Press Release

14 March 2019 - Achmea Annual Results 2018

Achmea result before tax increases to €566 million

- Operational result improved to €391 million; gross earned premiums increased by 3%
- Strong result Pension & Life due to focus on lower expenses
- Non-Life achieves strong combined ratio of 95.5%
- Improved operational result Health, basic Health still loss-making
- Strong growth Achmea Investment Management to €129 billion Assets under Management
- Further reduction in structural operating expenses
- Solvency further increased to 203% before payment of dividend

Willem van Duin, Chairman of Achmea's Executive Board:
Achmea is committed to promoting a healthy, safe and future-proof society. Besides property & casualty insurance and income protection, we have been active in the Health and Pension business for many years. From our cooperative identity we contribute to a society in which everyone can participate, even after an accident or setback. Naturally, the customer comes first. Sustainability is also an import topic. A focus on long-term value creation is at the core of our identity. That is why we incorporate the international Sustainable Development Goals (SDG) in our strategy and are one of the initiators behind the Principles for Sustainable Insurance (PSI). Solidarity is the foundation of insurance: together we share the risks that we cannot bear alone.

With our insurances and services we play an important role in the lives of our ten million customers in the Netherlands. Whether it is sharing risks through insurance, prevention or building up a good pension. In addition to insurance and prevention advice, we develop innovative services through which we aid our customers. Centraal Beheer, for example, develops itself into a broad financial service provider with a mortgage proposition, Roadside Assistance, the KlusHulp for retail customers and cyber security advice for our commercial customers. Zilveren Kruis offers retail and corporate customers active support to more vitality and a healthier lifestyle. Interpolis is committed to improve road safety and to create awareness in the Netherlands surrounding the dangers of using mobile devices on the road.

In 2018 we realised an increase of the operational result to €391 million. Including the proceeds from the sale of Independer, result before tax increased to €566 million. Persistently high results at Pension & Life, strong results in Non-Life, lower healthcare costs on older claim years and further cost reductions contributed to the increased result. The limited allocation of capital for healthcare premiums below cost-price in 2019 and a higher contribution from our International activities and Retirement Services also support the increase in result. Our gross earned premiums increased by 3%. Our Solvency is strong and has further increased to 203%, making us a solid partner for our customers.

In the past year we have made significant progress on the realisation of our strategic plans. We welcomed more clients in the Non-Life business and the services we offer through our brands are still highly appreciated by our customers. Investments in earlier years have resulted in a better online service for our customers and contribute to the lowest cost ratios in the market. By continually adapting, we have become a more agile and customer-oriented organisation. Together with Rabobank we expand our service offerings for retail customers and our commercial customers from small and medium-sized enterprises. Within our strategy for Retirement Services we realise growth in pension services to Centraal Beheer APF and company pension funds. In addition, the Assets under Management of Achmea Investment Management increased further.

All the changes and improvements we have achieved are made possible by the dedication and efforts of all our colleagues for which we compliment them. The sound results in 2018 give us confidence that we will also achieve our ambitions in the future.

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Group results

KEY FIGURES

(€ MILLION)

RESULTS	2018	2017	Δ
Gross earned premiums	19,918	19,350	3%
Net earned premiums	19,685	19,348	2%
Gross operating expenses[1]	2,211	2,136	4%

COMPOSITION OF RESULT	2018	2017	Δ
Operational result (excluding Health Netherlands)	**263**	**477**	**−45%**
Health Netherlands	128	−128	n.m.
Operational result[2]	**391**	**349**	**12%**
Result before tax	566	321	76%
Net result	315	216	46%

BALANCE SHEET	2018	2017	Δ
Total assets	81,816	90,946	−10%
Total equity	9,705	9,949	−2%

SOLVENCY II	2018	2017	Δ
Solvency ratio (Partial Internal Model)[3] before dividends paid[4]	203%	191%	12%-pt
Solvency ratio (Partial Internal Model)[3] after dividends paid[4]	198%	184%	14%-pt

FTES[5]	2018	2017	Δ
FTEs (internal)	13,714	14,582	−6%
FTEs (external)	2,922	2,848	3%

* *n.m: not meaningful*

Group results

OVERALL RESULTS

The operational result over 2018 increased to €391 million (2017: €349 million). The strong result is supported by Pension & Life and Health. Non-Life also significantly contributed to the operational result. Additionally, Retirement Services and our International activities have also shown an improvement compared to 2017.

