Changes in tax rates substantively enacted as at 31 December 2016 are taken into account.

The other movements mainly relate to the transfer between deferred and current tax as a result of a change in valuation for tax purposes of insurance liabilities and investments. In 2015 the other movements were mainly related to a change in valuation for tax purposes of software under Intangible assets and other tax valuation changes.

An amount of €729 million (2015: €802 million) of the Deferred tax assets and liabilities is expected to be recovered, to a large extent, more than twelve months after reporting date.

In the measurement of the current income tax position, uncertainties regarding collectability have been taken into account.

Deferred tax assets amounting to €34 million (2015: €55 million), have not been recognised in respect of taxable losses of previous years. For these losses it is not probable that future taxable profits will be available, against which the temporary difference can be utilised. The unrecognised deferred tax assets do not expire under current tax legislation.

14. DEFERRED ACQUISITION COSTS

(€ MILLION)

2016	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	110	27	137
Addition of deferred acquisition costs	20	10	30
Amortisation	-29	-3	-32
Foreign currency differences	-3		-3
Balance at 31 December	**98**	**34**	**132**

An amount of €98 million (2015: €102 million) of the Deferred acquisition costs is expected to be recovered more than twelve months after reporting date.

(€ MILLION)

2015	INSURANCE CONTRACTS	INVESTMENT CONTRACTS	TOTAL
Balance at 1 January	114	25	139
Addition of deferred acquisition costs	21	7	28
Amortisation	-27	-5	-32
Foreign currency differences	2		2
Balance at 31 December	**110**	**27**	**137**

15. RECEIVABLES AND ACCRUALS

(€ MILLION)

	2016	2015
Receivables from direct insurance	1,425	1,283
Receivables on reinsurance	135	40
Investment receivables	43	47
Contribution from Dutch Health insurance fund	2,319	2,540
Prepayments to Dutch hospitals	1,267	2,033
Payments related to Dutch short-term mental care (GGZ)	316	299
Other prepayments and accrued income	508	678
Undue payments healthcare providers *	563	522
Non-insurance assets acquired by exercising rights to recoveries	99	58
Other	352	337
Balance at 31 December	**7,027**	**7,837**

* *The 2015 figures have been adjusted for comparison purposes. For more information refer to Note 1 Accounting policies.*

An amount of €2,335 million (31 December 2015: €3,049 million) of the Receivables and accruals is expected to be recovered after twelve months after reporting date. For receivables expected to be recovered within twelve months after reporting date, the carrying amount is a reasonable approximation of the fair value.

The fair value of receivables expected to be recovered after twelve months after the reporting date amounts to €2,342 million as at 31 December 2016 (31 December 2015: €2,772 million).

Impairment losses recognised in 2016 related to Receivables and accruals amounted to €18 million (31 December 2015: €20 million) and are included in 'Other expenses'.

16. CASH AND CASH EQUIVALENTS

(€ MILLION)

	2016	2015
Cash and bank balances	2,028	1,825
Call deposits	143	292
Balance at 31 December	**2,171**	**2,117**

Cash and cash equivalents subject to restrictions amounted to €72 million (31 December 2015: €91 million). The restrictions are related to the minimum reserve to be maintained at De Nederlandsche Bank N.V. of €46 million (31 December 2015: €57 million) and to collateral for the benefit of policyholders of €26 million (31 December 2015: €34 million).

17. EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

The movements in Equity attributable to holders of equity instruments of the company are specified in the Consolidated Statement of Changes in Total equity.

SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF ORDINARY SHARES	NOMINAL VALUE ORDINARY SHARES	NUMBER OF PREFERENCE SHARES	NOMINAL VALUE PREFERENCE SHARES	NUMBER OF A SHARES	NOMINAL VALUE A SHARES
	(PAR VALUE € 1 PER SHARE)	(€ MILLION)	(PAR VALUE € 1 PER SHARE)	(€ MILLION)	(PAR VALUE € 1 PER SHARE)	(€ MILLION)
Authorised	2,103,943,009	2,104	60,000,000	60	1	
Issued	410,820,173	411	23,904,060	24	1	
Available for issuance	**1,693,122,836**	**1,693**	**36,095,940**	**36**		
Shares issued 1 January 2015	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2015	**410,820,173**	**411**	**23,904,060**	**24**	**1**	
Shares issued 1 January 2016	410,820,173	411	23,904,060	24	1	
Shares issued 31 December 2016	**410,820,173**	**411**	**23,904,060**	**24**	**1**	

Share premium

The Consolidated Statement of Changes in Total equity includes €11,357 million Share capital/premium. This amount includes €10,923 million share premium paid by the shareholders. The paid-in premium related to preferred shares amounts to €266 million, the other share premium accrues to the holders of ordinary shares.

Share rights, preferences and restrictions

Each share confers the right to one vote at Achmea's General Meeting (see article 29.1 of the Statutes). Stichting Administratiekantoor Achmea is the holder of the A share. Special rights adhere to the A share. Many decisions of the General Meeting of Achmea B.V. can only be made after approval of the holder of the A share.

The General Meeting decides whether or not to pay dividends to the holders of preference and ordinary shares.

The holders of preference shares are entitled to receive dividends when declared. Dividends paid are 5.5% per year on the share capital and share premium paid for those shares. If the Supervisory Board agrees, the Executive Board can annually increase the above mentioned percentage, established in February 2014, by a maximum of 1.8%. Terms on the percentage will be reviewed every ten years. The next review will take place before 1 January 2024.

All preference shares in the share capital of Achmea B.V. have been issued to Achmea Tussenholding B.V. The shares in the share capital of Achmea Tussenholding B.V. are certified through Stichting Administratiekantoor Achmea Tussenholding and issued to a number of institutional investors. Certificates held by Achmea B.V., amounting to €45 million, are presented as Own shares within Total equity.

An overview of Achmea shareholders as at 31 December 2016 is presented in Other information.

Own shares

Shares issued by Achmea B.V. and purchased by Achmea B.V. amounted to €235 million on 31 December 2016 and are presented as Own shares, which consisted of 10,335,282 ordinary shares (amounting to €190 million) and 11,486,592 certificates of Achmea Tussenholding B.V. shares (amounting to €45 million). There are no voting rights attached to these shares and no dividend is to be paid out.

Legal reserves

A legal reserve must be set up for the non-distributable profits related to associates and joint ventures, recognised internally developed software and Health subsidiaries that are subject to regulatory requirements and that according to the law may not distribute any profits to their shareholders.

An amount of €627 million (31 December 2015: €621 million) of Total equity contributed by subsidiaries at year-end 2016 is subject to claims under provisions in the articles of association of a number of subsidiaries,

stipulating that, in the event of liquidation, the equity of these companies must be used for the benefit of public health. As far as this amount is not included in the revaluation reserve, it has been included in the legal reserves. Amounts presented within the legal reserves cannot be distributed to shareholders.

Revaluation reserve

Based on the accounting principles used by Achmea, a revaluation reserve is formed. Furthermore, based on Dutch regulations, Achmea should form a legal reserve for all positive unrealised fair value changes for assets that are not quoted on active markets and for which the unrealised fair value changes are included in the income statement (e.g. investment property and certain other financial instrument with level 3 fair value measurements). This reserve is formed by transferring the required amounts from Retained earnings to the Revaluation reserve. Due to negative fair value movements of these assets in 2016, an amount of €9 million (2015: €7 million) is reallocated from the Revaluation reserve to the Retained earnings.

Part of the Revaluation reserve is related to property for own use. The revaluation surplus for property for own use amounted to €31 million in 2016 (2015: €23 million). The majority of the remainder of the revaluation reserve is related to available for sale investments.

The Revaluation reserve contains an amount of €412 million (31 December 2015: €411 million) relating to unrealised losses net of deferred taxes on assets carried at fair value. In determining the non-distributable revaluation reserve under Dutch regulations these losses cannot be deducted. Consequently, in relation to the Revaluation reserve an amount of €412 million (31 December 2015: €411 million) cannot be distributed to shareholders.

Exchange difference reserve

Assets and liabilities of foreign subsidiaries, with a functional currency other than the euro, are translated into euros at the exchange rates at reporting date. The income and expenses of such subsidiaries are translated at the weighted average exchange rates for the reporting period. Translation differences arising from the application of reporting date exchange rates to the opening balance of the net assets and goodwill of such subsidiaries and to the foreign exchange results for the reporting period are recognised in the Exchange difference reserve.

Amounts presented within the Exchange difference reserve cannot be distributed to shareholders.

Hedging reserve

The amounts presented within the Hedging reserve cannot be distributed to shareholders. In determining the non-distributable amounts under Dutch regulations these amounts cannot be distributed. Consequently, in relation to the Hedging reserve an amount of €7 million (2015: €7 million) cannot be distributed to shareholders.

Retained earnings

Results within the Dutch Health Insurance business are reported as non-taxable results, based on the current tax laws. The tax exemption is applicable as far as these results are not distributed. When results are partly or fully distributed, the annual results of the Dutch Health Insurance business will no longer be tax exempted. The annual results will then be taxable against a tax rate of 25%.

On 11 May 2016, Achmea acquired the non-controlling interest in its subsidiary Independer.nl N.V. The acquisition price of the subsidiary acquired in 2012 consisted of the amount paid (cash) and a best estimate of the commitment to acquire the third-party interest by 2017 at the latest. The commitment of 2012 was remeasured annually based on the most current estimates and assumptions. Changes in the value of this liability are recognised in the Income Statement of a particular year. Therefore the acquisition of the non-controlling interest in 2016 has, except for the usual remeasurement of the liability through the Income Statement, no impact on Total equity. The transaction is accounted for as a direct transfer between Non-controlling interest and Equity attributable to holders of equity instruments of the company, Retained earnings.

On 3 June 2016, Achmea acquired the non-controlling interest in its subsidiary Inshared Holding B.V. The difference between the acquisition price of the non-controlling interest and the carrying amount of the non-controlling interest is accounted for in Equity attributable to holders of equity instruments of the company, Retained earnings. The impact on Equity attributable to holders of equity instruments of the company of these transactions is summarised as follows:

(€ MILLION)

	31 DECEMBER 2016
Carrying amount non-controlling interest acquired	9
Consideration paid for acquired Non-controlling interest (excluding the 2012 commitment)	9
Difference accounted for in equity	**0**

Retained earnings contain an amount of €-198 million relating to defined benefit plans (31 December 2015: €-223 million). Changes in measurement of qualifying investments that cover defined benefit obligations and related liabilities concerning Achmea's defined benefit schemes are included in Other comprehensive income.

The appropriation of results is presented in the Company Financial Statements of Achmea B.V. for 2016, Note 20 Proposal for appropriation of result. According to this proposal no dividend will be distributed to the holders of ordinary shares related to the financial year 2016.

Other equity instruments

Coupon payments on Other equity instruments are determined by Achmea and subject to the limitations described in the prospectus. The coupon payments will be charged to Retained earnings, part of Total equity. The tax related to the coupon payments of the appropriation of results is also included within Retained earnings and amounted in 2016 to €17 million (2015: €14 million).

18. NON-CONTROLLING INTEREST

(€ MILLION)

	2016	2015
Independer.nl N.V.		14
WagenPlan B.V.	7	7
Inshared Holding B.V.		–5
Other	1	1
	8	**17**

On 11 May 2016 Achmea acquired the non-controlling interest in its subsidiary Independer.nl N.V. and on 3 June 2016 it acquired the non-controlling interest in its subsidiary Inshared Holding B.V. See Note 17 Equity attributable to holders of equity instruments of the company for more information on these transactions and their recognition in equity.

19. INSURANCE LIABILITIES

INSURANCE LIABILITIES

(€ MILLION)

	2016 GROSS	2016 REINSURANCE	2015 GROSS	2015 REINSURANCE
Non-life insurance				
Unearned premiums	1,254	88	1,253	87
Provision for premium deficiency and unexpired risks	50		54	1
Outstanding claims (including IBNR)	6,011	404	5,598	304
Profit sharing and bonuses for policyholders	26		26	
Total Non-life insurance	**7,341**	**492**	**6,931**	**392**
Health insurance				
Unearned premiums	28		23	
Provision for premium deficiency and unexpired risks	435		481	
Outstanding claims (including IBNR)	4,388	8	5,285	13
Total Health insurance	**4,851**	**8**	**5,789**	**13**
Life insurance				
Provision for life policy liabilities	25,248	897	25,939	976
Deferred interest surplus rebates	–32		–40	
Net provision for life policy liabilities	25,216	897	25,899	976
Profit sharing and bonuses for policyholders	7,766		6,202	
Total Life insurance	**32,982**	**897**	**32,101**	**976**
Total Insurance liabilities	**45,174**	**1,397**	**44,821**	**1,381**

The table below shows the insurance liabilities analysed by estimated time to maturity. The Life insurance and Income Protection contracts are analysed, based on the discounted cash in- and outflows related to the insurance contracts; Property & Casualty and Health insurance contracts are analysed, based on undiscounted cash flows.

ANALYSIS BY ESTIMATED TIME TO MATURITY OF INSURANCE LIABILITY

(€ MILLION)

2016	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	524	1,118	1,091	332	3,065
Property & Casualty	2,066	1,507	664	39	4,276
Health insurance	4,549	302			4,851
Life insurance	1,341	4,036	10,046	17,559	32,982
Balance at 31 December	**8,480**	**6,963**	**11,801**	**17,930**	**45,174**

2015	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
Non-life insurance					
Income protection	456	1,108	1,100	354	3,018
Property & Casualty	1,690	1,545	642	36	3,913
Health insurance	5,402	387			5,789
Life insurance	1,186	3,250	9,697	17,968	32,101
Balance at 31 December	**8,734**	**6,290**	**11,439**	**18,358**	**44,821**

NON-LIFE PORTFOLIO ANALYSES

(€ MILLION)

	31 DECEMBER 2016		31 DECEMBER 2015	
	INSURANCE LIABILITIES	%	INSURANCE LIABILITIES	%
Accident	3,065	42%	3,018	44%
Motor liability	1,762	24%	1,564	23%
Motor other	389	5%	378	5%
Transport /aviation	83	1%	92	1%
Property	973	13%	888	13%
General liability	858	12%	776	11%
Legal assistance	211	3%	210	3%
Other		0%	5	0%
	7,341	**100%**	**6,931**	**100%**

HEALTH PORTFOLIO ANALYSES

(€ MILLION)

	31 DECEMBER 2016		31 DECEMBER 2015	
	INSURANCE LIABILITIES	%	INSURANCE LIABILITIES	%
Basic Health insurance	4,631	95%	5,070	96%
Supplementary Health insurance	123	3%	106	2%
Other	97	2%	91	2%
	4,851	**100%**	**5,267**	**100%**

LIFE PORTFOLIO ANALYSES

(€ MILLION)

	31 DECEMBER 2016		31 DECEMBER 2015	
	INSURANCE LIABILITIES	%	INSURANCE LIABILITIES	%
Insurance with profit participation	17,997	55%	18,287	57%
Other life Insurance	14,985	45%	13,814	43%
	32,982	**100%**	**32,101**	**100%**

MOVEMENT TABLE NON-LIFE INSURANCE LIABILITIES

(€ MILLION)

	2016 GROSS	2016 REINSURANCE	2015 GROSS	2015 REINSURANCE
PROVISION FOR UNEARNED PREMIUMS NON-LIFE				
Balance at 1 January	1,253	87	1,294	81
Added during the year	3,780	264	3,684	258
Released to the Income Statement	−3,750	−255	−3,703	−241
Foreign currency differences	−27	−8	−22	−11
Changes due to reclassification	−2			
Balance at 31 December	**1,254**	**88**	**1,253**	**87**
PROVISION FOR PREMIUM DEFICIENCY AND UNEXPIRED RISKS NON-LIFE				
Balance at 1 January	54	1	64	1
Added during the year	1		1	
Released to the Income Statement	−5	−1	−11	
Balance at 31 December	**50**		**54**	**1**
OUTSTANDING CLAIMS (INCLUDING IBNR) NON-LIFE				
Balance at 1 January	5,598	304	5,486	229
Current period claims reported	2,927	277	2,594	117
Previous period claims reported/released	54	2	170	36
Plus claims reported	**2,981**	**279**	**2,764**	**153**
Current period claims paid	1,419	108	1,253	30
Previous period claims paid	1,193	49	1,287	32
Less claims paid	**2,612**	**157**	**2,540**	**62**
Foreign currency differences	−26	−22	−20	−17
Unwinding of discount	72		−74	
Effect of changes in assumptions	−13		−18	1
Changes due to reclassification	11			
Balance at 31 December	**6,011**	**404**	**5,598**	**304**
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	26		63	
Additions/Disposals due to acquired/sold portfolios	−2			
Net movements during the period	2		−37	
Balance at 31 December	**26**		**26**	
TOTAL NON-LIFE INSURANCE LIABILITIES	**7,341**	**492**	**6,931**	**392**

The Outstanding claims provision includes an amount of €319 million under Current period claims reported relating to the heavy rain and hail storms in the first half of 2016. Of this amount €167 million is reinsured.

The tables below show the claims development table for Non-Life before and net of reinsurance.

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(BEFORE REINSURANCE)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,927	2,594	2,593	2,776	2,733	2,594	2,848	2,825	2,828	2,709	
One year later		2,538	2,447	2,541	2,482	2,468	2,633	2,857	2,827	2,596	
Two years later			2,485	2,544	2,437	2,443	2,504	2,650	2,709	2,564	
Three years later				2,549	2,435	2,439	2,471	2,539	2,538	2,448	
Four years later					2,369	2,445	2,477	2,509	2,515	2,422	
Five years later						2,413	2,465	2,530	2,468	2,359	
Six years later							2,447	2,536	2,481	2,326	
Seven years later								2,516	2,479	2,333	
Eight years later									2,498	2,343	
Nine years later										2,351	
Estimate of cumulative claims	**2,927**	**2,538**	**2,485**	**2,549**	**2,369**	**2,413**	**2,447**	**2,516**	**2,498**	**2,351**	**25,093**
Cumulative payments	−1,419	−1,698	−1,734	−2,033	−1,965	−2,028	−2,156	−2,216	−2,224	−2,159	−19,632
	1,508	**840**	**751**	**516**	**404**	**385**	**291**	**300**	**274**	**192**	**5,461**
Insurance liabilities claims prior years (<2007)											1,284
Effect of discounting											−734
Outstanding claims at 31 December 2016											**6,011**

CLAIMS DEVELOPMENT TABLE FOR NON-LIFE

(€ MILLION)

(NET OF REINSURANCE)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	2,650	2,477	2,525	2,673	2,692	2,524	2,773	2,736	2,726	2,508	
One year later		2,471	2,383	2,445	2,433	2,399	2,572	2,768	2,726	2,387	
Two years later			2,446	2,450	2,402	2,374	2,439	2,571	2,614	2,356	
Three years later				2,468	2,400	2,400	2,407	2,457	2,446	2,214	
Four years later					2,335	2,410	2,450	2,438	2,422	2,246	
Five years later						2,372	2,439	2,505	2,384	2,163	
Six years later							2,372	2,478	2,368	2,159	
Seven years later								2,493	2,418	2,158	
Eight years later									2,404	2,293	
Nine years later										2,295	
Estimate of cumulative claims	**2,650**	**2,471**	**2,446**	**2,468**	**2,335**	**2,372**	**2,372**	**2,493**	**2,404**	**2,295**	**24,306**
Cumulative payments	−1,311	−1,673	−1,727	−1,975	−1,957	−2,008	−2,129	−2,198	−2,137	−2,108	−19,223
	1,339	**798**	**719**	**493**	**378**	**364**	**243**	**295**	**267**	**187**	**5,083**
Insurance liabilities claims prior years (<2007)											1,258
Effect of discounting											−734
Outstanding claims at 31 December 2016											**5,607**

MOVEMENT TABLE HEALTH INSURANCE LIABILITIES

(€ MILLION)

	2016 GROSS	2016 REINSURANCE	2015 GROSS	2015 REINSURANCE
PROVISION FOR UNEARNED PREMIUMS HEALTH				
Balance at 1 January	23		22	
Added during the year	13,504	3	13,872	3
Released to the Income Statement	−13,501	−3	−13,871	−3
Changes due to reclassification	2			
Balance at 31 December	**28**		**23**	
PROVISION FOR PREMIUM DEFICIENCY AND UNEXPIRED RISKS HEALTH				
Balance at 1 January	481		336	
Added during the year	435		480	
Released to the Income Statement	−481		−335	
Balance at 31 December	**435**		**481**	
OUTSTANDING CLAIMS (INCLUDING IBNR) HEALTH				
Balance at 1 January	5,285	13	5,389	9
Current period claims reported	13,461	1	13,161	4
Previous period claims reported/released	−270	−219	−275	−90
Plus claims reported	**13,191**	**−218**	**12,886**	**−86**
HKC premiums related to previous claims reported		230		98
HKC premiums related to claims reported		**230**		**98**
Current period claims paid	9,566	1	8,544	3
Previous period claims paid	4,525	314	4,447	406
Less claims paid	**14,091**	**315**	**12,991**	**409**
HKC premiums related to previous claims paid		−298		−401
Less HKC premiums related to claims paid		**−298**		**−401**
Effect of changes in assumptions	3		1	
Balance at 31 December	**4,388**	**8**	**5,285**	**13**
TOTAL HEALTH INSURANCE LIABILITIES	**4,851**	**8**	**5,789**	**13**

The balance for reinsurance amounting to €8 million (31 December 2015: €13 million) consists of a receivable on the Health Care Insurance Board (ZiNL) amounting to €180 million (31 December 2015: €713 million) and a liability to ZiNL amounting to €172 million (31 December 2015: €700 million). The composition of the receivable and liability is based on premiums, claims and other movements by underwriting year.

The claims development table for Health is presented before reinsurance only, as a claims development table after reinsurance would be in line with the table presented below.

CLAIMS DEVELOPMENT TABLE FOR HEALTH

(€ MILLION)

(BEFORE REINSURANCE)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	TOTAL
Estimate of cumulative claims:											
At end of underwriting year	13,461	13,161	12,551	12,777	12,840	11,907	11,101	10,368	10,466	10,775	
One year later		12,953	12,865	12,598	12,553	11,679	11,163	10,672	10,699	10,532	
Two years later			12,760	12,737	12,641	11,706	11,023	10,612	10,656	10,522	
Three years later				12,805	11,912	11,626	10,997	10,614	10,491	10,836	
Four years later					11,890	11,626	10,997	10,611	10,486	11,871	
Five years later						11,626	10,997	10,611	10,488	11,771	
Six years later							10,997	10,611	10,488	11,771	
Seven years later								10,611	10,488	11,771	
Eight years later									10,488	11,771	
Nine years later										11,771	
Estimate of cumulative claims	**13,461**	**12,953**	**12,760**	**12,805**	**11,890**	**11,626**	**10,997**	**10,611**	**10,488**	**11,771**	**119,362**
Cumulative payments	−9,566	−12,597	−12,631	−12,798	−11,889	−11,626	−10,997	−10,611	−10,488	−11,771	−114,974
Insurance liabilities claims prior years (<2007)											
Outstanding claims at 31 December 2016	**3,895**	**356**	**129**	**7**	**1**						**4,388**

MOVEMENT TABLE FOR LIFE INSURANCE LIABILITIES

(€ MILLION)

	2016 GROSS	2016 REINSURANCE	2015 GROSS	2015 REINSURANCE
FOR PROVISION FOR LIFE POLICY LIABILITIES				
Balance at 1 January	25,939	976	25,810	1,116
Benefits paid	−2,800	−166	−2,559	−209
Net premiums received	1,469	68	1,531	133
Technical result	−433	25	−216	−45
Foreign currency differences	1		5	
Unwinding of discount	1,007		673	
Cost withdrawal	−117	−6	−119	−17
Effect of changes in assumptions*	33		43	
Effect of fair value changes*	120		6	
Changes due to reclassification	28		765	−2
Balance at 31 December	**25,247**	**897**	**25,939**	**976**
DEFERRED INTEREST SURPLUS REBATES				
Balance at 1 January	−40		−37	
Rebates granted	−1		−12	
Foreign currency differences				
Amortisation	9		9	
Balance at 31 December	**−32**		**−40**	
PROFIT SHARING AND BONUSES FOR POLICYHOLDERS				
Balance at 1 January	6,202		6,745	
Net movements during the period	1,565		−543	
Changes due to reclassification				
Balance at 31 December	**7,767**		**6,202**	
TOTAL LIFE INSURANCE LIABILITIES	**32,982**	**897**	**32,101**	**976**

* *In 2016 the definitions of the terms Effect of changes in assumptions and Effect of fair value changes have been amended. For a better insight into the development of these items the comparative figures have been adjusted accordingly.*

The discount rate used to determine the life policy liabilities whose cash flows are based on locked assumptions related to Dutch activities ranges between 3% and 4%. Life policy liabilities relating to Dutch activities whose cash flows are discounted using market based interest rates are based on the Euro swap curve, including an illiquidity premium depending on the profit sharing features of the insurance contract, which is extrapolated by means of an ultimate forward rate (UFR), 4.2% at year-end 2016. The UFR is the risk-free discount rate after the last liquid point in the Euro swap market and it is based on a long-term equilibrium rate of historical data. The life policy liabilities for foreign operating companies are generally calculated based on discounting at the interest rate guaranteed for the product or in some cases based on projected returns on related investments.

The provision for life policy liabilities includes an amount of €2.4 billion (31 December 2015: €1.7 billion) related to non-participating benefits contracts, which is calculated using current discount rates. Furthermore, €2.4 billion (31 December 2015: €2.4 billion) of the provision is based on discount rates of projected returns of related investments.

As of 2016, in addition to the service organisation Life, the pension insurance contracts are also part of the 'closed book'. The technical provision related to 'closed book' activities amounted to €19.9 billion (31 December 2015: €6.7 billion).

Benefits paid related to 'closed book' activities amounted to €2.2 billion (31 December 2015: €875 million). Changes due to reclassification in 2015 and 2016 relate to changes in Life insurance liabilities, Insurance liabilities where policyholders bear investment risks and Investment contracts, resulting from contractual changes.

20. INSURANCE LIABILITIES WHERE POLICYHOLDERS BEAR INVESTMENT RISKS

(€ MILLION)

	2016	2015
Balance at 1 January	16,240	17,014
Benefits paid	−1,349	−1,292
Net premiums received	747	835
Technical result	−123	−69
Unwinding of discount	49	91
Cost withdrawal	−59	−65
Effect of fair value changes related to financial assets	707	527
Changes due to reclassification	−41	−801
Balance at 31 December	**16,171**	**16,240**

In previous years, an issue has arisen in the Netherlands regarding the costs included in investment insurance policies (beleggingsverzekeringen), such as the life insurance policies with unit-linked alternative. It is generally alleged that the costs of some of these products are disproportionally high, that in some cases a legal basis for such costs is lacking and that the information provided to the insured regarding these costs has not been transparent which is considered an alleged misselling issue.

In the past, Achmea reached agreement with certain customer interest groups in the Netherlands. The discussion related to these investment insurance policies is still continuing. In determining the insurance liabilities, these discussions are taken into account. Changes due to reclassification are changes between insurance liabilities where policyholders bear investment risks and life policy liabilities, resulting from contractual changes.

As of 2016, in addition to the service organisation Life, the pension insurance contracts are also part of the 'closed book'. The technical provision of insurance liabilities where policyholders bear investment risks, related to 'closed book' activities amounted to €15.9 billion (31 December 2015: €11.6 billion). Benefits paid related to the 'closed book' activities amounted to €1.3 billion (31 December 2015: €1.0 billion).

ANALYSIS BY ESTIMATED TIME TO MATURITY

(€ MILLION)

	WITHIN 1 YEAR	1-5 YEARS	5-15 YEARS	OVER 15 YEARS	TOTAL
31 December 2016	691	1,589	6,088	7,803	16,171
31 December 2015	512	1,507	5,248	8,973	16,240

This table shows the insurance liabilities broken down by estimated remaining time to maturity. The insurance contracts for Insurance liabilities where policyholders bear investment risks are analysed based on the discounted cash in- and outflows related to the insurance contracts.

21. INVESTMENT CONTRACTS

MOVEMENT TABLE INVESTMENT CONTRACTS

(€ MILLION)

	2016	2015
Balance at 1 January	2,338	2,158
Consideration received	523	428
Consideration paid	–325	–403
Effect of fair value changes related to financial assets	75	119
Changes due to reclassification	2	36
Balance at 31 December	**2,613**	**2,338**

Financial contracts with insignificant insurance risk are presented as investment contracts. The linked investments are presented as part of Investments backing linked liabilities. Changes due to reclassification are related to changes in the assessment of the underlying risk of the contracts.

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Within 1 year	258	237
1-5 years	830	660
5-15 years	1,108	888
Over 15 years	417	553
Total Investment contracts	**2,613**	**2,338**

22. POST-EMPLOYMENT BENEFITS

(€ MILLION)

31 DECEMBER 2016	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	1,007	112	1,119
Fair value of total investments backing defined benefit obligation	–1,069	–78	–1,147
Fair value of non-qualifying investments backing defined benefit obligation	988		988
Unfunded status	**926**	**34**	**960**
Effect of asset ceiling			
Net defined benefit liability	**926**	**34**	**960**

(€ MILLION)

31 DECEMBER 2015	THE NETHERLANDS	OTHER COUNTRIES	TOTAL
Present value of defined benefit obligation	938	95	1,033
Fair value of total investments backing defined benefit obligation	–949	–73	–1,022
Fair value of non-qualifying investments backing defined benefit obligation	880		880
Unfunded status	**869**	**22**	**891**
Effect of asset ceiling			
Net defined benefit liability	**869**	**22**	**891**

Achmea has a pension scheme for the major part of its employees. The pension scheme executed by Stichting Pensioenfonds Achmea, applicable for the major part of the 12,290 employees in the Netherlands, is a so-called Collective Defined Contribution (CDC) scheme. The obligation of Achmea related to the pension scheme is limited to payment of the agreed premium for the current year of service.

Achmea maintains defined contribution plans for the major part of its employees. Achmea's defined benefit obligation is mainly related to the accrued rights under former defined benefit plans. These defined benefit plans were maintained in The Netherlands, Ireland and for a limited amount in Greece. Benefits related to medical costs are not included in these plans.

Annual contributions related to defined benefit plans are paid to adequately finance the accrued liabilities during year of the plans calculated in accordance with local legal requirements. Furthermore, if applicable, additional contributions are paid so that defined benefit plans comply with applicable local regulations concerning investments and funding levels.

The defined benefit obligations of Achmea relate to the pension scheme executed by Stichting Bedrijfstakpensioenfonds Zorgverzekeraars (SBZ) and accrued rights under former defined benefit schemes in Ireland.

The defined benefit plan executed by SBZ is a multi-employer industry-based pension scheme SBZ in which Achmea, as employer for certain health insurance group companies in the Netherlands, participates. SBZ determines the yearly contributions, that Achmea (and the other employers) should make, based on an actuarially determined premium per individual participant. The plan is funding conditional indexation from investment returns. Achmea pays no premium for this purpose. Achmea is only liable for the share of its employees in the pension plan and has no other financial obligations to the plan.

In case of a wind-up of the plan or in case Achmea no longer participates in the pension plan, the insured value of the participants in the plan to another pension fund will be transferred without additional offsetting deficits and surpluses.

The accrued rights under former defined benefit schemes in the Netherlands have been insured with Achmea Pensioen- en Levensverzekeringen N.V. and so Achmea continues to hold the financial and actuarial risks. The investments related to the insurance contracts are accounted for as Investments (and do not qualify as Investments backing defined benefit obligation). Pensions for the Irish employees are provided by the Friends First Group Retirement and Death Benefits Scheme. Friends First employees accrue pension entitlements on a defined contribution basis. The accrued rights up to 2014 are based on a defined benefit scheme, in which the retirement age is based on the age for state pension benefits in Ireland and the accrued rights of the participants are indexed based on price inflation.

Contributions paid related to defined contribution pension plans incurred in 2016 amounted to €270 million (2015: €288 million).

Post-employment benefits are essentially of a long-term nature. Contributions are generally determined as the actuarially required contribution for the acquired pension rights in that year, taking into account current interest rates.

MOVEMENT TABLE POST-EMPLOYMENT BENEFITS

(€ MILLION)

	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF INVESTMENTS BACKING DEFINED BENEFIT OBLIGATION	EFFECT OF ASSET CEILING	**NET DEFINED BENEFIT LIABILITY 2016**	NET DEFINED BENEFIT LIABILITY 2015
Balance at 1 January	1,033	−142		891	989
Current service costs	6			6	7
Net interest expense on net defined benefit liability	23	−4		19	20
Remeasurement of net defined benefit liability					
Return on plan assets, excluding amounts included in net interest expense		−7		−7	7
New pension plan in this years valuation (effect of change of pension age)	**−1**			**−1**	
Actuarial gains and losses arising from changes in demographic assumptions	3			3	
Actuarial gains and losses arising from changes in financial assumptions	90			90	−49
Experience gains and losses	−5			−5	−10
Net expense in recognized in income statement Curtailment & settlements					−25
Contributions paid					
Employees	1	−1			
Achmea group companies		−7		−7	−8
Benefits paid by the plan					
Benefit payments	−31	2		−29	−29
Settlements					−11
Balance at 31 December	**1,119**	**−159**		**960**	**891**

When Achmea is not unconditionally entitled to the surplus within the pension plan, the surplus is not recognised as a receivable on the Statement of Financial Position.

The future contributions from employees to the pension plans are taken into account in determining the defined benefit obligation and current service costs.

In 2015, the pension scheme for the Executive Board in the Netherlands was changed. As from 1 January 2015, rights are accrued based on a CDC-scheme. As a consequence, part of the defined benefit obligations were settled in 2015 based on the position as at 1 January 2015. The result on settlement amounted to €25 million and is accounted for as part of Operating expenses, pensions.

In 2015, Friends First reached agreement with individual members of its defined benefit plan, to make use of an enhanced transfer value for their accrued rights under this defined benefit plan. These members, on an individual basis, elected to transfer the "value" of their benefits out of the plan for a lump sum cash payment into the new defined contribution scheme. As this enhanced transfer value exercise is not part of the provisions of the former defined benefit plan, a result on settlement was accounted for as part of Other expenses, amounting to €11 million.

SIGNIFICANT ACTUARIAL ASSUMPTIONS AT REPORTING DATE (EXPRESSED AS WEIGHTED AVERAGE ASSUMPTIONS)

	2016		2015	
	THE NETHERLANDS	OTHER COUNTRIES	THE NETHERLANDS	OTHER COUNTRIES
Discount rate	1.80	0,61-2,10	2,20	0,83 - 2,70
Future salary increases	2.00	1.68	2.00	1.66
Future pension increases	1.20		1,30	1.95
Future pension increases for in-payment benefits	0.50		0,60	
Rates of employee turnover	2.90	3.25	3,00	2,00

* *The employee turnover in The Netherlands concerns the active members, and therefore concerns only a small part of the post-employment benefits.*

The rate used to discount the defined benefit obligation is determined by reference to market yields on high quality corporate bonds (AA rating or better). Achmea applies the Towers Watson Rate: Link curve. Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country. To determine the defined benefit obligation the projection table 'AG2016' has been applied in the Netherlands.

These assumptions translate into an average life expectancy in years for a pensioner retiring at the age as defined in the respective pension plans:

	2016		2015	
	THE NETHERLANDS	OTHER COUNTRIES	THE NETHERLANDS	OTHER COUNTRIES
Retiring at the end of the reporting period:				
- Male	22	19	22	18
- Female	24	21	24	20
Retiring 20 years after the end of the reporting period:				
- Male	25	21	24	21
- Female	27	23	26	23

The weighted average duration of the Defined Benefit Obligation is 18 years (2015: 17 years).

MATURITY ANALYSIS OF EXPECTED UNDISCOUNTED CASH FLOWS RELATED TO DEFINED BENEFIT OBLIGATION

(€ MILLION)

	2016	2015
Less than 10 years	361	318
10 - 30 years	814	832
30 - 50 years	404	440
Over 50 years	47	55
Balance at 31 December	1,626	1,645
Impact of discounting	−507	−612
Defined benefit obligation	**1,119**	**1,033**

The investments backing the defined benefit obligation mainly comprise of insurance policies issued by these Achmea group companies, that do not qualify as plan assets. The qualifying plan assets mainly consist of listed instrument of a highly diversified nature, primarily investments in Equity instruments and similar investments amounting to €50 million (31 December 2015: €44 million) and Debt instruments amounting to €94 million (31 December 2015: €89 million).

The table below shows the impact of changes in assumptions on the defined benefit obligations.

