

# INCREASE IN RESULT DUE TO IMPROVEMENT MEASURES

*Interim results Achmea 2017*



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*Chairman of the Executive Board*

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*Chief Financial Officer*

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2. Strategy to 2020: 'Delivering together'



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# INCREASE IN RESULT DUE TO IMPROVEMENT MEASURES

- Operational result of €223 million achieved
- Structural cost reduction of 8% achieved
- Solvency ratio increased to 185%

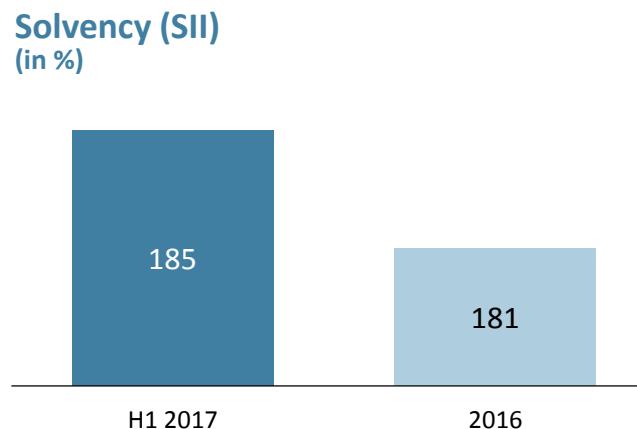
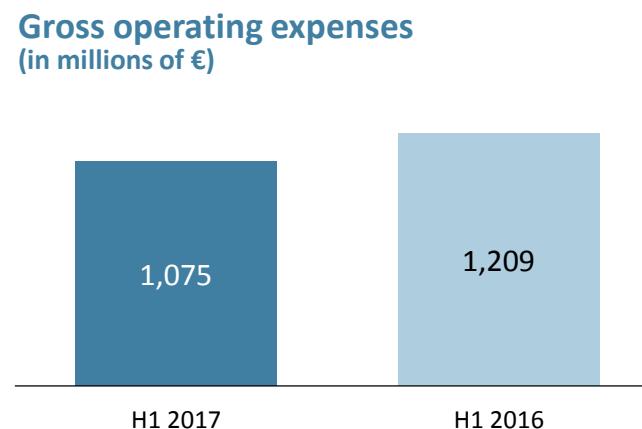
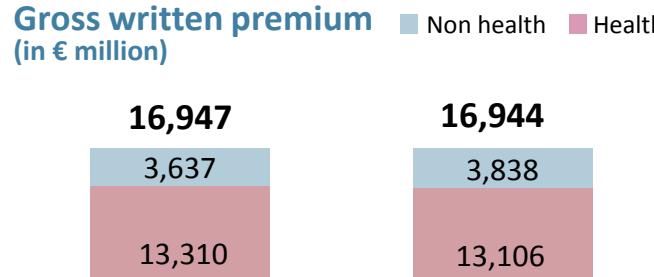
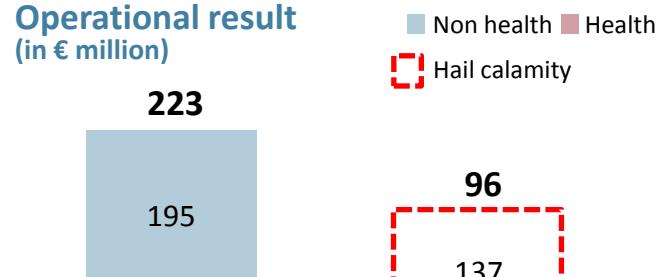
Strong insurance brands in the Netherlands with continued high customer satisfaction

Strategic focus on fast-growing and highly-valued distribution channels online and banking with Rabobank

Leader in mobile and online services; successful in introducing new concepts



# INCREASE IN RESULTS DUE TO IMPROVEMENT MEASURES



- Results increased strongly, also when adjusted for hail calamity H1 2016 of €137 million
- Positive development in results due to measures taken previously on claims management, premiums and operating costs
- Premium growth in core activities in health and property & casualty insurance and international
- Further structural cost reduction of 8% achieved, mainly due to lower personnel, IT and housing expenses. Including one-off positive effects, the cost reduction amounted to 11%
- Financial position remains strong: Solvency ratio increased to 185%

# ALL SEGMENTS CONTRIBUTED POSITIVELY TO THE €223 MILLION RESULT

<b>Segment results</b> (in millions of €)	<b>H1 2017</b>	<b>H1 2016</b>
Non-Life	105	-124
Health	28	2
<i>Basic health insurance</i>	<i>0</i>	<i>-18</i>
<i>Supplementary health insurance</i>	<i>28</i>	<i>20</i>
Retirement services	4	-13
Pension & Life service organisation	102	187
International activities	6	8
Other activities	-22	-101
<b><i>Operational result</i></b>	<b>223</b>	<b>-41</b>

## Non-Life

- Strong recovery in results due to improvement measures

## Health

- Result basic health insurance break-even by allocation of €434 million in 2016 to limit increase in premiums for 2017

## Retirement services

- Improvement in results after Centraal Beheer APF launch

## Pension & Life service organisation

- Stable portfolio development and sharp cost reduction

## International

- Operational result stable with investments in growth initiatives

## Other activities

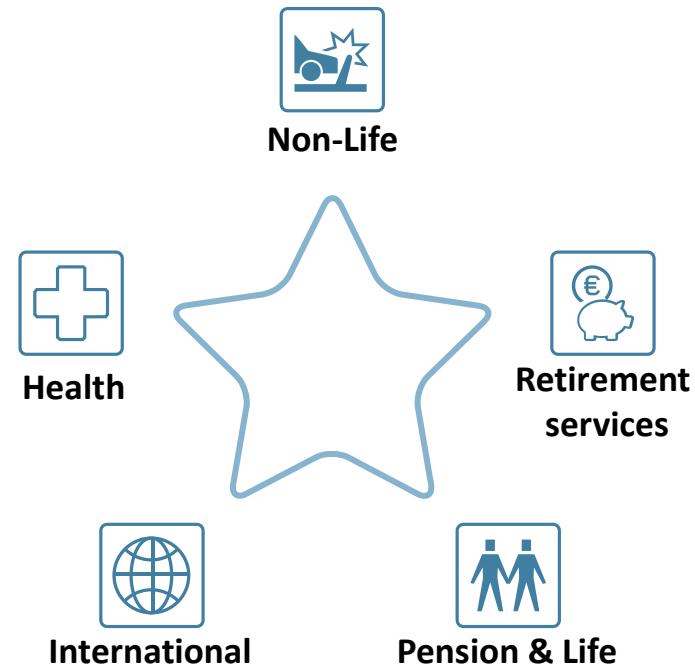
- Improvement in results due to cost reduction, higher contribution from operating companies and discontinuation of loss making activities



# STRATEGY TO 2020: TRENDSETTING AND CUSTOMER RELEVANT

- 'Delivering together' is the continuation of our strategy until 2020
- Innovation of services provided to customers remains key
- Continued investment in innovation and customer focus
- Motto: trendsetting and customer relevant
- Further change leads to reduction in expenses and jobs
- Operating expenses fall by approx. €200 million to 2020; number of FTEs reduce by approx. 2,000

Operations organised according to five market-oriented chains:



# STRATEGY THROUGH 2020: FIVE BUSINESS LINES WITH OWN FOCUS



## Non-Life: high customer satisfaction and leader in online distribution

- Strong brands, leading market position and high customer appreciation for online distribution and bank distribution with Rabobank
- Recovery in results through a combination of adequate premiumlevels, cost efficiency and improvement in claims management



## Health: Accessibility and high standard of care for everyone, now and in the future

- Balancing solidarity, market share and solvency
- Enhancing value for customers and support of healthier lifestyle with 'Actify' and 'Gezond Ondernemen'



## Retirement Services: Invest in excellent pension benefits for Centraal Beheer APF customers

- The Centraal Beheer APF is *the* provider of pension solutions, together with asset management, savings and mortgages
- Centraal Beheer will become a full-service financial service provider



## Pension & Life: High service level to existing customers and growth in term life insurances

- Service organisation with steady results and positive capital generation while maintaining high customer satisfaction
- Growth in term life insurance



## International: using knowledge and experience in online insurance

- Growth driven by Achmea's digital competencies in the Netherlands: Non-life and health insurance products via online and banking distribution.