At 95.5%, the combined ratio of our Non-Life business is the same as last year. The underlying result of Non-Life improved further. The January storms, with an impact of €85 million and 2.6%-pt on the combined ratio, were fully absorbed. The underlying results improved due to premium measures, claims management and operational expense measures. The lower operational result, compared to 2017, is caused by lower investment income.

Our Health activities realised a higher result than in 2017, caused by a better result on previous years. In 2018, basic Health insurance is still loss-making. If the loss provision of €108 million, formed in 2017, is excluded, the result of basic Health is negative. We were able to set basic healthcare premiums for 2019 closer to cost price than in previous years, meaning we only had to make a loss provision of €21 million in the 2018 results. The result on supplementary health insurance increased due to lower use of healthcare services by our customers compared to 2017.

Pension & Life showed a strong and stable result over 2018 in which the higher technical result and lower operating expenses largely compensated the lower investment results. We also continued to optimise our processes and systems in 2018 and further reduced our operational expenses.

The result of Retirement Services improved in 2018. The improvement is due to a higher interest margin at Achmea Bank, lower expenses as a result of outsourcing and lower start-up expenses of the Centraal Beheer General Pension Fund (APF). The result of Achmea Investment Management has also improved further and the AuM increased to €129 billion. The phasing out of pension administration to mandatory sectoral pension funds was successfully completed as of 1 July 2018.

Our International activities show a sharp improvement in the operational result compared to 2017. With the launch of our online services in the Canadian property & casualty market and completion of the sale of Irish Life insurance company Friends First, we took further steps in the implementation of our international strategy, which focuses on our core qualities: Non-Life and Healthcare expertise via digital and banking distribution channels.

The Other activities segment has a lower result this year compared to 2017. In addition to financing and shareholder expenses, the result was adversely affected by a higher cost of claims at Achmea Reinsurance, caused by storm Friederike on 18 January 2018. The reorganisation provision for reductions in the number of employees and office locations has been increased further within the context of our business plan "Delivering Together". The lower result compared to last year can also be partly attributed to one-off windfalls in 2017, a change in cost allocation and higher investments in innovation.

OPERATIONAL RESULT PER SEGMENT

(€ MILLION)

	2018	2017
Non-life Netherlands	97	166
Pension & Life Netherlands	334	342
Retirement Services Netherlands	15	12
International activities	29	16
Other activities	−212	−59
Operational result (ex-Health)	**263**	**477**
Health Netherlands	128	−128
Operational result	**391**	**349**

The net result is €315 million (2017: €216 million). This includes the transaction result from the joint venture with Fairfax in Canada (€8 million) and the sale of Independer (€167 million). In 2017, the transaction result related to the sale of Friends First, completion of the transfer of the Staalbankiers's private banking activities to Van Lanschot (€8 million) and expenses deriving from the migration of five sectoral pension funds to Centric.

The tax burden was affected by the announced step-by-step reduction of the corporate tax rate in the Netherlands from 25% to 20.5% in 2021. This leads to a reduction in the deferred tax position and consequently an impact of €141 million and an addition of €22 million to total equity. In the long term, this measure will have a positive effect on the net profit. Additionally, an announcement at the end of July 2018 prompted us to make a provision of €35 million. This relates to the tax settlement in the Netherlands for the compensation received on divestment of our interest in Polish insurer PZU in 2009 and 2010. Both these measures result in the effective tax rate being higher than the nominal tax rate in 2018.

COMPOSITION OF NET RESULT

(€ MILLION)

	2018	2017
Operational result	**391**	**349**
Transaction results	175	−28
Result before tax	**566**	**321**
Tax	251	105
Net result	**315**	**216**

Group results

Gross earned premiums

Gross earned premiums increased by 3% to €19,918 million (2017: €19,350 million) in 2018. The increase in premiums was mainly driven by our basic Health insurance activities in the Netherlands.

Gross earned premiums in Retail and commercial Non-Life increased further due to portfolio growth and premium measures. Internationally, gross earned premiums also increased for our property & casualty activities in local currency, but decreased in euros due to exchange-rate effects. Gross earned premiums from life insurance activities decreased, in line with our expectations, as a result of our decision to stop actively selling pension insurance products in the Netherlands. Additionally, gross earned premiums were also lower due to the sale of Irish life insurance company Friends First as of 1 June 2018.