IMPACT FOR THE REMAINING DEFINED BENEFIT OBLIGATION

(€ MILLION)

2016	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	1%	−167	230
Future salary increase	1%	23	−19
Future pension increase for in-payment benefits	1%	166	−54
Mortality improvement	1 year	39	−38
Rates of employee turnover	1%	−4	3

(€ MILLION)

2015	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	1%	−158	206
Future salary increase	1%	20	−17
Future pension increase for in-payment benefits	1%	152	−51
Mortality improvement	1 year	34	−34
Rates of employee turnover	1%	−3	1

* *The changes in percentage of the assumptions listed in the table above are in absolute amounts. This means that the assumption changes with 100 bps.*

* *The change in the mortality rate of 1 year means that the life expectancy of the participants will increase or decrease with 1 year.*

The sensitivity analyses are based on a change in an assumption while holding all other assumptions unchanged. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the Defined Benefit Obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Consolidated Statement of Financial Position.

Furthermore, the mitigating impact of any changes in the value of the plan assets is not taken into account.

Achmea expects to pay €8 million in contributions to defined benefit plans in 2017.

23. OTHER PROVISIONS

(€ MILLION)

2016	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPLOYMENT BENEFITS)	OTHER	TOTAL
Balance at 1 January	166	57	26	37	48	334
Additions	93	14	65	6	29	207
Usage	−108	−28	−7	−2	−4	−149
Released		−7	−4	−2	−3	−16
Changes due to reclassification	−2	−1			1	−2
Balance at 31 December	**149**	**35**	**80**	**39**	**71**	**374**
Non-current	60	30	62	38	12	202
Current	89	5	18	1	59	172
Balance at 31 December	**149**	**35**	**80**	**39**	**71**	**374**

(€ MILLION)

2015	RESTRUCTURING	LEGAL CLAIMS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS (EXCLUDING POST-EMPLOYMENT BENEFITS)	OTHER	TOTAL
Balance at 1 January	217	77	23	39	57	413
Additions	56	48	12	5	3	124
Usage	−116	−45	−8	−3	−5	−177
Released	−4	−23		−4	−7	−38
Changes due to reclassification	13		−1			12
Balance at 31 December	**166**	**57**	**26**	**37**	**48**	**334**
Non-current	111	50	17	36	9	223
Current	55	7	9	1	39	111
Balance at 31 December	**166**	**57**	**26**	**37**	**48**	**334**

The changes due to reclassification in 2015 relate to a reclassification from other liabilities to other provisions due to the estimated maturity.

Restructuring

In December 2013, Achmea announced that it would accelerate the adjustments to its organisation, in order to further increase customer focus, reduce costs for customers and facilitate investments in its online services. This would result in a gradual reduction in staffing levels of around 4,000 FTE's, of which a major part would be declared redundant.

At 31 December 2016 the restructuring provision amounted to €149 million (31 December 2015: €166 million). In addition to the reorganisation programme announced earlier, an additional provision was formed this year for a staffing reduction, among other things resulting from Achmea's decision to terminate its services to sector pension funds. The most important assumptions used in determining this restructuring provision relate to the average salary, the reassignment period and the probability of a reassignment to another position within Achmea or elsewhere.

These liabilities have different expected settlement dates, but the main part is expected to have a maturity of more than twelve months after the balance sheet date.

Legal claims

Legal claims include liabilities related to legal claims and possible compensations in relation to insurance and non-insurance activities of Achmea. Due to the nature of these liabilities, the expected maturity is uncertain, but the main part is expected to have a maturity of more than twelve months after the balance sheet date. The value of legal claims is determined based on management judgement, external professional assessment and experience.

In the Income Statement, the expenses related to this provision are presented net of the amount recognised for reimbursement. The overall settlement of legal claims in the regular course of business during the first half of 2016 has a limited net impact on Net results.

Onerous contracts

Onerous contracts include liabilities related to rented unused office premises and other premises and IT-related contracts. They also include provisions for insufficient fees from service contracts. These liabilities have different expected settlement dates, but the main part is expected to have a maturity of more than twelve months after the balance sheet date.

The value of Onerous contracts is determined, based on contractual agreements, taking into account any economic benefits expected to be received under the contract.

Employee benefits (excluding post-employee benefits)

Employee benefits provisions include employee benefits payable after more than twelve months after the balance sheet date, including provisions for long-service benefits.

These liabilities have different expected settlement dates, but the main part is expected to have a maturity of more than twelve months after the balance sheet date. The value of Employee benefits provisions is determined, based on management judgement, external professional assessment and experience.

Other

Other provisions consist of liabilities related to the activities of health insurance and various other minor liabilities. These liabilities have different expected settlement dates, but the main part is expected to have a maturity of less than twelve months after the balance sheet date. The value of Other provisions is determined based on management judgement, external professional assessment and experience.

24. BANKING CUSTOMER ACCOUNTS

BANKING CUSTOMER ACCOUNTS

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Balance at 31 December	**5,548**	**5,995**

The fair value of Banking customer accounts measured at amortised cost at year-end is €5,576 million (31 December 2015: €5,732 million).

The fair value measurement is mainly based on inputs from observable market data.

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY (INCLUDING ACCRUED INTEREST)

(€ MILLION)

	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2016	BANKING CUSTOMER ACCOUNTS	INTEREST PAYMENTS	TOTAL 31 DECEMBER 2015
Less than 3 months	2,907	22	2,929	3,105	20	3,125
3-12 months	406	34	440	697	50	747
1-5 years	1,440	130	1,570	1,509	152	1,661
Over 5 years	795	224	1,019	684	204	888
	5,548	**410**	**5,958**	**5,995**	**426**	**6,421**

25. LOANS AND BORROWINGS

LOANS AND BORROWINGS CLASSIFIED BY FINANCING ACTIVITY

(€ MILLION)

31 DECEMBER 2016	BANKING	NON-BANKING	ELIMINATIONS	TOTAL
Secured bank loans*	3,383	36	−1,342	2,077
Unsecured loans	3,449	934		4,383
Subordinated loans	8	498		506
Others		28		28
	6,840	**1,496**	**−1,342**	**6,994**

31 DECEMBER 2015	BANKING	NON-BANKING	ELIMINATIONS	TOTAL
Secured bank loans	3,620	50	−1,511	2,159
Unsecured loans	3,951	939		4,890
Subordinated loans	24	497		521
Others		33		33
	7,595	**1,519**	**−1,511**	**7,603**

* *In 2016 the allocation system for loans to Achmea's banking business was changed. For a better insight into the development of this item the comparative figures for 2015 have been adjusted accordingly.*

The fair value of loans and borrowings measured at amortised cost at year-end is €7,212 million (31 December 2015: €7,765 million). The amortised value of these loans and borrowings is €6,985 million (31 December 2015: €7,590 million).

The nominal amount of loans measured at fair value is €9 million (31 December 2015: €13 million).

The fair value also amounts to €9 million (31 December 2015: €13 million).

MOVEMENT TABLE LOANS AND BORROWINGS

(€ MILLION)

	DEPOSITS FROM CREDIT INSTITUTIONS	SECURED BANK LOANS	UNSECURED LOANS	SUBORDINATED LOANS	OTHER	TOTAL 2016	TOTAL 2015
Balance at 1 January		2,158	4,890	522	33	7,603	7,011
Money deposited		587	118		1,656	2,361	2,723
Money withdrawn		−681	−712		−1,661	−3,054	−2,255
Amortisation			1			1	1
Foreign currency differences			2			2	18
Change in value due to fair value hedge accounting		8	46	−16		38	53
Accrued interest		5	38			43	52
Balance at 31 December		**2,077**	**4,383**	**506**	**28**	**6,994**	**7,603**

ANALYSIS BY CONTRACTUAL REMAINING TIME TO MATURITY

(€ MILLION)

	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2016	LOANS AND BORROWINGS	INTEREST	TOTAL 31 DECEMBER 2015
Less than 3 months	133	35	168	641	49	690
3-12 months	936	29	965	842	37	879
1-5 years	3,887	169	4,056	3,818	209	4,027
Over 5 years	2,038	46	2,084	2,302	88	2,390
	6,994	**279**	**7,273**	**7,603**	**383**	**7,986**

Secured loans

The banking activities of Achmea are also funded by pledges on mortgage receivables as security for loans. With respect to this Achmea Bank N.V. issues debentures under its €10 billion Secured Debt Issuance Programme, its €10 billion Covered Bond Programme, and various Residential Mortgage Backed Securities, issued by special purpose entities controlled by Achmea Bank N.V. These debentures are issued in various base currencies. The carrying amount of these residential mortgage loans is €5.5 billion (31 December 2015: €4.8 billion).

In 2016 Achmea recognised repayments on Secured loans in the amount of €681 million, the main part (€520 million) concerning the repayment of DMPL IX at Achmea's subsidiary Achmea Bank N.V. In addition Achmea Bank N.V. successfully issued €600 million RMBS (DRMP II). The Notes have a maturity of 32 years (maturity date is September 2048) but may be redeemed earlier. The first option is after 6 years in December 2022. The Notes are listed on the Irish Stock Exchange in Dublin, Ireland.

UNSECURED LOANS AND BORROWINGS

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Senior Unsecured Bond Achmea Bank N.V.	3,241	3,689
Commercial Paper	208	262
Debt instruments Achmea B.V.	748	744
Senior Unsecured Notes Achmea B.V.	186	195
	4,383	**4,890**

In October 2012, Achmea Bank N.V. established an Unsecured Medium Term Note (EMTN) programme of €10 billion. At year-end 2016 the total outstanding amount is €3.2 billion, of which €808 million Private Placements (31 December 2015: €821 million).

Achmea's subsidiary Achmea Bank N.V also set up a French commercial paper programme of €1.5 billion. With this programme Achmea Bank N.V is able to access the international money markets to further diversify its funding mix.

At the end of 2016 the total outstanding amount is €208 million (31 December 2015: €262 million).

The syndicated credit facility of Achmea B.V. has a maximum size of €750 million will mature in 2021. At year-end 2016, the committed credit lines were undrawn.

Subordinated loans

In April 2013, Achmea B.V. issued €500 million of Subordinated Notes with a coupon of 6%. These Subordinated Notes have a maturity of 30 years (maturity date is 4 April 2043) with a first call option after 10 years. The Notes are listed on the Irish Stock Exchange in Dublin, Ireland. The subordinated loans are subordinated to all other current and future liabilities and they are all equal in rank. The average interest rate for 2016 was 6.0% (2015: 6.0%).

26. OTHER LIABILITIES

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Liabilities out of direct insurance:		
Policyholders	1,151	979
Agents	124	86
Prepaid premiums	575	586
Obligation from received collateral in the form of cash *	838	
Investment liabilities	83	202
Reinsurance liabilities	77	100
Taxes and social security premiums	168	163
Creditors	304	298
Post-employment benefits	27	31
Accruals and deferred income	221	226
Other	254	266
Balance at 31 December	**3,822**	**2,937**

* *With the coming into effect of the EMIR regulations, collateral received for certain OTC derivatives has been recognised in the balance sheet for 2016. Achmea receives an amount of cash collateral depending on the current market value of the derivative. The collateral received may not be netted against the derivative. Achmea uses the cash received for investments.*

An amount of €456 million (31 December 2015: €132 million) of the Other liabilities is expected to be settled more than twelve months after reporting date.

For Other liabilities expected to be settled within twelve months after reporting date the carrying amount is a reasonable approximation of the fair value.

The fair value of liabilities expected to be settled after twelve months after the reporting amounts to €455 million as at 31 December 2016 (31 December 2015: €131 million).

27. CREDIT QUALITY FINANCIAL ASSETS

The table below provides an overview of the credit quality of the financial investments based on (external) rating information. It also shows for which part of the financial investments no (external) rating is available.

EXTERNAL CREDIT RATING ASSETS

(€ MILLION)

31 DECEMBER 2016	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Bonds	12,491	2,352	5,444	4,025	3,783	308	139	28,542
Loans and mortgages*		606	62	198	94		5,918	6,878
Deposits with reinsurers					643			643
Deposits with credit institutions		3	59	140	21	140	44	407
Derivatives			30	113	18	94	3,826	4,081
Other financial investments**		9	2,248	10	11	3	39	2,320
Investments backing linked liabilities								
Bonds and other fixed-income investments	880	439	1,072	486	561	168	54	3,660
Derivatives			4	75	221		80	380
Cash and other financial investments			7,493	528	5	65	81	8,172
Banking credit portfolio		94	182	701	94	35	12,573	13,679
Amounts ceded to reinsurers		9	383	752	8	3	242	1,397
Receivables and accruals		2,105	12	11	4	20	4,875	7,027
Cash and cash equivalents		660	287	1,064	5	22	133	2,171

* *Loans and mortgages without a rating relate to NHG mortgages (mortgages with National Mortgage Guarantee) for an amount of €4,959 million.*

** *Other financial investments with an AA rating relate to saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan. For an overview of other investments reference is made to Note 10.*

EXTERNAL CREDIT RATING ASSETS

(€ MILLION)

31 DECEMBER 2015	AAA SOVEREIGN	AAA	AA	A	BBB	BELOW BBB	NOT RATED	TOTAL
Investments								
Bonds	12,618	1,873	5,241	5,006	4,281	276	128	29,423
Loans and mortgages*		558	15	235	120	3	3,916	4,847
Deposits with reinsurers			742					742
Deposits with credit institutions		1	191	194	191	1	1	579
Derivatives		2	39	262			3,447	3,750
Other financial instruments**		69	2,428				98	2,595
Investments backing linked liabilities								
Bonds and other fixed-income investments	2,564	756	80	129	36	38		3,603
Derivatives				138	172		79	389
Cash and other financial investments			7,388	124	149	80	690	8,431
Banking credit portfolio		144	122	977			13,623	14,866
Amounts ceded to reinsurers		13	431	683	12		242	1,381
Receivables and accruals		2,320	11	510		2	4,994	7,837
Cash and cash equivalents		733	913	186	57	26	202	2,117

* *Loans and mortgages without a rating relate to NHG mortgages (mortgages with National Mortgage Guarantee) for an amount of €3,035 million.*

** *Other financial investments with an AA rating relate to saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan. For an overview of other investments reference is made to Note 10.*

The following table provides an overview of the carrying amounts of financial assets that are past due or impaired.

FINANCIAL ASSETS, THAT ARE PAST DUE OR IMPAIRED

(€ MILLION)

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED				IMPAIRED ASSETS	TOTAL CARRYING AMOUNT
31 DECEMBER 2016	CARRYING AMOUNT	0-3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT	
Investments							
Bonds	28,535					7	28,542
Loans and mortgages	6,877					1	6,878
Deposits with reinsurers	643						643
Deposits with credit institutions	407						407
Derivatives	4,081						4,081
Other financial instruments*	2,320						2,320
Investments backing linked liabilities							
Bonds and other fixed-income investments	3,660						3,660
Derivatives	380						380
Cash and other financial investments	8,172						8,172
Banking credit portfolio	13,555	1		1	2	122	13,679
Amounts ceded to reinsurers	1,397						1,397
Receivables and accruals	6,007	20	5	692	717	303	7,027

* *Other financial investments include saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan, and other financial instruments. For an overview of other investments reference is made to Note 10.*

Receivables and accruals consist of €1,583 million (2015: €2,332 million) of advances to healthcare providers. Many price lists did not become final until the fourth quarter, so the declarations were submitted late.

FINANCIAL ASSETS, THAT ARE PAST DUE OR IMPAIRED

(€ MILLION)

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED				IMPAIRED ASSETS	TOTAL CARRYING AMOUNT
31 DECEMBER 2015	CARRYING AMOUNT	0-3 MONTHS	3 MONTHS - 1 YEAR	MORE THAN ONE YEAR PAST DUE	AMOUNT OVERDUE	CARRYING AMOUNT AFTER IMPAIRMENT	
Investments							
Bonds	29,413					10	29,423
Loans and mortgages	4,848						4,848
Deposits with reinsurers	742						742
Deposits with credit institutions	579						579
Derivatives	3,750						3,750
Other financial instruments*	2,595						2,595
Investments backing linked liabilities							
Bonds and other fixed-income investments	3,603						3,603
Derivatives	389						389
Cash and other financial investments	8,431						8,431
Banking credit portfolio	14,703	2		1	3	160	14,866
Amounts ceded to reinsurers	1,381						1,381
Receivables and accruals	6,178	518	449	433	1,400	259	7,837

* *Other financial investments include saving accounts linked to life insurance contracts, for which the interest revenue is based on the interest rate that the policyholder pays on his mortgage loan, investments related to cash collateral received in securities lending, and other financial instruments. For an overview of other investments reference is made to Note 10.*

Receivables and accruals include €1,583 million (2014: €2,332 million), which are payments to health care institutions regarding the delayed invoicing. Reference is made to Note 15 Receivables and accruals.

The table below provides an overview of asset and liabilities subject to offsetting, enforceable master netting agreements and similar agreements.

FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING, ENFORCABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (€ MILLION)

31 DECEMBER 2016	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES SET OFF IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION*	NET AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS RECEIVED	CASH COLLATERAL RECEIVED (EXCLUDING SURPLUS COLLATERAL)	NET AMOUNT
Derivatives assets	3,932		3,932				
Derivatives liabilities		1,513	1,513				
				2,419	643	1447	329
Cash and cash equivalents	2,219	48	2,171	2,171			2,171

FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING, ENFORCABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS (€ MILLION)

31 DECEMBER 2015	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSETS	GROSS AMOUNTS OF RECOGNISED FINANCIAL LIABILITIES SET OFF IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION*	NET AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS RECEIVED	CASH COLLATERAL RECEIVED (EXCLUDING SURPLUS COLLATERAL)	NET AMOUNT
Derivatives assets	3,422		3,422				
Derivatives liabilities		854	854				
				2,568	1,852	845	-129
Cash and cash equivalents	3,628	1,511	2,117	2,117			2,117

* *In 2016 the criteria that must be met for applying enforceable master netting arrangements and similar agreements were reassessed. For a better insight into the developments in this item the comparative figures have been adjusted accordingly.*

28. OPERATING LEASES

The future rental commitments linked to operational lease contracts are as follows:

OPERATING LEASES AND RENTAL CONTRACTS

(€ MILLION)

	2016	2015
Less than one year	10	16
Between one and five years	32	27
More than five years	209	227
Balance at 31 December	**251**	**270**

In 2016, €3.1 million is recognised as an expense in the Income Statement in respect of operating leases (2015: €4.4 million). The income from subleases is €1.5 million in 2016 (2015: €1.3 million).

29. CONTINGENCIES

Legal procedures

Achmea B.V. and companies forming part of Achmea are involved in lawsuits and arbitration proceedings. These proceedings relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurers, credit providers, service providers, employers, investors and tax payers. Although it is not possible to predict or define the outcome of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcome of the actions will have a material, negative impact on the financial position of Achmea B.V.

CONTINGENT LIABILITIES

(€ MILLION)

	2016	2015*
Guarantees	158	144
Other commitments	2	17
Balance at 31 December	**160**	**161**

UNRECOGNIZED CONTRACTUAL COMMITMENTS

(€ MILLION)

	2016	2015*
Commitments related to investments	964	1,162
Balance at 31 December	**964**	**1,162**

* *Adjusted for comparison purposes*

The Netherlands-based insurance companies of Achmea provided the 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.' with guarantees to a maximum of €44 million (2015: €66 million). Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks related to terrorism.

Achmea B.V. has provided Vereniging Achmea and Rabobank with an indemnity for amounts imposed by the Australian supervisor related to the activities of the Australian branch of Achmea Schadeverzekeringen N.V. in case the Australian supervisor will impose on Vereniging Achmea and Rabobank as shareholder of the ultimate parents of Achmea Schadeverzekeringen N.V. additional obligations and responsibilities relating to these Australian activities. No material losses are expected in respect of this indemnity. Due to its nature, this indemnity is not to be quantified.

At year-end 2016 Achmea has contingent liabilities under the credit facility that are part of the building account agreements. If the clients meet the conditions, Achmea is obliged to provide credits in the amount of €100 million (2015 €86 million).

Achmea provides mortgage loans for its own account and for the account and risk of its clients (pension funds). In this capacity Achmea has commitments arising from offers for mortgage loans. If the clients accept the offers Achmea is obliged to provide mortgage loans in the amount of €748 million (2015: €922 million). This commitment is offset by a received guarantee of €157 million (2015: 102 million).

Contingencies related to shares subject to repurchase agreement

Pursuant to certain share repurchase agreements, several shareholders of Achmea B.V. have the right to sell their shares on market-based conditions during a certain timeframe to third parties which are not related to Achmea B.V. When an option is exercised, Achmea B.V. has the subsequent right to purchase these shares or to enter into a derivative transaction with the purchasing third party. Pursuant to this transaction Achmea B.V. will pay the purchaser an upfront premium equal to the settlement amount due by the purchaser to the selling shareholder under the related option. During the life of the derivative transaction, which has no fixed maturity, Achmea B.V. will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Achmea B.V. will receive from the purchaser the upfront premium paid adjusted for part of the change in value of the Achmea B.V. shares held by the third party during the life of the derivative transaction.

NUMBER OF OUTSTANDING OPTIONS

	2016	2015
Schweizerische Mobiliar Holding AG	2,769,246	2,769,246
Gothaer Allgemeine Versicherung AG	1,849,108	1,849,108
Gothaer Finanz Holding AG	2,206,482	2,206,482
Balance at 31 December	**6,824,836**	**6,824,836**

Contingent assets

Conflict between the Slovak Government and Achmea B.V.

In contradiction of an agreement to encourage investments between the Slovak Republic and The Netherlands, the Slovak government has enforced a ban on the distribution of profit on Slovak health insurers, including Achmea's Slovak subsidiary Union Zdravotná Poist'ovna A.S., in the period between 2007 and August 2011.

Due to this enforcement Achmea temporarily ceased its operations in its Slovak subsidiary during this period. Achmea sought compensation for the incurred loss and statutory interest paid through an international arbitration tribunal.

In December 2012 the arbitration tribunal decided in favour of Achmea. Under this decision the Slovak Government is required to compensate Achmea for damages incurred and the statutory interest paid. The compensation amounted to approximately €25 million.

The Slovak Government has publicly stated that it will not pay the amounts awarded to Achmea and has submitted the arbitration verdict for annulment to a German Court. In the first court hearing, the annulment request of the Slovak Republic has been rejected. The Slovak Government has appealed against this judgment to the Bundes Gerichtshof in Karlsruhe. The Bundes Gerichtshof raised some legal issues with the European Court of Justice. Based on the ruling of the European Court of Justice, which is expected in the second half of 2017, the Bundes Gerichtshof will deliver its judgment.

Because of the continuing statutory interest, Achmea's claim now amounts to approximately €30 million. In view of the above, Achmea does not consider the receivable amount to be sufficiently certain to recognise it as an asset.

30. RELATED PARTY TRANSACTIONS

Identity of related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions (e.g. subsidiary). Achmea has various types of ordinary transactions (particularly in the area of insurance, banking and asset management), in the normal course of business, with related companies and parties.
Achmea also considers its defined benefit pension plan (Stichting Pensioenfonds Achmea) as a related party. Members of the Executive and Supervisory Board and their close family members are also considered related parties to Achmea.
In addition, related party transactions comprise transactions with associates, joint ventures, key management personnel and close family members of related parties. The transactions with those parties are not considered material to Achmea, either individually or in the aggregate. A list of Achmea's principal subsidiaries is presented in Note 3, Interests in subsidiaries.
Achmea could enter into economic transactions with entities controlled by its Executive Board or Supervisory Board members or their close family members. There were no such transactions or related parties in 2016 and 2015.

Remuneration of the Executive Board

The members of the Executive Board are directors of Achmea B.V., holding key management positions at Group level.

The remuneration of the Executive Board is related to the content and responsibilities of their respective positions. The various positions are weighted on aspects such as impact and responsibilities of the position, complexity of the managerial context in which they operate and the necessary knowledge, experience and competencies.

Besides an annual (fixed) salary, the remuneration package of an Executive Board member includes elements of variable remuneration. The Supervisory Boards decides, on the advice of the Remuneration Committee, on the granting of awards of variable remuneration in the year after the performance. The granting of awards of variable remuneration in any specific year therefore applies to previous performance years. Part of the variable remuneration is deferred for five years. These awards of variable remuneration are included as part of the Long-term employee benefits.

In addition to their salaries, the members of the Executive Board have a pension scheme. As of 1 January 2014, the conditions of the pension scheme for the board members have been aligned with the scheme for personnel residing under the collective labour agreement (CAO personnel).

With effect from 1 January 2015 the pension scheme for the Executive Board members is executed by Stichting Pensioenfonds Achmea. Now both the conditions and the execution of the scheme are aligned with the scheme for CAO personnel. The rights accrued up to and including 31 December 2014 remain in the insured pension plan of Centraal Beheer. In addition to the accrual, the indexation on the rights accrued up to and including 31 December 2014 is also carried out by Stichting Pensioenfonds Achmea. Annually an amount is paid to Stichting Pensioenfonds Achmea to purchase indexation on the accrued rights.

Remuneration recognised in the reporting period

A total amount of €7.49 million was recognised in the reporting period 2016 for Executive Board remuneration. This total Executive Board remuneration amount consists of the following components: short-term employee benefits €5.09 million (2015: €4.81 million), post-employment benefits €2.09 million (2015: €2.10 million), other long-term employee benefits €0.31 million (2015: nil). In 2015 termination benefits in the amount of €1.8 million were recognised in the Income statement, in addition to the above components, bringing the total amount for 2015 to €8.71 million.

Below is an overview of the remuneration of the members of the Executive Board for 2016. This overview includes an aggregate comparison with 2015

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE PERFORMANCE YEAR

(€ MILLION)

Active board members as at 31 December 2016	ANNUAL SALARY (SHORT-TERM EMPLOYEE BENEFITS)	VARIABLE REMUNERATION AWARDED (OTHER SHORT-TERM EMPLOYEE BENEFITS)	VARIABLE REMUNERATION AWARDED (OTHER LONG-TERM EMPLOYEE BENEFITS)	POST-EMPLOYMENT BENEFITS (LIMIT €101,519)*	CONTRIBUTION NET POST-EMPLOYMENT BENEFITS (OVER €101.519)*	WAGE BENEFIT (OVER €101.519)*	TOTAL
W.A.J. (Willem) van Duin, Chairman	1.00	0	0	0.04	0.23	0.19	1.46
R. (Roelof) Konterman, Vice-Chairman	0.87	0	0	0.05	0.20	0.16	1.28
H. (Huub) Arendse, CFO	0.75	0	0	0.05	0.16	0.14	1.10
R. (Robert) Otto	0.72	0	0	0.04	0.12	0.11	0.99
B.E.M. (Bianca) Tetteroo	0.72	0	0	0.04	0.12	0.13	1.01
H. (Henk) Timmer, CRO	0.72	0	0	0.04	0.14	0.13	1.03
Total remuneration active board members as per 31 December 2016	**4.78**	**0**	**0**	**0.26**	**0.97**	**0.86**	**6.87**
Total 2016	**4.78**	0	0	**0.26**	**0.97**	**0.86**	**6.87**
Total 2015	**4.81**	****0.31**	****0.31**	***** 0.27**	**0.93**	**0.90**	**7.53**
Average number of active and former Executive Board members 2016: 6.0							
Average number of active and former Executive Board members 2015: 6.1							

* *The premium the employer pays to the collective scheme up to €101,519 (fiscal cap 2016; 2015 €100,000) and the employer contribution to the net post-employment benefits over the fiscal cap based on the age-related 3% DC scale and the so-called wage benefit over the fiscal cap. See the notes to post-employment benefits below.*

** *The variable remuneration for the performance year 2015 was awarded in May 2016 and could not be included in the Financial Statements 2015. However, this remuneration has been included for each Executive Board member in the Remuneration Report 2015 that was published on 31 May 2016. In the above overview the figures published in the Financial Statements 2015 have been supplemented with the variable remuneration for 2015.*

*** *This amount is excluding the supplement on the collective defined contribution Stichting Pensioenfonds Achmea charges and excluding the positive effect of €25 million accruing to Achmea B.V. as a result of the changed pension scheme for the Executive Board. See Note 22, Post-employment benefits for more information.*

Annual salary

The annual salary of the Executive Board is the fixed all-in salary on an annual basis including holiday allowance. On 1 January 2016 the salary was raised as collectively agreed by 1.25%.

Variable remuneration awarded

When the Financial Statements 2015 were adopted, it was not yet decided to award a variable remuneration for the year 2015. That was decided later in 2016 and stated in the Remuneration Report 2015 that was published on 31 May 2016. For the year 2016 no variable remuneration will be granted to the Executive Board in view of the negative result for 2016.

Post-employment benefits

The pension scheme applicable to CAO personnel and senior managers/directors also applies to the Executive Board. This is a CDC financed pension scheme aimed at career average salary, with among others the following characteristics:
- Maximum pensionable salary €101,519 (in 2016)
- Accrual 1.875% per year
- State pension offset €13,178 (in 2016)
- Retirement age: first day of the month in which the age of 67 is reached
- Dependants' pension
- Non-contributory continuation of the pension scheme in the event of partial or full incapacity for work
- Conditional indexation
- Employee contribution standard 3.25% of the pensionable earnings

Alternative for post-employment benefits over the fiscal cap (2016: €101,519)

For employees with an income over the fiscal cap arrangements have been made as of 1 January 2015 (in the CAO) for alternative pension accrual. This also applies to the Executive Board.

It was arranged that the contribution of the employer before 1 January 2015 for pension accruals over the fiscal cap would be deployed for that pension accrual in an alternative way, without affecting costs. In practice the employer contribution is converted into a contribution to the net post-employment benefits and the remainder is made available as a wage benefit.

Contribution net post-employment benefits over €101,519 (2016)

Part of the employer contribution is made available as contribution for participation in a so-called net pension scheme. The employer offers the opportunity to participate in the Centraal Beheer net pension scheme.

Wage benefit over €101,519 (2016)

With the pension scheme of Achmea the interest risk related to future pension accrual lies with the employer. When changing to a CDC scheme in 2014 Achmea decided not to buy off the risk with a lump sum. The amount of the employer contribution is determined annually based on arrangements agreed in the CAO for alternative pension accrual above the fiscal cap. One of the elements (parameters) for determining the employer contribution (wage benefit) is the interest rate at 31 December. The employer contribution payable for wages in excess of the fiscal cap is contributed to the net pension scheme and the remainder is paid as a wage benefit to employees with income exceeding the fiscal cap, in the form of a fixed gross wage benefit.

In the overview the contribution is stated as pension premium actually paid, respectively employer contribution.

Termination benefits

In 2016 there were no terminations. In 2015 two members retired from the Executive Board. For this an expense of €1.8 million was recorded in 2015, which was fully settled in 2016.

Claw back

In 2016, there were no adjustments or claw back of remuneration from former years with regard to members of the Executive Board, nor were there any in 2015.

Loans

Members of the Executive Board have loans outstanding with the banking operations of Achmea. The loans amount to €1.5 million (2015: €2 million). The weighted interest rate of these loans is 3.1% (2015: 5.4%). The loans are presented as part of the Banking credit portfolio.

Remuneration of supervisory board members

The table below gives an overview of the remuneration received by the Supervisory Board members of Achmea B.V. for their supervision in 2016.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD PER YEAR (€ MILLION)

	2016*
Supervisory Board members as at 31 December 2016:	
A.W. Veenman (Chairman since 9 August)	0.16
A.J.A.M. Vermeer (Vice-chairman)	0.13
W.H. de Weijer (since 3 February)	0.08
R.Th. Wijmenga	0.14
A.C.W. Sneller	0.11
S.T. van Lonkhuijzen-Hoekstra	0.08
P.H.M. Hofsté	0.19
M. Lückerath-Rovers	0.10
Subtotal	**0.99**
Former Supervisory Board members as at 31 December 2016:	
E.A.J. van de Merwe (Chairman up and including 9 August)	0.14
Subtotal	**0.14**
Total 2016	**1.13**

* *Excluding VAT and expenses, including remunerations for committee memberships and supervisory board memberships at group companies.*

On 9 August 2016 Mr. Veenman was appointed as Chairman of the Supervisory Board, of which he was already a member. On the same date Mr. Van de Merwe resigned as Chairman of the Supervisory Board. His membership of the Supervisory Board ended on that date.

In February Mr. De Weijer joined the Supervisory Board of Achmea B.V. as a member and filled the vacancy which arose as a result of the retirement from the Supervisory Board of Mr. Overmars in 2015.

The total remuneration of the Supervisory Board amounted to €1.13 million in 2016 (2015: €1.1 million).

Members of the Supervisory Board have no loans outstanding with the banking operations of Achmea at year-end 2016 and 2015.

Rabobank

For its operations, Achmea uses various regular banking services of the Rabobank Group. All services and transactions with Rabobank are in an orderly transaction and based on regular market rates.

Distribution channel

Local Rabobank offices are a major distribution channel for Achmea's Dutch insurance products. Achmea has paid commissions of €226 million to local Rabobank offices during 2016 (2015: €228 million) for insurance policies sold through them. Affiliated members ('aangesloten leden') of the Rabobank are granted a 10% discount on the basic health insurance premiums and a discount of 21% for premiums for the supplementary health insurance.

Facility services

Achmea in The Netherlands obtains among others ICT services from Rabobank Group. For these services Achmea paid fees in 2016 amounting to €4.1 million (2015: €6.4 million).

Insurance services delivered to Rabobank

Rabobank has insured several risks with Achmea, including a group Health insurance contract with Zilveren Kruis. The premiums relating to this insurance coverage for 2016 are €69 million (2015: €66 million).

Balances and Commitments as of 31 December 2016 with Rabobank Group

Balances with Rabobank Group comprise commodity notes (Note 10), savings accounts that are backing liabilities for policyholders (Note 11), bank accounts (Note 16) and a credit facility that is reported as Loans and borrowings (Note 25).

Vereniging Achmea

Vereniging Achmea is the association of member-policyholders of Achmea and its objective is ensuring the continuity of Achmea. Vereniging Achmea makes use of personnel and office space of Achmea. This is charged on at cost. Other transactions with Vereniging Achmea are related to its relation with Achmea as shareholder and are explained in Note 17 Equity attributable to holders of equity instruments of the company. At year-end 2016 Achmea has a receivable in the amount of €0.2 million (2015: €0.2 million) on Vereniging Achmea.

Stichting Pensioenfonds Achmea

The pension plan for Dutch employees is executed by Stichting Pensioenfonds Achmea (Achmea Pension fund Foundation). For most of the employees in the Netherlands, the pension scheme entails a defined contribution plan. In 2016, contributions made by Achmea relating to this defined contribution plan amounted to €270 million (2015: €287 million).

For more information regarding the pension schemes executed by Stichting Pensioenfonds Achmea, reference is made to Note 22 Post-employment benefits.

Services

Achmea performs administrative and asset management services for Stichting Pensioenfonds Achmea. In 2016 it received €8.2 million (2015: 8.3 million) in fees for these services.

Stichting Achmea Foundation

Achmea has committed to an indefinite obligation to apply 0.5% of its net profit to fund Stichting Achmea Foundation (Achmea Foundation). Contributions on the result of 2015, made by Achmea in 2016 amounted to €1.9 million (2015: €80,000). Achmea Foundation employs these funds to finance projects around the world for sustainable improvement of economic and/or social environment of groups where help is needed in society. Achmea Foundation makes use of personnel and office space of Achmea. This is charged on at cost. At year-end 2016 Achmea has a receivable on Achmea Foundation in the amount of €0.1 million (2015: 0.3 million).

31. GROSS WRITTEN PREMIUMS NON-LIFE

(€ MILLION)

	2016	2015
Accident	686	705
Motor liability	701	639
Motor other	752	726
Transport/aviation	59	64
Property	1,126	1,101
General liability	266	259
Legal assistance	185	184
Other	5	6
	3,780	**3,684**

32. GROSS WRITTEN PREMIUMS HEALTH

(€ MILLION)

	2016	2015
Basic health insurance	4,806	4,610
Contribution from Health insurance fund	6,973	7,568
Supplementary health insurance	1,313	1,310
Other health insurance	412	384
	13,504	**13,872**

33. GROSS WRITTEN PREMIUMS LIFE

GROSS WRITTEN PREMIUMS LIFE

(€ MILLION)

	SINGLE PREMIUM	ANNUAL PREMIUM	TOTAL 2016	TOTAL 2015
Individual Life insurance				
Policies own risk	374	601	975	999
Policies where policyholders bear investment risks	41	492	533	569
	415	**1,093**	**1,508**	**1,568**
Group Life insurance				
Policies own risk	116	378	494	532
Policies where policyholders bear investment risks	44	170	214	266
	160	**548**	**708**	**798**
Total	**575**	**1,641**	**2,216**	**2,366**

34. INCOME FROM ASSOCIATES AND JOINT VENTURES

(€ MILLION)

	2016	2015
Garanti Emeklilik ve Hayat A.S.	10	7
Sprint Invest B.V.	1	
Other	2	–1
	13	**6**

In 2016, no dividends were received related to the interest in Garanti Emeklilik ve Hayat A.S. (2015: nil) and Sprint Invest B.V. (2015: nil).