# GOOD PROGRESS OF GROUP STRATEGY THROUGH 2020 'DELIVERING TOGETHER'

## Strong insurance brands in the Netherlands with continued high customer satisfaction

- ✓ Centraal Beheer, Zilveren Kruis and Interpolis number one in awareness, consideration and preference
- ✓ Customer contact by phone, live chat and WhatsApp highly valued with Centraal Beheer and Interpolis



## Strategic focus on fast-growing and highly-valued distribution channels online and banking with Rabobank

- ✓ Premium growth in Health and Non-life in H1 2017
- ✓ Continued trend towards online distribution at the expense of other distribution channels
- ✓ Growth premiums Interpolis Property & Casualty

## Leader in mobile and online services; successful in introducing new concepts

- ✓ Promising new forms of online services and innovation:a.o 'Slim op Weg', 'Homies', 'Automodus' and 'Actify'
- ✓ Centraal Beheer, Zilveren Kruis and Interpolis among most innovative insurers for customers

## Increase in operational result, reducing cost by €200 million and reducing 2,000 FTE by 2020

- ✓ Operational result increased to €223 million due to improvement measures
- ✓ Cost base structurally reduced by 8% -including one-off positive effects by 11%
- ✓ Number of jobs in the Netherlands reduced by 4% to 14,630 FTEs
- ✓ Significant reduction in Dutch office locations from eight to five commenced

# NON-LIFE: HIGH CUSTOMER SATISFACTION AND LEADER IN ONLINE DISTRIBUTION

## Growing profit contribution, market leadership and high customer appreciation

- ✓ Strong performance recovery in non-life insurance due to implemented improvement measures
- ✓ Financially sound business model with excellent quality portfolio
  
- ✓ Growing customer base for Centraal Beheer, Interpolis and FBTO property & casualty insurance
- ✓ Serving customers even better with a focus on prevention and claims management for Property & Casualty and Income Protection
- ✓ High customer appreciation for automated online chat Centraal Beheer
- ✓ The best terms and conditions for individual disability insurance from Interpolis, Avéro Achmea and Centraal Beheer (MoneyView)
  
- ✓ Successful strategic collaboration with Rabobank intensified further
- ✓ Interpolis insurances an integral part of Rabo banking app
- ✓ Complete renewal of banking insurance services package together with Rabobank



# HEALTH: BALANCING MARKET SHARE, SOLIDARITY AND SOLVENCY

Maintaining marketleadership, reducing cost base and focus on enhancing value to customers



- ✓ Steady market share of around 30% with growth in the number of health insurances by around 20,000
- ✓ Profit basic health insurance nil in first six months of the year
  - 98 cents out of every euro in healthcare premium paid directly to healthcare costs
- ✓ Zilveren Kruis in top three best insurers on social media according to ITDS
- ✓ We help people to stay healthy and vital with 'Actify' and 'Gezond Ondernemen'
- ✓ Allocation of €434 million to limit premium increases for customers in 2017
- ✓ Over €1.2 billion allocated in three years (approx. €245 per policy)
- ✓ Further allocation of health insurance capital unsustainable in the long term
- ✓ Proposed legislation permanently banning distribution of health capital is being amended by the members of parliament proposing the legislation



# RETIREMENT SERVICES: INVESTING IN A GOOD PENSION FOR CUSTOMERS

Growth of the Centraal Beheer APF, increase in AuM Achmea Investment Management and increase in profitability of Achmea Bank



- ✓ Successful inflow of first customers for Centraal Beheer Algemeen Pensioenfonds
  - Award winning online portal with insight in the pension being accrued (Pensioen Bestuur en Management, June 2017)
- ✓ Assets under management at Achmea Investment Management have risen to €117 billion
- ✓ Strategic choice for continuation of pension administration services to corporate and occupational pension funds
- ✓ Agreement on transition of administration services for mandatory sector pension funds
- ✓ Successful outsourcing administration of mortgage portfolio Achmea Bank



# PENSION & LIFE SERVICE ORGANISATION: HIGH SERVICE LEVEL TO EXISTING CUSTOMERS AND GROWTH IN TERM LIFE INSURANCES

## Long term profit contribution from stable development of portfolio



- ✓ Significant profit contribution from Pension & Life service organisation
- ✓ Moderate decrease portfolio size in line with expectation
- ✓ Implementation of service organisation close book leads to sharp cost reduction
- ✓ 25% market share of newly sold term life insurances primarily from Interpolis
- ✓ Significant growth in premiums term life insurances by 18%
  - Clearest use of language at Centraal Beheer and FBTO for term life insurances (quality mark: KKV)
- ✓ Strategic decision to focus on return over volume for annuities



# INTERNATIONAL: GROWTH AND POSITIVE CONTRIBUTION TO THE RESULT

Growth by using digital competences Non-life and Health insurances through online and bank distribution



- ✓ Increase in market share and premiums by 8% from international activities in local currency
- ✓ 9% rise to 280,000 in customer base at Greek online insurance company Anytime
- ✓ Premium growth in Turkey from a new online distribution channel, set up with partner Garanti Bank,
- ✓ Unique distribution concept with Rabobank leads to doubling in premiums in Australia and strong retention
- ✓ First steps taken to launch online insurer in Canada