GROSS EARNED PREMIUMS (€ MILLION)

	2018	2017
Non-life	3,897	3,868
Health	14,435	13,636
Life	1,586	1,846
Total gross earned premiums	**19,918**	**19,350**

Operating expenses

Gross operating expenses increased to €2,211 million in 2018 (2017: €2,136 million). Adjusted for one-off effects, gross operating expenses decreased by €58 million (-3%). This decrease is mainly due to a reduction of the total workforce and lower housing expenses as a result of centralising office locations.

The reorganisation provision within the context of "Delivering Together" was further increased in 2018 in order to achieve these structural decreases. This will be used to fund a further reduction in the number of employees and office locations, partly because of merging of activities.

The total number of internal and external employees in the Netherlands declined to 13,772 FTE in 2018 (year-end 2017: 14,484 FTE). The decrease in the number of internal employees in the Netherlands with more than 700 FTE is due to the continued optimisation of processes and systems as well as strategic choices. An example is the sale of Independer which lead to a decrease of 292 FTE. We previously stated that the number of employees at Achmea will decrease by 2,000 in the business plan period up to 2020. Since the start of the business plan period, the number of employees in the Netherlands has decreased by over 1,500. Hence we are well on track with the execution of the business plan.

The number of internal and external employees outside the Netherlands decreased to 2,864 FTE (year-end 2017: 2,946 FTEs). This decrease is due to the sale of Irish life insurance company Friends First. When adjusted for this, the number of international employees has increased by 240 to support growth in our international business.

Investments

Investment income[6] from our own risk investment portfolio was €1,066 million in 2018 (2017: €1,248 million). Higher real estate revaluations due to improved market sentiment had a positive impact. We also profited from a widening swap spread on part of the portfolio, of which the investments are valued at market interest rates and the liabilities at the swap rate. Counterbalancing these positive trends are lower realised gains on fixed income and equities, as well as lower equity valuations, caused by, among other reasons, market developments at the end of 2018. Foreign exchange results were also strongly negative in 2018. The increase in the value of the fixed-income securities and interest-rate derivatives in our Dutch pension and life insurance business, caused by fluctuations in the market interest rate, is not immediately visible in the results. All realised and unrealised investment results on fixed-income securities and interest-rate derivatives for own risk are set aside in the so-called Fund for Future Appropriation (FFA). This fund is part of our technical provisions to cover liabilities to our customers with pension or life insurance policies. As a result of lower interest rates, the FFA increased by €0.2 billion to €7 billion in 2018.

The value of our investment portfolio increased slightly to €45.1 billion (2017: €44.6 billion). This increase can mainly be attributed to the additional purchases that increased the value of the fixed-income portfolio.

CAPITAL MANAGEMENT

Total equity

Achmea's equity decreased by €244 million to €9,705 million in 2018 (2017: €9,949 million). The total equity was positively affected by the net result of €315 million. The decrease is mainly the result of the share buy-back amounting to €100 million, negative revaluations, primarily on equities, exchange-rate differences arising from the depreciation of the Turkish lira, dividend payments on ordinary and preference shares and coupon payments on hybrid capital totalling €193 million.

DEVELOPMENT OF TOTAL EQUITY	(€ MILLION)
Total equity 31/12/2017	**9,949**
Net result	315
Movement revaluation reserve	-225
Movement exchange difference reserve	-53
Remeasurement of net defined benefit liability	12
Dividends and coupon payments to holders of equity instruments	-193
Repurchase of equity instruments	-100
Total equity 31/12/2018	**9,705**

Solvency II

At year-end 2018, the Solvency II (SII) ratio was 203%, before dividends and coupons on hybrid capital (year-end 2017: 191%). After these items, the Solvency II ratio is 198% (2017: 184%). The improved capital position is the result of a combination of an increase in the Eligible Own Funds of €539 million to €8,925 million (2017: €8,386 million) and a decrease in the Solvency Capital Requirement of €58 million to €4,497 million (2017: €4,555 million).