35. INVESTMENT INCOME

INCOME FROM INVESTMENTS BASED ON THE CLASSIFICATION OF INVESTMENTS

(€ MILLION)

	2016	2015
Investment property	78	75
Available for sale'	555	696
At fair value through profit or loss'	248	175
Loans and receivables'	103	116
	984	**1,062**
Investment expenses*	–19	–27
Direct operating expenses investment property	–22	–23
	943	**1,012**

* *In 2016 the recognition of part of the investment expenses has been adjusted. The comparative figures have been adjusted for comparison purposes.*

INCOME FROM INVESTMENTS BASED ON THE NATURE OF INVESTMENTS

(€ MILLION)

	2016	2015
Investment property	78	75
Direct income from investments:		
Equities and similar investments	62	69
Fixed income investments	591	777
Derivatives	138	108
Other financial investments	115	33
	984	**1,062**

INCOME FROM INVESTMENTS BASED ON THE NATURE OF THE INCOME

(€ MILLION)

	2016	2015
Interest:		
'Available for sale'	493	627
'At fair value through profit or loss'	248	175
'Loans and receivables'	103	116
Rental income	78	75
Dividends	62	69
	984	**1,062**

An amount of €0.3 million (2015: €0.3 million) of Direct operating expenses investment property relates to property not generating any rental income in 2016.

36. REALISED AND UNREALISED GAINS AND LOSSES

(€ MILLION)

	2016	2015
Realised and unrealised gains and losses on financial assets:		
Investment property*	25	−4
Investments 'Available for sale'	629	445
Investments 'At fair value through profit or loss'	1,179	172
Impairment losses on investments	−28	−29
Foreign currency differences	−120	325
	1,685	**909**
Realised and unrealised gains and losses on financial liabilities:		
Derivatives	−4	
Foreign currency differences	6	−4
	1,687	**905**

* *Realised and unrealised gains and losses arising from Investment property is divided in Residential €35 million (2015: €23 million), Offices €-4 million (2015: €-26 million), Retail €-7 million (2014: €-2 million) and Other €-2 million (2015: €2 million).*

The increase of the realised gains and unrealised losses on financial assets classified as 'At fair value through profit or loss' is mainly due to a decrease of the interest rate and therefore the increase of value of derivatives. Realised and unrealised gains and losses arising from financial assets designated at initial recognition as 'At fair value through profit or loss' amounted to €189 million (2015: €780 million). Realised and unrealised gains and losses arising from financial assets and financial liabilities, which are attributable to banking operations are presented under Banking income (Note 38).

Impairment losses on investments related to investments classified as 'Available for sale' amounted to €28 million (2015: €29 million). In 2016, there were no impairment losses on investments related to investments classified as 'Loans and receivables' (2015: nil).

A total of €713 million (2015: €354million) of the unrealised results from fair value changes is related to investments which are measured using a valuation technique. These are mainly related to investment property, unlisted derivatives and equities.

37. INCOME FROM INVESTMENTS BACKING LINKED LIABILITIES

(€ MILLION)

	2016	2015
Direct income from:		
Investment property	22	17
Equities and similar investments	28	43
Bonds and other fixed-income investments	17	34
Derivatives		
Cash and other financial investments	265	289
	332	**383**
Realised and unrealised gains and losses:		
Investment property	12	34
Equities and similar investments	573	228
Bonds and other fixed-income investments	54	−56
Derivatives	−21	5
Cash and other financial investments	−43	131
	575	**342**
Net foreign currency differences	13	2
Investment expenses	−6	−6
	914	**721**

Realised and unrealised gains and losses arising from financial assets designated at initial recognition as 'At fair value through profit or loss' amounted to €623 million (2015: €303 million).

Direct income from Cash and other financial investments includes interest income related to savings accounts.

38. BANKING INCOME

(€ MILLION)

	2016	2015
Interest income	492	554
Realised and unrealised gains and losses	1	−1
Commission income	16	16
Fee Income from trust and other fiduciary activities	2	3
	511	**572**

39. FEE AND COMMISSION INCOME, AND INCOME FROM SERVICE CONTRACTS

(€ MILLION)

	2016	2015 *
Fee income from trust and other fiduciary activities	298	306
Income from service contracts	108	115
	406	**421**

* *In 2016 the recognition of part of the Fee income from trust and other fiduciary activities and Income from service contracts has been adjusted. The comparative figures have been adjusted for comparison purposes.*

40. OTHER INCOME

(€ MILLION)

	2016	2015
Net foreign currency differences	4	4
Other income*	55	58
	59	**62**

* *Other income in 2016 includes the provisional result (after deduction of expenses) on the sale of a group of assets of Staalbankiers (€4 million). Furthermore the comparative figures have been adjusted for comparison purposes.*

41. CLAIMS AND MOVEMENTS IN INSURANCE LIABILITIES

(€ MILLION)

	2016 GROSS	2016 REINSURANCE	2015 GROSS	2015 REINSURANCE
Non Life				
Claims paid	2,612	157	2,540	62
Changes in insurance liabilities own risk	439	127	142	97
Claim handling expenses	223		229	
Recoveries	–217		–178	
	3,057	**284**	**2,733**	**159**
Health				
Claims paid	14,091	315	12,991	409
Changes in insurance liabilities own risk	–897	–533	–104	–495
Claim handling expenses	136		144	
Recoveries	–29		–29	
	13,301	**–218**	**13,002**	**–86**
Life*				
Benefits paid own risk	2,800	166	2,559	209
Benefits paid own risk where policyholders bear investment risks	1,349		1,292	
Changes in insurance liabilities own risk	–677	–87	167	–129
	3,472	**79**	**4,018**	**80**
Total claims and movements in insurance liabilities	**19,830**	**145**	**19,753**	**153**

* *Benefits Paid own risk are divided into Benefits Paid own risk and Benefits Paid own risk where policyholders bear investment risk. For comparison purposes the comparative figures have also been adjusted.*

The increase in Changes in insurance liabilities own risk Non life is mainly due to damage claims resulting from the heavy rain and hail storms in the first half of 2016 (€319 million gross, €167 million reinsurance). The effect on Claims paid amounts to €195 million gross, of which €69 million was reinsured.

42. PROFIT SHARING AND BONUSES FOR POLICYHOLDERS

(€ MILLION)

	2016	2015
Amortisation interest surplus rebates	9	9
Profit sharing	1,268	647
Benefits policyholders	83	–12
	1,360	**644**

The Increase of Profit sharing for policyholders is primarily due to higher gains on the interest rate derivatives due to interest rate movements. Interest rate derivatives are used to hedge the interest rate risk of the insurance contracts.

43. FAIR VALUE CHANGES AND BENEFITS CREDITED TO INVESTMENT CONTRACTS

(€ MILLION)

	2016	2015
Fair value changes credited to investment contracts	75	119
	75	**119**

44. OPERATING EXPENSES

(€ MILLION)

	2016	2015
Salaries	925	941
Social security charges	88	81
Pensions	261	255
Other	446	466
Staff costs	**1,720**	**1,743**
Depreciation Property for own use and equipment	44	47
General expenses	661	651
Gross operating expenses	**2,425**	**2,441**
Commissions paid and accrued	647	665
Reinsurance profit sharing and commission	−27	−52
	3,045	**3,054**
Less: Allocated Claims handling expenses	400	413
Less: Allocated Investment expenses	3	8
	2,642	**2,633**

The number of employees mentioned above only includes employees with which Achmea has an employment contract. Employees with temporary contracts and external employees are not included. A FTE is based on a labour week of 38 hours.

NUMBER OF EMPLOYEES (AT THE END OF THE YEAR, BASED ON FTE)

ACHMEA NETHERLANDS	EUREKO SIGORTA	UNION POISTOVNA	INTERAMERICAN GREECE	FRIENDS FIRST	OTHER	TOTAL 2016	TOTAL 2015
12,311	613	535	1,153	266	43	**14,921**	15,412

Included in General expenses are expenses related to the audit firm performing the audit of the annual accounts of Achmea B.V. and its subsidiaries which are summarised in the table below.

EXPENSES RELATED TO THE AUDIT:

(€ MILLION)

	2016	2015
Audit annual accounts	6	7
Other audit services	1	1
	7	**8**

As from 2011 PricewaterhouseCoopers Accountants N.V. is appointed as independent auditor of Achmea.
The amounts included in the table under 'Audit annual accounts' are based on expenses related to the audit of the financial statements of the related financial year, whether or not the services by the independent auditor and the audit firm have already been provided during that financial year. The expenses include VAT.
Expenses related to audit firms other than PricewaterhouseCoopers Accountants N.V. are as follows: other audit related services €1 million (2015: €1 million), other services €10 million (2015: €11 million) mainly relating to advisory and consulting services.

45. BANKING EXPENSES

(€ MILLION)

	2016	2015
Interest expenses:		
Deposits	8	5
Instruments entrusted	82	144
Debt securities issued	95	55
Derivatives liabilities held for risk management	140	164
Other interest expenses	7	12
Loans and borrowings	4	18
Impairment of financial instruments	11	
Other fee and commission expenses	2	1
Other banking expenses		2
	349	**401**

Staff costs and other operating expenses related to banking activities are included in Operating expenses (Note 44).

46. OTHER EXPENSES

(€ MILLION)

	2016	2015
Amortisation charges on intangible assets	40	100
Impairment losses on intangible assets	93	
Impairment losses on receivables	18	20
Other expenses	108	32
	259	**152**

At the end of 2016 the goodwill relating to the cash generating unit Eureko Turkey was fully impaired for an amount of €93 million. For more information reference is made to Note 6.

Other expenses 2016 includes an amount of €38 million related to additions to Other provisions, in particular relating to legal disputes, and for €9 million relating to foreign exchange results.

47. INCOME TAX EXPENSES

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2016	2015
Result before tax	–418	378
Domestic corporation tax rate	25.0%	25.0%
Income tax using the domestic corporation tax rate	–105	95
Effect of tax rates in foreign jurisdictions		–4
Tax effect on:		
Non-deductible expenses	19	2
Tax exempt revenues	50	–69
Participation exemption	1	–15
Non-deductible losses	6	2
Tax losses utilised		–1
Other	–5	–14
Under/(over) provided in prior years	–2	–4
Effective tax amount	**–36**	**–8**

The effective tax rate in 2016 amounts to 8.6% (2015: -2.2%).

INCOME TAX EXPENSES

(€ MILLION)

	2016	2015
Current tax expense		
Current year	53	284
Under/(over) provided in prior years	–2	–4
	51	**280**
Deferred tax expense		
Origination and reversal of timing differences	–87	–288
Total income tax expense in Income Statement	**–36**	**–8**

SUMMARY INCOME TAX EXPENSES ACHMEA 2016 DIVIDED BY GROSS WRITTEN PREMIUMS PER BUSINESS LINE

(€ MILLION)

	GROSS WRITTEN PREMIUMS	RESULT BEFORE TAX	INCOME TAX EXPENSES	EFFECTIVE TAX RATE (%) [1]
Dutch taxable activities per segment				
Non-life Netherlands	3,184	-189	-63	33%
Pension & Life Netherlands	1,794	285	48	17%
Retirement Services Netherlands		-18	-2	7%
Other	360	-232	-46	21%
International activities	1,192	-68	27	-40%
	6,530	**-222**	**-36**	**16%**
Dutch non-taxable activities per segment				
Health Netherlands [2]	13,092	-196		
	19,622	**-418**	**-36**	**9%**
Intersegment eliminations	-122			
Total Dutch activities	**19,500**	**-418**	**-36**	**9%**
International activities				
Turkey	368	23	5	22%
Slovakia	348	2	1	50%
Greece	310	5	10	200%
Ireland	154	-3	2	-68%
Australia	12	-7	6	-86%
Other		5	3	60%
Impairment losses		-93		
Total International activities	**1,192**	**-68**	**27**	**-40%**

[1] *Effective tax rate: total income tax compared against the result before tax, including both current tax (immediately payable/receivable) and deferred tax (payable/receivable in future).*

[2] *The healthcare companies of Achmea are exempt from income tax (Article 5(1)(e) of the Dutch Corporate Income Tax Act 1969). Achmea meets the requirement that profits can only be used for public health institutes.*

48. NET OTHER COMPREHENSIVE INCOME

(€ MILLION)

	2016			2015		
	OTHER COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHENSIVE INCOME	OTHER COMPREHENSIVE INCOME BEFORE TAX	INCOME TAX EXPENSE	NET OTHER COMPREHENSIVE INCOME
Remeasurements of net defined benefit liability	40	−14	26	5	4	9
Unrealised gains and losses on property for own use	7	−2	5	13		13
Currency translation differences on intangible assets, associates and joint ventures	−51		−51	−51		−51
Unrealised gains and losses on available for sale investments	1,188	−287	901	−138	24	−114
Share in other comprehensive income of associates and joint ventures	2		2	3		3
Transfer from Provision for profit sharing and bonuses for policyholders	−881	220	−661	111	−28	83
Gains and losses on available for sale investments reclassified to the Income Statement on disposal	−176	40	−136	−276	61	−215
Impairment charges on available for sale investments reclassified to the Income Statement	28	−5	23	28	−6	22
Total other comprehensive income for the period	**157**	**−48**	**109**	**−305**	**55**	**−250**

49. EARNINGS PER SHARE

NET RESULT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

(€ MILLION)

	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL 2016	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL 2015
Net result	−382		−382	386		386
Dividends on non-redeemable cumulative preference shares	−20		−20	−20		−20
Coupon payments on other equity instruments	−68		−68	−54		−54
Tax on coupon payments on other equity instruments	17		17	14		14
Net result attributable to ordinary shareholders	**−453**		**−453**	**326**		**326**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2016	2015
Issued ordinary shares at 1 January	400,484,892	400,484,892
Weighted average number of ordinary shares	**400,484,892**	**400,484,892**

Earnings per share are calculated as the quotient of Net result attributable to ordinary shareholders and the weighted average number of ordinary shares.

EARNINGS PER SHARE

	2016	2015
Earnings per share continuing operations	−1.13	0.81
Basic earnings per share	**−1.13**	**0.81**

The diluted earnings per share equal the earnings per share from continuing operations.

50. CAPITAL AND RISK MANAGEMENT

Effective capital and risk management is essential for Achmea's continuity, and for maintaining a long-term relationship with our clients and other stakeholders. Capital management ensures that the Achmea Group and all supervised entities forming part of the Group have sufficient capital to secure the interests of all stakeholders in the short and long term. Risk management involves identifying and assessing risks, determining and implementing risk control measures and the monitoring and reporting on risks. The starting point in this context is not so much a matter of avoiding risk but rather of making well-informed decisions about the risks to be accepted in realising the business objectives. This involves the objectives of Achmea as a group as well as the objectives for individual entities.

Achmea's risk profile consists of the following main risks:

- Insurance risk: Achmea is exposed to life, non-life and health risks through its product range as an insurance company.
- Market risk: as a financial service provider, Achmea is exposed to market risk due to its investment portfolio, minimum guarantees and profit sharing (life insurance and disability insurance) and retail banking products (mortgages, deposits, savings accounts and current accounts).
- Counterparty risk: Achmea is exposed to counterparty risk in its investments, mortgage loans, treasury, banking and reinsurance activities, and in its dealings with healthcare providers, intermediaries and policyholders.
- Liquidity risk: Achmea is exposed to liquidity risk at group level and within the entities with regard to the insurance and banking activities.
- Operational risk: Achmea runs the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
- Compliance risk: non-compliance with laws and regulations may result in legal or administrative sanctions that in turn may result in substantial financial loss or reputational damage. Compliance risk is a particular type of operational risk that is differentiated from other kinds of risk in practice; it requires its own specific controls.

In addition to this Achmea runs strategic risks, i.e. specific risks related to the risk profile in the medium and long term. Reference is made to Capital and risk management in the Executive Board report for a description of the key strategic risks identified and managed.

Capital and risk management complement each other and demand an integrated approach. For instance, the risk profile is quantified using a partial internal model, which the college of supervisors has approved, that is also used to calculate the required capital. For the risks, Achmea has defined its risk appetite, and statements about the capital are an important part of this. Each year, the risk and solvency position are assessed in conjunction with each other.

Solvency II – the solvency regime for insurance companies in the European Union that came into effect on 1 January 2016 – is an integral part of our capital and risk management. Specific components of Solvency II, such as the development and administration of a partial internal model for quantifying risk profiles and the Own Risk and Solvency Assessment (ORSA), have a prominent place within the framework.

The rest of this section discusses capital and risk management at Achmea in greater detail. Successively, an explanation will be given of the following:

A. The risk strategy
B. The risk management framework
C. The risk governance
D. The partial internal model
E. The main risks
F. Capital management

A THE RISK STRATEGY

For the risk strategy principles have been defined relating to risk appetite, risk culture and risk management structure for Achmea's risk management system.

Risk appetite

Risk appetite reflects Achmea's attitude to taking risks and it gives an indication of its willingness to accept a high or a low risk level.

The overview included here reflects our financial and non-financial strategic principles for risk appetite.

These strategic assumptions have been developed into Risk Appetite Statements and Key Risk Indicators (KRIs) with supporting limits as part of the risk management framework that is used to monitor whether Achmea is operating according to its risk appetite. These assumptions are reviewed at least once a year and adjusted if necessary.

Risk culture

The Achmea Executive Board and management encourage an open culture in which risks can be openly discussed and where the decision making is based on an appropriate balance between risk, capital and expected return.
Achmea pursues a governed Remuneration Policy, whereby perverse incentives are prevented through the use of risk adjusted targets. The Remuneration Policy complies with all applicable regulations (Dutch Central Bank and Netherlands Authority for the Financial Markets.

Risk management structure

Achmea's risk management is based on an integrated approach to the management of risks. Achmea assesses the various types of risks, and the risks inherent in the various business units and supervised entities in conjunction with one another. Risk management is also an integral part of the financial control and capital management.

The 'three lines of defence' model was chosen when setting up the governance structure. This model is explained in greater detail in the section on risk governance.

FINANCIAL PRINCIPLES FOR THE RISK APPETITE

1 Capital

Achmea has a solid capital position.

2 Liquidity

Achmea's current and future liquidity position is sufficient to meet its obligations.

3 Result and volatility

Achmea realises a sustainable result that ensures a continuous access to the capital market. Extreme fluctuations in the economic result are avoided.

4 Risk Policy

Achmea knows as insurer its financial risks and pursues an adequate financial risk policy that aims to avoid undesired risk concentrations. Achmea utilises an important part of its risk capital for insurance risk.

NON FINANCIAL PRINCIPLES FOR THE RISK APPETITE

5 Product quality and services

Achmea offers a secure and transparent solution to clients that continuously meets the clients' needs, at a fair price.

6 Operational risk / Internal control

Achmea monitors the risks due to insufficient or failing internal processes or personnel and systems or external events.

7 Compliance

Achmea complies with laws and regulations. Employees, clients, suppliers and other partners of Achmea operate with integrity.

8 Corporate social responsibility

Achmea realises its corporate objectives in a socially responsible manner and aims at providing a demonstrable social added value through its insurance and investment activities. Furthermore Achmea remains relevant on this topic by reacting adequately to social developments.

B THE RISK MANAGEMENT FRAMEWORK

The Integrated Risk Management Framework (IRMF) describes the risk management system of Achmea and sets out in more detail the risk strategy referred to above.

The IRMF consists of seven components, which ensure a consistent, effective and efficient risk management process:
1. Organisational structure
2. Risk classification
3. Risk appetite
4. Risk Policies
5. Tools & Techniques
6. Systems & Data
7. People, culture and awareness

Group-wide risk policies ensure that risk management is conducted consistently, effectively and efficiently throughout the entire organisation, in line with the steps of the risk management process. The policies set out the principles and governance for the different components of the IRMF. These documents will be reviewed at least annually and amended if necessary.

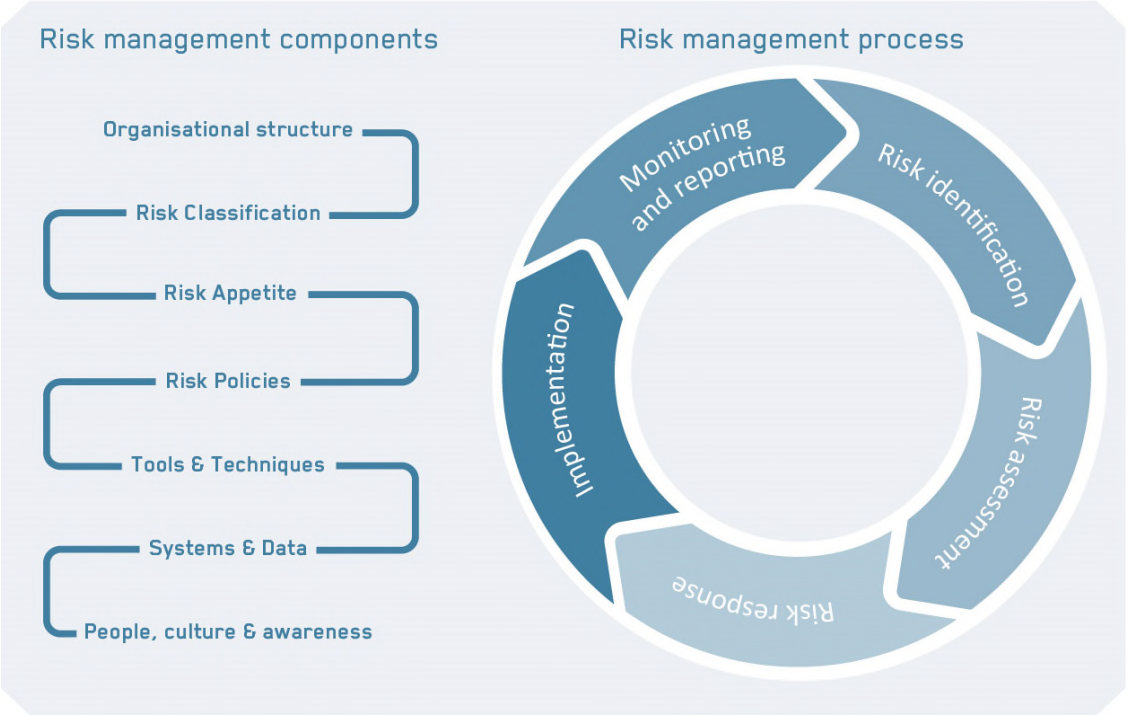
The risk management process is applied both on an individual risk level and at aggregated risk level. Below we describe the main features of the risk management process, in which the aggregated level is emphasised. Further we will set out in separate paragraphs how the risk management process for each main risk is set up.

Risk identification and risk assessment

Several risk assessments are carried out throughout the year making use of quantitative and qualitative tools and techniques:

- Qualitative risk self-assessments which focus on areas such as strategy, projects and operational risks. This includes, among others, the qualitative Strategic Risk Assessment with management and the Executive Board, in which potential strategic risks are identified and assessed.
- Achmea uses risk models to make a quantitative estimate of our risk profile. These risk models are amongst others used in Asset & Liability Management (ALM), reinsurance strategy, pricing, performance management and capital management. Achmea uses a partial internal model approved by the college of supervisors to calculate the capital requirements for certain insurance risks of the non-life and income protection insurance. See the section partial internal model for a more detailed description.
- Finally, scenarios and stress tests provide insight into what happens under extreme circumstances or when several factors occur combined. These scenario and stress tests are used as part of the periodic monitoring of the risk profile. Annually, they are used to analyse in greater depth the key risks as listed in the ORSA report and the recovery plan.

RISK MANAGEMENT FRAMEWORK



The various assessments mentioned are complementary to each other. A single Integrated Risk Analysis Report combines the main results of the different risk assessments which results in a single view of our risk profile including an overview of our main risks which have been identified.

Risk response

Based on the risk assessments, it is determined if and what risk response is required. These assessments are, amongst others, made in the periodic capital and risk monitoring, pricing and business planning. Decisions are based on an appropriate balance between risk and return considerations, and, where necessary, measures are taken to ensure that the risk profile maintains within the limits set. The relevant sections on the main risks discuss the risk response in more detail.

Monitoring and reporting

Achmea's risk profile is monitored as follows:

- For the main risk, line management periodically verifies whether the risk is still within the risk limits set which are derived from the risk appetite.
- An Internal Control Framework is used to systematically monitor key risks and key controls throughout the organisation. Cross-references are included in the framework to information security, Solvency II, the Achmea Customers Centricity program, the quality seal 'Customer oriented Insurance' (KKV) and the In Control Statement (ICS) that is issued internally as an important component of the internal risk management and internal control systems.
- Line management monitors the performance of actions arising from the qualitative risk assessments.
- Compliance receives a lot of attention within and outside Achmea. It is intrinsically important to comply with relevant laws, regulations, rules, organisational standards and codes of conduct. Achmea wants to provide for customers' their justified customer needs and in this way contribute to customer trust. Continuous monitoring of compliance themes is an important instrument in providing assurance that compliance with legal provisions is guaranteed.

Periodical reports are prepared for the Executive Board, Audit & Risk Committee and Supervisory Board.

- Quarterly, a Risk & Compliance Report is prepared in which developments in the business units that could affect the risk profile are reported, together with the monitoring results of the main risks, risk limits, internal control, compliance and findings from the actuarial proceedings. This further enhances the integrated view on our risk profile and helps to prioritise management actions. Twice a year, specific compliance findings are looked at more deeply.
- The internal audit function reports on the basis of audit reports and the annual audit memorandum.

In addition to the periodic monitoring of our risk profile, a group-wide Own Risk and Solvency Assessment (ORSA) report is prepared annually for the insurance activities, and an ICAAP (Internal Capital Adequacy Assessment Process)/ILAAP (Internal Liquidity Adequacy Assessment Process) report is prepared for the banking activities. These reports provide insight into and an assessment of the development of the risk profile, solvency and liquidity during the planning period, both under regular and stressed circumstances. These reports are provided annually to the college of supervisors and local regulators for the non-Dutch entities.

C THE RISK GOVERNANCE

Three lines of defence model

Achmea's governance structure is based on the 'three lines of defence' model. This model comprises three lines of defence for managing risks:

1. Achmea's line organisation, the first line of defence, is primarily responsible for risk management.

2. Achmea's second line of defence supports Achmea by actively challenging its line management in its endeavour to realise its business objectives, and by enabling it to make well-informed analyses of the risks, costs and benefits measures for managing these risks. This is done by providing guidance for the activities, facilitating risk management processes, acting as sparring partner on issues of effective risk management and by monitoring the execution of risk management by the first line. The following three important functions are part of the second line of defence: the risk management function, the compliance function and the actuarial function. The second line of defence operates independently from the first line and is not responsible for the day-to-day execution of risk management activities.

3. Achmea's third-party line of defence, the internal audit function, is an independent function that provides Achmea's Executive Board and Supervisory Board / Audit & Risk Committee (and derived from this the supervised undertakings, the supervised undertaking Supervisory Boards and line management) with extra assurance regarding the quality of internal controls, governance and the design and execution of the risk management system.

Risk committees

Achmea has risk committees both at group level and within the business units.

At group level, the Supervisory Board supervises the Executive Board. The Audit & Risk Committee advises the Supervisory Board on financial, administrative and organisational compliance matters, as well as on the risk profile and risk management. The presence of a Chief Risk Officer (CRO) on the Executive Board helps ensure a permanent focus on risk management in our business operations.

The Finance & Risk Committee (FRC) is an executive committee of the Executive Board. It is a platform with members of the Executive Board, (financial and risk) managers of the relevant departments and finance directors of several business units. The FRC focuses on discussing and deciding on the issues related to finance, risk management, investment policy, actuarial issues and compliance at group level. The FRC has established two subcommittees: the Model Approval Committee (MAC), with delegated responsibility for approving risk models, and the Information Risk & Security Board (IRSB), which focuses in particular on managing information risk.

Aligned with the FRC at the group level, there are Finance & Risk Committees within the business units that discuss and manage risks, possibly complemented by specific committees such as the Asset & Liability Committee and the Credit Committee at Achmea Bank.

Specifically for product development a Product Advisory Committee (PAC) has been established at group level and Product Review Committees (PRC) have been established for the Product Approval and Review Processes (PARP) within the business units.

GROUP COMMITTEES

FINANCE & RISK COMMITTEE FRC

- CFO (Chair), CRO and one other member of the Executive Board
- Group: Risk & Compliance, Financial Management, Group Investment Office
- Business units: product divisions, Achmea Reinsurance Company, Achmea Investment Management and Achmea Bank

MODEL APPROVAL COMMITTEE MGC

- Risk & Compliance (Chair), Model owners, Model designers, Model clients, Model validators
- The representation of the Directors Finance of the business units to ensure a good understanding and acceptance of the risk models

INFORMATION RISK & SECURITY BOARD

- Chief Risk Officer (CRO) (Chair)
- Group Information Security Officer
- Business units: IM&IT, CDV, product divisions, Centraal Beheer and Interpolis

D THE PARTIAL INTERNAL MODEL

Achmea uses a partial internal model, which the college of supervisors has approved, for quantifying the risk profile and for calculating the required capital under Solvency II ('Solvency Capital Requirement' (SCR)). Some risks are quantified using an internal model and the other risks are quantified using the standard formula of Solvency II.

The scope of the internal model is:

- For non-life risk the premium and reserve risk of Achmea Schadeverzekeringen N.V., N.V. Hagelunie and Interamerican Property and Casualty Insurance Company S.A.
- For non-life risk the natural catastrophe risk of Achmea Schadeverzekeringen N.V., N.V. Hagelunie, Interamerican Property and Casualty Insurance Company S.A. and Achmea Reinsurance Company N.V.
- For health risk (health Not Similar to Life Techniques, NSLT) the premium and reserve risk of Achmea Schadeverzekeringen N.V. and Interamerican Property and Casualty Insurance Company S.A.
- For health risk (health Similar to Life Techniques, SLT) the risks relating to disability, rehabilitation and revision percentages of Achmea Schadeverzekeringen N.V.

The other risks are calculated using Solvency II's standard formula. In accordance with the partial internal model the inflation risk is added to the market risk.

Apart from the so-called grandfathering option for determining equity under Solvency II (i.e. eligible own funds), Achmea has not used optional transitional measures as permitted under the Solvency II Directive. With respect to the Long Term Guarantee (LTG) measures, Achmea uses the EIOPA Volatility Adjustment (VA). The VA is not used by the Dutch healthcare entities (the duration of the liabilities is very short), Achmea Reinsurance Company (proportionality) and Eureko Sigorta (not allowed). Apart from Ireland (proportionality) and De Friesland Zorgverzekeraar (proportionality) Achmea also uses the Equity Transitional to determine the risk capital for the equity risk. The proportionality criterion is that the administrative burden does not outweigh the advantages of using the Volatility Adjustment or Equity Transitional for these entities.

For the Solvency II calculation (including Solvency II eligible own funds) Achmea uses assumptions and estimates with regard to future results or other developments, including the probability, realisation time or amount of future transactions or events. Inherent in estimates is that the actual results may differ materially. Part of these assumptions and estimates correspond to the assumptions and estimates mentioned under Note 1 Accounting Principles – J (Key accounting estimates). For the Solvency II calculation (including Solvency II eligible own funds) several additional assumptions and estimates are applied additionally or instead.
The most important additional assumptions and estimates are the following:

- Cash flows used for the assessment of the market value of the Insurance liabilities and Amounts ceded to reinsurers. Estimates under cash flows include the expected premium income and claims for future years and include assumptions on mortality, claims, lapse, work disability, costs and interest.
- Projected fiscal results and analysis of future results.
- Market value of contingent liabilities.

Also the final size of the SCR (including the Solvency II eligible own funds) is still subject to assessment by De Nederlandsche Bank (DNB). As a consequence interpretations may change, and consequently the reported Solvency II figures may change. The analysis of the adjustment for the Loss-Absorbing Capacity of Deferred Taxes (LACDT) will be assessed against the guidance published by De Nederlandsche Bank in February 2017.
The new guidance of De Nederlandsche Bank requires a further analysis of the effect of the shock on future fiscal profit calculation and the policy implications. This affects how the calculations are substantiated. Specifically with regards to the following elements, further insight will be gained in the upcoming period:

- Allocating loss to balance sheet items based on scenarios, if a shock occurs.
- The time of occurrence of losses for the fiscal profit calculation.
- The application of the capital and dividend policy in case of a changed risk profile.
- The recoverability analysis based on this and the manner of determining potential future profits.

Based on the work and calculations performed, Achmea is of the opinion that the LADCT we determined at this time represents the best estimate of the Loss-Absorbing Capacity of Deferred Taxes. The guidance of De Nederlandsche Bank will be incorporated in the calculations of the half-year figures 2017.

The table below gives an overview of Achmea's risk profile based on the SCR results as calculated using the partial internal model.

SOLVENCY CAPITAL REQUIREMENT

	31 DECEMBER 2016
Market risk	2,291
Counterparty Risk	560
Life Risk	1,861
Health Risk	1,861
Non Life Risk	770
Intangible Asset Risk	4
Diversification	−2,645
Basic Solvency Capital Requirement	**4,702**
Loss-Absorbing Capacity	−706
Operational Risk	596
Solvency Capital Requirement (Cons)	**4,592**
SCR Other Financial Sectors & Other entities	31
Solvency Capital Requirement	**4,623**

In accordance with Solvency II the Loss-Absorbing Capacity has been taken into account. This comprises: 1. the Loss-Absorbing Capacity of expected profits for the internal model for the premium and the reserve risk; and 2. the Loss-Absorbing Capacity of Deferred Taxes (LACDT). These items can be used to compensate for some losses.

A large part of the SCR results directly from the product offering and consists of insurance risk, comprising life, non-life and health risks. The total volume increased slightly in 2016 after diversification. As a financial service provider Achmea is also exposed to market risk due to its investment portfolio, minimum guarantees and profit sharing (life insurance and disability insurance) and retail banking products (mortgages, deposits, savings accounts and current accounts). The market risk has decreased in the past year. Further the risk profile according to the SCR includes counterparty risk due to exposure to various counterparties, and operational risk due to inadequate or failing internal processes, personnel or systems, or due to external events.

For information about eligible as opposed to required capital under Solvency II, please refer to the section on capital management.

Model governance

The development and management of the partial internal model is subject to strict model governance. The model components follow a model cycle as part of this governance regime. This cycle ensures that the models are adequately documented, implemented, tested and periodically validated. In the process, the partial internal model is approved by the Executive Board and the boards of the entities that use the partial internal model. After the internal governance is completed a newly developed model is submitted to the college of supervisors for approval. Good management requires that model changes are implemented and approved in accordance with a controlled change procedure, after which the college of supervisors is informed of minor changes.

Achmea uses the partial internal model for several purposes:

- Product development and pricing: in this process, the model outcomes are used to set the premiums, and to determine the effect that developing new and existing products will have on capital and return.
- Risk appetite: limits are included for capital based on the partial internal model.
- Business Planning/Strategy: the objectives and strategy for the short and long term are laid down in the business plan process. In the process, the required return and capital are calculated based on the partial internal model (capital projections).
- Planning & Control: during the Planning & Control cycle, business performance is measured and reported on periodically based on the Economic Result and Return On Profit at Risk (ROPaR) that is calculated using the partial internal model.
- Reinsurance programme: the catastrophe model is used to calculate the effects of the various alternatives in the reinsurance programme. The impact on capital is taken into account in the programme selection.
- Investment plan: the partial internal model is used to determine the market risk budget. The investment plan is drafted based on this budget (within the limits of the budget).
- The capital that has been calculated per risk is reported in the Regulatory Supervisory Report (RSR). Each year, De Nederlandsche Bank receives an RSR. Each quarter the regulatory authority receives a quarterly report.
- The Solvency and Financial Condition Report (SFCR) with information on Solvency II is published annually. The first SFCR will be published in 2017 (reporting on 2016).
- The extent to which the existing and future capital and liquidity position are considered to be adequate under normal and extreme circumstances is laid in the Own Risk and Solvency Assessment (ORSA). The appropriateness of the partial internal model approved by the college of supervisors is also assessed in the ORSA.
- Achmea's recovery plan contains information on the degree to which Achmea as Group is prepared for, and can recover from, severe (financial) developments which lead to a financial crisis situation.