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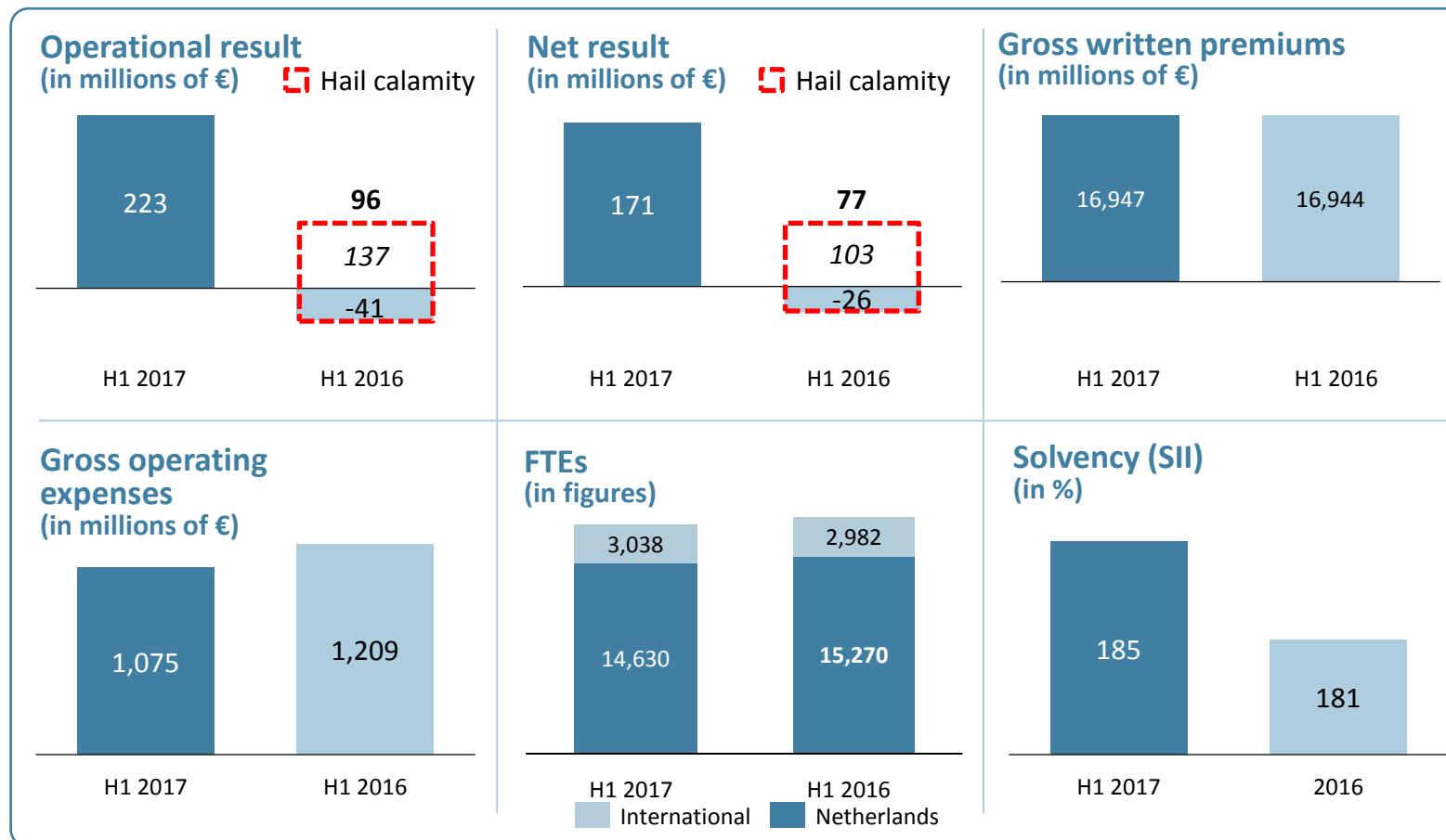
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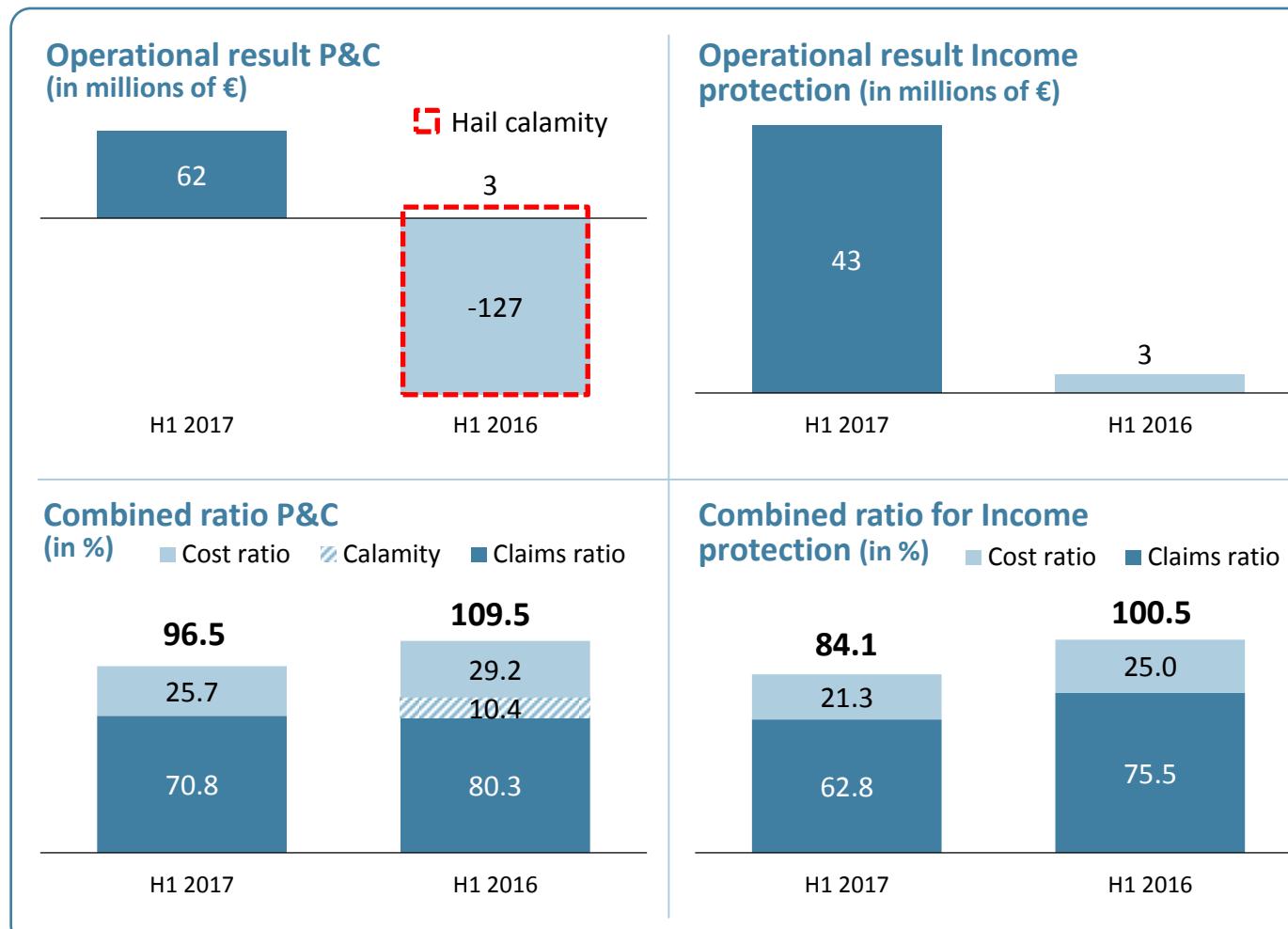
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# INCREASED RESULTS DUE TO IMPLEMENTED IMPROVEMENT MEASURES



- Operational and net results considerably higher:
  - Strong recovery in results due to improvement measures in Non-life
  - Pension & Life service organisation contributes significantly to results
  - Zero contribution to results from basic health
- Stable premiums with growth in property & casualty and health insurance core activities compensating development of closed book
- Group-wide cost reduction of 11% due to:
  - Sharp decrease in personnel, IT and housing expenses
  - Reduction in jobs in the Netherlands by 4% due to efficiency improvements
  - Structural cost reduction of 8% adjusted for positive non-recurring items
- Financial position strong with increase of Solvency II ratio to 185%

# NON-LIFE: STRONG RECOVERY IN RESULT WITH A HEALTHY PORTFOLIO; COMBINED RATIO SIGNIFICANTLY IMPROVED



## Property & Casualty

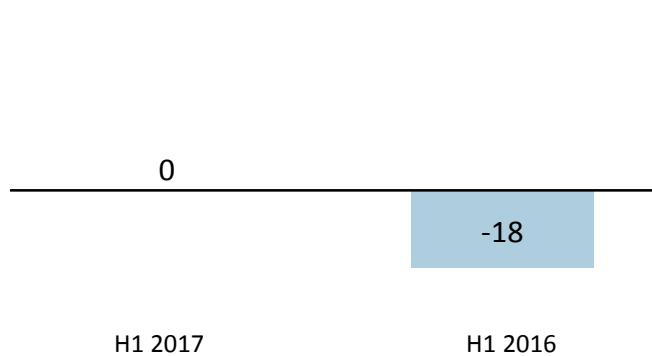
- Results improved by combination of cost reductions, higher premiums and claims management:
  - Improvement of the claim results by €189 million
  - €59 million increase in results, adjusted for hail calamity claims of €130 million
  - Improvement measures strengthens the trend of improving profitability on the underwriting year
  - Improved profitability partly offset by an increase in personal injury claims
- Gross written premiums increased to €1.540 million (H1 2016: €1.509 million) due to growth in retail market