SOLVENCY II RATIO FOR ACHMEA GROUP (€ MILLION)

	31/12/2018	31/12/2017	Δ
Eligible Own Funds under Solvency II	8,925	8,386	539
Solvency Capital Requirement	4,497	4,555	–58
Surplus	**4,428**	**3,831**	**597**
Solvency II Ratio	**198%**	**184%**	**14%-pt**

The increase in Eligible Own Funds under Solvency II is the result of positive technical results in the Non-Life, Health and Life insurance business and an increase in value caused by the financial markets. Developments in Italy led to a widening of spreads and as a consequence led to an increase in the Solvency II ratio. Also the sale of Independer had a positive impact on total equity, while the sale of Friends First had a negative effect. The phased adjustment of the corporate tax rate from 2020 onwards, the decrease in the UFR from 4.2% to 4.05% as of 1 January 2018, the depreciation of the Turkish Lira and planned dividends, following from the positive year result, all lead to a decrease in total equity.

The Solvency Capital Requirement has decreased due to a decline in insurance-related risk for Health and Life. The decrease in insurance risk is related to the sale of Friends First and the run-off of the Life portfolio in the Netherlands.

The Solvency II capital calculation takes into account the proposal for the General Meeting of Shareholders on 11 April 2019 to pay out €118.5 million in dividends on ordinary shares over the 2018 financial year. This proposal is based on a payment of 45% of the net profit, excluding the net result of the Health segment, the impact of the adjustment of the corporate tax rate and after deduction of payments on other equity instruments.

Free Capital Generation[7]

Free Capital Generation (FCG) over 2018 was €676 million, virtually the same as last year (2017: €679 million). However, last year FCG was largely driven by measures to optimise capital in the Pension & Life business, while in 2018 the FCG, like the solvency level, was mainly driven by the results, spread developments and dividends from banking and asset management activities. The operational result from our Health activities is not part of the FCG.

Financing

In 2018, Standard & Poor's affirmed its rating (FSR[8]) for the Dutch insurance entities at A, while the credit rating (ICR[9]) for Achmea B.V. was affirmed at BBB+. The rating (FSR) for Achmea Reinsurance Company N.V. and (ICR) for Achmea Bank N.V. remained unchanged at A-. The outlook for all the ratings is negative.

In March 2018, Fitch also awarded a rating to Achmea B.V. and its insurance entities. The ratings are A (IDR[10]) and A+ (IFS[11]),respectively, with a stable outlook. Fitch's rating (IDR) for Achmea Bank N.V. was affirmed at A with a stable outlook.

The debt-leverage ratio[12] increased slightly to 26.5% (2017: 25.9%) as a result of the decrease in total equity. Due to the higher operational result, the fixed-charge coverage ratio improved to 4.4x (2017: 3.4x).

Non-life Netherlands

- Strong combined ratio of 95.5% equal to 2017, despite impact January storms
- Further increase in earned premiums
- Slight decrease in expense ratio despite extra investment in technological innovations

RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	3,364	3,290	2%
Operating expenses	845	818	3%
Operational result	**97**	**166**	**−42%**

NON-LIFE NETHERLANDS	2018	2017	Δ
Claims ratio	70.1%	70.0%	0.1%-pt
Expense ratio	25.4%	25.5%	−0.1%-pt
Combined ratio	**95.5%**	**95.5%**	-

GENERAL INFORMATION

Achmea is market leader in the Dutch property & casualty and income protection insurance markets. We provide our retail and commercial customers with car insurance, fire insurance, liability insurance and travel insurance. In addition, we offer various types of sickness and disability insurances. We assist our customers via innovative services that, for example, give them insight into the potential risks they run. In doing so, we help our customers to prevent or restrict damage or loss as much as possible. Our property & casualty and income protection products are distributed by our brands Centraal Beheer, Interpolis, FBTO, Avéro Achmea and InShared, whereby our focus is on a high level of customer satisfaction, innovative services and digitised processes. Our focus on customer satisfaction is already visible. In 2018 Centraal Beheer was chosen as the most client friendly insurance company in the Netherlands for Retail insurances (CustomerFirst Award). Our services increasingly allow customers to communicate with us at any time and using different methods.

Gross earned premiums

Gross earned premiums increased by €74 million to €3,364 million in 2018 (2017: €3,290 million).

Gross earned premiums from our property & casualty insurance business increased to €2,784 million (2017: €2,690 million) as a result of portfolio growth and premium measures in both the retail and commercial segments. Gross earned premiums from the income protection insurance business amounted to €580 million (2017: €600 million).

Operating expenses

Operating expenses increased by 3% to €845 million in 2018. These higher expenses can be attributed to further investment in digitising our customer service processes and investments in reducing the cost of claims. Thanks to the growth of our portfolio, the expense ratio declined slightly to 25.4% (2017: 25.5%).