E THE MAIN RISKS

INSURANCE RISK

Insurance risk is the risk of loss, or of adverse change in the value of Insurance liabilities, resulting from inadequate pricing and provisioning assumptions and encompasses life risk, non-life risk and health risk. Catastrophe risk and concentration risk, if present, are included separately in the risk types mentioned.

The Insurance Risk Policy describes how insurance risks are managed, our 'risk response'. A key ingredient is the Product Life Cycle (PLC) approach:

- Business planning
- Product development
- Underwriting
- Reinsurance
- Policy management
- Claim process
- Determination of assumptions
- Reserving
- Product review
- Reporting and analysis

The different phases of the product life cycle approach all contribute to the management of the insurance risk.

Product development

For the introduction of new insurance products, Achmea has formulated a Product Approval and Review Policy. Achmea wants to offer clients secure and transparent solutions meeting their needs, with a fair pricing policy. Products may not be marketed or distributed without careful consideration of the risks and careful assessment of other relevant aspects, including the duty of care towards clients. Existing products are also reviewed periodically to ensure that these are still in the interest of the client. In addition the periodical review focuses on the strategic interest of a product, the business case of a portfolio, premium structure, profitability and standard return ratio of the product.

Reserving

In the reserving process the Insurance liabilities are determined for the current insurance contracts. The method used for this, and with it the value and frequency of the calculations, is set out in policies and procedures. These may vary according to the regime. IFRS accounting, IFRS Liability Adequacy Testing, Solvency II, local accounting and local solvency (for the entities not covered by the Solvency II regime).

The Insurance liabilities are determined at least four times a year. At least twice a year they are also tested for adequacy, and more often if deemed necessary or required by law.

Reinsurance

Within Achmea a large part of all purchased reinsurance of the Dutch entities is managed by Achmea Reinsurance Company N.V. (hereinafter Achmea Reinsurance). Achmea Reinsurance retains some of this risk and places the risk that exceeds the retention levels on the reinsurance market. The non-Dutch entities operate their own reinsurance programme. Achmea Reinsurance participates as a reinsurer in most programmes of the non-Dutch entities.

Life Risk

Life risk is the risk of loss, or of adverse change in the value of Insurance liabilities, resulting from:

- the changes in the level, trend or volatility of the underlying risk drivers (mortality rates, expenses, lapse rates).
- the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

It encompasses mortality, longevity, lapse and expense risk.

Risk profile

The Netherlands is the main market where Achmea is exposed to life risk. In the Netherlands Achmea is closed to new business except for the annuities and life insurance products. Ireland (Friends First), Greece (Interamerican) and Slovakia (Union) are the Life markets outside the Netherlands where Achmea operates.

The Life portfolio consists of life insurance with profit participation, unit-linked insurance and other life insurance:

- Life insurances with profit participation are traditional life products with profit participations, like saving products, Group contracts and unit-linked insurance contracts with guarantees. These products create an exposure to mortality / longevity risk and to market risk for Achmea.
- For unit-linked insurance the policyholders bear the investment risks.
- Other Life insurance consists of traditional products without profit participation like term insurance, both stand-alone and linked to mortgages (mortality risk) and annuities (longevity risk).

An overview of the portfolio composition on the basis of Insurance liabilities is given in Note 19, Insurance liabilities. An overview of the composition of gross written premiums is given in Notes 31, 32 and 33.

The risk profile of Life, calculated using the Solvency Capital Requirement (SCR) under Solvency II, increased to €1,861 million in 2016. The SCR is calculated using the standard formula of Solvency II. Due to the decreased interest rate the liabilities increased, causing the interest-sensitive shocks under Solvency II to have more impact. The longevity risk and expense risk have increased, while the lapse risk has decreased.

Longevity risk is predominant in Life risk and therefore this exposure is monitored closely. For Life, concentration risks are an unexpected increase of the life expectation and a pandemic. A pandemic is also being referred to as a catastrophe risk. This risk is not reinsured, but is evaluated every three years to assess whether reinsurance is needed.

Risk response

For life insurance acceptance, medical examinations are required. Tariffs are differentiated by risk category (smoking / non-smoking). For individual contracts in the Netherlands there is an 'en bloc' clause which allows the insurer to increase the premium in extreme cases. With this instrument, the consequences of adverse mortality and increased expenses can be mitigated. This would only be applied in exceptional circumstances.
The Insurance liability for Life is tested each quarter for adequacy. The development of the liability adequacy test for Life (both group and individual) is monitored monthly at current market rates. In carrying out this test, use is made of estimates of future contractual cash flows, based on current assumptions regarding mortality, policyholder behaviour (surrender) and future management costs.

The mortality tables used in the Netherlands and Ireland take into account a future increase of the life expectancy. Elsewhere, to ensure adequacy, standard mortality tables are adjusted in various ways, such as age adjustments. The resulting best estimate cash flows are discounted using the risk-free interest rate curve with Volatility Adjustment, as published by EIOPA.

Reinsurance is used to limit catastrophe risk assumed on individual lives or groups of lives. Achmea Pensioen- en Levensverzekeringen, Friends First and Interamerican Greece were all protected by reinsurance for large sums. The reinsurance covers of the Dutch portfolios are integrated into one programme with a high deductible.

Non-life Risk

Non-life risk is the risk of loss or of adverse change in the value of Insurance liabilities resulting from:
- fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements.
- significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

It encompasses premium, reserve, lapse and catastrophe risk.

Risk profile

The Netherlands is the main market where Achmea is exposed to non-life risk. Greece (Interamerican), Turkey (Eureko Sigorta), Slovakia (Union) and Australia are the Non-life markets outside the Netherlands where Achmea operates.

The risks covered by Achmea are within the typical lines of business, such as motor (hull and liability), transport / aviation, fire and natural events, general liability and legal assistance. An overview of the portfolio composition on the basis of Insurance liabilities is given in Note 19, Insurance liabilities. An overview of the composition of gross written premiums is given in Notes 31, 32 and 33.

The risk profile of Non-life, calculated using the Solvency Capital Requirement (SCR) under Solvency II, increased to €770 million in 2016. The SCR is calculated using an internal model approved by the college of supervisors. The increase mainly relates to an increase in provisions because of the hail catastrophe in 2016, the increase in bodily injury provisions and the low interest rate. Within Non-life, catastrophe risk is a large risk. Mainly the property and motor hull insurance lines are exposed to catastrophe risk. The predominant natural perils are wind damage and hail risk in the Netherlands and earthquake risk in our operations in Greece (Interamerican) and Turkey (Eureko Sigorta). Motor hull in the Netherlands includes the risk of flood. An occurrence of a catastrophic event, which results in increased claims expenses, is also referred to as concentration risk.

Risk response

Acceptance guidelines ensure proper assessment, acceptance (possibly subject to conditions) and pricing of individual risks within the existing product offering. The categories on which the direct and indirect business insurance focuses are medium-sized industrial and commercial risks, with a normal maximum limit of €40 million based on the maximum expected loss. In the Netherlands Achmea does not underwrite heavy industrial risks such as airports or power plants. In Turkey, these types of risks are underwritten from a strategic viewpoint. The risks are either 100% fronted via reinsurers or accepted with a very minimal retention.

For most products, claim settlements take place in a short timeframe. In motor liability and general liability insurance long period settlements could occur. In lines of business such as general liability and motor liability (mainly bodily injury) with long settlements, the claims reserve is exposed to the risk of inflation.

This risk is managed as part of market risk, periodically it is evaluated if this risk should be covered.

The Insurance liabilities for Non-life consist of already reported claims and an 'incurred but not (enough) reported' IBN(E)R provision. These claims are either determined case-by-case or statistically. The Insurance liabilities for Non-life include a margin for prudency on top of the 'best estimate' which is calculated based on a confidence level of 98.5%. The Insurance liabilities are tested at least twice a year for adequacy. If the liability adequacy test shows that the Insurance liability Non-life is not within the range of 10% below or above the prudency margin around the confidence level of 98.5%, the parameters with which the provisions are established will be evaluated and adjusted when necessary. The test also verifies the adequacy of the provision for claims handling expenses and unearned premiums.

Achmea uses reinsurance to manage exposure to weather-related events, natural disasters, events involving multiple victims, major fires and large claims in general and motor third-party liability. Reinsurance has significant risk-mitigating effects driven by type of reinsurance chosen and the agreed retention and limits. Exposure to natural disasters is limited by the use of catastrophe excess-of-loss reinsurance. In general, catastrophe risks and large individual risks are covered by excess-of-loss reinsurance treaties. Individual risks that exceed the treaty limit of the 'per risk' programmes are covered on a facultative basis.

The catastrophe reinsurance covers any retentions for property and motor hull in the Netherlands and Greece based on the calibration of the internal model. For 2016 and 2017, the reinsurance upper limit is based on at most a 0.5% exceedance probability for all catastrophe programmes. In 2016, the total catastrophe retention for Dutch catastrophe risk was €160 million (2015: €200 million), but the retention for a combined event from our different lines of business is €145 million (2015: €185 million) maximum. The highest retention per risk was €20 million (no change from 2015). The retention in the Netherlands on both the property catastrophe programme and the property per risk programme is protected for multiple large losses through layers with an annual aggregate deductible. The retention is based on the risk appetite and is mainly based on an assessment of the costs of reinsurance and the maximum acceptable annual retained loss. Eureko Sigorta has reinsured its largest catastrophe risk, earthquake risk, partly through the Turkish Catastrophe Insurance Pool and proportional treaties. The retention is covered through a catastrophe excess of loss programme

Health Risk

Health risk is the risk of loss or of adverse change in the value of Insurance liabilities resulting from:

- Changes in the level, trend, or volatility of the medical expenses incurred in servicing insurance contracts (health Not Similar to Life Techniques [health NSLT).
- Fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements (health Not Similar to Life Techniques [health NLST).
- Changes in the level, trend or volatility of the underlying risk drivers (longevity, incidence, lapse, expense, recovery and revision percentages) for disability insurance (health Similar to Life Techniques [health SLT).
- Significant uncertainty of pricing and provisioning assumptions related to outbreaks of major epidemics, as well as the unusual accumulation of risks under such extreme circumstances (health CAT).

Risk profile

Health risk is present in disability insurance (long-term, health SLT), sickness and accident insurance (short-term, health NSLT) and medical expenses (health NSLT).

Disability products cover the risk of a reduction in income resulting from inability to work due to disability (long-term, Health SLT).

- In the Netherlands, Achmea offers disability products based on local regulatory requirements. In the Dutch regulations there is a distinction between employers (including self-employed) and employees. For employers and the self-employed there is no public insurance and a full private insurance is available. For employees there is a public insurance, the Work and Income according to labour ability (Wet werk en inkomen naar arbeidsvermogen WIA) which consists of two covers: the income provision in case of full and permanent disability (Inkomensvoorziening volledig en duurzaam arbeidsongeschikten, IVA) and the return to work provision in case of partial or non-permanent disability (Werkhervatting gedeeltelijk arbeidsgeschikten, WGA). There are two types of private insurance: supplements to the public insurance and (re)insurance of the WGA, since a company can choose to bear the WGA risk itself and exit the public insurance. Main uncertainties in the WGA insurance cover are the inflow and duration of the disability.
- In Ireland, disability insurance is an important business line written on a standalone basis, but these products are also offered as part of life insurance products (Permanent Health Insurance, PHI). The PHI contracts guarantee the premium rates for the duration of the contract for individual policyholders and for a limited period in the case of group contracts.

Disability insurance risks are changes in legislation, changes in medical cost levels, the level of absenteeism due to illness, the frequency and the extent to which people are disabled, the rate of recoveries from disability, and the level of interest and inflation rates.

The Netherlands is the main market where Achmea offers health insurance. The health insurance system consists of two components: a basic health and a supplementary health insurance.

- For the basic health insurance, Achmea offers direct settlement ('natura'), the refund ('restitutie') and a combination policy. The basic health insurance covers the standard health care and is mandatory for anyone who lives or works in the Netherlands and must be purchased from a health insurer based in the Netherlands. All insurers have a duty to accept all applicants. Premiums for the basic health insurance are partly influenced by political decision-making. The Dutch government determines the extent of coverage under the basic health insurance package and the conditions applicable to the basic health insurance package, including admission and the maximum discount for group contracts (10% of the gross premium). In addition, the government determines the ex-ante payments insurers receive from the health insurance equalisation fund. The compensation paid through the equalisation fund is financed by employers and the Dutch government. Payments by this fund depend on the risk profile and the portfolio of the health insurance company. In such a system with risk-compensation measures, the insurance risk is limited if there is an average portfolio of insured persons (i.e. a representative portfolio). Currently, ex-post compensating mechanisms which reduce the risk, namely for mental health care and district nursing care still exists. These ex-post compensations will be eliminated with effect from the risk year 2017.
- Supplementary health insurance offers policyholders an opportunity to expand the cover provided by the basic health insurance. This insurance is optional and is comparable in nature and method to non-life insurance. The cover provided by these insurances is not tied to government stipulations and there is no obligation of acceptance and no risk equalisation system. Achmea offers a variety of dedicated supplementary health insurance packages. Premiums for supplementary health insurance are tailored to the cover offered.

An overview of the portfolio composition on the basis of Insurance liabilities is given in Note 19, Insurance liabilities. An overview of the composition of gross written premiums is given in Notes 31, 32 and 33. The risk profile of Health, calculated using the Solvency Capital Requirement (SCR) under Solvency II, increased to €1,861 million in 2016. The SCR for income insurance risks (Health SLT) is calculated using an internal model approved by the college of supervisors and for the other health risks using the standard formula of Solvency II. The increase mainly relates to income insurances and is associated with the increase in liabilities due to the lower interest rate. Also the premium and reserve risk has increased due to higher volumes.

The uncertainties for a health insurer are specifically in basic health care, and occur for various reasons.
- Political decisions.
- The equalization model which is not suitable for long-term care.
- Growing competition in healthcare.
- The settlements with Zorginstituut Nederland (ZiNL) per occurrence year, and the clearing of over and under-funding. The uncertainty of health-related costs is due to timeliness of invoice processing by health care providers, revenue settlement and the availability of reliable historical data.

In the process of estimating Insurance liabilities and income from the health insurance equalisation fund uncertainties are still present, due to the timeliness of the processing of invoices by health insurers, the transfer of long-term care and the restrictions of ex-ante budgeting and ex-post compensation mechanism.

Risk response

Within disability, after the initial claims report a customer follows a reintegration program that assesses whether interventions by external service providers may be valuable. This consists of workplace adjustment or waiting list mediation. In the vast majority of the agreements with maturities longer than one year the premium can be adjusted according to a clause in the policy conditions. The possibility of high claims per single risk for disability is mitigated by limiting the insured income and, in some cases, the use of reinsurance. The Insurance liabilities for Disability consists of already reported claims and an 'incurred but not (enough) reported' IBN(E)R provision. These claims are either determined case-by-case or statistically. In addition to determining a best estimate provision, a prudency policy is defined. As a result negative deviations from the best estimate provisions should be absorbed. The Insurance liabilities are tested at least twice a year for adequacy. The liability adequacy test for disability is based on cash flows. In determining the present value, the premium interest rate is used. Non-economic assumptions are based on a mix of industry standards and own experiences.
Achmea has taken a number of measures to mitigate the uncertainties on the health costs. The Insurance liabilities for outstanding claims and receivables from Zorginstituut Nederland (ZiNL) are based on best estimates of expected amounts taking into account a prudent approach to uncertainties. Claim estimates are generated periodically by both care procurement and actuaries in order to gain insight into relevant developments and the adequacy of Insurance liabilities. In addition to these measures, there is more information available on a national level about the macro claims, which is also used to assess the estimates. Furthermore Achmea reduced the upward potential of the insurance risk for specialised medical care and mental healthcare by agreeing on contractual terms with institutions about the development in health costs.

MARKET RISK

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. It encompasses interest rate risk, equity risk, property risk, spread risk, currency risk and concentration risk. Inflation risk is included in interest rate risk.

Achmea is exposed to market risk in its insurance and banking operations, among others because of the minimum guarantees and profit sharing in the insurance portfolio. Specific risk events which could have a significant impact are extreme shocks on the financial markets and an extreme increase of the interest rates.

Risk response

The Market Risk Policy describes how market risks are managed. For its Dutch insurance companies, Achmea manages market risk positions within a market risk process consisting of an Asset & Liability Management (ALM) process and an investment plan process. The key objective is to ensure that the market risk profile remains within the defined risk appetite. The total investment portfolio of Achmea is split into a matching-portfolio and a return-portfolio. The matching-portfolio must ensure proper matching with the insurance liabilities with regard to market risk, within the agreed framework. The return-portfolio focuses on generating investment income by taking market risks. Within the limits of the risk appetite a risk budget for market risk is set based on the ALM study. In the ALM study different asset mixes are tested for their effect on expected profit and the limits of the risk appetite. This research is executed at least annually or more frequently when appropriate. Following this an optimal return portfolio (the strategic investment mix) is determined that fits the set market risk budget and provides the highest return given additional restrictions on, for example, liquidity and minimum size per asset class. The market risk is monitored periodically, focussing on deviations from the strategic mix, and managing the interest rate exposure.

For the insurance entities outside the Netherlands, an ALM and investment plan process is followed, based on central guidance from Group. Local investment policies are based on a periodic ALM study to safeguard that the investments best balances the risk positions that originate from the liabilities.

The market risk process uses an internal risk model. Because of the implementation of Solvency II the outcomes of the partial internal model are included in the capital policy. The market risk is calculated using the standard formula of Solvency II. In accordance with the partial internal model the inflation risk is added to the market risk.

Interest rate risk

Interest rate risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to Changes in the term structure of interest rates (both nominal and real) or in the volatility of interest rates. Interest rate risk is present in the insurance and banking operations of Achmea.

Insurance activities

Achmea's interest rate policy for the Dutch insurance entities traditionally is to manage the interest rate risk of investments and liabilities on an economic basis using different scenarios for parallel shifts in the interest rate curves. For this assessment, parallel shocks are applied to the replicating portfolios and the related actual investment portfolios. The scenarios use a shock of 40 basis points and 100 basis points, in which case the negative change in the difference between assets and liabilities has to be within certain bandwidths for both Life and Non-life. The interest rate sensitivity of the net position is assessed on a monthly basis, both on regulated entity and Achmea Group level. Achmea's foreign subsidiaries apply a duration matching approach within bandwidths laid down in the local investment plans and monitored locally via committees. This policy is supported by an ALM study for which the Solvency II calculations are important input for the interest rate risk.

SCENARIO INTEREST RATE SHOCKS

(€ MILLION)

	TOTAL EQUITY IFRS	EFFECT INTEREST RATE SHOCK -1%	EFFECT INTEREST RATE SHOCK -0.4%	EFFECT INTEREST RATE SHOCK +0.4%	EFFECT INTEREST RATE SHOCK +1%
2016	9,782	−521	−170	128	256
2015	10,280	−89	−24	17	31

The result of Achmea may be influenced by the accounting classification of affected balance sheet items, recognition of impairments and the impact of the curve used performing the liability adequacy test. In this test the risk free discount rate is used as published by EIOPA. An increase in interest rates would have an adverse impact on the Liability Adequacy Test because of the use of the Ultimate Forward Rate (UFR) in the EIOPA curve; the UFR mitigates the effect on the value of the liabilities which will not decrease as fast as the value of the assets. An increase in interest rates will reduce the IFRS Liability Adequacy Test surplus and, if all other factors remain equal, can lead to a need to increase the liabilities.

Achmea's capital ratio is also sensitive for an increasing interest rate under Solvency II, because when the interest rate changes the value of the long-term liabilities doesn't change equally with the value of the assets because of the use of the UFR.

To decrease the interest sensitivity of the Solvency II solvency ratio Achmea decided to change the hedging strategy by decreasing the duration of the assets. This also decreases the interest sensitivity of the liability adequacy test. A consequence of the change is that the interest sensitivity of Total equity on economic basis increased in 2016. Monitoring of the interest rate risk is adjusted in line with the new hedging strategy.

The interest rate risk is hedged by means of an overlay management process that makes use of interest rate derivatives (swaps and swaptions). Achmea has entered into a number of long-term interest rate derivative contracts within its Life business. These derivatives are supplementary to the conventional fixed-income investments and the primary aim of the derivatives is management of the interest rate risk. Achmea applies hedge accounting when necessary to decrease the volatility in the consolidated income statement. The value of the interest rate derivative position is €2,496 million (2015: €1,841 million) with a notional amount of €30.2 billion (2015: €27.4 billion).

Banking activities

The banking operations of Achmea are exposed to fluctuations in interest rates both economically (market value of assets and liabilities) and in terms of earnings. Risk taking and managing interest rate risk as a source of profitability is a core business activity for a bank.

However, excessive interest rate risk can pose a significant threat to a bank's capital and earnings. Accordingly, an effective risk management process that maintains interest rate risk within prudent levels is essential for the safety and soundness of a bank. The focus of the banking activities of Achmea is on retail banking products (mortgages, deposits, savings and current accounts). The majority of these products or services generate interest rate risk.

This risk is mitigated by using derivatives (interest rate swaps and forward rate agreements). Within Achmea's banking activities no non-linear derivatives are used, e.g. swaptions, caps and floors.

SENSITIVITIES BANKING ACTIVITIES

(€ MILLION)

	2016 ACHMEA BANK	2016 STAALBANKIERS	2015 ACHMEA BANK	2015 STAALBANKIERS
Income at Risk +100 basis points	8		11	1
Value at Risk	76	1	102	3
Stress test -100 basis points	-15	1	14	2
Stress test +100 basis points	-16	-1	-35	-2

Equity risk

Equity risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices of equities. An overview of the equity portfolio is given in Note 10, Investments.

Sensitivity of equities and alternative investments for a change in market value of +10% is €342 million (2015: €294 million) and -10% is €-342 million (2015: €-294 million). As Achmea's equity investments are mainly classified as 'Available for sale' this will in general only affect total equity as, besides impairment losses, changes in market values are only reflected in Total equity and not in Net result. Total equity will be 3.5% (2015: 2.9%) lower if equity investments decline by 10%. In these figures the sensitivity of future profits to fees and charges in the unit-linked portfolio, which are related to unit-linked asset value, is not taken into account.

Spread risk

Spread risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of credits spreads over the risk-free interest rate term structure.

Achmea's main exposure to spread risk is from investment-grade credits (€8,129 million, 2015: €8,759 million), convertible bonds (€350 million, 2015: €338 million) and emerging market debt (€252 million, 2015: €204 million).

Achmea mitigates the spread risk through a conservative investment strategy that balances the exposure types (corporates, financials, covered bonds, government related bonds and asset backed securities), the credit rating, the maturity profile and the regional allocation.

Achmea has a decreased sensitivity for spread risk because of the application of a volatility adjustment in the valuation of the liabilities.

Property risk

Property risk is the risk of loss resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of market prices of real estate. At year-end, total investment property amounted to €1,129 million (2015: €1,114 million), this relates to 2.4% of the total investment portfolio (2015: 2.4%). The greater part is invested in direct real estate in the Netherlands. An overview of the composition of the investment property portfolio is given in Note 9, 'Investment property'.

The impact of a 10% decrease in the value of real estate would result in a 1.2% decrease (2015: 1.1%) in Total equity. In these figures the sensitivity of future profits to fees and charges in the unit-linked portfolio, which are related to unit-linked asset value, is not taken into account.

CURRENCY RISK

Currency risk is the risk resulting from the sensitivity of the values of assets and liabilities to changes in the level or volatility of currency exchange rates. The exchange rate risk table below shows the total exposure to the major currencies at year end.

EXCHANGE RISK

(€ MILLION)

	2016 TOTAL EXPOSURE	2016 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2016 NET EXPOSURE	2015 TOTAL EXPOSURE *	2015 NOTIONAL AMOUNT OF HEDGING INSTRUMENTS	2015 NET EXPOSURE
Assets						
US dollar	2,958	2,694	264	2,704	2,443	261
Pound sterling	1,081	449	632	1,594	846	748
Polish zloty	2		2	118		118
Swiss franc	539	349	190	684	731	-47
Turkish lira	120		120	400		400
Danish krone	91	87	4	234	231	3
Other	323	268	55	306	218	88
	5,114	**3,847**	**1,267**	**6,040**	**4,469**	**1,571**
Liabilities						
US dollar	42	5	37	57		57
Pound sterling	634		634	765		765
Polish zloty				123		123
Swiss franc	375	186	189	370	368	2
Turkish lira						
Danish krone						
Other	16	14	2	14		14
	1,067	**205**	**862**	**1,329**	**368**	**961**
Net position						
US dollar	2,916	2,689	227	2,647	2,443	204
Pound sterling	447	449	-2	829	846	-17
Polish zloty	2		2	-5		-5
Swiss franc	164	163	1	314	363	-49
Turkish lira	120		120	400		400
Danish krone	91	87	4	234	231	3
Other	307	254	53	292	218	74
	4,047	**3,642**	**405**	**4,711**	**4,101**	**610**

* *In 2016 the recognition of part of the internal foreign exchange transactions has been adjusted. The comparative figures have been adjusted for comparison purposes.*

Achmea is exposed to currency risk, specifically in US dollars, as part of the regular investment portfolio (equities, fixed-income investments and listed real estate). Another significant long-term exposure is the Turkish lira, through the investments in Eureko Sigorta and Garanti Emiklilik.

Achmea does not hedge the net investment in, or the income streams from, its non-euro subsidiaries, because the operations of these subsidiaries are regarded as part of Achmea's long-term strategy. Exposure in the investment portfolio is generally hedged with foreign exchange contracts. Achmea applies fair value hedge accounting for the derivatives portfolios hedging currency risk. Hedge accounting implies that the fair value movements from the hedging instrument and the fair value movements from the hedged item that are attributable to the hedged risk are recognised in the income statement. Foreign exchange contracts are used as hedging instruments. The fair value of a foreign exchange contract varies identically with the foreign exchange rate and this equals the fair value changes related to foreign currency differences of an investment in a foreign currency. Therefore, hedge accounting related to foreign exchange can be 100 per cent effective. These results are presented in the table 'Results on hedge accounting' in Note 10, Investments.

Achmea uses scenario analysis to assess the effect of changes in foreign currency exchange rates against the euro on Total equity and Result before tax. The table below shows the impact of a change in foreign exchange rates on Total equity and Result before tax based on the situation at year-end.

EURO VERSUS ALL OTHER FOREIGN CURRENCIES + 10 %

(€ MILLION)

	2016 TOTAL EQUITY IFRS	2016 RESULT BEFORE TAX	2015 TOTAL EQUITY IFRS	2015 RESULT BEFORE TAX
Financial instruments	-26	-33	–3	–22
Associates and joint ventures*	-6		–6	
Subsidiaries*	-14		–23	
	-45	**-33**	**–32**	**–22**

* *The comparative figures have been adjusted, because a change in foreign exchange rates relative to the euro only impacts Total equity.*

In these figures the sensitivity of future profits to fees and charges in the unit-linked portfolio, which are related to unit-linked asset value, is not taken into account. On the basis that all variables remain stable, a 10% decrease of the euro against all other foreign currencies at 31 December 2016 would have had the opposite effect on the amounts shown in the table.

COUNTERPARTY DEFAULT RISK

Counterparty default risk is the risk of loss resulting from unexpected default, or deterioration in the credit standing (e.g. migration), of the counterparties and debtors of Achmea.

Risk profile

Achmea is exposed to counterparty risk in the area of investments, mortgage loans, treasury, banking, reinsurance, healthcare providers, intermediaries, and policyholders. Achmea's banking activities provide primarily loans with real estate as collateral (mortgages) and/or with a security deposit as collateral.
An overview of the financial investments categorised by credit rating, an overview of the assets and liabilities subject to offsetting and similar agreements and an overview of financial assets that are past due or impaired, are included in Note 27.

Risk response

The counterparty risk group level governance framework is set out in the Counterparty Risk Policy, which describes amongst others the process for initiating transactions with new counterparties, the limits and distribution per counterparty within Achmea departments and legal entities and the limit revision and exposure control process. The main 'prevention' objective in managing counterparty risk at group level is to prevent undesired concentrations, ensure that portfolios are well diversified and ensure that risks are sufficiently reduced or mitigated. Additionally, important measures in managing counterparty risk are arranged, for example to ensure that recovery processes are well organised to withstand credit events.

The limits per rating in the Counterparty Risk Policy are given in the following table:

MAXIMUM GROUP-LEVEL EXPOSURE (€ MILLION)

	SUPRA NATIONALS AND GOVERNMENTS	OTHER COUNTERPARTIES
AAA	(no limit)	500
AA+, AA, AA-	500	350
A+, A, A-	300	225
BBB+	200	150
BBB	150	100
BBB-	75	50

In addition the counterparty risk policy sets out deviating limits for specific exposures and offers the possibility to apply for exemption for specific situations. This means that these maximum exposure limits at group level do not apply to the exposure towards the Rabobank Group. This exposure mainly consists of mortgage-linked saving accounts held at Rabobank Group related to life insurance policies in force (Note 10, Investments).

Derivative transactions are only initiated with counterparties that meet Achmea's rating requirements and collateral requirements. ISDA master agreements (International Swaps and Derivative Association) are in place between Achmea entities and its derivative counterparties. The policy defines collateral requirements that must be specified in the individually negotiated Credit Support Annexes. Only government bonds issued by highly rated countries and cash collateral in Euros, US dollars, British pounds and Swiss francs are accepted as collateral. Independent valuation of derivatives, daily settlement of collateral and increasing haircuts related to remaining maturity of the collateral received, further reduces the counterparty default risk. For the recently closed derivatives which are administered by a Central Clearing Party (CCP) Achmea complies with the EMIR-regulation.

With respect to counterparty risk of receivables regarding private persons unable to pay their health premiums there are national procedures in place. The Dutch government has a policy that obliges the insurer to provide all Dutch citizens with health insurance. As a consequence, private persons who are unable to pay their premium must be provided health care by law. Hence, on the liability side this risk cannot be eliminated. To enable insurers to manage this risk, the Dutch government has put in place regulations through the Zorginstituut Nederland (ZiNL), which ensures that all unpaid premiums due for more than six months are compensated. This risk for Achmea is therefore limited to at most six months of unpaid premiums per private person.

The credit risk of mortgage loans relates to mortgages with a low risk profile (in the Netherlands mortgages with National Mortgage Guarantee (NHG) which is provided by the government), securitised mortgages with an average risk profile (all other mortgage receivables and purchased own bonds) and mortgages with a high risk profile (all other mortgage receivables with a credit above 75% of the foreclosure sale value). The credit risk for mortgages is managed by applying credit approval criteria and subsequently monitoring repayment criteria.

For the banking activities any non-standard conditions imposed on borrowers require the approval of the Credit Committee. Procedures are in place to monitor interest and repayment arrears. Achmea is actively pursuing a policy of enhancing the risk profile of the Banking credit portfolio. Risk assessments play an important part in this.

LIQUIDITY RISK

Liquidity risk is the risk of loss resulting from the inability to meet efficiently both expected and unexpected current and future cash flows and collateral needs without negatively affecting either daily operations or the financial condition of a legal entity.

Risk profile

Achmea runs liquidity risk at group level and within the legal entities with regard to its insurance and banking activities.

The table above presents the liquidity risk as managed by the banking activities, including intercompany transactions as this reflects liquidity risk within Achmea's banking entities more appropriately.

The amounts disclosed in the maturity analysis are the current undiscounted contractual cash flows, which do not take into account future transactions such as refinancing. Therefore, the table does not reconcile to the discounted cash flows in the Consolidated Statement of Financial Position.

Maturity analyses of the insurance liabilities are presented in Note 19, Insurance liabilities and Note 20, Insurance liabilities where policyholders bear investment risk.

LIQUIDITY RISK EXPOSURE BANKING

(€ MILLION)

2016	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Investments		128	381	147	656
Banking credit portfolio	1,185	775	2,188	9,531	13,679
Cash and cash equivalents	748				748
Other assets	16				16
Total assets	**1,949**	**903**	**2,569**	**9,678**	**15,099**
Liabilities					
Banking customer accounts	2,907	406	1,440	795	5,548
Loans and borrowings	132	912	2,917	1,537	5,498
Derivatives	4	33	274	454	765
Other liabilities	35	34			69
Total liabilities	**3,078**	**1,385**	**4,631**	**2,786**	**11,880**
Net liquidity gap	**-1,129**	**-482**	**-2,062**	**6,891**	**3,218**

LIQUIDITY RISK EXPOSURE BANKING

(€ MILLION)

2015	LESS THAN 3 MONTHS	BETWEEN 3 AND 12 MONTHS	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Assets					
Investments		131	430	244	805
Banking credit portfolio	741	860	3,419	9,252	14,272
Cash and cash equivalents	731				731
Other assets	11				11
Total assets	**1,483**	**991**	**3,849**	**9,496**	**15,819**
Liabilities					
Banking customer accounts	3,105	697	1,509	684	5,995
Loans and borrowings	634	806	2,843	1,786	6,069
Derivatives	11	37	391	457	896
Other liabilities	41				41
Total liabilities	**3,791**	**1,540**	**4,743**	**2,927**	**13,001**
Net liquidity gap	**-2,308**	**-549**	**-894**	**6,569**	**2,818**

Risk response

The Liquidity Risk Policy describes how liquidity risk is managed. Achmea has defined metrics for each of its legal entities as well as the Holding. The metrics provide insight in Achmea's liquidity position and liquidity risk exposure for various time horizons under normal conditions as well as for a range of moderate and extreme stress events.

Combined with limits, they support Achmea to satisfy its risk appetite and provide early warning signs when Achmea runs the risk of having insufficient liquidity to meet its liabilities.

Holding

Achmea's funding strategy is based on assuring access to international capital and credit markets at low cost, underpinned by credit ratings in line with its peers. Access to the capital and money market is arranged both at Achmea Bank and holding level.
For the insurance entities the Holding is involved in the financing of operational activities of certain subsidiaries by increasing capital or subordinated loans. Funding at holding level could come from dividends from subsidiaries, issuance of debt and credit lines with a number of national and international banks.

For liquidity purposes at group level, Achmea maintains committed and uncommitted credit facilities with several mainly international banks. At year-end 2016 the committed credit facilities of €750 million were undrawn. The credit facilities were renegotiated in 2016 and were renewed for one year. The facility runs until 2021. These credit facilities do not involve agreements related to financial ratios or banking agreements with repayment obligations if the rating were to be lowered. A change in the rating may well affect the level of interest surcharge and/or interest rates.

In line with the business plan, liquidity planning takes place at both subsidiary and holding level. Those plans are updated on a monthly basis and more often if necessary. A liquidity contingency plan is drafted describing the procedures and measures to arrange liquidity in times of stress. This plan describes possible actions and sources of funds taking into account the behaviour of other counterparties. At year-end 2016, sufficient funding was available.

Insurance activities

Insurance specific liquidity risk is managed by the entities. In their liquidity planning, cash inflows and outflows from insurance activities are taken into account.
Huge distortions could arise in case of a catastrophe, when payments to clients have to be made, while corresponding payments are not yet received from reinsurers and from health pooling organisations in the Netherlands. Liquidity risk within Achmea's insurance operations is mitigated through the availability of cash, credit facilities and a high level of investments in liquid assets.

Banking activities

Achmea's banking activities main funding sources are securitisations, covered bonds, unsecured funding and retail funding (deposits and savings accounts). Achmea strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Achmea assesses its liquidity risk on an ongoing basis through changes in the funding, which are necessary in order to fulfil and identify the general strategic business objectives. If necessary, the funding mix is adjusted.

For its banking activities, Achmea manages its liquidity risk as part of its internal liquidity adequacy assessment process (ILAAP) at different levels:

- In the short term (overnight to one month), the bank's cash position is managed on a daily basis.
- In the medium term, Achmea measures the net funding requirement (NFR) against different scenarios to control its liquidity risk. The NFR measures the amount of funding needed to fulfil obligations, including any refinancing requirement in the capital market and net increase in assets of the retail business (e.g. mortgages).
- For the long-term, the bank strives for a well-diversified funding base both in terms of maturity and funding sources. Furthermore, the banks have liquidity contingency plans in place.

A liquidity barometer is in place to calculate all assets, liabilities and off balance sheet exposures under stress scenarios. The maximum cash outflow is calculated with scenario-based stress tests over the short term (30 - 90 days). Important metrics for the banking entities are the liquidity coverage ratio (LCR), defined as the stock of high quality liquid assets divided by the net cash outflow over a 30-day period, and the net stable funding ratio (NSFR), defined as the available amount of stable funding divided by the required amount of stable funding. Both indicators are above the 100% limit.

OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. This may result in financial loss, but also in reputational damage for Achmea. Reputational risk is not considered a separate risk category, but a form of damage that may ensue from the risks Achmea is exposed to.