## Income protection

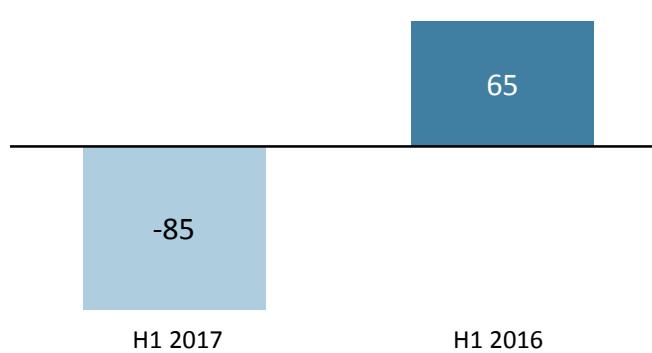
- Results increase due to sharp focus on claims management as well as cost reduction:
  - Measures taken lead to release of WIA provisions
  - Lower than expected influx from previous years
  - Cost ratio drops to 21.3%
- Premiums stable at €502 million

# HEALTH: FAVOURABLE HEALTHCARE COST CURRENT YEAR OFFSET BY LOWER EQUALISATION CONTRIBUTION FROM PREVIOUS YEAR

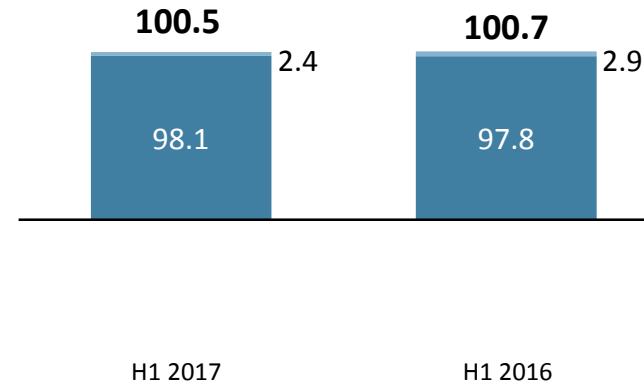
**Operational result from basic health  
(in millions of €)**



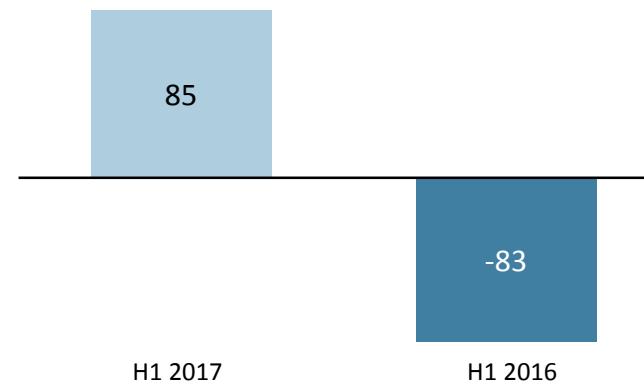
**Non-recurring result from basic health  
(in millions of €)**



**Combined ratio basic health  
(in %)**



**Results from basic health in policy year  
(in millions of €)**



## Basic health insurance

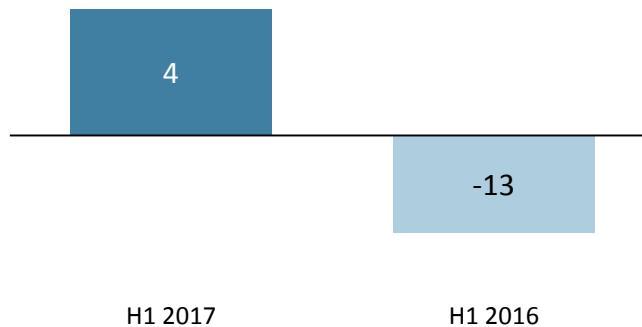
- Break-even result for first half-year whereby:
  - Positive trends in healthcare expenses in the current underwriting year offset by lower than expected equalisation contributions for previous years
  - Drop in operating expenses due to continued focus on efficiency and digitisation
- Gross written premiums increased to €11.987 million (H1 2016: €11.788 million) due to increase in customers and premium levels

## Supplementary health insurance

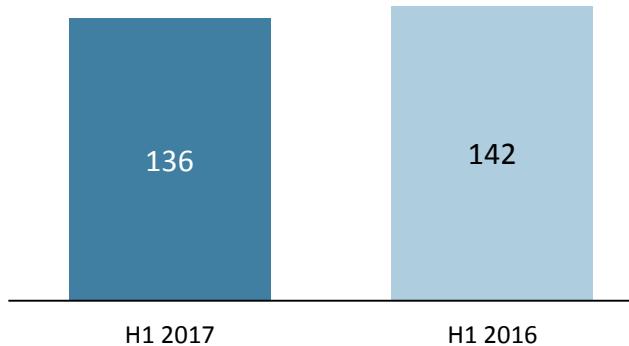
- Operational result increased to €29 million (H1 2016 €20 million) mainly due to lower expenses for dental care
- Premiums stable at €1.323 million
- Around 80% of customers with basic health insurance also has a supplementary cover

# RETIREMENT SERVICES: IMPROVEMENT IN RESULT AFTER LAUNCH OF CENTRAAL BEHEER APF

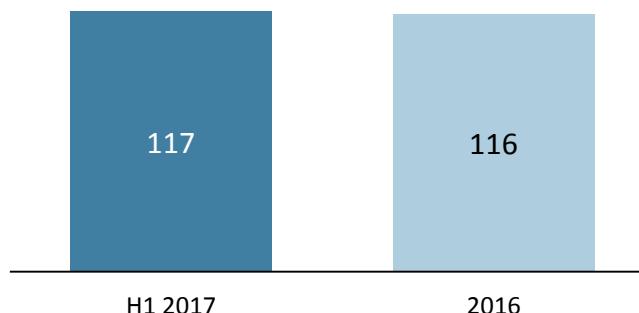
**Operational result**  
(in millions of €)



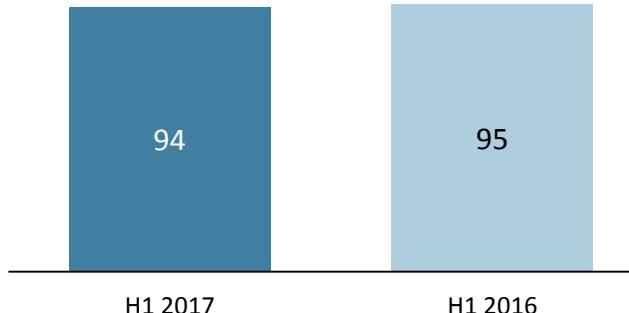
**Operating expenses**  
(in millions of €)