Operational Risk includes the following seven categories of risk events and management actions: 1. Internal Fraud, 2. External Fraud, 3. Execution, delivery and process-management, 4. Clients, products and business practice, 5. Business disruption and system failure, 6. Damage to physical assets and 7. Employment practices and workplace safety.

Risk profile

The main risks include risks with respect to information security and cybercrime, reputational risk, risk related to the IT change program and liability risk on products and services. The risks related to cybercrime are high, especially as a result of malware and denial of service. Risks surrounding the security of websites and privacy sensitive information remain high. The risk of irresponsible behaviour with handling big data is increasing in a world where data become increasingly important. The reputation of insurers as part of the financial sector is still under pressure. Everything an insurer does is judged from a social perspective. The activities of Achmea as a health insurer are especially sensitive to reputation issues.

Risk response

The Operational Risk Policy describes how operational risk is managed. Achmea applies operational risk management to support the achievement of business objectives by:

- mitigating losses by identifying and anticipating operational risks in a timely manner;
- support decision-making with risk/return considerations;
- being properly prepared for new uncertainties and organisational and environmental changes;
- complying with the laws and regulations pertaining to operational risk.

Risk assessments are conducted at various levels and on various topics, e.g. in the form of project risk self-assessments. In addition an Internal Control Framework is used to systematically monitor significant risks and important control measures throughout the organisation. Cross-references are included in the framework to information security, Solvency II, the Achmea Customers Centricity program, the quality seal 'Customer oriented Insurance' (KKV) and the In Control Statement (ICS). An Internal Control Statement containing a qualitative description of the risks and the internal control is compiled annually and discussed in the Audit & Risk Committee.

Additional policy and procedures apply to specific risk events, such as business continuity, crisis management, information security and outsourcing:

- Business Continuity Management (BCM): identifying threats and their potential impact, determining the minimum service level required for customers and other stakeholders, and implementing and testing measures to prevent major disruptions of business-critical chains and to mitigate the impact of the disruptions to an acceptable level.
- Crisis management: managing crisis situations arising from (acute) events having an extensive impact on the safety and well-being of Achmea employees, Achmea's reputation, Achmea's financial situation, the continuity of service of (primary) business processes and the integrity and confidentiality of the (production) data.
- Information security: all activities towards the realisation of a continuously optimal level of availability, integrity and confidentiality of information and information systems to ensure business continuity, protect customers' interest, prevent financial loss and reputational damage and comply with laws and regulations.
- Outsourcing: outsourcing processes must be managed carefully, based on a risk/return evaluation and written documentation of reciprocal obligations.

Managing reputational risk is supported by regular risk management. The reputation of Achmea is monitored actively. Furthermore, protecting the reputation gets more attention in issue and crisis management. By adequately responding to incidents, Achmea attempts to influence the reputation in a positive direction.

COMPLIANCE RISK

Compliance risk is the risk of diminishing reputation or current of future treats to the capital or result of an organisation as a result of a failure to comply with laws and regulations, and insufficient adherence to values, norms and (supervisory) rules.

Failing to comply may result in legal or regulatory sanctions, material financial loss, or reputational damage.

Compliance substantiates the following policy areas:
- Customer protection (amongst others distribution of products, customer communications, PARP)
- Customers Due Diligence Policy
- Privacy Policy
- Compliance regulations competition
- Whistle-blower Policy and procedures
- Achmea Insider Regulation
- Conflict of interests and bribery (corruption)
- Integrity & Fraud Policy

With regard to compliance with laws, regulations and internal codes of conduct, the most important legal provisions are translated into compliance themes within the Achmea Control Framework and based on these themes management performs self-assessments.

Achmea's Laws & Regulation Committee identifies new and amended legislation and determines the impact on the organisation. Implementation is the responsibility of operational management. In case of profound impact on Achmea, the committee will advise the Executive Board to start a comprehensive implementation project.

Supervisory investigations have a huge impact on the business. Not only from local regulations but also international legislation that becomes applicable such as FATCA, UK Bribery act, European legislation on privacy etc. Much effort is required to assist the regulators in their investigations and this is coordinated by the Laws & Regulation Committee. It will be important to demonstrate that improvements from reported issues are implemented according to plan.

There is a large focus on customers' interests, where the customer policy information is being clarified and the product development process and customer advice processes are being improved.

A relatively increasing number of incidents relates to privacy issues. This can be explained by the move of Achmea toward a digital insurer and society's increased focus on privacy issues. Continued attention will be given to the monitoring of privacy issues and the preparation for the coming European legislation on privacy, including big data initiatives.

The control of integrity risk as part of compliance risk is set out in the Achmea Code of Conduct and the Integrity & Fraud Policy. In the Achmea Code of Conduct the core values, core qualities and codes of conduct of Achmea are recorded. These general codes of conduct are applicable to all employees of Achmea. The Integrity- & Fraud Policy contains the principles on which substance is given to the integrity risks in operational management, such as: anti-corruption, gifts, side-line activities, contracting third parties and the execution of the Strategic Integrity Risk Analysis (SIRA). The SIRA provides insight in the main integrity risks and the effectiveness of the control environment for these risks.

F CAPITAL MANAGEMENT

Capital policy

The objective of capital management is to ensure that the Achmea Group and all its entities are always adequately funded to secure the interests of all stakeholders in the short and long term. Capital is managed according to a framework that is based on the legal framework, economic principles and the principles of rating agencies. The legal framework is based on IFRS, Solvency II, Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR). CRD IV/CRR is a framework that focuses specifically on banking activities and the management of investment funds.

The strategic principles for the capital policy are determined by the risk appetite; see the section on risk strategy. Risk appetite is worked out in greater detail in the capital policy based on internal capital standards as well as limits related to leverage and return. The capital policy also includes an overview of the measures to be taken if internal limits are exceeded.

Achmea uses IFRS, Solvency II and CRD IV as a basis for steering and management actions. The principle premise of the capital policy is that all entities must be adequately funded, which involves having a buffer at entity level that is above the statutory minimum that is sufficient to be able to absorb setbacks.

Capital Management is responsible for managing the capital position of the Achmea Group and the entities. It does so by monitoring the current capital position and projecting the future capital position. This involves calculating the effects of scenarios and stress tests, and distributing capital within the Achmea Group.

Corporate Finance is responsible for optimising the capital structure, which includes monitoring the ratio of equity to short-term and long-term debt. As part of Corporate Finance, Investor Relations maintains contacts with financial market participants and is closely involved in capital transactions.

The liquidity policy at group level is closely linked to capital management. For instance, the recovery of equity for insurance subsidiaries is included in the recovery plan. This would involve the holding company depositing additional equity as a possible recovery measure. Achmea's liquidity policy is described in greater detail in the liquidity risk section.

At year-end 2016, all entities and the Achmea Group are sufficiently funded in accordance with statutory and internal requirements. During 2016 all entities and the Achmea Group complied with the minimum capital requirements (Solvency II and CRD IV/CRR).

Insurance entities

Solvency II is the solvency regime for insurance companies in the European Union that came into effect on 1 January 2016. Below is an overview of the Solvency II results, taking into account that the required capital is calculated based on the partial internal model approved by the college of supervisors.

SOLVENCY RATIO (€ MILLION)

	31 DECEMBER 2016
Eligible own funds	8,345
Required capital	4,623
Surplus	3,722
Ratio (%)	181%

The Solvency II ratio decreased mainly due to a decrease in the eligible own funds. The eligible own funds was impacted negatively by several exceptional expenses, including the hail catastrophe, additional reserves for bodily injury, adjustment of the cost assumptions for the Dutch pension and life insurance business, and a change in elimination of the insurance contracts for the pension scheme own personnel. Dividend and coupon payments on capital instruments also contributed to the decrease in the eligible own funds. On the other hand interest and spread developments had a positive impact on the eligible own funds.

The decrease of the required capital was mainly driven by a decrease in market risk and a higher loss-absorbing capacity of expected profits. Within market risk there is a decrease of spread risk associated with the sale of a portfolio of bonds with a higher capital requirement, partly compensated by a higher equity and interest risk. The counterparty risk increased due to extension of the mortgage portfolio. The insurance risks increased slightly after diversification due to portfolio developments and lower interest rates. For a quantitative disclosure of the SCR reference is made to the section Risk profile.

Below is an overview of the composition of the eligible equity under Solvency II (eligible own funds). This consists of the available equity (on economic principles) and subordinated loans qualifying as equity. This equity serves as a buffer to absorb risks and financial losses.

ELIGIBLE OWN FUNDS GROUP (€ MILLION)

	31 DECEMBER 2016
Tier 1 restricted	911
Tier 1 unrestricted	5,385
Tier 2	1,356
Tier 3	693
Total eligible own funds group	**8,345**

The composition of equity under the Solvency II regulations is not the same as equity for IFRS purposes. Under Solvency II, the equity of the insurance entities, support entities and other entities is included. Equity from banking activities and asset management are deducted from equity in Solvency II. The table below shows the composition of eligible own funds under Solvency II and the relationship with the IFRS equity.

RECONCILIATION EQUITY FINANCIAL STATEMENTS – SOLVENCY II ELIGIBLE OWN FUNDS (€ MILLION)

	31 DECEMBER 2016
Equity Financial statements	9,782
Subordinated liabilities in Basic Own Funds	-1,350
Own shares	235
Total IFRS excess of assets over liabilities	**8,677**
Valuation differences Solvency II	-866
Total economic excess of assets over liabilities	**7,801**
Subordinated loans eligible under Solvency II and "grandfathered" instruments	1,956
Eligible own funds before adjustments	**9,757**
Own Funds restrictions	23
Foreseeable dividends	91
Not qualifying tier 3 capital	122
Own shares	235
Participations in Other Financial Sectors	941
Eligible own funds to meet the SCR	**8,345**

Banking activities

The European Union has issued directives on capital requirements of banks, based on the Guidelines developed by the Basel Committee on banking supervision. Based on these directives, De Nederlandsche Bank has issued minimum capital requirements. As of 1 January 2014, banking capital requirements are governed by the Capital Requirement Directive IV (CRD IV) and the Capital Requirements Regulation (CRR).

Achmea uses the Standardised Model to determine its credit risk. The Total Capital Ratio (TCRI) based on CRD IV/CRR increased from 17.9 % in 2015 to 19.7% in 2016, primarily due to the strong decrease in the risk-weighted assets in relation to the slight rise of qualifying capital.

CAPITAL RATIO CRD IV/CRR (€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Core capital - Tier 1	922	902
Supplementary capital - Tier 2	5	14
Qualifying capital	**927**	**916**
Risk-weighted assets	4,715	5,110
Tier-1 Ratio	19.6	17.7
Total Capital ratio	19.7	17.9

51. SUBSEQUENT EVENTS

There are no subsequent events which should be disclosed in the financial statements.

AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

Zeist, 9 March 2017

The Supervisory Board
A.W. (Aad) Veenman, Chairman
A.J.A.M. (Antoon) Vermeer, Vice-chairman
P.H.M. (Petri) Hofsté
S.T. (Joke) van Lonkhuijzen-Hoekstra
M. (Mijntje) Lückerath-Rovers
A.C.W. (Lineke) Sneller
W.H. (Wim) de Weijer
R.Th. (Roel) Wijmenga

The Executive Board
W.A.J. (Willem) van Duin, Chairman
R. (Roelof) Konterman, Vice-chairman
H. (Huub) Arendse, CFO
R. (Robert) Otto
B.E.M. (Bianca) Tetteroo
H. (Henk) Timmer, CRO

COMPANY FINANCIAL STATEMENTS OF ACHMEA B.V.

BALANCE SHEET (BEFORE APPROPRIATION OF RESULT)

(€ MILLION)

	NOTES	31 DECEMBER 2016	31 DECEMBER 2015
Assets			
Intangible assets	3	756	888
Financial fixed assets	4	10,363	10,985
Deferred tax assets	5	33	35
Total fixed assets		**11,152**	**11,908**
Receivables	6	261	250
Cash and cash equivalents	7	33	299
Total current assets		**294**	**549**
Total assets		**11,446**	**12,457**
Shareholders' equity			
Issued share capital		434	434
Share premium		10,923	10,923
Share capital		**11,357**	**11,357**
Own shares		−235	−235
Legal reserve		687	672
Revaluation reserve		830	686
Exchange difference reserve		−320	−271
Hedging reserve		−7	−7
Retained earnings		−3,505	−3,672
Result for the year		−383	383
		8,424	**8,913**
Other equity instruments		1,350	1,350
Equity attributable to holders of equity instruments of the Company	**8**	**9,774**	**10,263**
Liabilities			
Other provisions	9	21	41
Long-term liabilities	10	1,521	1,514
Short-term liabilities	11	130	639
Total liabilities		**1,672**	**2,194**
Total equity and liabilities		**11,446**	**12,457**

PROFIT AND LOSS ACCOUNT

(€ MILLION)

	NOTES	2016	2015
Other operating income	14	1	16
Revenue from receivables included in fixed assets and securities, other interest income and similar income*		4	4
Value changes in receivables included in fixed assets and securities		5	1
Income from associates and joint ventures		10	7
Total income		**20**	**28**
Interest expenses and similar expenses		52	60
Other expenses	15	112	59
Total expenses		**164**	**119**
Result before tax		**–144**	**–91**
Income tax	16	–17	–52
Results of subsidiaries and assoicates		–256	422
Net result		**–383**	**383**

* *Revenue from receivables included in fixed assets and securities, other interest income and similar income, is including an amount of €4 million (2015: €4 million) relating to group companies.*

1. ACCOUNTING POLICIES

General

Concerning the Company cash flow statement of Achmea B.V., the exemption as defined in the Guidelines of the Dutch Council for Annual Reporting (RJ) Section 360.106 was used.

The legally required list of participations as set forth in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register of the Chamber of Commerce.

Principles for the measurement of assets and liabilities and the determination of the result

Achmea B.V. makes use of the option provided in Section 362, Paragraph 8, Book 2 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of Net result applied in the Company Financial Statements of Achmea B.V. are the same as those applied in the Consolidated Financial Statements. By making use of this option the Equity attributable to holders of equity instruments is the same in the Consolidated Financial Statements and the Company Financial Statements.

Investments in subsidiaries are recognised at net asset value with goodwill, if any, recorded under intangible assets. The Company Financial Statements have been prepared in accordance with Book 2, Title 9 of the Dutch Civil Code. Reference is made to Note 1 Accounting policies in the Consolidated Financial Statements for a description of the accounting principles used.

All amounts listed in the Company Financial Statements are in millions of euros unless stated otherwise.

Changes in the financial statements

With effect from 1 January 2016, a number of amendments were made to Book 2, Title 9 of the Dutch Civil Code. As a result thereof a number of changes have been made to the financial statements and the accompanying notes. The most important changes are the following:

- Achmea B.V. no longer applies the exemption under Section 402 of Book 2 of the Dutch Civil Code, pursuant to which summary financial statements could be prepared. In the changed model the comparative figures have been adjusted accordingly;
- As of 2016, the proposal for appropriation of result is included as a note to the financial statements and is no longer presented as part of the Other information.

2. DISCONTINUED OPERATIONS

Staalbankiers N.V.

On 8 August 2016 Achmea reached an agreement on the sale of a group of assets (disposal group), including the sale of the asset management activities, customer accounts as well as the brand name. Staalbankiers N.V. is a 100% subsidiary of Achmea B.V. The sale was completed on 15 December 2016. For more information on this transaction reference is made to Note 5 Assets and liabilities held for sale and divestments in the Consolidated Financial Statements.

3. INTANGIBLE ASSETS

(€ MILLION)

	INTERNALLY DEVELOPED SOFTWARE	DISTRIBUTION NETWORKS	BRAND NAME	VALUE OF BUSINESS ACQUIRED	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL 2016	TOTAL 2015
Cost								
Balance at 1 January	44	327	134	635	1,285		2,425	2,449
Foreign currency differences		−18			−14		−32	−24
Balance at 31 December	**44**	**309**	**134**	**635**	**1,271**		**2,393**	**2,425**
Amortisation and impairment losses								
Balance at 1 January	44	215	124	620	534		1,537	1,478
Amortisation charge for the year		11	2	4			17	61
Impairment loss					93		93	–
Foreign currency differences		−10					−10	−3
Other movements								1
Balance at 31 December	**44**	**216**	**126**	**624**	**627**		**1,637**	**1,537**
Carrying amount								
At 1 January		112	10	15	751		888	971
At 31 December		**93**	**8**	**11**	**644**		**756**	**888**

For more detailed information reference is made to Note 6 Intangible assets in the Consolidated Financial Statements.
The Amortisation charge is recognised in the Income Statement as part of Other expenses. Reference is made to Note 15.

4. FINANCIAL FIXED ASSETS

(€ MILLION)

	SUBSIDIARIES	ASSOCIATES AND JOINT VENTURES	EQUITIES AND SIMILAR INVESTMENTS	BONDS	DERIVATIVES	LOANS	TOTAL 2016	TOTAL 2015*
Balance at 1 January	10,378	78	6	339	−2	186	10,985	10,154
Acquisitions	11						11	
Investments and loans granted	93			230	1	3	327	1,327
Sales and disposals	−120			−566			−686	−599
Annual Results	−256	10					−246	429
Fair value changes	136		−3	−3			130	−202
Dividend received	−110						−110	−116
Foreign currency differences	−20	−14				2	−32	−8
Accrued interest								5
Unrecognised actuarial gains and losses on employee benefits	12						12	9
Changes due to reclassification	−6						−6	
Other changes	−22						−22	−14
Balance at 31 December	**10,096**	**74**	**3**		**−1**	**191**	**10,363**	**10,985**

* *In 2016 a loan with group companies was reclassified from Receivables to Financial fixed assets. For a better insight into the developments in these items the comparative figures have been adjusted accordingly.*

Equities and similar investments, Bonds and Derivatives are measured at fair value. The fair value of those investments based on quotes in an active market (listed) amounts to €2 million (31 December 2015: €341 million).

The purchase price as per 31 December 2016 of Equities and similar investments amounts to €1 million (31 December 2015: €6 million).

In the Profit and loss account Value changes in receivables included in fixed assets and securities includes €6 million (2015: €1 million) exchange rate differences relating to financial fixed assets.

5. DEFERRED TAX ASSETS

Deferred tax assets are attributable to the following items:

(€ MILLION)

	BALANCE AT 1 JANUARY 2016	RECOGNISED IN INCOME STATEMENT	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2016	BALANCE AT 1 JANUARY 2015	RECOGNISED IN INCOME STATEMENT	OTHER MOVEMENTS	BALANCE AT 31 DECEMBER 2015
Intangible assets	–29	3	2	–24	84		–113	–29
Investments		–1	1		31	–3	–28	
Other liabilities	29	–9		20		29		29
Amortisation	35	2		37		35		35
	35	**–5**	**3**	**33**	**115**	**61**	**–141**	**35**

Achmea B.V. and the majority of its Dutch subsidiaries together form a fiscal unity for corporate income tax and VAT. As a consequence the company is liable for all deferred and current liabilities relating to corporate income tax and VAT.

There are no deferred tax receivables with regard to taxable losses of previous years (31 December 2015: nil). An amount of €6 million will more than likely be offset within one year after the reporting date (31 December 2015: €3 million).

6. RECEIVABLES

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015*
Subsidiaries	130	191
Income tax receivables	128	53
Other receivables	3	6
	261	**250**

In line with 2015, Receivables are expected to mature within one year after reporting date. Receivables includes an amount of €24 million relating to Subsidiaries which will be remitted in 2017 as a consequence of the liquidation of a subsidiary. This remission does not affect the Shareholders' equity of Achmea B.V.

* *In 2016 a loan with group companies was reclassified from Receivables to Financial fixed assets. For a better insight into the developments in these items the comparative figures have been adjusted accordingly.*

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and short term deposits. Cash and cash equivalents are not subject to any restrictions.

8. EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

2016	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY
Balance at 1 January	**11,357**	**–235**	**672**	**686**	**–271**	**–7**	**–3,672**	**383**	**1,350**	**10,263**
Net other comprehensive income				132	–49		26			109
Net result								–383		–383
Comprehensive income				**132**	**–49**		**26**	**–383**		**–274**
Appropriations to reserves			15	12			356	–383		
Dividends and coupon payments							–215			–215
Other movements										
Balance at 31 December	**11,357**	**–235**	**687**	**830**	**–320**	**–7**	**–3,505**	**–383**	**1,350**	**9,774**

Reference is made to Note 17 Equity attributable to holders of equity instruments of the company in the Consolidated Financial Statements for more information.

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

(€ MILLION)

(€ MILLION)

(€ MILLION)

2015	SHARE CAPITAL	OWN SHARES	LEGAL RESERVES	REVALUATION RESERVE	EXCHANGE DIFFERENCE RESERVE	HEDGING RESERVE	RETAINED EARNINGS	RESULT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	EQUITY ATTRIBUTABLE TO HOLDERS OF EQUITY INSTRUMENTS OF THE COMPANY
Balance at 1 January	**11,357**	**–235**	**670**	**871**	**–225**	**–7**	**–3,608**	**14**	**967**	**9,804**
Net other comprehensive income				–211	–48		9			–250
Net result								383		383
Comprehensive income				**–211**	**–48**		**9**	**383**		**133**
Appropriations to reserves			2	17			–5	–14		
Dividends and coupon payments							–63			–63
Issue, repurchase and sale of equity instruments									383	383
Other movements				9	2		–5			6
Balance at 31 December	**11,357**	**–235**	**672**	**686**	**–271**	**–7**	**–3,672**	**383**	**1,350**	**10,263**

9. OTHER PROVISIONS

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Other provisions	21	41
	21	**41**

Movements in Other provisions are as follows:

(€ MILLION)

	2016	2015
Balance at 1 January	41	58
Additions	9	42
Usage	−24	−38
Released	−5	−21
Changes due to reclassifications		
Balance at 31 December	**21**	**41**

Other provisions mainly relate to legal cases. In line with 2015 Other provisions are of a long-term nature.

10. LONG-TERM LIABILITIES

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Loans and borrowings	1,521	1,514
	1,521	**1,514**

The fair value of long-term liabilities measured at amortised cost at year-end is €1,552 million (31 December 2015: €1,616 million).

In April 2013, Achmea B.V. issued €500 million worth of subordinated loans with a 6% coupon. These subordinated loans have a duration of 30 years (maturity date is 4 April 2043), with a first call option after ten years. The Notes are listed on the Irish Stock Exchange in Dublin, Ireland.

In November 2013, Achmea B.V. completed the issuance of €750 million (transaction costs are included in the carrying amount) of Senior Unsecured Notes. The Notes have a maturity of 7 years (maturity date is 19 November 2020). The coupon on the Notes equals 2.5%. The Notes are listed on the Irish Stock Exchange, Dublin, Ireland.

In May 2013, Achmea B.V. completed the issuance of CHF200 million (€195 million) of Senior Unsecured Notes with a coupon of 1.5%. These Notes have a maturity of 6 years (maturity date is 19 June 2019). The Notes are listed on SIX Swiss exchange.

The syndicated credit facility of Achmea B.V. has a maximum size of €750 million which will mature in 2021.

At year-end 2016, the committed credit lines (€750 million) were undrawn.

In 2015 and 2016, Achmea B.V. provided financial guarantees towards a 100% subsidiary related to a transfer of two loans and mortgages portfolios between this subsidiary and another 100% subsidiary. These financial guarantees will indemnify the subsidiary for specific risks, including credit risk and specific legal risks related to these portfolios, to a total maximum of €350 million. These financial guarantees are measured at fair value.

11. SHORT-TERM LIABILITIES

(€ MILLION)

	31 DECEMBER 2016	31 DECEMBER 2015
Subsidiaries	90	542
Other	40	97
	130	**639**

The fair value of Short term liabilities measured at amortised cost at year-end is €522 million (31 December 2015: €635 million).

In line with 2015, Short-term liabilities are expected to mature within one year after reporting date.

12. RELATED PARTY TRANSACTIONS

For an overview of transactions with affiliates, please refer to Note 30 Related party transactions in the Consolidated Financial Statements.

13. CONTINGENCIES

Contingent liabilities

Achmea B.V. has issued guarantees on behalf of subsidiaries that relate to the activities of these subsidiaries, carried out in their capacity as insurers, credit providers, service providers, employers, investors and tax payers.

Achmea B.V. issued guarantees as mentioned in Section 403 of Book 2 of the Dutch Civil Code, in respect of two investment companies within the group. In addition, Achmea B.V. has given guarantees that the liquidity and solvency of three subsidiaries will be sufficient to continue their operations.

Achmea B.V. also issued guarantees, as part of specific tenders for non-life insurance contracts for local Dutch governments, related to the fulfilment of the obligations resulting from these contracts in case of non-performance by the non-life insurance group company.

Achmea B.V. has provided Vereniging Achmea and Rabobank with an indemnity for amounts imposed by the Australian supervisor related to the activities of the Australian branch of Achmea Schadeverzekeringen N.V. in case the Australian supervisor will impose on Vereniging Achmea and Rabobank as shareholder of the ultimate parents of Achmea Schadeverzekeringen N.V. additional obligations and responsibilities relating to these Australian activities.

No material losses are expected in respect of this indemnity. Due to its nature, this indemnity is not to be quantified.

In the table below an overview is given of all the contingent liabilities provided by Achmea B.V. on behalf of its subsidiaries. No material losses are expected in respect of these guarantees and indemnities.

CONTINGENT LIABILITIES (€ MILLION)

	2016	2015
Guarantees	388	472
Balance at 31 December	**388**	**472**

Contingent assets

Conflict between the Slovak Government and Achmea B.V.

In contradiction of an agreement to encourage investments between the Slovak Republic and The Netherlands, the Slovak government has enforced a ban on the distribution of profit on Slovak health insurers, including Achmea's Slovak subsidiary Union Zdravotná Poist'ovna A.S., in the period between 2007 and August 2011.

Due to this enforcement Achmea temporarily ceased its operations in its Slovak subsidiary during this period. Achmea sought compensation for the incurred loss and statutory interest paid through an international arbitration tribunal.

In December 2012 the arbitration tribunal decided in favour of Achmea. Under this decision The Slovak Government is required to compensate Achmea for damages incurred and the statutory interest paid. The compensation amounted to approximately €25 million.

The Slovak Government has publicly stated that it will not pay the amounts awarded to Achmea and has submitted the arbitration verdict for annulment to a German Court. In the first court hearing, the annulment request of the Slovak Republic has been rejected. The Slovak Government has appealed against this judgment to the Bundes Gerichtshof in Karlsruhe. The Bundes Gerichtshof raised some legal issues with the European Court of Justice. Based on the ruling of the European Court of Justice, which is expected in the second half of 2017, the Bundes Gerichtshof will deliver its judgment. Because of the continuing statutory interest, Achmea's claim now amounts to approximately €30 million. In view of the above, Achmea does not consider the receivable amount to be sufficiently certain to recognise it as an asset.

14. OTHER OPERATING INCOME

(€ MILLION)

	2016	2015
Transaction results		6
Levy on taxes		7
Other income	1	3
	1	**16**

15. OTHER EXPENSES

(€ MILLION)

	2016	2015
Amortisation charges Intangibles	17	61
Impairment results intangibles	93	
Other	2	–2
	112	**59**

The Impairment results intangibles include the impairment of Eureko Turkey. At the end of 2016 the goodwill was fully impaired for an amount of €93 million. Other expenses includes an amount of €3 million (2015: €3 million) relating to group companies.

16. INCOME TAX

RECONCILIATION OF EFFECTIVE TAX AMOUNT

(€ MILLION)

	2016	2015
Result before tax	–144	–91
Domestic corporation tax rate	25%	25%
Income tax using the domestic corporation tax rate	–36	–23
Tax effect on:		
Non-deductible expenses	20	–4
Participation exemption		–3
Other	–1	–22
Effective tax amount	**–17**	**–52**

The effective tax rate in 2016 amounts to 10.6% (2015: 36.6%).

INCOME TAX EXPENSES

(€ MILLION)

	2016	2015
Current tax expense	**–12**	**10**
Over/(under) provided in prior years		
	–12	**10**
Origination and reversal of timing differences	–5	–62
Total income tax expense in Income Statement	**–17**	**–52**

17. STATUTORY DOMICILE

Achmea B.V. has its registered office in Zeist, the Netherlands, with its principal place of business at Handelsweg 2 in Zeist, and is registered at the Chamber of Commerce under number 33235189.

18. NUMBER OF EMPLOYEES

Other than the Executive Board members, Achmea B.V. did not employ any personnel in either 2016 or 2015.

19. SUBSEQUENT EVENTS

There were no subsequent events which should be disclosed in the financial statements.

20. PROPOSAL FOR APPROPRIATION OF RESULT

For the provisions of the articles of association relating to the appropriation of result reference is made to Other information.

TOTAL NET RESULT IS PROPOSED TO BE DISTRIBUTED AS FOLLOWS:

(€ MILLION)

	2016
Result excluding non-controlling interest	–383
Dividend on preference shares	20
Coupon payments on other equity instruments	68
Tax on coupon payments on other equity instruments	–17
	–454
To be distributed as follows:	
Proposed final dividend on ordinary shares	0
Withdrawal to retained earnings	–454
	–454

The resolution of the General Meeting on the dividend proposal is subject to the condition precedent that the Executive Board, based on the prescribed distribution test, has concluded that the dividend distribution is not contrary to prudential financial management. The distribution test will be performed immediately after the resolution has been passed at the General Meeting.

AUTHORISATION OF COMPANY FINANCIAL STATEMENTS

Zeist, 9 March 2017

The Supervisory Board

A.W. (Aad) Veenman, Chairman

A.J.A.M. (Antoon) Vermeer, Vice-chairman

P.H.M. (Petri) Hofsté

S.T. (Joke) van Lonkhuijzen-Hoekstra

M. (Mijntje) Lückerath-Rovers

A.C.W. (Lineke) Sneller

W.H. (Wim) de Weijer

R.Th. (Roel) Wijmenga

The Executive Board

W.A.J. (Willem) van Duin, Chairman

R. (Roelof) Konterman, Vice-chairman

H. (Huub) Arendse, CFO

R. (Robert) Otto

B.E.M. (Bianca) Tetteroo

H. (Henk) Timmer, CRO

OTHER INFORMATION

Through the application of the latest technology an insured customer has insight in the damage of its greenhouse.

OTHER INFORMATION

TRUSTEE REPORT OTHER EQUITY INSTRUMENTS

Trustee Report

EUR 600,000,000 6 per cent Capital Securities ("the Securities"), ISIN Code NL0000168714, issued by Achmea B.V. (“the Issuer").

Pursuant to article 17 of the trust deed executed on 5 October 2006, the undersigned hereby reports on its work during the year ended 31 December 2016.

The Securities are perpetual securities and have no fixed redemption date. The Securities bear interest as is specified in the relevant Final Terms. Such interest subject to Conditions 2(b)(i), 2(b)(ii), 4(a), 4(b) and 6(d) will be payable in arrears on each Coupon Payment Date as indicated in the relevant Final Terms.

Subject to Condition 2(b)(i) or 2(b)(ii) the Issuer may redeem all, but not some only, of the Securities on each Coupon Payment Date.

In the year 2016 the interest on the Securities was paid in accordance with the Conditions and the relevant Final terms.

Amsterdam, 1 February 2017

Amsterdamsch Trustee's Kantoor B.V.

REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION FOR APPROPRIATION OF RESULTS

The Articles of Association of Achmea B.V. contain the following provisions regarding appropriation of results.

The result will be appropriated pursuant to Article 34 and the provisions of this article can be summarised as follows:

- The profit shall be at the disposal of the General Meeting.
- Profit may only be distributed to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law. The distribution of profit must be approved by the Executive Board. The latter will only withhold its approval if it is aware that, or should reasonably be able to anticipate that, the company, upon payment, will not be able to continue paying its due and payable debts.
- If the General Meeting decides on the distribution of dividends, first of all, if possible, a dividend equal to 5.5% of the nominal amount shall be paid to preference shareholders plus the share premium paid-up upon issue.
- Subject to the approval of the Supervisory Board, the Executive Board shall be authorised to increase the above mentioned percentage determined in February 2014 each year with a maximum of 1.8%.
- If no dividend in cash is distributed, a dividend in the form of preference shares can be resolved upon instead.
- If the General Meeting decides on the distribution of dividend and dividend on preference shares has not been paid in previous years, cash dividends shall first be paid to preference shareholders on these previous years, before any distribution can take place on other shares.

ACHMEA SHAREHOLDERS AT 31 DECEMBER 2016

COMPANY	COUNTRY	NUMBER OF SHARES	SHARE % (ORDINARY)	SHARE % (INCL. PREFS)
Vereniging Achmea directly and via Stichting Administratie-Kantoor Achmea	The Netherlands	261,537,249	65.30%	61.63%
Coöperatieve Rabobank U.A.	The Netherlands	116,993,237	29.21%	27.57%
Fundo de Pensões de Grupo Banco Comercial Português	Portugal	11,077,699	2.77%	2.61%
Stichting Beheer Aandelen Achmea	The Netherlands	3,665,253	0.92%	0.86%
Gothaer Allgemeine Versicherung AG	Germany	2,072,055	0.52%	0.49%
Gothaer Finanz Holding AG	Germany	2,370,153	0.59%	0.56%
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.69%	0.65%
Total ordinary shares		**400,484,892**	**100.00%**	
Achmea Tussenholding B.V. (preference shares)	The Netherlands	23,904,060		5.63%
Total ordinary shares and preference shares		**424,388,952**		**100.00%**

Stichting Administratiekantoor Achmea is, amongst others, holder of the only A share issued by Achmea B.V. There are special rights entitled to the A share. Significant decisions of Achmea B.V.'s General Meeting can only be made with the approval of the holder of the A share. The Board members of Stichting Administratiekantoor Achmea are P.F.M. Overmars, E.M.H. Hirsch Ballin and C.W. van der Waaij.

ACHMEA SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The legally required list of participations as set forth in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Chamber of Commerce.

Statement of the Executive Board of Achmea B.V.

The Executive Board of Achmea B.V. is responsible for the preparation of the Annual Report 2016, including the Consolidated Financial Statements 2016 and the Company Financial Statements 2016 of Achmea B.V. The Consolidated Financial Statements 2016 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Company Financial Statements 2016 and the Executive Board Report 2016 are prepared in accordance with Book 2, Part 9 of the Dutch Civil Code, and the Financial Supervision Act part 5.1A. The Executive Board reviewed the Achmea B.V. Consolidated and Company Financial Statements on 2 March 2017 and granted permission for submission to the Supervisory Board.

The Executive Board of Achmea B.V. declares that, to the best of its knowledge, the Achmea B.V. Consolidated and Company Financial Statements 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of Achmea B.V. and that the information contained herein has no omissions likely to modify significantly the scope of any statements made.

The Executive Board of Achmea B.V. also declares that the Executive Board Report 2016 gives a true and fair view of the situation as at 31 December 2016, the development and performance during 2016 and describes the principal risks of the businesses of the Group. The Achmea B.V. Consolidated Financial Statements 2016 and Company Financial Statements 2016 will be submitted to the Annual General Meeting for approval on 30 March 2017.

The Executive Board

W.A.J. (Willem) van Duin, Chairman
R. (Roelof) Konterman, Vice-chairman
H. (Huub) Arendse, CFO
M.A.N. (Michel) Lamie
R. (Robert) Otto
B.E.M. (Bianca) Tetteroo
H. (Henk) Timmer, CRO

Zeist, 9 March 2017

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting and Supervisory Board of Achmea B.V.

REPORT ON THE FINANCIAL STATEMENTS 2016

OUR OPINION

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Achmea B.V. as at 31 December 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Achmea B.V. as at 31 December 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Achmea B.V., Zeist ('the company'). The financial statements include the consolidated financial statements of Achmea B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the following statements for 2016: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2016;
- the company profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

THE BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

Independence

We are independent of Achmea B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

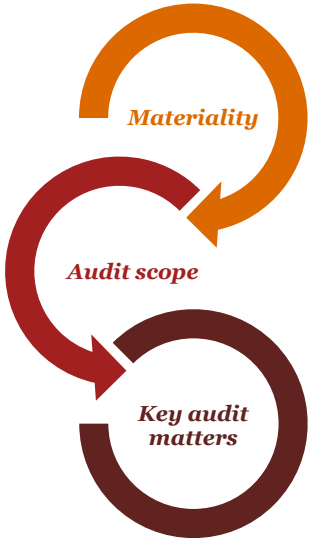
Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Executive Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 1 J to the financial statements the company disclosed accounting estimates and the most important sources of accounting estimates. Due to significant accounting estimates we have identified key audit matters and described those in the section 'Key audit matters'.

Because business operations and financial processes of the group are highly automated, the IT General Controls ('ITGC') were particularly important in our audit. Therefore we addressed in our audit the continued proper operation of policies and procedures that are used to manage the IT activities.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of insurance and banking operations. We therefore included specialists in the areas of valuation (real estate, financial instruments, insurance liabilities, goodwill), IT and taxes in our team.



The highlights in our approach were as follows:

Materiality

- Overall materiality: €46 million which represents 1% of the required capital of the group.

Audit scope

- We conducted audit work in the Netherlands and four foreign locations.
- Meetings were held with the responsible auditors and financial directors of all significant operations. We performed file reviews to assess the audit work on significant components.
- Audit coverage: 99% of consolidated income and 99% of consolidated total assets.

Key audit matters

- Disclosures on the capital position based on Solvency II regulations.
- Impairment testing of goodwill.
- Assets and liabilities measured at fair value for which no listed price in an active market is available and valued using market information and significant unobservable input.
- Uncertainty in tax position.
- Uncertainties in the valuation of assets and liabilities arising from insurance contracts.
- Restructuring provision.

Materiality
The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€46 million (2015: €43 million).
How we determined it	1% of the required capital of the group as projected during the planning of the audit. The required capital is determined based on Solvency II requirements that are applicable for the insurance activities. We reassessed the materiality level based on the final outcome as at 31 December 2016. This reassessment did not lead to a revision of the determined level.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements and as this is important information for stakeholders. On this basis we believe that required capital of the company is an important metric for the financial position and performance of the company. In determining the percentage we have taken into account to set up the audit of the Solvency II group information in such a way that an undetected difference in the Solvency Capital Requirement (SCR) ratio is 5% at maximum. The materiality level applied represents less than 0.5% of the equity of the group and less than 0.05% of the balance sheet total. The profit before tax, because its relative level compared to the business volume and balance sheet, is considered to be a less suitable benchmark for determining materiality.
Component materiality	To each component in our audit scope, we, based on our judgment, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €2.5 million and €30 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €2.3 million (2015: €2.15 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Achmea B.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Achmea B.V.

The group audit focused on the significant components. Financially significant components require an audit of their complete set of financial information. Twenty components were considered individually financial significant (of which 4 abroad). This is primarily determined based on quantitative criteria (>5% of balance sheet total and/or >10% group result before tax), extended based on our assessment of the risk profile of components (qualitative assessment). Four additional components are included in the scope of the group audit to achieve sufficient coverage on individual items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Income	100%
Total assets	99%
Profit before tax	94%

The coverage percentages are based on the financial information of components covered by an auditor's report from the auditor of the component or those components that were subject to specified audit procedures. This means that in case of intermediate holding companies or other sub-consolidations the consolidated financial information is used to determine the coverage. The coverage of the audit of these intermediate holding companies or other sub-consolidations are not taken into account. In determining the above percentages the four components that are included in the scope of our audit in order to achieve sufficient coverage on individual items in the consolidated financial statements are only taken into account for the individual items.

For the audit of the disclosure of the capital requirements under Solvency II regulations we have considered five components individually financial significant. To achieve sufficient coverage on individual risk elements within the capital requirements we added five components to the scope of our group audit for the relating risk elements.

For the remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We identified increased risk areas based on our risk analysis of the risk of material errors in the financial statements. We shared both the risks that were identified by us and requirements relating to the audit approach with the auditors of the components by sending them instructions. At the start of the audit we discussed the identified risks, including the risk of a material misstatement due to fraud, with the auditors of the components. We also discussed the risks that were identified by the auditor of the component. This did not lead to a revision of our risk assessment.

During the audit we had meeting with the auditors of the components about the risks, the audit approach, status of the audit and findings and conclusions. The group engagement team reviewed the audit work in the files of auditors of the financially significant components to assess the appropriate level of audit procedures performed by the auditor of the component. Closing meetings are held with the financial directors and the auditors of the components to discuss the financial results, the applied (important) accounting estimates, the findings from the audit. During these meetings specific attention was given to fraud or suspected (internal) fraud. As preparation for the closing meetings with the insurance components and their auditors, the group engagement team discussed with the actuarial specialists in detail the findings from the audit of actuarial determined liabilities.

The group consolidation and financial statement disclosures are audited by the group engagement team. Further the group engagement team is involved in the assessment of the impact on the reporting of significant events, for example changes in law and regulations (e.g. Solvency II) and restructuring provisions.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

The topics relating to the key audit matters from our 2015 audit remain significant for 2016 given the nature of the activities within the group and the market circumstances. We have identified a new key audit matter relating to the disclosures on the capital position under Solvency II regulations.

KEY AUDIT MATTER

Disclosures on the capital position based on Solvency II regulations
Refer to note 50 to the financial statements.

As of 2016, the Solvency II requirements are applicable to the insurance activities and Achmea group as a mixed financial holding. Management implemented a reporting process in which the information required to determine the capital position is gathered based on a Solvency II manual that has to be applied by the group components. For some risks of the activities in The Netherlands and Greece, a partial internal model, approved by the college of supervisors, is used to determine the capital requirements. For the other risks, the standard formula is applied.

Management disclosed the required capital and ratio based on the Solvency II requirements in the financial statements. Hence, this information is in the scope of our audit procedures. When determining the available funds and required capital positions some important estimates and valuation models are applied in which input is used that is not observable in the market. The main elements are:

- The cash flows used to determine the economic value of the technical provisions and reinsurance recoverables
- The market value of contingent liabilities
- Expected premium income for the next year
- Projected fiscal results and an analyses of future realisations.

An important component when determining the required solvency capital is the loss absorbing capacity of deferred taxes when a shock materializes. Management projected the solvency position after the shock occurred, the measures the company can take to mitigate a shortfall that result from the shock, how this impacts future results and to which extent carry back and carry forward facilities in the applicable tax regimes will absorb the effects of the shock.
Management disclosed that De Nederlandsche Bank published additional guidance in February 2017 in respect of the substantiation expected to take into account the loss absorbing capacity of deferred taxes when determining the required capital. This guidance has to be implemented not later than when issuing the Solvency position at 30 June 2017. Based on an analysis, Achmea identified some subjects that lead to an uncertainty in respect of the recognizable loss absorbing capacity and, hence, the solvency ratio. Achmea disclosed that the recorded amount represents the best estimate of the loss absorbing capacity.

HOW OUR AUDIT ADRESSED THE MATTER

We tested the Solvency II manual on compliance with the Solvency II law and regulations.

We tested the adjustments to come from the IFRS balance sheet to the available capital on accuracy and completeness. We specifically tested the parameters and assumptions used to determine the cash flows used to determine the economic value of the technical provisions.

In respect of the required capital we tested the accuracy and completeness of the source data used. Additionally we assessed that the capital requirements for each sub risk are calculated in accordance with the Solvency II standard formula or the approved internal model where applicable. In this respect we tested the internal control procedures concerning the data used, the model governance and the calculation process. Furthermore, we confirmed the parameters used with the relevant requirements and guidance from European regulators. We also performed sample tests on the data used and calculations performed.

We have assessed the analysis into the loss absorbing capacity of deferred taxes where we focused on the accuracy of the change in future results linked to the anticipated measures taken to recover, the expected timing at which losses resulting from the shock will lead to a tax deductible and the proper application of the carry back and carry forward facilities.

For the elements where the company applies an internal model we ascertained that the model that was applicated and approved for use by the college of supervisors is applied.

Furthermore, we assessed the adequacy of the disclosures.

Given the fact that the Solvency II information is subject to audit for the first year and is used in the capital policy of the company, we considered this an important area of information in our audit.

KEY AUDIT MATTER

Impairment testing of goodwill

Refer to note 6 to the financial statements.

Management is required to, at least annually, test goodwill for impairment. This test is important to our audit because the assessment process is complex and judgmental. The assessment is based on assumptions that can be affected by unexpected developments in market or economic conditions, particularly those relating to the cash flow forecast and the applied discount rate.

The goodwill of €652 million relates to businesses for which management assessed that there is headroom. Management concluded that the goodwill relating to activities in Turkey should be impaired. Based on the assessment the relating goodwill (€93 million) is charged to the income statement. We focused on the risk that the balance may be overstated.

HOW OUR AUDIT ADRESSED THE MATTER

Our audit procedures were focused on the assumptions as disclosed in note 6 as well as on the methodologies used (value in use). Specific attention was given to managements conclusion that the goodwill relating to the activities in Turkey is impaired.

We evaluated the cash flow forecasts and challenged the company's underlying assumptions in a discussion with the management of the business involved, taking into account relevant market developments. We compared management's forecast to the board approved plans. We performed back testing on the realisation of previous plans as this would give an indication of the quality of the forecasting process. Considering the lower actual results compared to forecasted results within the non-life insurance activity we had additional discussions with the related management about the measures taken in respect of the premium setting. We analysed the relationship between the measures taken and the expected impact thereof on future premiums, portfolio developments and claimresults.

We evaluated and challenged managements' discount rate used by comparing the components of the rates used with market information on risk free interest rates, volatility and cost of equity.

We tested the accuracy of the underlying value in use calculations. We further performed a sensitivity analysis around the key assumptions applied to ascertain the extent of change in those assumptions that (either individually or collectively) would lead to an impairment.

Based on our procedures performed we concur with managements' conclusion to impair the goodwill relating to the activities in Turkey.

We assessed the adequacy of the disclosures, particularly on sensitivities.

KEY AUDIT MATTER

Assets and liabilities measured at fair value for which no listed price in an active market is available and valued using market information and significant unobservable input

Refer to note 4 to the financial statements.

The company has assets and liabilities where no listed price in an active market is available and are measured at fair value. Of these assets and liabilities €18,466 million represents level 2 assets, €4,186 million represents level 2 liabilities and €7,804 million represents level 3 assets. In measuring these assets and liabilities not listed in an active market market information and market unobservable inputs are used. Further, the company has €441 million of assets valued at fair value on a non-recurring basis. These assets and liabilities are significant in the context of both the overall balance sheet and the results of the group.

The valuation of Property for own use, Investment property and non-listed investments is important to our audit as it is highly dependent on estimates (various assumptions and techniques) which contain assumptions that are not observable in the market.

In respect of Investment property, management uses external appraisers to support its determination of the individual fair value of the properties. The appraised values are determined based on valuation models. An inherent risk exists in the valuation of Investment property because limited representative transactions in the current market exist.

HOW OUR AUDIT ADRESSED THE MATTER

We tested the operating effectiveness of controls in place over recording the fair values of assets and liabilities valued at fair value for which no listed price in an active market is available and significant unobservable input is used.

In respect of the valuation of property we, amongst others, considered the objectivity, independence and expertise of the external appraisers that are hired by the company, and assessed the reasonability of the property related data as used by the external appraisers.

In respect of the banking credit portfolio our procedures were focused on the determination of the future cash flows from this portfolio which includes the non performing risk. We tested the pricing models and inputs used by the company including comparison with market data based on the specific portfolio characteristics.

In respect of the mortgage loan portfolio valued at fair value, we focused on testing the appropriateness of the applied discount rate. We assessed the appropriate determination of the market interest rate. For other inputs we have evaluated the assumption setting process that was followed and tested the information used to set these assumptions. We tested the operating effectiveness of the procedures that assure that the information of the individual loans as used in the valuation is adequate.

We assessed the adequacy of the disclosures, particularly on completeness and accuracy of the fair value hierarchy disclosures and related sensitivities.

KEY AUDIT MATTER	HOW OUR AUDIT ADRESSED THE MATTER
Uncertainty in tax position *Refer to note 1 J to the financial statement.* The company is involved in a legal procedure in respect of the applicability of the tax exemption on certain results relating to the disposal of activities. The acceptability of the fiscal treatment is depending on the verdict in a pending court case. The tax liability reflects management best estimate of the amounts actually to be paid. The legal position is evaluated with the use of the company's internal tax advisors and external legal advisors. As a part of our audit, we considered the tax provision important given the related subjectivity and uncertainty in the outcomes of the positions.	We have analysed the position of the tax authorities, the internal position papers and external legal opinions. We evaluated the arguments raised in the case from both the company's and the tax authority's position, the tax legislation, the verdict of the tax court and existing jurisprudence to assess the appropriateness of the tax position as included in the financial statements. Furthermore, we assessed the adequacy of the disclosures.

KEY AUDIT MATTER

Uncertainties in the valuation of assets and liabilities arising from insurance contracts

Refer to note 15, 19, 20, and 50 to the financial statements for the disclosures of the related judgements and estimates.

The calculation of the assets and liabilities arising from insurance contracts is complex, highly judgmental and is based on assumptions which are affected by future economic and political conditions and is also affected by government regulations, in particular regarding healthcare insurance.

The assumptions used for the life and pension business relate to risks regarding mortality, longevity, lapse and expense and other assumptions used in the liability adequacy test. Furthermore the valuation of liabilities arising from life and pension insurance contracts is affected by market discussions on alleged mis-selling issues on investment linked contracts.

The assumptions used for non-life insurance liabilities relate to the amount of the claim, the number of incurred but not yet reported claims, risks regarding catastrophe, lapse, incidence & recovery rates and future expense and other assumptions used in the liability adequacy test. Furthermore the valuation of the assets and liabilities arising from non-life insurance contracts is affected by government regulations, in particular regarding the claims for the company from workers' compensations insurance (WGA).

The main uncertainty in respect of the Healthcare provision results from the declarations to be received from Healthcare providers in respect of legitimate treatments that started before the balance sheet date. The measurement of receivables regarding the Health Insurance Fund is an inherently uncertain process, involving assumptions for national healthcare costs and allocation of healthcare costs to budget parameters. Any change in the assumptions could have an impact on the settlement with the Dutch government (Health Insurance Fund). Furthermore, the measurement of the Onerous Contracts Provision is an inherently uncertain process. This is, among others, based on the expected budget and the expected claims in 2017. The healthcosts from the period 2014 are not yet settled and also increase this uncertainty.

The assumptions and uncertainties also apply for the reinsured part.

HOW OUR AUDIT ADRESSED THE MATTER

We performed tests on the operating effectiveness of the company's procedures to ascertain that the data used in the valuation of the liabilities arising from insurance contracts is adequate and complete. These procedures include data analysis based on business rules and follow up procedures on exemptions.

We performed testing of the company's procedures regarding the determination of the assumptions, testing of the assumptions based on market observable data and actuarial analysis of the technical results during the year compared with the expected outcome based on the assumptions used. We discussed the outcome of the actuarial analysis with the internal actuaries and the actuarial function holder. Specific attention was given to mortality and future expenses in respect of the life insurance business, the assumptions on future incidence and recovery in disability and worker compensation insurance, the impact of court judgments in respect of open injury claims and the assumptions used to estimate the budget contribution in respect of health insurance business.

In respect of the alleged mis-selling issues on investment linked contracts we tested the existence of agreements reached with consumer organisations, whether these are included in setting the provisions and the processing of product changes. We evaluated the procedures in respect of valuating and setting the provisions.

We have tested the company's procedures to estimate the ultimate Healthcare claims to be received. The procedures contain both actuarial projections based on claim development patterns where we have tested the claim data used and an estimated outcome based on the Healthcare contracts agreed with the providers, where we have tested the data used by reconciling them to the contracts. The measurement of receivables is tested by reconciling the information used to internal sources in respect of the profile of the insured population and confirmations received from the Health Insurance Fund in respect of the budget parameters. Furthermore we tested the assumptions relating to the development of macro (economic) health costs with public information from Zorgverzekeraars Nederland and how this was translated into the expected impact on budget.

The assumptions require significant management's judgment. The company has comprehensive procedures and internal controls in place to determine the value of the assets and liabilities arising from insurance contracts and in performing liability adequacy tests.

With respect to the provision for onerous contracts in the health insurance activities, we tested the assumption setting process to estimate the claims and future expenses to determine the budget result for each type of policy. We tested the projected expenses to confirm that they did not include expenses already incurred before the balance sheet date. We also tested the accuracy of the number of policies based on the underlying records.

Furthermore, we assessed the adequacy of the disclosures.

KEY AUDIT MATTER	HOW OUR AUDIT ADRESSED THE MATTER
Restructuring provision *Refer to note 23 to the financial statements.* The recognition and valuation of the provisions in respect of restructuring is highly judgmental and assumptions based. The amount is very significant based on the restructuring as announced and ongoing restructurings. The determination of whether or not a present obligation exists is a judgemental process. The actual future expenses to complete the restructuring requires significant estimates. As disclosed in the notes to the financial statements an amount of €108 million was utilised and €93 million was added to the provision in 2016 based on new reorganisation decisions taken and reassessment of the parameters used. At 2016 year end, restructuring provisions of €149 million are recognised in the balance sheet.	We have tested management's judgment in respect of the existence of a constructive obligation concerning the planned restructure. We tested the decision making process, the existence of sufficiently detailed plans and the communications in this respect. The provision is valued using assumptions on the number of people that can be replaced both internally or externally, the period people will be kept on the payroll without delivering services to the company and the severance payment to be made if no replacement is realised. We have tested this assumptions based on the social plan in place and the past experience of the company based on rolling figures and the development noticed in that and back tested the assumptions as set in prior year. We concluded that differences between the anticipated developments and the actual developments where adequately taken into account in the valuation of the provision at year end. We further assessed the sensitivity of the provision for changes in the assumptions set. Furthermore, we assessed the adequacy of the disclosures.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the board report;
- the other information;
- appendices.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures were substantially less than the scope of those performed in our audit of the financial statements. We have performed an assurance engagement on the board report (page 2 up to and including 94). For the scope and outcome of our procedures we refer to our separate assurance report included on page 285 of the annual report.

Management is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our appointment

We were appointed as auditors of Achmea B.V. on 29 April 2011 by the Executive Board following the passing of a resolution by the shareholders at the annual meeting held on 6 April 2011 and is annually reconfirmed by shareholders. Currently, we are the auditor of the company for a total period of uninterrupted engagement appointment of 6 years.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND AUDIT

Responsibilities of Executive Board and the Supervisory Board for the financial statements

Executive Board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our auditor's report.

Amsterdam, 9 March 2017

PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by R.A.J. Swaak RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2016 OF ACHMEA B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: The General Meeting and Supervisory Board of Achmea B.V.

Assurance report on the financial and non-financial information in the board report

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the board report of 2016 of Achmea B.V. does not present, in all material respects, a reliable and adequate view of:

- the non-financial policies and business operations; and
- the events and achievements related thereto for the year ended 31 December 2016, in accordance with the sustainability reporting Guidelines version G4 of GRI and the company's reporting criteria.

Our opinion

In our opinion the information on 'Our employees' on pages 41-43 and 'Our financial results' on pages 50-71 of the board report for the year ended 31 December 2016 are, in all material respects, presented reliably and adequately, in accordance with the company's reporting criteria.

What we are assuring

The board report contains a representation of the financial and non-financial policy, the business operations, the events and achievements related thereto of Achmea B.V., Zeist during 2016.

We have reviewed the board report for the year ended 31 December 2016, as included on pages 2-94 in the annual report 2016.

In addition we audited the following information within the board report 2016:

- 'Our employees' on pages 41-43.
- 'Our financial Results' on pages 50-71.

The following information is not part of the scope of our engagement:

- The links to external sources or websites are not part of the board report that we reviewed and the information on 'Our employees' and ' Our financial results' audited by us. We do not provide assurance over information outside of this board report.
- The board report includes information regarding Solvency II Day One respectively the solvency information in respect of 1 January 2016 (pages 3, 67-68 and 70). The data and graphics regarding this information are not part of our review and are not in scope of our assignment.
- The board report includes information on new business in life insurance (page 61). The data and graphics regarding this information are not part of our review and are not in scope of our assignment.
- The board report includes the chapters 'Report of the Supervisory Board' and 'Biographies Executive and Supervisory Board members' on pages 73-81 and 91-94. These chapters are not reviewed by us and are not in scope of our engagement.
- Appendix A – Glossary. This information is not reviewed by us and is not in scope of our assignment.

The basis for our conclusion and opinion

We conducted our engagement in accordance with Dutch law, including Standard 3000 'Assurance engagements other than audits or reviews of historical Financial Information' (hereafter: 'Standard 3000') and Standard 3810N 'Assurance engagements relating to sustainability reports' (hereafter: 'Standard 3810N'). Our engagement is aimed to obtain a combination of limited assurance (leading to a conclusion) on the board report and reasonable assurance (leading to an opinion) on the information on 'Our employees' on pages 41 - 43 and 'Our financial results' on pages 50 - 71. Our responsibilities are further described in the section 'Our responsibilities for the assurance engagement' in this assurance-report.

Independence and quality control

We are independent of Achmea B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (RA/AA)'. Accordingly we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

Achmea B.V. developed its reporting criteria on the basis of the 'G4 Guidelines of the Global Reporting Initiative'(GRI), 'article 391, Part 9, Book 2 Dutch Civil Code' and the code insurers 1 July 2013 as drafted by the 'Verbond van Verzekeraars'. Detailed information on the reporting criteria is included in the Chapter 'About this Report' on pages 16-17.

The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. The Executive Board is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, acceptable, measurement techniques. This can affect comparability between entities and over time.

Inherent limitations

The board report includes prospective information such as expectations on ambitions, strategy, plans, risk assessments and estimates. Inherently, the actual results are likely to differ from these expectations, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the board report.

Responsibilities for the board report, including information on 'Our employees' and 'Our financial results' and the assurance-engagement

Responsibilities of the Executive Board

The Executive Board of Achmea B.V. is responsible for the preparation of the board report in accordance with the Reporting Guidelines version G4 of GRI and the applied reporting criteria as disclosed on page 16 of the board report, including the identification of stakeholders, the definition of material subjects and the applicability of the used criteria for the objectives of the intended users. The choices made by the Executive Board regarding the scope of the board report and the reporting policy are summarized in the chapter 'About this report. The Executive Board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the Board report that is free from material misstatement, whether due to fraud or errors.

Our responsibilities for the assurance engagement on the management report and the information on 'Our employees' and 'Our financial results'

Our responsibility is to plan and perform a combined limited and reasonable assurance engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion and opinion.

The procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance. The performed procedures in this context consisted mainly of gathering information from the company's employees and applying analytical procedures in relation to the information included in the board report. The level of assurance obtained in limited assurance engagements is therefore significantly lower than the assurance obtained in reasonable assurance engagements.

The procedures performed on the information on 'Our employees' and 'Our financial results' are aimed at obtaining reasonable assurance that this information is free from material misstatements. Reasonable assurance is a high level but not absolute level assurance, which makes it possible that we may not detect all misstatements.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the board report. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion and opinion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the combined review and audit engagement, in accordance with the Dutch Standard 3810N and Standard 3000, ethical requirements and independence requirements. Our work was performed by a multidisciplinary team (which is part of the group audit team), with experience in sustainability reporting and providing assurance on this.

Our main review procedures include:

- performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization;

- evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of management's estimates;
- evaluating the design and implementation of the reporting systems and processes related to the information in the board report;
- interviewing management and relevant staff at corporate level responsible for the sustainability's strategy and policy;
- interviewing relevant staff, responsible for providing the information in the board report, carrying out internal control procedures on the data and consolidating the data in the board report;
- reviewing relevant information and internal and external documentation, on a sample basis, to determine whether information in the board report is reliable;
- an analytical review of the data and trends;
- assessing the consistency of the information in the board report not in scope for this assurance report;
- assessing whether the board report has been prepared 'in accordance' with the G4 Reporting Guidelines version of GRI;
- evaluating the presentation, structure and content of the board report, the disclosures included therein and evaluating if the board report gives a reliable and adequate presentation of the underlying transactions and developments;
- assessing the consistency of the non-financial in the board report and the other information in the board report outside the scope of our review engagement.

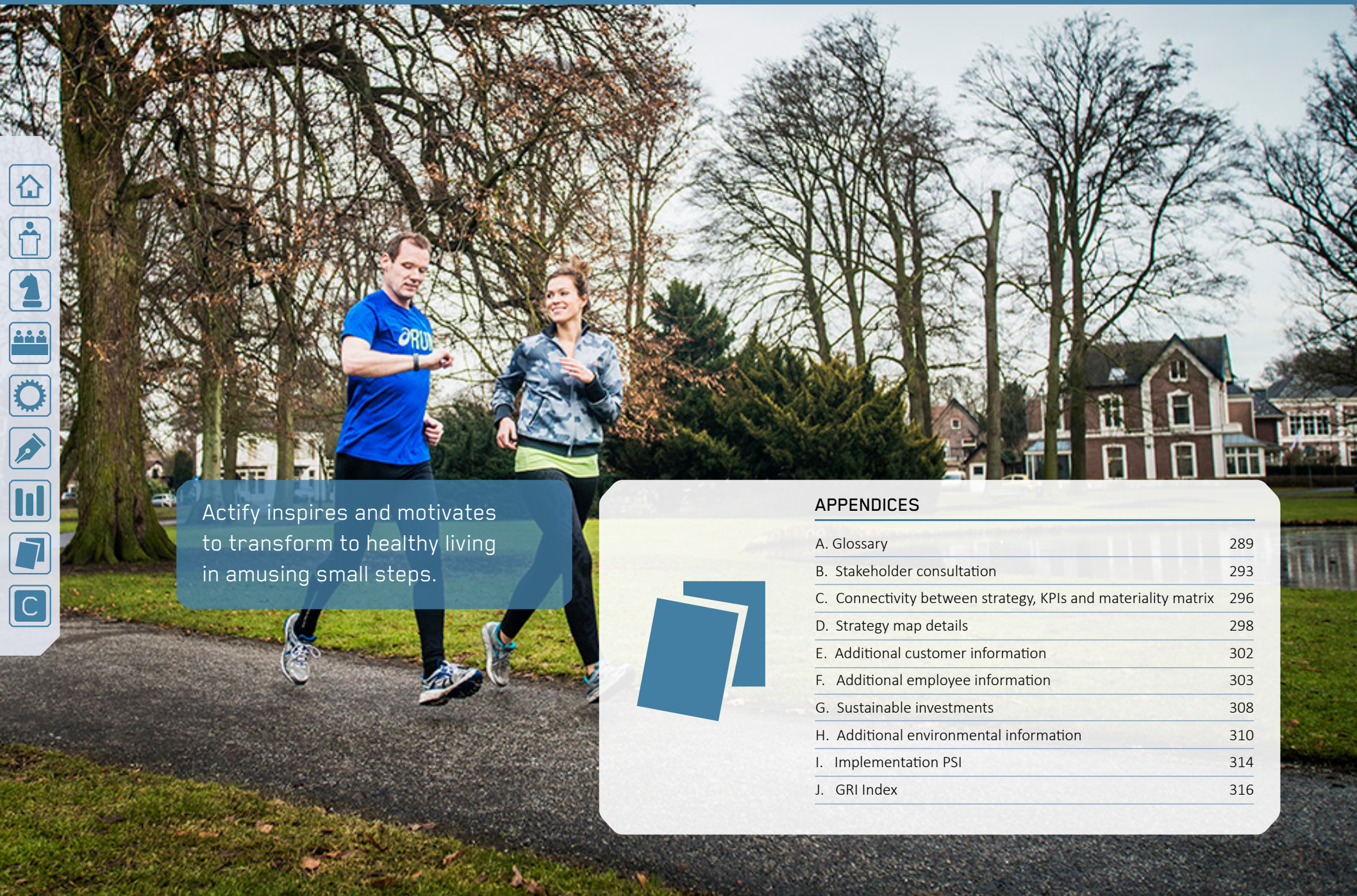
We performed, amongst others, the following additional audit procedures on the audited parts:

- evaluating the design and implementation and testing the operating effectiveness of the reporting systems and processes related to the information throughout the year;
- auditing internal and external documentation to evaluate if the information, including the disclosures, presentation and statements in the board report are adequately substantiated;
- identifying and assessing the risks of material misstatement on the information on 'Our employees' on pages 41 - 43 and 'Our financial results' on pages 50 - 71, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtaining an understanding of internal control relevant to our audit with the aim to select appropriate audit procedures. These activities are not intended to provide an opinion on the effectiveness of the internal control of the company.

Amsterdam, 9 March 2017
PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by R.A.J. Swaak RA

APPENDICES



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APPENDICES

Algemeen Pensioenfonds (APF; General Pension Fund)
APFs are new players in the second pillar of the Dutch pension market and are not restricted to a specific area. This allows General Pension Funds to combine and administer pension schemes of different employers or pension funds. This may result in economies of scale and cost benefits, while still maintaining control over the pension scheme.

Annual Premium Equivalents (APEs)
The total amount in annual premiums from new regular premium business plus 10% of the total amount of single-premium business written during the year and included in the new business count.

Asset-backed securities
Financial instruments financed with cash flow generated by an asset portfolio, with the assets having been provided as business security.

Assets under Management (AuM)
The market value of all the investments managed on behalf of third parties.

Basic health insurance
Compulsory health insurance, mandatory for all residents of the Netherlands. This represents the cover provided by the basic health insurance, consisting of a standard package of healthcare services considered essential by the Dutch government.

Carbon footprint
The total amount of greenhouse gases emitted by an organisation. The carbon footprint covers all relevant processes of an organisation that affect climate.

Circular economy
The shift from ownership to usage (e.g. leasing arrangements), as well as the re-use of products (products as raw materials) as a solution to scarcity of raw materials.

Claims ratio
The claims ratio is claims, including claims handling costs, expressed as a percentage of net earned premiums.

Collateral
An asset pledged by a borrower to secure a loan and subject to seizure in the case of default.

Combined ratio
The combined ratio is a measure of profitability used by insurance companies to indicate how well they are performing in their day-to-day operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means it is paying out more money in claims that it is receiving from premiums. The combined ratio is the sum of the claims ratio and the expense ratio.

Compliance
Compliance refers to the process of ensuring that laws and regulations are adhered to within an organisation. The purpose of compliance is to manage compliance risk and reduce any loss arising from such risk.

Corporate Governance
Corporate Governance refers to the way in which companies are governed, and involves maintaining a system of checks and balances within corporations. It refers to a combination of governing, managing, supervising and accounting for the company's policies to a number of different stakeholders, including customers, employees, business partners and shareholders.

Corporate Social Responsibility (CSR)
By engaging in Corporate Social Responsibility (also known as 'sustainable business'), we demonstrate that we are responsible for the quality of life in society and the communities in which we operate. This means being a responsible member of the community through charitable actions, which may include encouraging and facilitating volunteer work by employees.

Counterparty default risk
The risk to each party of a contract that the counterparty will not live up to its contractual obligations. Achmea is exposed to many counterparties in the area of investments, treasury, banking, reinsurance, healthcare providers, intermediaries, and policyholders.

Covered bonds
Debt instruments secured by a cover pool of mortgage loans, which provide bond holders with additional security.

Credit default swap (CDS) spread
A CDS is a contract between two parties that involves the transfer of third-party credit risk. It can be used as insurance for a bond investment portfolio, whereby, if the bond issuer defaults on repayment of the loan amount, the credit default swap compensates for this loss. The spread of a CDS is an indication of the risk associated with the swap, i.e. the difference between the expected yield of the CDS and the yield of the bond.

Credit risk
The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Defined benefit pension plan (DB)
A type of pension plan in which an employer commits to paying a specified monthly benefit to its employees on retirement. The amount to be paid for the pension entitlement is set using a formula that is usually based on the employee's income and length of service.

Defined contribution pension plan (DC)
A type of pension plan under which an entity (a

company) pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to meet its obligations to its current and future beneficiaries.

Derivatives
Financial instruments whose price depends on, or is based on, one or more underlying assets. Its value is determined by fluctuations in the underlying asset.

Dutch Association of Insurers (Verbond van Verzekeraars)
The Association of Insurers is an interest group comprised of private insurance companies operating in the Dutch market. The Association, whose members collectively represent more than 95% of the domestic insurance market, is an independent entity governed and funded by its members.

ECB AAA Curve
Yield curve based on government bonds issued by Eurozone countries with a Fitch AAA rating set by the European Central Bank.

Engagement (also known as 'enhanced engagement')
Engagement (also referred to as 'enhanced engagement') is a form of responsible investment whereby investors take on the role of active shareholders, entering into a dialogue with investee companies regarding sustainability issues.

ESG
The Environmental, Social and Governance aspects of an organisation that must be taken into account in order to conduct specific processes, including the investment of premium funds, in a socially responsible manner.

Exclusion (relating to responsible investing)
Exclusion refers to the practice of refraining from investing in specific companies, e.g. those engaged in the manufacture of products regarded as controversial by the Dutch government, e.g. producers of cluster bombs, land mines, and biological and chemical weapons.

Execution only
Execution-only services refer to services whereby customers select their own insurance products, including all product options, without seeking actual advice from the insurer.

Expense ratio
The expense ratio is operating expenses, including internal costs of handling claims, less internal investment expenses and less restructuring provision expenses, expressed as a percentage of net earned premiums

FSC-certified
FCS, the Forest Stewardship Council, is an international organisation, established in 1993, dedicated to promoting responsible forest management. FSC sets global standards for forest management and provides certification (in the form of a seal of approval) to companies for their efforts in this area.

Global Reporting Initiative (GRI)
International organisation that sets guidelines for sustainability reporting.

Goodwill
The amount of future economic benefits arising from assets that are not capable of being individually identified and separately recognised as an asset in a business combination.

Gross written premiums (GWP)
Total premiums on insurance and reinsurance contracts in a given period.

Impairment
The amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The asset's carrying amount is reduced to its fair value and recognised in profit and loss.

Insurance Contract
A contract under which one party (the insurer) accepts an insurance risk from another party (the policyholder) by agreeing that the policyholder will receive compensation if a specific future event (i.e. the insured event) adversely affects the policyholder.

Insurance risk
Risk transferred by a contract holder to the issuer. As a result of its broad insurance product range, Achmea is exposed to life risk, non-life risk, income risk and health risk.

Insurers' Code
The Dutch Association of Insurers published the Governance Principles for Insurers on 15 December 2010, also known as the 'Insurers' Code'. It sets out the principles of corporate governance, risk management, auditing and remuneration policy for Dutch insurance companies.

Intangible asset
An identifiable, non-monetary asset without physical substance.

Integrity (corporate ethics)
Integrity or corporate ethics refers to acting in a conscientious manner and in line with the applicable codes of conduct. It includes not conducting business with organisations and/or individuals that are guilty of corruption and/or fraud and also covers the way fraudulent claims are handled.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

International Financial Reporting Standards (IFRS)
Reporting standards and interpretations for companies adopted by the International Accounting Standards Board (IASB). These comprise: International Financial Reporting Standards (IFRS); International Accounting Standards (IAS); and Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Liability Adequacy Test (LAT)
An assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a review of future cash flows.

Liquidity risk
Liquidity risk constitutes the risk that actual and potential payments and obligations cannot be fulfilled at the time of their maturity.

Market risk
Market risk refers to the risk that an entire market or asset class declines, which can potentially affect the price and value of the assets in the portfolio.

Micro-insurance
Micro-insurance products are designed for the most deprived populations in developing countries. These insurance policies offer very low premiums, while the sum insured is low as well.

Mortgage-backed securities
Mortgage-backed securities are a type of asset-backed security that is secured by a mortgage or collection of mortgages.

Operating expenses
All expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Operational risk
The risk that losses may occur from the inadequacy or malfunctioning of internal processes or systems, or external events.

Option
A financial instrument that conveys the right to buy (call option) or a right to sell (put option) a security at a reference price during a specified time frame.

Parent company
An entity that has control over one or more other companies (the subsidiary).

Principles for a controlled remuneration policy
The principles for a controlled remuneration policy, as set by supervisors the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM), serve as the basis for evaluating the remuneration policies of financial companies. The principles and supervision on this policy are aimed at countering the incentives which could potentially result in undesired and irresponsible risks being taken, which, in turn, could cause customer interests to be neglected.

Principles for Responsible Investment (PRI)
Launched in April 2006, the United Nations Principles for Responsible Investment (PRI) represent a framework for institutional investors and aim to help integrate environmental, social and governance issues by institutional investors into their investment policies. Further information is available at www.unpri.org.

Principles for Sustainable Insurance (PSI)
The United Nations Principles for Sustainable Insurance (PSI) are a standards framework for insurance companies designed to incite the insurance industry to consider environmental impact, social living conditions, transparency, customer interests and corporate governance in its business operations. The PSI were launched in 2012. Further information is available at www.unepfi.org.

Private equity
An asset class consisting of equity securities of companies that are not publicly traded on a stock exchange.

Prudent remuneration policy
A prudent remuneration policy attempts to find a balance between compensation that is commensurate with the abilities and level of responsibility of our people, international standards and rules, and the expectations of our stakeholders and customers.

Quality seal for customer-oriented insurance (Keurmerk Klantgericht Verzekeren)
Quality seal awarded to insurers that have achieved high standards in services and customer focus. Further information is available at www.keurmerkverzekeraars.nl.