**Assets under Management AIM**  
(in billions of €)



**Interest margin Achmea Bank**  
(in bps)

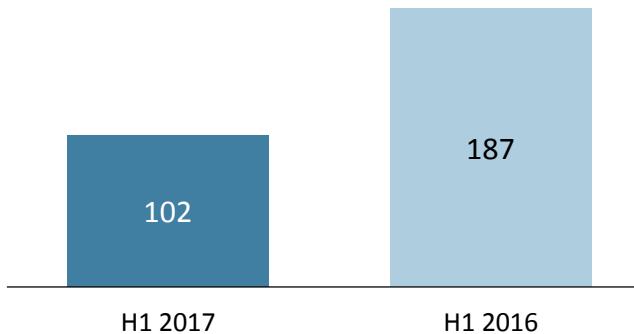


## Retirement Services

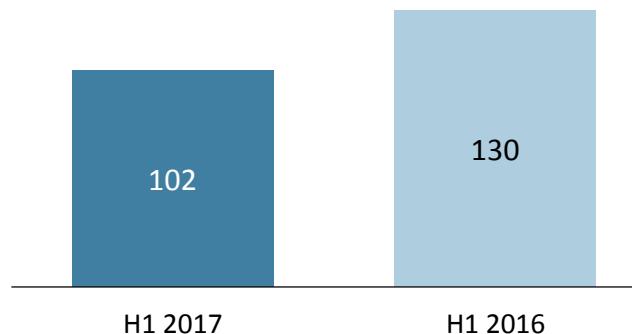
- Investment in a strong position in the changing Dutch pension sector with Centraal Beheer APF
- Performance recovery due to:
  - inflow first pension funds into Centraal Beheer APF
  - improved results from banking operations
  - higher contribution from Achmea Investment Management
- Operating expenses declined due to lower start-up and investment costs at Centraal Beheer APF
- Improvement in operational result for pension administration accelerated due to strategic decision to end administrative services to mandatory sector pension funds
- AuM Achmea Investment Management increased to €117 billion due to inflow new pension funds

# SERVICE ORGANISATION PENSION & LIFE: SHARP COST REDUCTION DUE TO CLOSED-BOOK STRATEGY

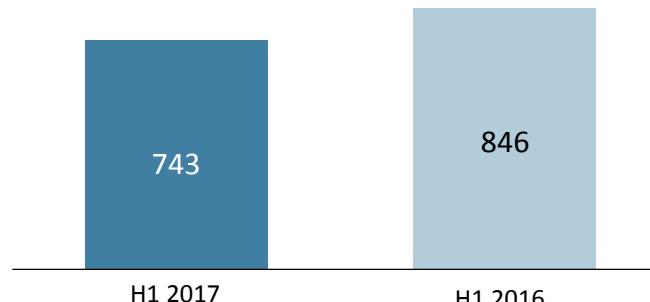
**Operational result**  
(in millions of €)



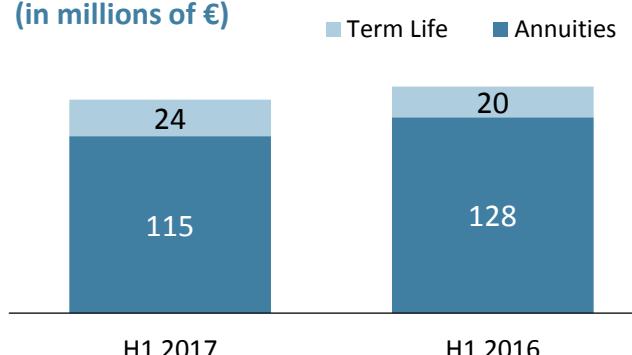
**Operating expenses**  
(in millions of €)



**Closed-book gross written premiums**  
(in millions of €)



**Gross written premiums term life insurance and Annuities**  
(in millions of €)



## Pension & Life

- Good progress in servicing of Pension & Life portfolios:
  - Moderate reduction in portfolio in line with expectations
  - Sharp cost reduction due to closed-book strategy
- Results lower because of:
  - Allocation to provisions for premium waiver
  - Lower contribution from investments due to interest rates and commodity prices

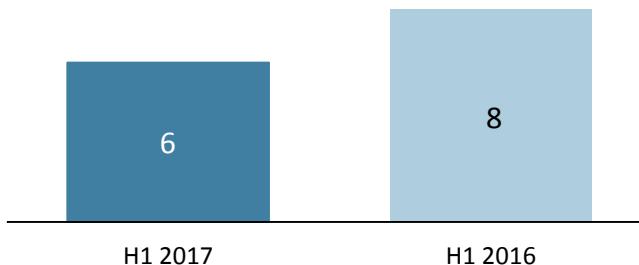
## Term life insurances and annuities

- Increase in premiums, especially at Interpolis; 25% market share in new production term life insurances
- Decision to focus on return over volume result in lower premiums in annuities

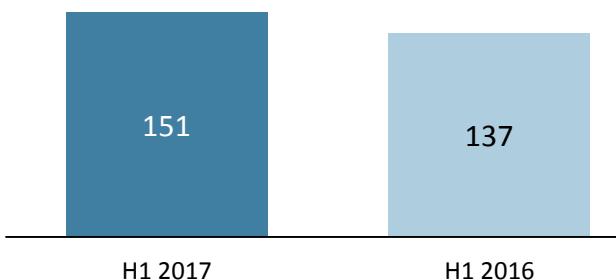


# INTERNATIONAL: GROWTH IN PREMIUMS DRIVEN BY DIGITAL CHANNELS

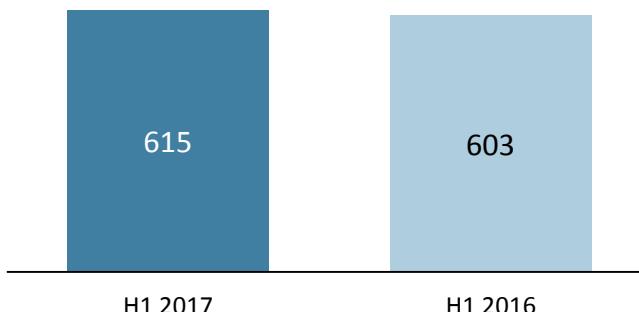
Operational result  
(in millions of €)



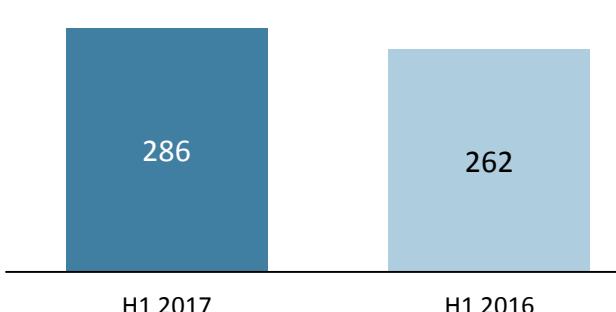
Operating expenses  
(in millions of €)



Gross written premiums  
(in millions of €)