Socially accepted return
In order to achieve a socially accepted return, it is important to find a balance between implementation costs, profit and solvency on the one hand and the amount of the premiums on the other hand. There is a public interest, in particular, in privatised collective provisions such as the basic health insurance.

Solvency
Solvency expresses the degree in which insurers are able to meet their future obligations. All insurance companies are required by law to maintain a specific solvency margin as a safety margin (required solvency margin). This is regulated by the Dutch Central Bank, thereby providing additional security to policyholders. If an insurance company's actual solvency margin is equal to the minimum solvency requirement, the solvency ratio is 100%, while if an insurer maintains a higher safety margin, the solvency ratio exceeds 100%.

Solvency II (SII)
Solvency II is a European Union legislative initiative that became effective in all EU Member States on 1 January 2016. The initiative introduced a new, standardised regulatory regime for insurers across Europe and contains legislation regarding insurance solvency and risk convergence.

Spread
The difference between the current bid and the current ask or offered price of a given security.

Stakeholders
Stakeholders are individuals or entities that have a stake in an organisation of whatever nature. They are involved in the organisation's activities, share in its profits, influence its performance and assess its economic, social and environmental impact. Achmea focuses mainly on four stakeholder groups: our customers, our employees, our partners and our shareholders.

Subordinated debt
Loans (or securities) that rank after other debts should the company fall into receivership or be closed.

Supplementary health insurance
The supplementary health insurance is a voluntary additional cover to the basic insurance cover, covering medical expenses.

Sustainable investment
Responsible investment (also referred to as 'socially responsible investment' or 'ethical investment') is a form of investment whereby financiers consider the impact on human beings and the environment in their investment decisions.

Third-party companies
Third-party companies include the following Achmea subsidiaries of which the social and environmental aspects are not registered at the central level:

- Eurocross Assistance Netherlands B.V., Eurocross International Bulgaria, Eurocross International Central Europe S.R.O.
- De Friesland Particuliere Ziektekostenverzekeringen N.V., De Friesland Verzekeringen B.V., De Friesland Zorgverzekeraar N.V., DFZ Participaties B.V., DFZ Personeel B.V., DFZ Tussenholding B.V.
- Friesland Bank Assurantiën B.V.
- Independer.nl N.V., Independer Services B.V.
- InShared Holding B.V., InShared International B.V., InShared Nederland B.V., InShared Services B.V.
- Klant Contact Services B.V.
- OZF Achmea Zorgverzekeringen N.V.
- Pim Mulier B.V.
- Practis B.V.
- Residex B.V.
- Winnock Zorg B.V.

Ultimate Forward Rate (UFR)
The Ultimate Forward Rate (UFR) represents the notional interest rate after the last liquid point (LLP) in the forward swap market. It is a risk-free notional interest rate used for long-term contracts which are undertraded due to the long period of time involved. The UFR is used for a variety of purposes, including the valuation of specific long-term contracts and to calculate the solvency ratio.

Unit-linked contracts
Life-insurance contract which involves investing in an investment fund through the purchase of units. There is often a choice between equity, bond and mixed funds.

United Nations Universal Declaration of Human Rights
Adopted and proclaimed by the General Assembly of the United Nations on 10 December 1948, the United Nations Universal Declaration of Human Rights sets out the fundamental rights of all people and is a key element of many organisations' codes of conduct as part of their supply-chain responsibility policies.

INTERACTION WITH STAKEHOLDERS

Companies are increasingly being challenged about their role in society. This involves social and financial themes, but also sustainability issues such as the environment and climate. Achmea assumes this responsibility to society together with its stakeholders. This enables us to remain relevant to our customers in the future as well.

We interact intensively with our stakeholders. Based on a four-stakeholder model, we consult with our customers, employees, (business) partners and shareholders. We closely monitor social trends and changes in society, particularly the long-term impact of such change. We regularly consult with customers through the Vereniging Achmea Members Council. Through the advisory and insurance councils of our divisions, we meet with our customers several times a year. The dialogue with employees takes place through the Works Councils, in regular meetings with unions, through the intranet and in personnel sessions. There is also regular consultation with insurance agents and insurance brokers, social partners, regulators and the government.

MATERIALITY ANALYSIS

In addition to all these contacts, an extensive stakeholder survey was conducted in 2015. One remarkable result from the survey: the stakeholders have high expectations of Achmea. The overwhelming majority feels that "helping to find solutions to social issues" is the most important added value. This formed the basis for establishing the most material themes. We mapped these in a materiality matrix. The 2015 survey and results were important for selecting our social priorities in 2016. The picture generated in 2015 was confirmed in 2016.

In March 2016, Achmea's entire Executive Committee discussed with approx. 70 stakeholders from all walks of society – business, public administration, politics, academia and social organisations. The stakeholders were enthusiastic and motivated: they find Achmea a logical partner for discussing social issues and solutions. This is because Achmea is the largest insurer in the Netherlands, with strong brands and a cooperative background, and because it operates in all markets.

Based on the 2015 survey, the following themes were selected for discussion:

- A carefree retirement
- Innovative solutions for home and care
- Prevention and a secure society
- The opportunities provided by big data
- Solidarity regarding risk-sharing
- Affordable and accessible healthcare

Based on this stakeholder survey, the 2016 Materiality Matrix was compiled (see p. 27 of the annual report).

Insights offered by the stakeholders:

- Play a role in the public debate on all these themes.
- Achmea's strength lies largely in its breadth: use this by linking knowledge and products to create overarching issues relating to health, retirement and housing. If these are subject to legal restrictions, turn to public debate.
- Solidarity remains important to health, retirement services and in insurance; not just with a view to sharing the risks but also for accessibility/affordability, social stability and human dignity.
- Support new forms of solidarity that also encourage people to assume responsibility themselves. Experiment with and support new products.
- As a major player, Achmea needs to stress the importance of schemes that encourage solidarity and place this on the social and political agenda.
- Work more towards prevention: there is significant social added value for all Achmea activities here (health, mobility, housing, safety and retirement).
- Facilitate and support bottom-up initiatives that make it easy for people to continue living together happily and to stay independent for longer.
- Improve social security with the aid of innovation and cooperation.
- From a CSR perspective, it is important that Achmea plays an active and visible role in the social debate on climate and sustainable energy. As an investor, Achmea can support the transition to renewable energy. As an insurer, Achmea can encourage prevention to help counter climate damage.
- Use Big data chiefly for prevention: insight into risks and how to deal with them (traffic safety, damage or loss prevention and healthy living). Work together with non-commercial parties to create a basis for the allocation and use of data for innovative products.
- Data can contribute to solving social issues, as they provide insight and depth.
- Protect data against errors, leaks and improper use. Be open about how you store data and destroy/delete data that are not required.
- Encourage social debate about the use of big data, and make your voice heard on the dilemmas but also the value.
- Healthcare costs are strongly related to social well-being. The challenge is to operate as an insurer of health and not a health insurance company. This needs to include social well-being.
- Big data provide insight into differences in quality. Share this insight with your policyholders so that they can make better decisions. Yet also with healthcare providers. Peer comparisons enable them to learn from each other.
- Market leadership creates, in addition to the primary responsibility to customers, also a social responsibility: Achmea needs to take the lead by talking about and demonstrating the role it wishes to play.

EXPLANATORY NOTES TO MATERIALITY MATRIX

	ISSUES RELATING TO ACHMEA'S CORE ACTIVITIES	EXPLANATORY NOTES
1	Sustainable investment	As a large investor, Achmea can exert social influence by engaging with companies to discuss their behaviour. Examples include exercising voting rights at shareholder meetings, entering into dialogue on policy or refraining from investing in specific companies or sectors. Responsible investment means taking into account Environmental, Social and Governance (ESG) criteria.
2	Climate change	Climate change has led to us experiencing ever more extreme weather conditions, and (extreme) precipitation will become an even greater problem. The amount of damage will increase, for both private individuals, businesses and governments. Examples are residential property, commercial property, cars, infrastructure, agriculture and horticulture. In order to prevent the situation from deteriorating, it is important that fewer greenhouse gases are emitted. This requires products and services aimed at preventing damage or loss (prevention, resilience) and a reduction in the emission of greenhouse gases via the promotion of sustainable energy.
3	Customer value	Putting value for customers first means only selling products and services that truly offer customers added value. It also means that customers could be advised not to buy a product or to switch to a more suitable product. Moreover, it means averting foreseeable disappointments and having easily comprehensible product features.
4	Affordable and accessible healthcare	The affordability of healthcare is under threat. In the long term, this could pose a risk to healthcare being accessible to all. A number of trends are playing a significant role here, such as the ageing population and an unhealthy lifestyle. There is also the impact of new medicines and other medical innovations, leading to the cost of treatment per life rising.
5	Pensions and retirement services	Many Dutch people (especially freelancers; 'ZZP') accrue no or little pension, leaving them with a small income on retirement. Furthermore, employment relationships are changing and the traditional 'lifetime job' at a single employer with corresponding uninterrupted pension accrual is no longer self-evident.
7	Financial security	Partly as a result of increased flexibility in employment relationships, but also due to the partial privatisation of social arrangements, the Dutch now bear greater responsibility for their personal financial planning. This requires comprehensible and affordable financial products that match the financial literacy of customers. A responsible method of collecting premiums (debt prevention) also contributes here.
8	Big data	As an insurer, we have huge amounts of data at our disposal. These data can be a source of knowledge for prevention and other issues that matter to our customers. In addition, these data can also be used for targeted sales.
9	Solidarity	Solidarity is an important pillar in insurance, but also for society as a whole. Increasing transparency on the price structure of premiums could lead to less willingness to share risks. Solidarity is under pressure in insurance, but also in social arrangements. This could result in greater inequality in society. At the same time, we are seeing new forms of solidarity emerge. These are set up by private individuals at their own initiative as an alternative to existing products, services and institutions. Examples include 'bread funds' (trust-based income protection for freelancers), residential and care cooperatives, the growth in informal care, energy cooperatives and initiatives that promote the sharing economy, etc.
10	Medical progress	Medical science is constantly producing new and improved treatments. These may be life-saving or life-sustaining and often improve the quality of life. New medicines and treatments are frequently very expensive. For health insurers it is important to respond to and deal with this in the right way.

	ISSUES RELATING TO ACHMEA'S BUSINESS OPERATIONS	EXPLANATORY NOTES
11	Safe living environment	Achmea knows a great deal about risks and how to reduce them. This is relevant to making the home, work and living environments safer. If you can map the risks in advance, you can improve safety by implementing preventive measures. Digitisation can play a part here, both at home, at work and on the move.
12	Integrity	Integrity refers to acting in all loyalty and conscience, and in line with the applicable rules and codes of conduct. No business will be conducted with organisations and/or individuals that are guilty of corruption and/or fraud. This also extends to companies or people who submit fraudulent claims.
13	Balanced remuneration policy	In a prudent remuneration policy, a balance is sought between compensation that is commensurate with the abilities and responsibilities of our people, international standards and rules, and the expectations of our stakeholders and customers.
14	Corporate Social Responsibility (CSR)	By engaging in Corporate Social Responsibility, we demonstrate that we are responsible for the quality of life in society and the communities in which we operate. This means being a 'good neighbour' by doing something for another person. One example is encouraging and facilitating volunteer work by employees.
15	Being a good employer	The ambition to be a good employer for all employees. Examples include a safe and healthy workplace, countering discrimination, good employment conditions and opportunities for training.
16	Personal data protection	Achmea uses privacy-sensitive data. Two aspects are important here. Firstly, the protection of privacy-sensitive information against use for improper commercial purposes. The second aspect is how Achmea protects these personal data against misuse and theft, e.g. as a result of cybercrime.
17	Socially accepted return	In order to achieve a socially accepted return, it is important to find a balance between implementation costs, profit and solvency on the one hand and the premium levels on the other hand. From the public domain, there is a particular interest in privatised collective provisions, such as the (basic) health insurance.
18	Financial performance	For Achmea, it is important to be and remain a financially sound and stable company.

2017-2019 CONNECTIVITY TABLE

SOCIAL DEVELOPMENT	MAIN PARTIES FROM FOUR-STAKEHOLDER MODEL THAT HIGHLIGHT THE TOPIC	CORRESPONDING GRI ASPECT	RELATED ACHMEA KPI
Customer value	Customers	Information on products and services	• Relational NPS Score: Centraal Beheer, Interpolis and Zilveren Kruis • Achmea's score on KBC dashboard • Number of customer council meetings
Affordable and accessible healthcare	Customers and Partners	Indirect economic impact, Procurement, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Sustainable and accessible solutions for living and healthcare	Customers and Partners	Indirect economic impact, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Pensions and retirement services	Customers and Shareholders	Indirect economic impact, Procurement, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Sustainable investment	Customers and Shareholders	Engaged shareholdership, Product portfolio, Anti-corruption	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Solidarity	Customers	Indirect economic impact, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Integrity (corporate ethics)	Customers and Employees	Anti-corruption, Compliance	• Achmea's score on KBC dashboard
Corporate Social Responsibility (CSR)	Customers, Partners and Employees	Indirect economic impact, Local communities	
Financial security	Customers	Information on products and services, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model • Achmea's score on KBC dashboard
Socially accepted return	Shareholders	Economic performance	• S&P rating • Reduction in operating expenses

Safe living environment	Customers	Indirect economic impact, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Being a good employer	Employees	Jobs, training and education, Diversity and equal opportunities	• Indicator of availability (Employee)
Financial performance	Shareholders	Economic performance	• S&P rating • Reduction in operating expenses
Climate change	Customers, Partners and Shareholders	Energy, Emissions, Materials, Product portfolio	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Big Data	Customers and Partners	Customer privacy, Indirect economic impact	• Achmea's score on KBC dashboard • Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Personal data protection	Customers	Customer privacy, Information on products and services	• Achmea's score on KBC dashboard
Medical progress	Customers, Partners	Product portfolio, Procurement	• Implementation of innovative ideas which promote safety, health and/or future-proofing as part of the revenue model
Compliance	Customers, Shareholders	Compliance with laws and legislation	• KBC dashboard
Balanced remuneration policy	Shareholders, Employees	Economic performance, Equal remuneration for men and women	-

CUSTOMER PERSPECTIVE

CUSTOMERS FEEL STRONGLY CONNECTED TO OUR BRANDS

- Customers are familiar with our brands, know what the distinguishing features are and feel connected to them
- Customers trust the brands and feel that they are in safe hands
- We aim to be relevant and distinctive at those times that matter to our customers
- Digital customer service is essential to this
- Positive coverage in the national media supports brand affinity

CUSTOMERS ARE CLOSELY INVOLVED IN IMPROVING OF OUR INSURANCES AND SERVICES

- We know what issues are relevant to our customers and what concerns them. We involve our customers in improving our propositions, services and processes. We do so, for instance, by consulting periodically with them (e.g. via our customer panels and customer councils), by handling complaints with care and picking up on signals from customers
- We are open and transparent in everything we do. We listen to our customers, ensure that we understand their question and explain to them what is and is not possible
- We perform well on the KBC workflows

CUSTOMERS ARE SERVED WELL BY OUR INSURANCES AND SERVICES

- Our insurance policies and services offer customers sound and accessible solutions for dealing with uncertainties
- We match up to current and future customer wishes and requirements, such as omnichannel customer service
- We provide our customers with insight into risks and enable them to make decisions about their personal situation with respect to risks that they do or do not wish to insure
- We perform well on the KBC workflows

SOCIETAL PERSPECTIVE

TOGETHER WITH ACHMEA ASSOCIATION WE STRENGTHEN THE COOPERATIVE FOUNDATION OF ACHMEA

We involve our Members Council in improving our insurance policies, services and customer service:

- We give substance to Achmea's cooperative background via Vereniging Achmea
- The Members Council, the cooperative heart of Achmea, is an important forum for identifying current issues in society

BASED ON OUR EXPERTISE WE CONTRIBUTE TO A HEALTHIER, SAFER AND A FUTURE PROOF SOCIETY

We use our knowledge and skills to contribute to a healthier, safer and more future-proof society. In conjunction with our stakeholders and social organisations, we use our knowledge, information and skills as follows:

- We participate in a select number of forums/platforms (such as Netspar, De Kamer, Innovatietafel, Association of insurers, Pensioenfederatie, UNEP FI, ZN, Klimaatcoalitie) and deliver a visible contribution
- Our initiatives need to contribute to Achmea's future revenue model
- Among other things, we do this by working towards prevention
- Via the Achmea Foundation we give substance to a society that applies principles of solidarity

EMPLOYEE PERSPECTIVE

WE ACCELERATE IN CUSTOMER FOCUS, BEING PROFESIONAL AND ADAPTIBILTY

- Achmea employs professionals who excel at customer focus, professionalism and adaptability, enabling us to move with the changing digital and non-digital environment
- We are able to work together in the chain in order to offer our customers the best
- We view things from the outside in and aim to learn and improve continuously

MANAGEMENT LEADS THE WAY AND WORK TOGETHER ON THE REALISATION OF OUR STRATEGY

- Our managers allow employees flexibility within set frameworks. They develop talented employees and in doing so create a safe culture for learning. They challenge employees and guide them with respect to performance and behaviour and are transparent about this
- They give meaning to the changing digital and non-digital environment and encourage cooperation in the chain

WORKING ON EMPLOYABILTIY IS AT EVERYBODY'S HEART

- Sustainable employability is of strategic importance in a digital and non-digital environment that is changing at an ever-faster pace. Our employees are responsible and anticipate shifts in knowledge, skills and capacity in good time
- Working on employability is therefore a matter of course for our employees and is encouraged by managers

PARTNER PERSPECTIVE

WITH OUR (DISTRIBUTION) PARTNERS WE IMPROVE AND INNOVATE OUR INSURANCES AND SERVICES

- We have partners in brokerage, supply, innovation and the chain
- To provide insurance and services we work together with partners with a view to optimum performance of the activities in the chain (distribution, product and support functions)
- Our cooperation with and selection of partners is aimed at continuously improving and revising our insurance policies and services and on using technology to innovate throughout the chain
- Our IT environment allows us to work simply, flexibly and securely with our partners
- How we cooperate with our partners depends on the partner's role in the chain and can quickly be adjusted
- Decisions on outsourcing activities to partners are made on the basis of benefits and costs

INSURANCE IS A SUCCESSFUL PRODUCT FOR RABOBANK

- Interpolis insurance policies and services and the proposition offered by the Rabobank are an excellent match
- Rabobank's customer service is integrated into its service chain; maximum self-service online
- Full digital processing chain between Rabobank and Achmea
- Effective cooperation at all levels in the organisation, aimed at jointly improving the banking insurance chain
- Rabobank's insurance and services are profitable in the long term, both for Rabobank and for Achmea

PROCESS PERSPECTIVE

OUR PROCESSES RESULT TO THE HIGHEST NET PROMOTOR SCORE

- The continuous improvement of processes takes place in the chains with the highest NPS as a basic principle
- Customer service and communications are preferably conducted digitally and matched to customers' personal preferences
- Person-to-person communications will continue to exist; with a view to meeting customer needs, in those cases where required and if customers "cannot work things out online"

WE WORK DIGITALLY AND BASED ON STANDARDS

- We work digitally in order to increase convenience for customers; customer queries are dealt with immediately and in one go
- To this end it is essential that we work according to standards
- We focus on mobile first and omnichannel
- Chains are structured as much as possible so that they are digital; based on digital principles that apply to the whole of Achmea

WE USE INFORMATION AS THE DIFFERENTIATING FACTOR

- Data enables us to set ourselves apart, as we can match the propositions and customer service to customers' personal situations and as we can structure the chains so that they are completely digital
- We use the data at our disposal to create value for our customers, among other things by providing insight into risks (burglary and flooding), providing assistance in the event of emergencies and e.g. finding the best hospital
- Customers have easy access to all their data held at Achmea (personal data, products, claims, service queries, payments etc.)
- We "give information back to customers": customers decide whether and how we may use their personal data
- The whole chain (distribution, products and support) operates on the basis of current, complete and accurate information.
- Privacy of customer data is guaranteed
- We combine external and internal data to improve our services and processes
- We use technology to improve the provision of information as a distinguishing factor

FINANCIAL PERSPECTIVE

WE OPTIMISE OUR PORTFOLIO AND REALISE PROFITABLE GROWTH

- We focus on growth in profitable market segments
- We optimise our existing portfolio by applying targeted measures to unprofitable activities
- We take measures to reduce our cost of claims and adjust our premiums so that they match the risk profile
- In the case of Health, we explicitly aim for a fair share. The portfolio needs to be a reflection of society

WE ENSURE A ROBUST BALANCE AND EFFECTIVE CAPITAL AND LIQUIDITY MANAGEMENT

- The balance sheet structure and capitalisation size contribute (with respect to the risk profile) to a stable and effective balance sheet
- We allocate our capital in such a way (market risk and insurance risk) that we can both consolidate our market position and improve our profitability
- We generate enough liquidity to be able to meet our obligations and create room for investments
- This means that the required solvency level for organic growth is generated and additional return is created in order to invest
- An effective investment policy forms a component (outcome) of an effective capital policy

WE REALISE A COMPETITIVE BELOW MARKET COST LEVEL

- We achieve a lower cost level than our competitors by converting the fact of being the largest insurer into economies of scale
- We strive continuously to decrease our operating expenses in the chain

Additional information about complaints procedures and customer surveys is available on the websites of the participating insurance brands, as part of the Customer-Oriented Insurance quality seal (web links are included in the table).

OVERVIEW OF CUSTOMER SATISFACTION SURVEYS 2016

	CUSTOMER-ORIENTED INSURANCE QUALITY SEAL	PRIVATE MARKET			COMMERCIAL MARKET		
		NON-LIFE[1]	HEALTH[2]	LIFE[1]	NON-LIFE[3]	INCOME PROTECTION[3]	PENSION[3]
Avéro Achmea	KKV	7.2	7.8	-	7.2	7.1	6.2
Centraal Beheer	KKV	7.5	-	7.0	7.7	7.3	6.6
De Friesland Zorgverzekeraar	-[4]	-	8.2	-	-	-	-
FBTO	KKV	7.3	8	-	-	-	-
InShared	KKV	7.3	-	-	-	-	-
Interpolis	KKV	7.5	7.9	6.9	7.6	7.2	-
OZF Achmea	KKV	-	8.2	-	-	-	-
Pro Life	KKV	-	8.1	-	-	-	-
Zilveren Kruis	KKV	-	7.7	-	-	-	-
Participating Achmea brands		**7.4**	**8.0**	**6.9**	**7.5**	**7.2**	**6.4**
Industry average		**7.2**	**8.0**	**6.8**	**7.4**	**7.2**	**6.5**

1) Since the survey conducted by the Dutch Association of Insurers (Verbond van Verzekeraars) was modified in 2016, these data cannot be compared to previous data supplied by the Association. In the new Verzekeraars in beeld survey of Dutch insurance companies, Achmea scored above the industry average with all participating brands in both the non-life and life insurance markets.

2) Source: SAMR, KlantenMonitor Zorgverzekeringen 2016.

3) Source: Dutch Association of Insurers (Verbond van Verzekeraars), Customer Satisfaction Survey for Businesses 2016 (conducted by SAMR).

4) For more information about the Customer-Oriented Insurance quality seal, please visit www.keurmerkverzekeraars.nl.

HEADCOUNT AS AT 31 DECEMBER	2016		2015	
	FTES	EMPLOYEES	FTES	EMPLOYEES
Achmea staff employed by De Friesland Zorgverzekeraar	76	89	71	84
Achmea Corporate Relations	30	32	41	43
Achmea Bank	257	286	304	337
Achmea Investment Management (formerly Syntrus Achmea Vermogensbeheer)	213	217	177	181
Centraal Beheer	662	755	874	988
Central Services	1,017	1,158	1,158	1,309
International Division	34	33	28	27
Pension & Life (including Service Organisation for Life)	490	562	678	758
Non-Life	2,335	2,634	2,155	2,432
Finance	271	292	334	357
Human Resources (HR)	104	112	118	126
IM&IT	1,610	1,683	1,625	1,693
Interpolis	140	149	366	402
Retirement Services (formerly Syntrus Achmea Pensioenbeheer)	821	876	599	642
Staalbankiers	24	25	112	119
Syntrus Achmea Real Estate & Finance	320	333	303	315
Zilveren Kruis	1,939	2,256	2,124	2,468
Other	705	766	707	785
Subtotal for Achmea in the Netherlands, excluding third-party companies	**11,047**	**12,258**	**11,772**	**13,066**
De Friesland	509	613	492	591
EuroCross International	116	117	24	27
Independer	255	279	209	230
InShared	39	39	41	41
Customer Contact Services	214	279	227	285
OZF	24	30	23	30
Pim Mulier	9	11	9	10
Winnock	99	129	96	125
Subtotal for third-party companies	**1,264**	**1,512**	**1,121**	**1,339**
Subtotal for Achmea in the Netherlands	**12,311**	**13,770**	**12,893**	**14,405**
Achmea Australia	43	47	44	45
Eureko Sigorta	613	582	581	552
Friends First	266	293	251	277
InterAmerican Greece	1,153	1,154	1,124	1,132
Union	535	530	518	513
Subtotal for international subsidiaries	**2,610**	**2,606**	**2,519**	**2,519**
Total	**14,921**	**16,376**	**15,412**	**16,924**

HEADCOUNT BY AGE CATEGORY AS AT 31 DECEMBER

	2016		2015	
	MALE	FEMALE	MALE	FEMALE
15-19	1	3	1	2
20-24	65	178	57	179
25-29	468	747	541	752
30-34	873	1,102	943	1,190
35-39	1,164	1,267	1,203	1,321
40-44	1,342	1,395	1,482	1,480
45-49	1,518	1,446	1,564	1,465
50-54	1,246	1,029	1,252	994
55-59	952	640	1,006	638
60-64	565	323	505	318
65-69	25	25	17	16
70-75	1	1	3	0

Median age as at 31 december

The table below does not include staff at our international subsidiaries.

STAFF TURNOVER BY AGE CATEGORY, AS AT 31 DECEMBER

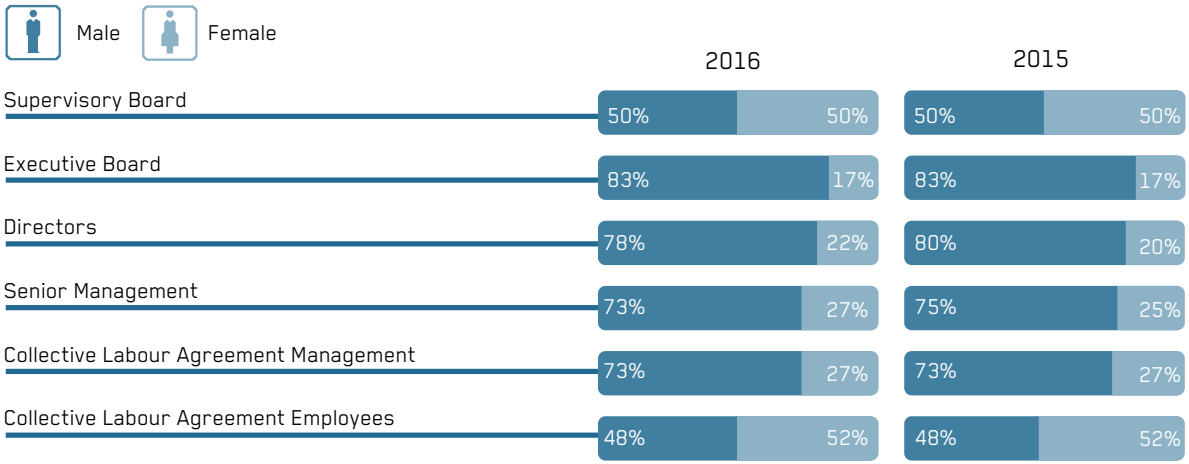
	2016		2015	
	NEW HIRES	EXITS	NEW HIRES	EXITS
15-19	4	1	4	7
20-24	215	99	167	179
25-29	427	265	403	360
30-34	238	276	243	346
35-39	166	276	158	306
40-44	134	250	131	392
45-49	104	284	81	325
50-54	61	174	61	290
55-59	18	143	34	239
60-64	6	161	6	214
65-69	1	62	1	43
70-75	0	0	0	1

Sickness absence rate

DIVERSITY

We believe that greater diversity results in better-performing employees and, by extension, in higher-quality services. Part of this commitment is the Life Stage Diversity Policy, which is based on identifying, acknowledging and developing the individual talents of all employees. This policy includes a self-evident respect for individual culture, religion, stage of life, background and sexual orientation. To Achmea, diversity is a quality of strategic importance, aware as we are that teams in which a variety of groups are represented are better able to respond flexibly to inevitable changes in the working environment. The greater the diversity involved in decision-making, the better the decision-making and the more it is in keeping with society. Different internal networks are part of the diverse culture: Dna (Achmea Diversity Network), Young Achmea (for Achmea employees aged 35 and younger) and HoLA! (the platform for lesbian, gay, bisexual and transgender individuals [LGBT people]). Achmea also signed the Amsterdam Declaration, an initiative designed to bring about real improvements for LGBT people in the workplace. Further information about the Declaration is available at www.workplacepride.org. Achmea has signed the 'Talent to the Top' charter and devotes explicit attention to gender diversity in its Management Development policy. Gender diversity at the executive level is growing steadily. In 2015, the Executive Board increased the target for the next four years to a minimum of 30% gender diversity for all target populations. Achmea deliberately strives to achieve gender diversity in its teams and takes measures to promote diversity in the recruitment, selection and appointment of key positions. There is a focus on personal development and career opportunities for women, and on combining work with other duties, including childrearing. Achmea shifted this focus in 2015 to what we refer to as "multicultural professionalism". Management, employees and professionals have attended courses that raise awareness at the company of the necessity of diversity.
Achmea has set itself the target of filling around 25 vacancies a year with disadvantaged job seekers. In light of the Dutch Participation Act, we are in the process of normalising the presence of employees with disabilities across the company. In fact, it is our objective to hire applicants who fall into this category directly for regular positions. We feel it is not the employee's disability that matters, but rather the talent they bring to the table.

Male/female ratio at our Dutch offices as at 31 december (in %)



INAPPROPRIATE CONDUCT

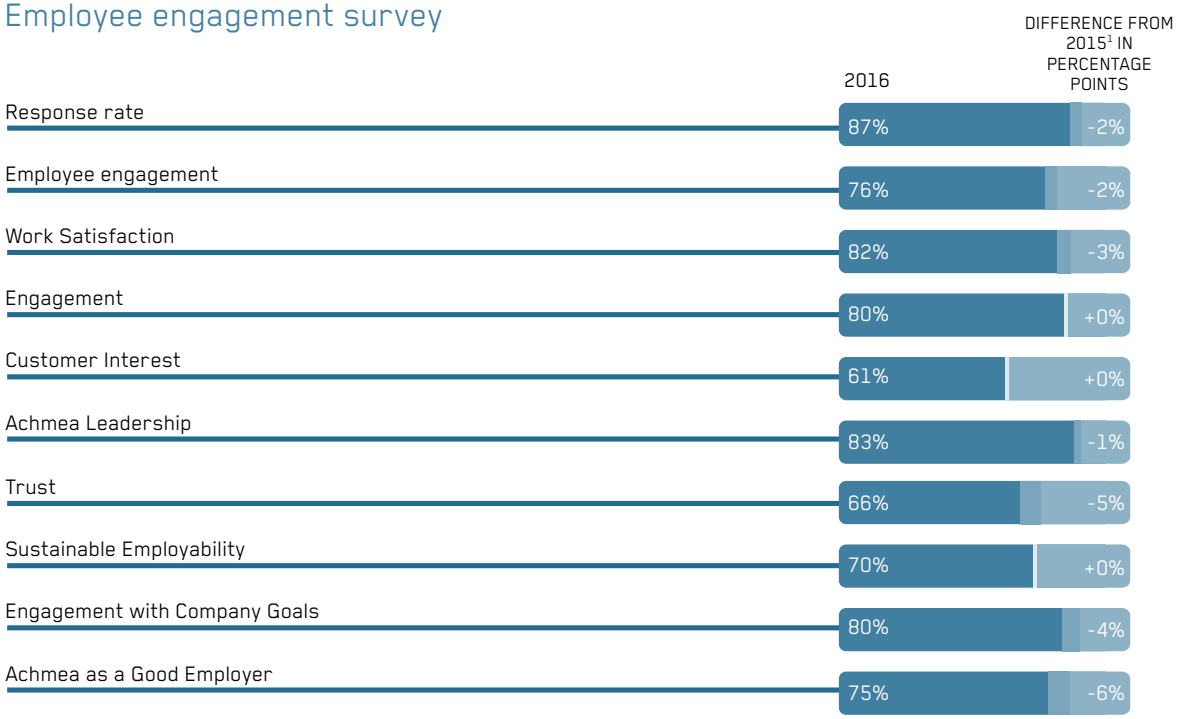
The company employs at least two confidential counsellors – one male and one female – at each key location. These internal confidential counsellors support employees who wish to take action under the individual Right-of-Complaint and Inappropriate Conduct policies. In some cases, the company might also involve an external confidential counsellor. Achmea does not tolerate discrimination, aggression, intimidation and non-compliance with terms and conditions of employment and employee schemes. The internal confidential counsellors handled a total of 123 cases in 2016, involving a total of 123 employees. 31 cases concerned inappropriate conduct; 92 cases related to the individual right of complaint. The confidential counsellors received and settled all complaints. Four of these complaints were submitted to the Complaints Board for the Individual Right to Complaint, while two were referred to the Inappropriate Conduct Complaints Board.

CONSULTATION WITH PARTICIPATION BODIES AND TRADE UNIONS

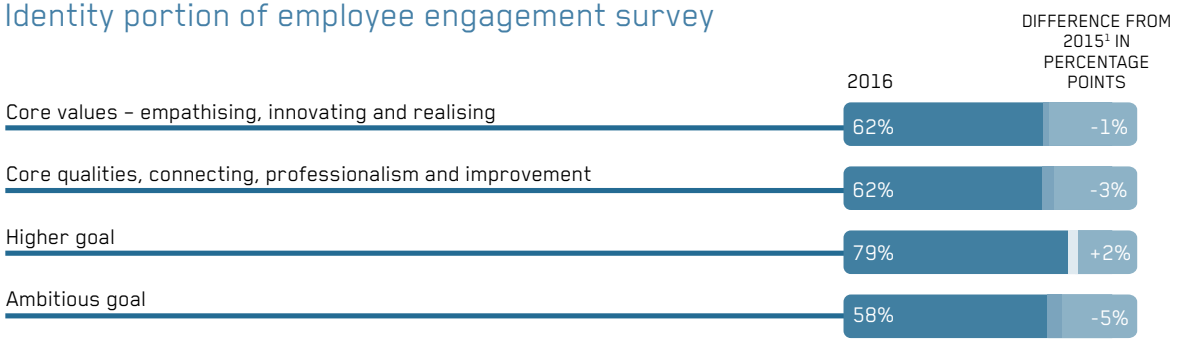
Achmea's participation bodies held various consultative meetings with the directors in 2016. In addition, the Central Works Council regularly liaised with its director on a formal and informal basis and also exchanged information on a regular basis. Achmea also consulted regularly with the trade unions, with one of the meetings being of a formal nature and the other of an informal one. The Central Works Council handled a total of 27 requests for advice and seven requests for consent in 2016.

Focus on scores employee engagement survey

Employee engagement survey



Identity portion of employee engagement survey



1) Differences with 2015 are calculated based on identical statements in both surveys.

Tailor employee benefits package to employees' needs and requirements

NUMBER OF EMPLOYEES WHO HAD ELECTED TO INCREASE OR REDUCE THEIR WORKING HOURS AS AT 31 DECEMBER

	2016	2015
4 more hours	1,273	1,407
3 more hours	30	34
2 more hours	1,137	1,252
1 more hour	49	66
Standard weekly working hours	8,974	9,493
1 hour less	106	126
2 hours less	639	631
3 hours less	5	7
4 hours less	45	50

NUMBER OF EMPLOYEES WHO OPTED FOR MORE OR FEWER LEAVE HOURS ON 31 DECEMBER

	2016	2015
Over 40 hours more	0	0
31-40 hours more	1,133	1,058
21-30 hours more	500	488
11-20 hours more	173	170
1-10 hours more	49	61
Standard: 11% of the average working hours	10,015	10,857
1-10 hours less	11	4
11-20 hours less	14	23
21-30 hours less	26	35
31-40 hours less	337	370
More than 40 hours less	0	0

SUSTAINABLE INVESTED CAPITAL ACCOUNTED FOR ON 31 DECEMBER (x €1 million)

	TOTAL INVESTMENTS		INVESTMENTS TESTED AGAINST THE STANDARDS OF RESPONSIBLE INVESTMENT[1]		INVESTMENTS ELIGIBLE FOR RESPONSIBLE INVESTMENT		INVESTMENTS INVESTED RESPONSIBLY		PERCENTAGE OF ELIGIBLE INVESTMENTS INVESTED IN A RESPONSIBLE MANNER	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Proprietary investments (i.e. held at own risk)										
Equities	3,423	2,939	3,206	2,505	2,835	2,257	2,793	996	99	44
Bonds	28,542	29,423	25,221	28,026	24,659	24,720	24,659	24,548	100	99
Real Estate	1,129	1,114	1,046	1,093	1,046	787	842	566	80	72
Loans	6,878	4,847	6,856	4,537	921	397	863	250	94	63
Deposits/derivatives	5,131	5,070	2,519	2,986	227		227		100	
Miscellaneous financial investments	2,320	2,595	49	2,472	49				0	
Total	**47,423**	**45,990**	**38,897**	**41,619**	**29,737**	**28,161**	**29,384**	**26,360**	**99**	**94**
Fiduciary investments by Achmea Investment Management[2]										
Equities	26,145	20,461	26,145	20,461	26,145	20,461	21,478	13,728	82	67
Bonds	31,490	30,226	31,490	30,226	31,490	30,226	20,942	17,533	67	58
Indirect Real Estate	811	838	811	838	811	838	0	-	0	
Alternative investments	6,952	6,267	6,952	6,267	6,872	6,051	2,419	2,534	35	42
Cash and cash equivalents	533	296	533	296	533	296	533	296	100	100
Subtotal	65,930	58,087	65,930	58,087	65,850	57,872	45,372	34,091	69	59
Real Estate (direct)	6,011	5,208	6,011	5,208	5,544	4,736	4,880	3,874	88	82
Total	**71,941**	**63,295**	**71,941**	**63,295**	**71,394**	**62,608**	**50,252**	**37,964**	**70**	**61**
Investments held at policyholder's risk										
Equities	6,277	6,026	3,371	2,716	3,371	2,612	3,363	2,611	100	100
Bonds	3,660	3,603	3,329	2,523	3,329	2,439	2,908	2,439	87	100
Real Estate	452	281		222		222		-		
Cash and cash equivalents	8,081	8,210	71	463		-		-		
Derivatives	380	389	–4	-		-		-		
Miscellaneous financial investments	91	221		-		-		-		
Total	**18,941**	**18,731**	**6,767**	**12,840**	**6,700**	**5,274**	**6,271**	**5,050**	**94**	**96**

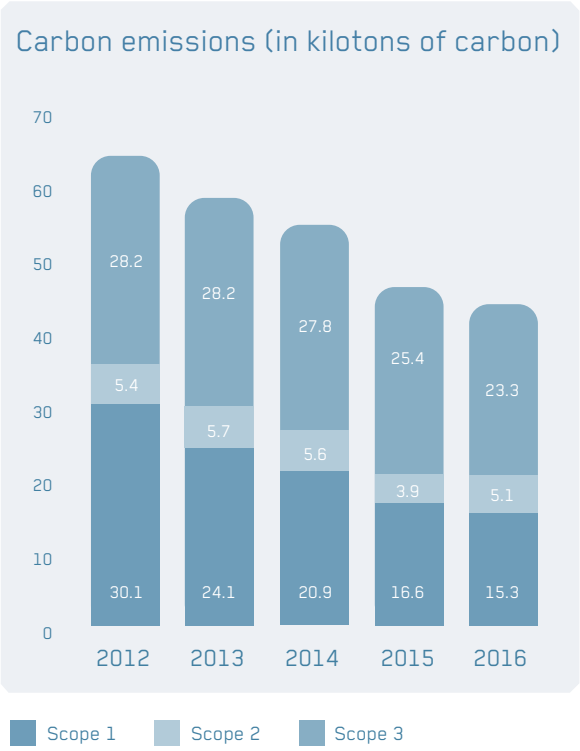
1) We have opted to investigate the portion of proprietary investments (i.e. held at own risk) and fiduciary investments by Achmea Investment Management which are invested by Achmea's two main asset managers. Asset investments are deemed to be invested responsibly if at least one responsible investment instrument is used. The instruments include: country exclusions (government bonds); company exclusions; engagement and enhanced engagement (equity and loan capital investments); the application of ESG criteria for integration into the primary investment process (equity and loan capital investments); impact investing; and voting in shareholders' meetings (equity).
Direct real estate investments (Dutch real estate) are deemed to be invested responsibly if the real estate property has energy label A, B or C; indirect real estate investments (international real estate) are deemed to be invested responsibly if at least an engagement policy is in place with the fund managers.

2) Since this overview does not include the investments made by Achmea Investment Management on behalf of Achmea (included under 'Proprietary investments' and 'Investments held at policyholder's risk') and the mortgage portfolio, the total amount invested by Achmea Investment Management differs from the amounts reported in the Achmea management report and financial statements

Achmea's operations have been carbon-neutral since 2011, which means its carbon emissions in the Netherlands are offset. For offsetting its net carbon emissions, Achmea purchased VCS-certified credits from two wind generators in India through Climex in 2016.

The scope of our carbon footprint continues to increase: in addition to offsetting our energy consumption, we also offset our mobility, leaked cooling fluids, paper consumption and waste. Since 2015, we have further expanded our carbon footprint by adding more mobility data and outsourced server capacity. At Achmea sites where many properties are sublet to third parties, a number of additional meters were installed in 2016 for measuring gas and power consumption for external rental. Furthermore, the energy consumption levels of the head offices of the third-party companies – Independer, KCS and De Friesland Zorgverzekeringen – have been included in our carbon footprint since 2016.

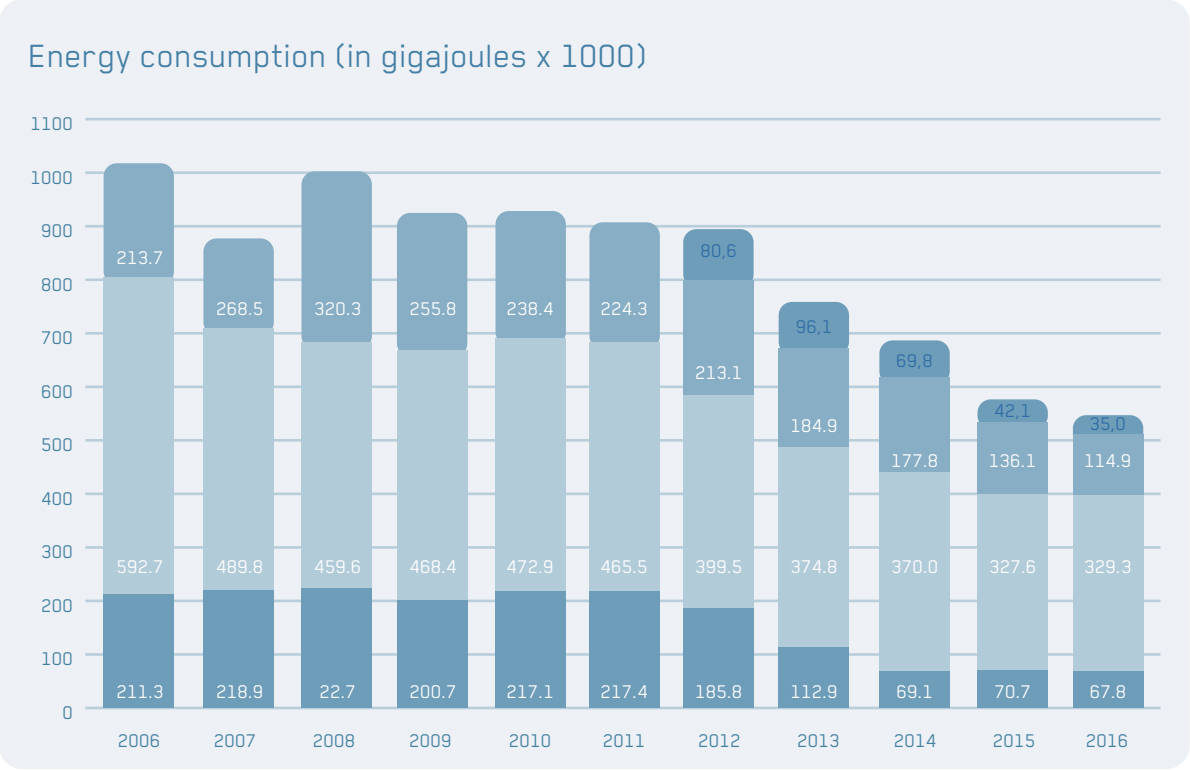
Relative gross carbon emissions in the Netherlands amounted to approximately 3.8 tons of carbon per FTE in 2016 (versus 3.8 in 2015). For the majority of conversion factors, the website www.CO2emissiefactoren.nl is used to measure our carbon footprint. This partnership uses amongst others the Greenhouse Gas (GHG) Protocol and other resources. For paper consumption, we use the Environmental Barometer of Stichting Stimular and for plane travel our travel agent uses the DEFRA method. Unlike previous years, this method is used to calculate multiple environmental effects. Our waste processor uses the conversion factors developed by research and consultancy company CE Delft. Commuting distance is estimated by multiplying the distance between the employee's registered work location and their place of residence by the number of registered travel days. An adjustment is made for holidays and sickness absence, but there is a chance that the commuting distances reported exceed the actual number of miles driven.
Over the last five years the total carbon emission of 63.7 kilotons (2012) decreased to 43.6 kilotons in 2016. In doing so we lowered the societal impact of our carbon emission with € 1,005,000.



Energy conservation

Achmea aims to reduce its energy consumption by an average of 2% each year over the period from 2005-2020: by a total of 20% overall through more efficient energy consumption in its buildings and by 10% in the supply chain. In so doing, the company complies with the obligations arising from the signing of the Dutch long-term agreement on energy efficiency, which runs from 2005 to 2020. However, Achmea is using 2006 as the base year on account of the merger with Interpolis in late 2005. During the period from 2006 to 2016, average energy consumption decreased by approximately 4.6% on an annual basis.

Besides the use of fossil fuels, 2.6% of the total energy requirement in 2016 was generated using sustainable methods (heat and cold storage).

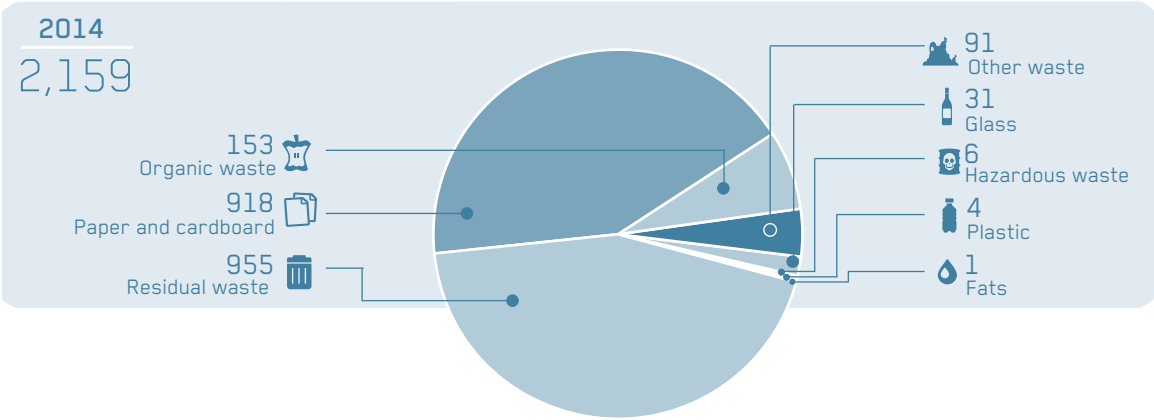


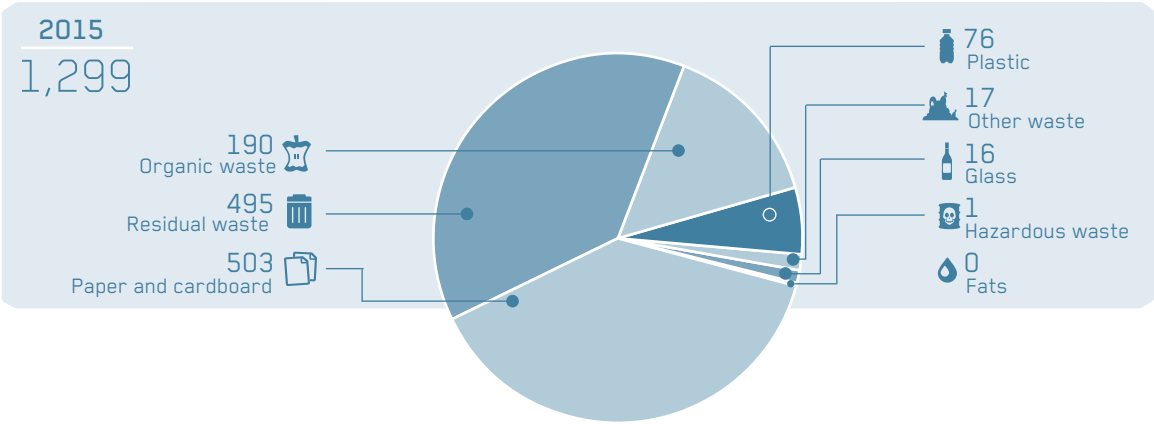
***) From 2016, power consumption including grid losses is expressed in Joules (conversion factor 9 instead of 3.6); this has been adjusted retroactively for the previous years.*

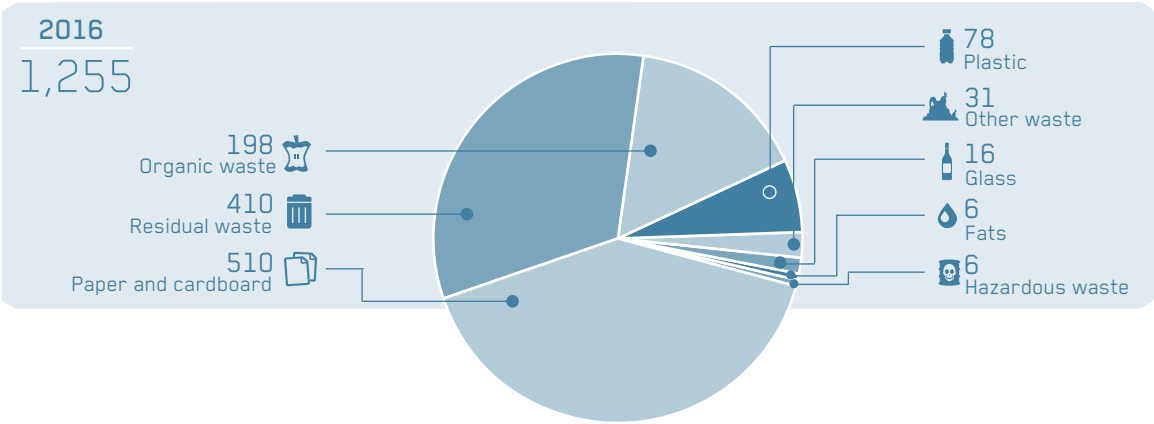
MAKING MOBILITY MORE SUSTAINABLE

Along with a large number of other companies, Achmea is a signatory to the Dutch Business Sustainable Mobility Pledge. The signatories are committed to improving the sustainability of employee commutes and business mileage. Achmea has also amended its leasing policy, including more stringent requirements for carbon emissions. In addition, a number of pilot projects were launched in 2016 involving sustainable leasing options. For example this entails the pilot 'holiday leasecar'. Employees have the opportunity to drive a smaller car and only during the holiday seasons a larger sized car. Electric driving is also encouraged by no limits of choice in selecting a car within a budget as long it has an electric engine.

Collected waste (in 1,000 kg)







The relative amount of waste in the Netherlands was in 2016 approximately 109 kilograms per FTE (107 in 2015).

From waste to raw material

Around 1.3 million kilos of waste are generated annually, of which formerly one third was incinerated as non-recyclable waste. Many valuable raw materials are lost during waste incineration. Achmea implemented a series of measures in 2014 to facilitate the transition from waste management to raw materials management. And, indeed, our employees, caterers, cleaning companies and raw materials processing partners work together in order to carefully segregate all waste products, dispose of them separately and convert them into green energy and new products. This results in long-term cost savings, and through all these links we contribute to the transition to a circular economy. At the end of 2016, approximately 69% of the total waste produced by Achmea had been reused as raw materials: the original target of 80% was therefore not achieved. Despite the options available at the various offices to segregrate waste, some of the non-recyclable waste continues to be 'polluted' by recyclable waste.

Less paper thanks to digitisation

Paper consumption has decreased due to further digitisation and other factors, with total consumption falling from 115kg per FTE in 2015 to 86kg per FTE in 2016. The use of paper for insurance policies has decreased substantially, as fewer documents are sent by post, as well as through the implementation of 'The White Paper Factory' (which eliminates the use of pre-printed paper).

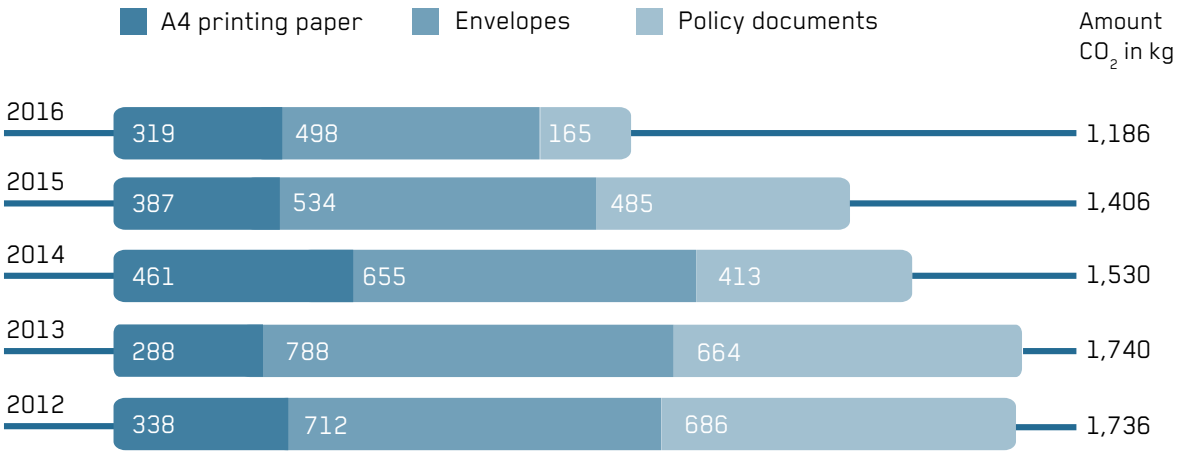
Responsible procurement

Achmea spends approximately €860 million a year on procurement to support its business operations. Price, quality and functionality are important criteria in this regard, and sustainability is increasingly becoming a part of this as well. The policy is twofold. First, we work with suppliers that endorse Achmea's sustainability goals and, second, we purchase products that meet additional sustainability criteria. In 2016 Achmea joined the FIRA Platform, a database through which companies make data relating to their CSR performance available to their customers.

The platform complies with international and national standards relating to sustainability, including ISO 26000, ISO 20400 DIS, AA1000 and GRI. This means we also provide transparency on our sustainability performance to our customers. Syntrus Achmea is the largest real estate investor in the Netherlands. For day-to-day property management, the company has signed a number of contracts with a chain of maintenance and cleaning companies. A group established by IVBN (Association of Institutional Property Investors in the Netherlands), including Syntrus Achmea, has developed a tool which monitors the sustainability policies of supply chain partners. These partners were requested in 2017 to sign a declaration of sustainability, after which they will receive an annual survey containing questions about their sustainability policy. The objective of this exercise is to learn more about this policy and to make supply chain partners aware of the importance of sustainability. Achmea will initially not set any requirements for the supply chain partners.

Achmea also procures damage repair services. The parties engaged by Achmea to carry out repairs are selected and monitored based on the quality of the repair work and customer-focused business operations. For further details on the procurement of healthcare services, please visit www.zilverenkruis.nl.

Paper use in the Netherlands (in 1,000 KG)



Achmea signed the Principles for Sustainable Insurance (PSI) in 2012. The reference table below is designed to allow Achmea to account for the implementation of these principles in a transparent fashion. For further information about the PSI, see www.unepfi.org/psi.

PRINCIPLE 1: WE WILL EMBED IN OUR DECISION-MAKING ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES RELEVANT TO OUR INSURANCE BUSINESS

POSSIBLE ACTIONS: COMPANY STRATEGY	FULFILLMENT/REFERENCE
Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations	Achmea Annual Report 2016 – Strategy
Dialogue with company owners on the relevance of ESG issues to the company strategy	www.verenigingachmea.nl
Integrate ESG issues into recruitment, training and employee engagement programmes	Achmea Annual Report 2016 – Corporate Governance Achmea Annual Report 2016 – Societal results Employees can contribute to projects initiated by the Achmea Foundation
POSSIBLE ACTIONS: RISK MANAGEMENT AND UNDERWRITING	**FULFILLMENT/REFERENCE**
Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company's transactions	Achmea Annual Report 2016 – Financial results
Integrate ESG issues into risk management, underwriting and capital adequacy decision making processes, including research, models, analytics, tools and metrics	Achmea Annual Report 2016 – Financial results
POSSIBLE ACTIONS: PRODUCT AND SERVICE DEVELOPMENT	**FULFILLMENT/REFERENCE**
Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management	Achmea Annual Report 2016 – Societal results
Develop or support literacy programmes on risk, insurance and ESG issues	Achmea Annual Report 2016 – Societal results and Our customers
POSSIBLE ACTIONS: CLAIMS MANAGEMENT	**FULFILLMENT/REFERENCE**
Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood	Achmea Annual Report 2016 – Our customers
Integrate ESG issues into repairs, replacements and other claims services	Achmea Annual Report 2016 – Our processes
POSSIBLE ACTIONS: SALES AND MARKETING	**FULFILLMENT/REFERENCE**
Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns	Achmea Annual Report 2016 – Our employees
Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood	Achmea Annual Report 2016 – Our customers
POSSIBLE ACTIONS: INVESTMENT MANAGEMENT	**FULFILLMENT/REFERENCE**
Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles for Responsible Investment)	Achmea Annual Report 2016 – Financial results

PRINCIPLE 2: WE WILL WORK TOGETHER WITH OUR CLIENTS AND BUSINESS PARTNERS TO RAISE AWARENESS OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES, MANAGE RISK AND DEVELOP SOLUTIONS

POSSIBLE ACTIONS: CLIENTS AND SUPPLIERS	FULFILLMENT/REFERENCE
Dialogue with clients and suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues	Achmea Annual Report 2016 – Our processes and Appendix B
Provide clients and suppliers with information and tools that may help them manage ESG issues	Achmea Annual Report 2016 – Societal results and Our processes and Appendix B
Integrate ESG issues into tender and selection processes for suppliers	Achmea Annual Report 2016 – Our processes and Appendix B
Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting framework	Achmea Annual Report 2016 – Our processes and Appendix B
POSSIBLE ACTIONS: INSURERS, REINSURERS AND INTERMEDIARIES	**FULFILLMENT/REFERENCE**
Promote the adoption of the Principles	Achmea Annual Report 2016 – Societal results
Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry	Achmea Annual Report 2016 – Our employees

PRINCIPLE 3: WE WILL WORK TOGETHER WITH GOVERNMENTS, REGULATORS AND OTHER KEY STAKEHOLDERS TO PROMOTE WIDESPREAD ACTION ACROSS SOCIETY ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

POSSIBLE ACTIONS: GOVERNMENTS, REGULATORS AND OTHER POLICYMAKERS	FULFILLMENT/REFERENCE
Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues	Achmea Annual Report 2016 – Societal results and Financial results
Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions	Achmea Annual Report 2016 – Strategy
POSSIBLE ACTIONS: OTHER KEY STAKEHOLDERS	**FULFILLMENT/REFERENCE**
Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise	Achmea Annual Report 2016 – Strategy
Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies	Achmea Annual Report 2016 – Strategy
Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business	Achmea Annual Report 2016 – Strategy
Dialogue with media to promote public awareness of ESG issues and good risk management	Achmea Annual Report 2016 – Strategy

PRINCIPLE 4: WE WILL DEMONSTRATE ACCOUNTABILITY AND TRANSPARENCY IN REGULARLY DISCLOSING PUBLICLY OUR PROGRESS IN IMPLEMENTING THE PRINCIPLES

POSSIBLE ACTIONS:	FULFILLMENT/REFERENCE
Assess, measure and monitor the company's progress in managing ESG issues and proactively and regularly disclose this information publicly	Through annual reports
Participate in relevant disclosure or reporting frameworks	Achmea Annual Report 2016 – About this report
Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles	Achmea Annual Report 2016 – Strategy
Provide customers and suppliers with information and tools to enable them to control ESG aspects.	Achmea Annual Report 2016 - Societal results and Our processes and Appendix B.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	pp. 18-20
G4-2	Provide a description of key impacts, risks and opportunities.	pp. 26-31
ORGANISATION PROFILE		
G4-3	Report the name of the organization.	Achmea B.V.
G4-4	Report the primary brands, products, and services.	pp. 4-6 and p. 22-23
G4-5	Report the location of the organization's headquarters.	Zeist, the Netherlands
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	p. 6 and p. 22
G4-7	Report the nature of ownership and legal form.	pp. 16-17 and p. 267
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	pp. 3-6 and p. 23
G4-9	Report the scale of the organization.	pp. 3-6 and p. 23
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	p. 3, pp. 41-43 and Appendix F
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	84% of the total amount of employees at Achmea are covered by the collective bargaining argeement of Achmea Interne Diensten N.V.
G4-12	Describe the organization's supply chain.	pp. 24-25
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	p. 106
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	pp. 70-71
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	p. 16, p. 37, p. 63, pp. 82-83, Appendix E, Appendix F, Appendix H and Appendix I.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations.	Among others Verbond van Verzekeraars, Zorgverzekeraars Nederland, Nederlandse Vereniging van Banken, Vereniging van Bedrijfstakpensioenfondsen, Stichting Ondernemingspensioenfonds and Unie van Beroepspensioenfondsen
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	p. 132 See overview below this GRI index
G4-18	a. Explain the process for defining the report content and the aspect boundaries. b. Explain how the organization has implemented the reporting principles for defining report content.	pp. 16-17 and pp. 26-31
G4-19	List all the material aspects identified in the process for defining report content.	p. 27
G4-20	For each material aspect, report the aspect boundary within the organization	See overview below this GRI index where we consider the information with relevance to our stakeholders, whereby employees and shareholders are considered as within the organization.
G4-21	For each material aspect, report the aspect boundary outside the organization.	As the largest insurer in the Netherlands Achmea has an important role in the society. With our products we contribute to the environment and the society. The definition and scope are determined based on the materiality analysis with our stakeholders. The definition by subject is further clarified below: - The impact of material aspects Financial security, Integrity, Safe living environment, Being a good employer, Financial strength, Climate change, Big Data, Personal data protection and Balanced remuneration policy is within the organization. The impact is especially important to provide solid basic financial products and services in the future that meet the needs of stakeholders and contribute to sustainable value creation. - The impact of material aspects Responsible investment, Socially accepted return, Sustainable and innovative solutions for living and healthcare, Solidarity and Corporate citizenship is both within and outside the organization. Achmea contributes to a sustainable society through its own business operations. - The impact of material aspects Customer value, Affordable and accessible healthcare, Pension and retirement provisions and Medical progress is in particular outside the organization. External factors have impact our products and services.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
		In the explanation to the materiality matrix has been described specially to which stakeholders the material aspects relate and the related impact on the subject.
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	- p. 35: The Customer Satisfaction Survey of the Dutch Association of Insurers (Verbond van Verzekeraars) has been amended in 2016. As a result, it is no longer possible for this KPI to compare with previous years. - p. 46: Due to an organisational change in 2016, the basis for the KPI concerning the partner satisfaction of the Rabobank does not exist anymore. The partner satisfaction survey has not been conducted in 2016 because the responsibilities of Achmea and Rabobank were reset. - Appendix G: To align the conversion factor with that common in the MJA3 reports, the conversion factor from kWh to MJ is adjusted from 3.6 to 9. The figures of comparative years have been adjusted accordingly.
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries.	This year Achmea reports on the GRI Core level. Therefore, other aspects are disregarded.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
STAKEHOLDER ENGAGEMENT		
G4-24	Provide a list of stakeholder groups engaged by the organization.	pp. 16-17 and Appendix B
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	pp. 16-17, p. 27 and Appendix B
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	pp. 16-17, pp. 27-32 and Appendix B
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	pp. 16-17, p. 27 and overview below this GRI index
REPORT PROFILE		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	2016
G4-29	Date of most recent previous report (if any).	4 April 2016
G4-30	Reporting cycle (such as annual, biennial).	Annually
G4-31	Provide the contact point for questions regarding the report or its contents.	Colophon
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below).	The annual report is in accordance with the core option. The Core option requires to report on at least one Indicator related to each identified material aspect. For several aspects we voluntarily report additional indicators for the aspect. For the additional indicators we have included information on whether omissions apply, but we have not included the reason for omission as these indicators are not required due to the Core option. The external assurance report is included on pp. 285-287.
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	pp. 76-77.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
GOVERNANCE		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	pp. 82-90 Our organizational chart can be found on www.achmea.nl/SiteCollectionDocuments/Organogram-Achmea.pdf.
ETHICS AND INTEGRITY		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct.	pp. 82-90
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	pp. 82-90
MATERIAL ASPECTS MANAGEMENT APPROACH AND INDICATORS		
ECONOMIC PERFORMANCE		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27 and pp. 50-70. See overview below this GRI index
G4-EC1	Direct economic value generated and distributed	p. 60 and pp. 99-106.
MATERIALS		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 32, p. 49, Appendix C, D and H. See overview below this GRI index
G4-EN1	Materials used by weight or volume	Appendix H
ENERGY		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27 and Appendix H. See overview below this GRI index
G4-EN3	Energy consumption within the organization	Appendix H

INDICATOR		DETAILS/REFERENCE/EXPLANATION
EMISSIONS		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	Appendix H
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	Appendix H
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	Appendix H
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	Appendix H
EFFLUENTS AND WASTE		
DMA	a. Report why the aspect is material. Report the impacts that make this aspectmaterial. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	Appendix H. See overview below this GRI index
G4-EN23	Total weight of waste by type and disposal method	Appendix H
EMPLOYMENT		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27 and pp. 43-45. See overview below this GRI index
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Appendix F. Achmea has no rates yet available for the breakdown by region. The ambition is to report next year.
TRAINING AND EDUCATION		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27, pp. 41-43. See overview below this GRI index
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	pp. 41-43
DIVERSITY AND EQUAL OPPORTUNITY		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27, pp. 41-43 and Appendix F. See overview below this GRI index
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Appendix F. We do not report all proposed indicators of diversity because our stakeholders do not request us to report on such information.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
ANTI-CORRUPTION		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27 and pp. 82-90. Zie overzicht onder deze GRI-index
G4-SO4	Communication and training on anti-corruption policies and procedures.	The General Code of Conduct Achmea applies to every employee (internal and external) of the Dutch entities of Achmea. The Sustainability Statement applies to all suppliers of Achmea in the Netherlands.
COMPLIANCE		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 28, pp. 65-66 and pp. 77-78. See overview below this GRI index
G4-SO8	a. Report significant fines and non-monetary sanctions in terms of: Total monetary value of significant fines Total number of non-monetary sanctions Cases brought through dispute resolution mechanisms b. If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient. c. Report the context against which significant fines and non-monetary sanctions were incurred.	There are no significant fines and non-monetary sanctions in 2016.

INDICATOR		DETAILS/REFERENCE/EXPLANATION
PRODUCT AND SERVICE LABELLING		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 28 and pp. 35-37. See overview below this GRI index
G4-PR5	Results of surveys measuring customer satisfaction.	pp. 35-37 and Appendix E.
CUSTOMER PRIVACY		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 28 and pp. 46-47. See overview below this GRI index
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	There are 3 known substantiated complaints regarding breaches of customer privacy (13 in 2015). No customer data was lost. Achmea has reported 198 data leaks in 2016.
SECTOR DISCLOSURES		
PRODUCT PORTFOLIO		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 28 and pp. 35-37. See overview below this GRI index
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	pp. 4-6, p. 16 and p. 125. 94% of the total revenue is realized in the Netherlands. Because of this strong Dutch focus a breakdown by region is not considered as relevant.
ACTIVE OWNERSHIP		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p.28 and pp. 63-64. See overview below this GRI index
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	pp. 63-64 and Appendix G.
LOCAL COMMUNITIES		
DMA	a. Report why the aspect is material. Report the impacts that make this aspect material. b. Report how the organization manages the material aspect and its impacts. c. Report the evaluation of the management approach.	p. 27 and pp. 37-40. See overview below this GRI index
FS14	Initiatives to improve access to financial services for disadvantaged people.	Initiatives concerning digital access are described on: pp. 7-9, pp. 38-41, pp. 44-46 and pp. 47-49.

SOCIETAL DEVELOPMENT	PRIMARY PARTY FROM FOUR STAKEHOLDER MODEL THAT RAISED THE SUBJECT	REFERENCE TO ANNUAL REPORT 2016	CORRESPONDING GRI-ASPECT	BOUNDARY OF INFORMATION IN ANNUAL REPORT 2016	RELATED ACHMEA KPI
Customer value	Customers	Our customers and Appendix E	Product and service labelling	Achmea in the Netherlands, excluding third party companies	Customer satisfaction and maintaining Customer Oriented Insurance quality seals
Affordable and accessible healthcare	Customers and Shareholders	Our societal results and Our financial results	Product portfolio, Local communities	Achmea in the Netherlands	-
Sustainable and accessible solutions for living and healthcare	Shareholders	Our societal results and Our financial results	Product portfolio	Achmea in the Netherlands	-
Pension and retirement provisions	Customers and Shareholders	Our societal results, Our customers, Our processes and Our financial results	Product portfolio	Achmea in the Netherlands	-
Sustainable investment	Customers and Shareholders	Our financial results and Appendix H	Active ownership, Product portfolio, Anti-corruption	Achmea Group	-
Solidarity	Customers	Our societal results and Our financial result	Product portfolio	Achmea in the Netherlands, excluding third party companies	-
Integrity	Customers and Employees	Corporate Governance	Anti-corruption, Compliance	Achmea in the Netherlands, excluding third party companies	-
Safe living environment	Customers	Our societal results	Energy, Emissions, Materials, Product portfolio,	Achmea in the Netherlands, excluding third party companies	-
Corporate citizenship	Customers and Employees	Our societal results	Local communities	Achmea in the Netherlands, excluding third party companies	-
Financial security	Customers	Our customers and Our societal results	Product and service labeling, Product portfolio	Achmea in the Netherlands, excluding third party companies	AFM customer centricity dashboard
Socially accepted return	Shareholders	Our financial results	Economic performance	Achmea Group	Cost reduction 2014-2016 and Solvency ratio insurance activities (IGD)
Being a good employer	Employees	Our employees	Employment, Training and education, Diversity and equal opportunity	Achmea in the Netherlands, excluding third party companies	Employee Engagement
Financial performance	Shareholders	Our financial results	Economic performance	Achmea Group	Cost reduction 2014-2016, S&P rating and Solvency ratio insurance activities (IGD)
Climate change	Customers, Partners and Shareholders	Our financial results, Our societal results and Our processes	Energy, Emissions, Materials, Effluents and Waste	Achmea in the Netherlands, excluding third party companies	-

SOCIETAL DEVELOPMENT	PRIMARY PARTY FROM FOUR STAKEHOLDER MODEL THAT RAISED THE SUBJECT	REFERENCE TO ANNUAL REPORT 2016	CORRESPONDING GRI-ASPECT	BOUNDARY OF INFORMATION IN ANNUAL REPORT 2016	RELATED ACHMEA KPI
Big data	Customers en Partners	Our societal results and Our processes	Customer privacy	Achmea in the Netherlands, excluding third party companies	Level of digitization
Personal data protection	Customers	Our customers, Our societal results and Our processes	Customer privacy, Product and service labelling	Achmea Group	AFM customer centricity dashboard
Medical progress	Customers	Our societal results	Product portfolio	Achmea in the Netherlands	-
Balanced remuneration policy	Shareholders	Corporate governance	Economic performance, Compliance	Achmea Group	-

This is the English-language version of the Achmea Annual Report for 2016. A Dutch-language version of this report is also available; in the event of a conflict between the two versions, the Dutch-language version will prevail. The Annual Report can be downloaded from the Achmea website, www.achmea.nl.

Achmea would like to receive your feedback to the Annual Report at the address below.

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