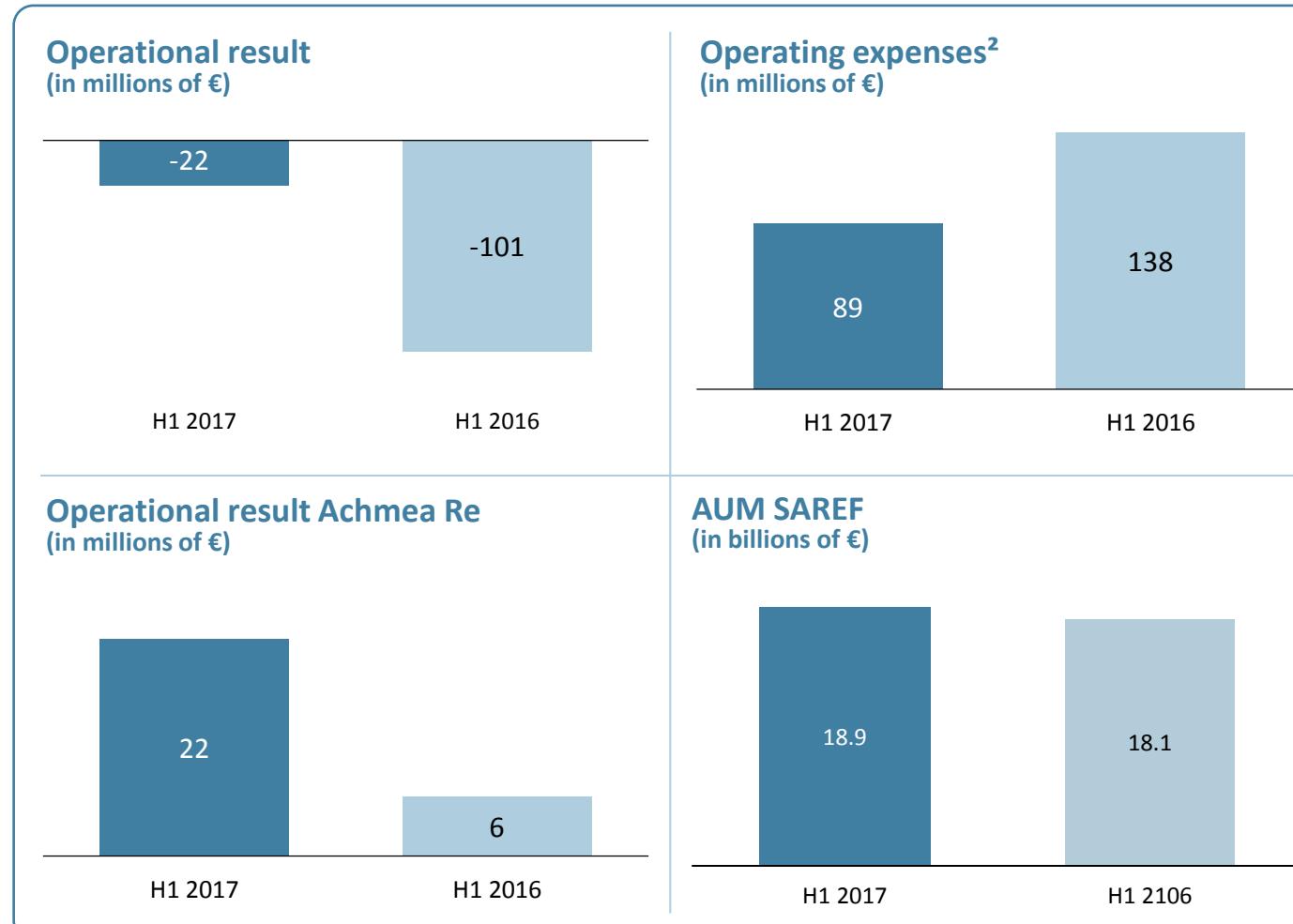
Number of policies sold online  
(in thousands)



## International activities

- Results lower due to investments in new markets and acceleration in growth
- Increase in gross written premiums by 2% (8% in local currency):
  - Growth in premiums and market share in **Turkey** driven by digital channel
  - In a declining market, the market share in **Greece** also increased partially due to growth of Anytime
  - Successful development of digital channels in **Slovakia** with a growth of 33%

# OTHER ACTIVITIES: COST REDUCTION AND HIGHER CONTRIBUTION FROM OTHER OPERATING COMPANIES<sup>1</sup>



## Other activities

- Better operating result due to lower expenses for housing, IT and holding activities and discontinuation of loss making activities
- Positive contribution from other operating companies<sup>1</sup>

## Achmea Reinsurance

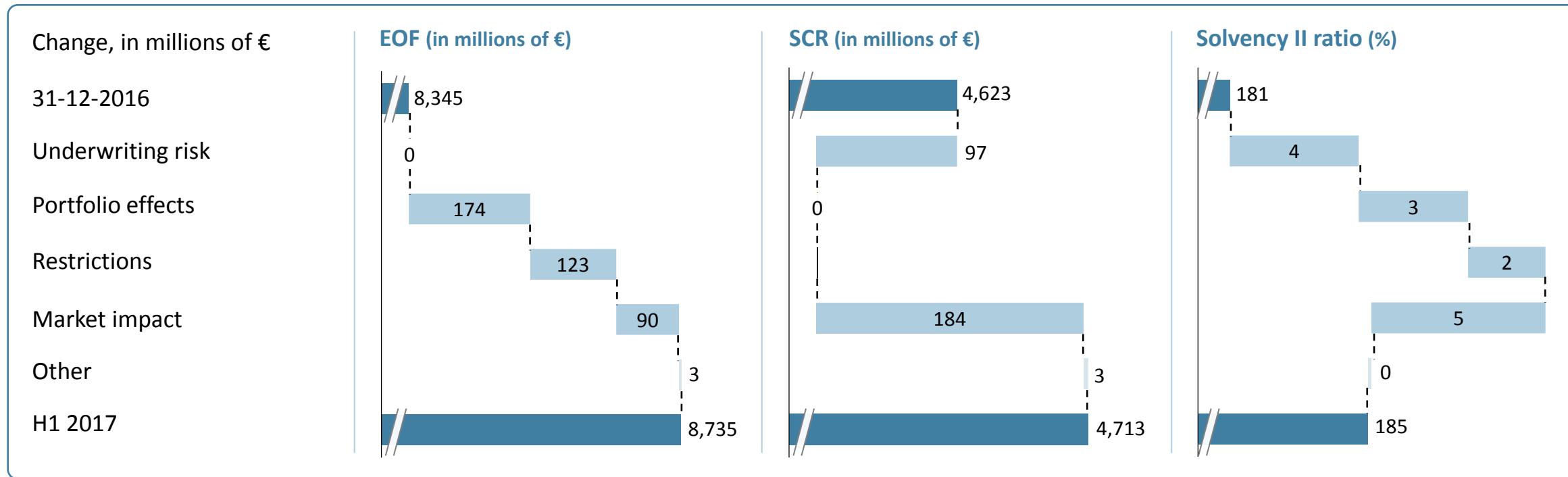
- Better results due to higher technical and investment results
- One-off impact on H1 2016 results due to extreme weather conditions

## Syntrus Achmea Real Estate & Finance (SAREF)

- The AuM increased to €18.9 billion (H1 2016: €18.1 billion).
- Higher management fee due to increase in investment portfolio



# SOLVENCY II IMPROVES TO 185%



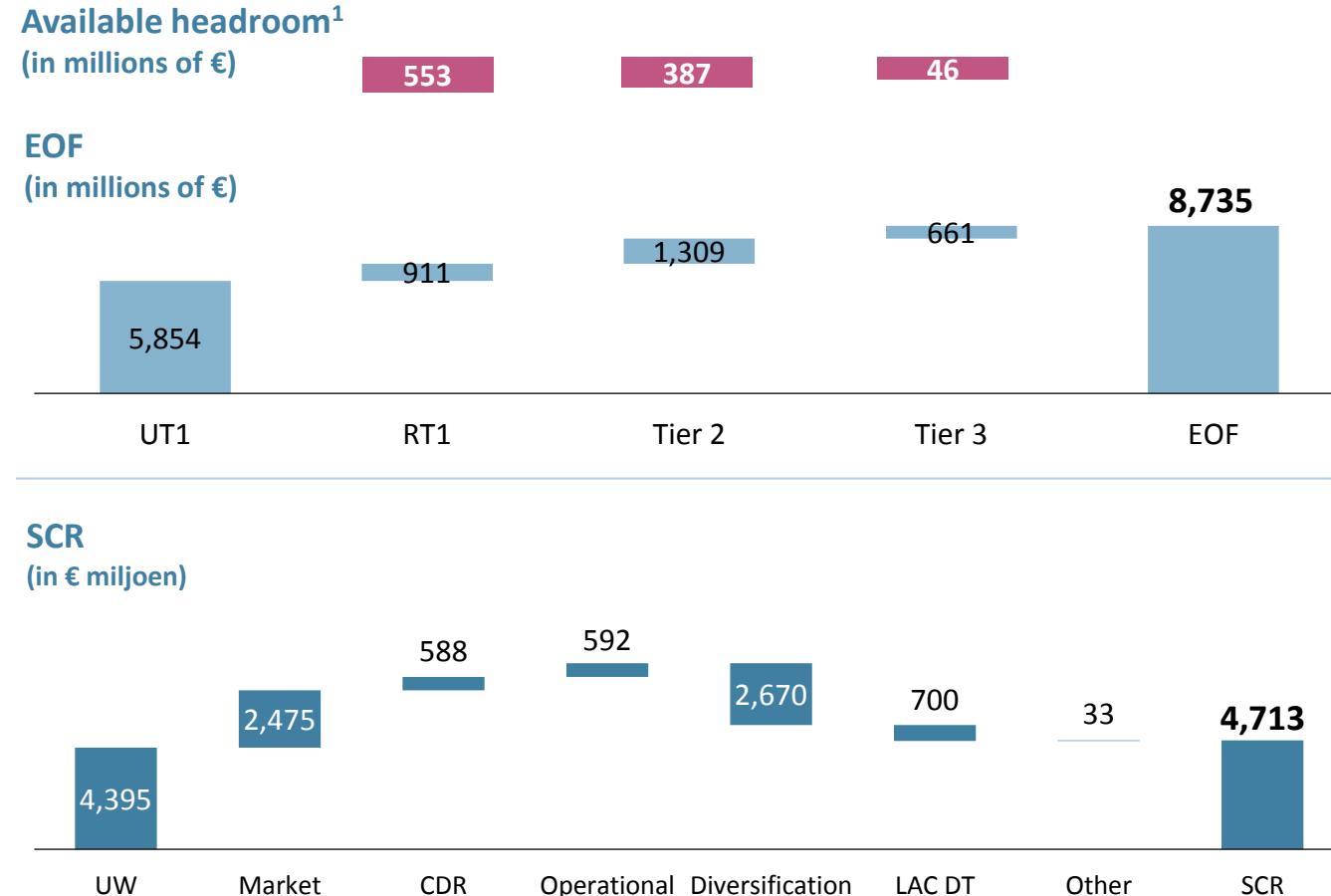
## Increase in EOF:

- Updating of mortality and costs assumptions
- Restrictions reduced due to realised tax losses and increase in SCR
- Positive impact financial markets

## Increase in SCR:

- Updating leads to decline in expense risk and longevity risk
- Lower diversification benefit due to implementation of capital hedge
- Phasing out commodities in investment portfolio
- DNB guidelines and additional refinements in calculating LAC DT leads to a stable LAC DT

# SOLVENCY II: FINANCIAL POSITION REMAINS STRONG



## Solvency Group

- Tier 1 capital is 144% of Solvency Capital Requirement

## Solvency core insurance entities

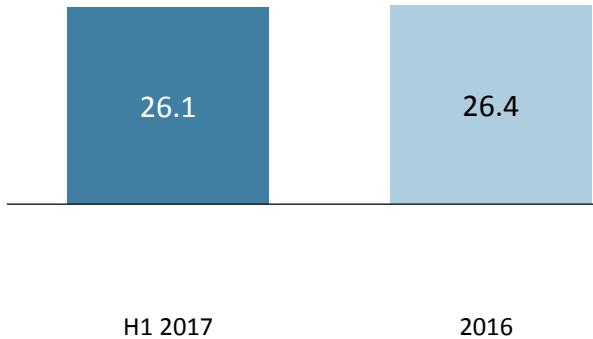
- Non-Life: 142% (2016: 137%)
- Health: 152% (2016: 156%)
- Pension & Life: 146% (2016: 130%)

## Capital allocation

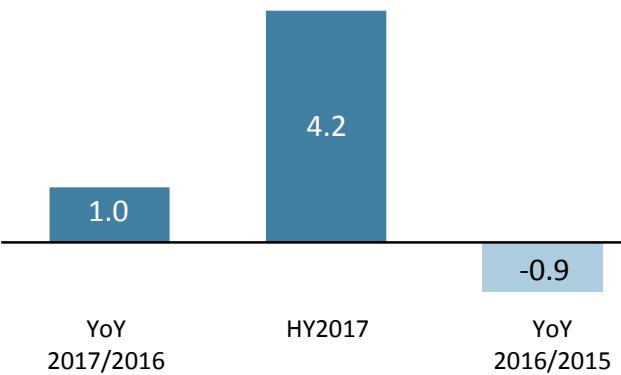
- Capital allocated predominantly to underwriting risk in line with our risk appetite

# CAPITAL MANAGEMENT AND GOOD RESULTS LEAD TO IMPROVEMENT IN KEY INDICATORS

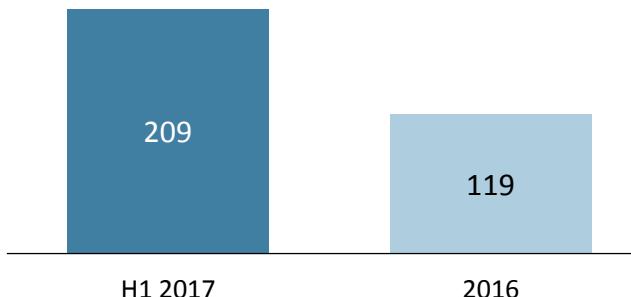
**Debt leverage ratio**  
(in %)



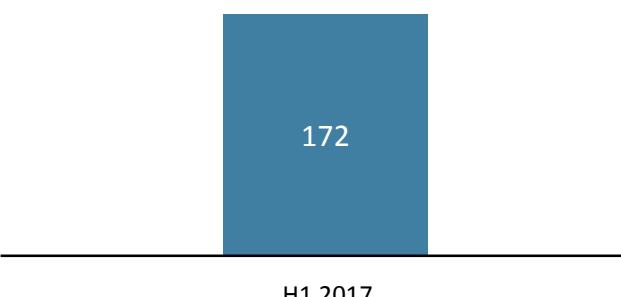
**Fixed charge coverage ratio**  
(in X)



**Liquidity**  
(in millions of €)



**Free capital generation**  
(in millions of €)



## Financial ratios

- Improvement fixed-charge coverage ratio and debt leverage ratio due to improved first half-year results 2017

## Holding liquidity

- Holding liquidity strengthened

## Free capital generation

- Contribution from operating result first half-year 2017
- Free capital increased as a result of updating assumptions, development in financial markets and lower restrictions

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# INTEREST RATE SENSITIVITY DECREASED DUE TO IMPLEMENTATION OF CAPITAL HEDGE

## Solvency II PIM sensitivities in H1 2017

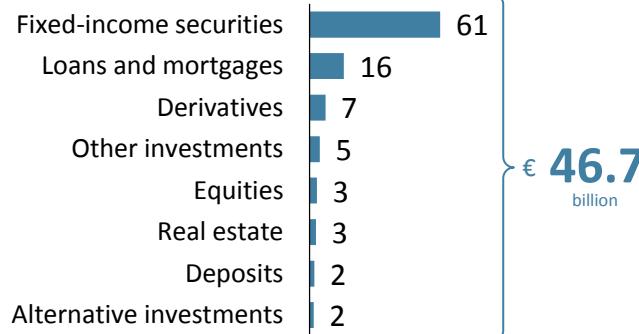
Scenario	EOF (in € million)	SCR (in € million)	SII PIM (in %)	H1 2017	Year-end 2016	
BASIS	8,735	4,713	185	Δ SII PIM (in %-pt)	Δ SII PIM (in %-pt)	
Interest	+100bps	-284	-393	195%	+10	-14
	-100bps	+209	+290	179%	-6	+15
UFR	No UFR	-1.247	172	153%	-32%	-51%
	No VA	-255	24	179%	-6%	-13%
VA	No equity Trans	---	210	177%	-8%	-9%
Equity Transitional						

## H1 2017 versus 2016 year-end

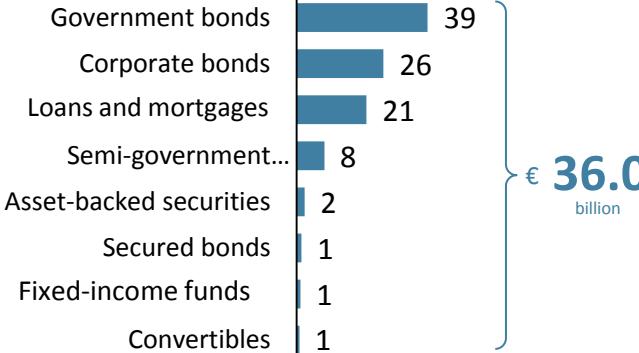
- Interest rate sensitivity decreased due to implementation of capital hedge
- Impact of UFR decreased due to increase in interest rate
- Impact of Volatility Adjustment decreased due to lowering of Volatility Adjustment from 13 bps to 9 bps
- Impact of equity transitional decreased due to movements in investment portfolio

# INVESTMENTS: CONSERVATIVE INVESTMENT PROFILE MAINTAINED

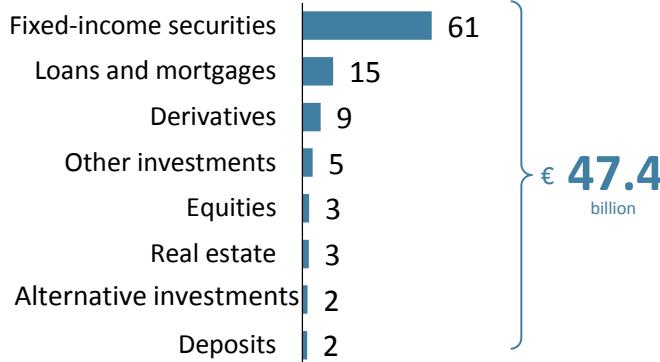
## Total investment portfolio (30-06-2017, in %)



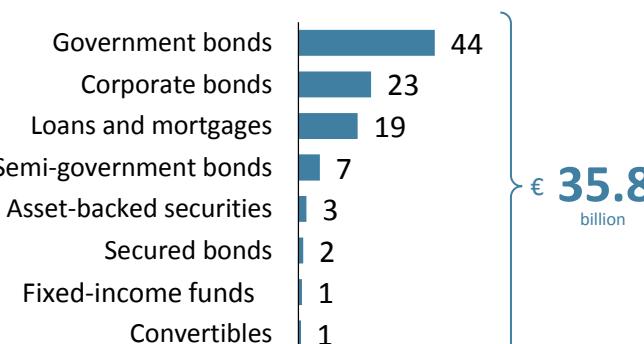
## Fixed-income portfolio (30-06-2017, in %)



## Total investment portfolio (31-12-2016, in %)



## Fixed-income portfolio (31-12-2016, in %)



## Total investment portfolio

- Investment portfolio declined by 2%:
  - Decline mainly in fixed-income investments due to increased interest rates
  - Equity and property portfolio increased due to higher share prices and revaluation of the residential portfolio
  - Alternative investment portfolio down slightly due to complete phasing out of commodities portfolio

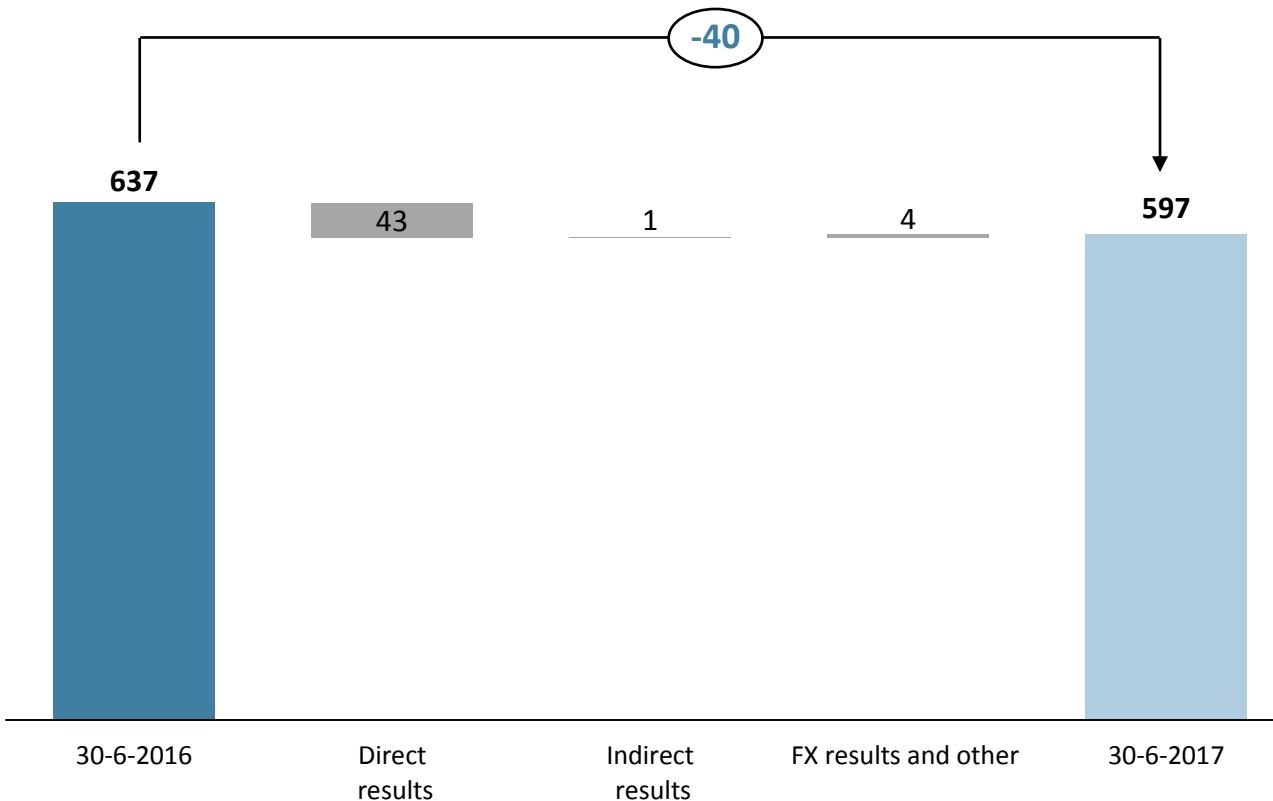
## Fixed-income portfolio

- High-quality portfolio with around 80% invested in fixed-income investments with an investment grade rating (BBB or higher)
- Mortgage portfolio increased by €0.7 billion to €6.6 billion, financed from government bonds
  - 2017 end-of-year target for mortgage portfolio: €7.5 billion

# INVESTMENT INCOME LOWER DUE TO REINVESTMENT AT LOWER INTEREST RATES

## Investment income for own account Achmea Group

(in millions of €)



## Investment income

- Decline in investment income for own account due to lower direct income from fixed-income investments
- Indirect investment income stable:
  - Positive contribution due to rise in property prices and higher realisations on equities and fixed-income investments
  - Negative contributions due to swap spread tightening and lower commodity prices
- Running yield at 2.1% (annualised)
- The size of the FFA fell in the first six months of 2017 to €6.7 billion (2016: €7.8 billion) due to increased interest rates

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