Operational result

The operational result for 2018 was €97 million (2017: €166 million). The decrease is mainly due to lower investment income in 2018 (€51 million) as a result of relatively high realised gains on fixed-income investments in 2017 and the development of foreign exchange results in 2018. Our continued focus on claims management and premium measures has contributed to the positive growth of the operational result. These measures have enabled us to absorb the higher cost of claims caused by the January storms (impact on the combined ratio of 2.6%-pt). Partly as a result of this, the combined ratio remains stable at 95.5%.

Property & Casualty

The operational result from our property & casualty business decreased to €72 million in 2018 (2017: €119 million) and this can be attributed almost entirely to the lower investment income in 2018.

The insurance result remained stable. The impact of the January 2018 storms (net impact on claims ratio: 3.2%) was absorbed entirely by the sharp improvement in regular results thanks to the implemented improvement measures in the retail and commercial property & casualty portfolio. These measures comprise adjustments in premiums and claims management. One important pillar within claims management is the prevention of damage or loss to customers. We achieve this by, for example, developing innovative solutions, such as the AutoModus app, BlueLabel and AgroAlarm. These solutions are also available for non-insurance customers and contribute to a safer and more climate-proof society.

The combined ratio of our property & casualty insurance business was 96.0% in 2018 (2017: 96.0%). If we exclude the January storms, the combined ratio is 92.8%. The claims ratio adjusted for the January storms stood at 66.8% (2017: 69.4%). The expense ratio improved by 0.6% to 26.0% in the current period (2017: 26.6%).

Income Protection

The operational result for income protection insurance was €25 million (2017: €47 million). The lower result can be attributed almost entirely to the lower investment income. There has been a slight improvement in the insurance result. In the insurance result, the lower result from disability insurance for the self-employed and sickness insurance are compensated by the higher result from group disability insurance. We assist our customers by placing the emphasis on recovery and re-integration. Continuous improvements to our approach allow us to accelerate the return to work of customers, which has a positive impact on the result.

The combined ratio of our income protection business improved to 93.2% in 2018 (2017: 93.3%). The claims ratio was 70.6% in 2018 (2017: 72.8%), while the expense ratio was 22.6% (2017: 20.5%).

Health Netherlands

- Strong and improved operational result, basic health insurance still loss- making
- For 2019 a provision of €21 million was made for basic health insurance premiums
- Merger De Friesland and Zilveren Kruis and reorganisations will yield further cost reductions

RESULTS			(€ MILLION)
	2018	2017	Δ
Gross earned premiums	13,942	13,184	6%
Operating expenses	526	511	3%
Operational result	**128**	**−128**	**n.m.**
Result underwriting year	42	49	−14%
Incidental result[13]	86	−177	n.m.

KEY FIGURES BASIC HEALTH	2018	2017	Δ
Claims ratio	97.1%	99.3%	−2.2%-pt
Expense ratio	2.3%	2.3%	-
Combined ratio	**99.4%**	**101.6%**	**−2.2%-pt**

KEY FIGURES SUPPLEMENTARY HEALTH	2018	2017	Δ
Claims ratio	82.1%	86.4%	−4.3%-pt
Expense ratio	10.3%	9.6%	0.7%-pt
Combined ratio	**92.4%**	**96.0%**	**−3.6%-pt**

* *n.m: not meaningful*

GENERAL INFORMATION

Zilveren Kruis, De Friesland Zorgverzekeraar, FBTO, Avéro Achmea, Interpolis, OZF, Pro Life en Ziezo provide basic and supplementary health insurance. Alarmcentrale Eurocross provides medical support worldwide.

In the Dutch health system, basic insurance is for everyone and there are no acceptance criteria. This means that there is solidarity between young and old, poor and rich and sick and healthy people. This is unique in the world: less than 5% of the world population lives in a country where everybody has access to the same healthcare. Developments such as ageing of the population, new treatments and medicines and shortage on the labour market in the Netherlands put pressure on the affordability and accessibility of healthcare. This underlines the importance to organize better and give more attention to prevention and a healthy lifestyle.

Zilveren Kruis and the other health brands of Achmea want to bring good health closer to everyone. We have the ambition to bring healthcare at home. This makes the impact of treatment less invasive, improves the quality of life and helps keep premium levels affordable. With initiatives such as Gezond Ondernemen and the lifestyle platform Actify we help customers to work and live healthier.

In 2019 approximately 5 million residents of the Netherlands chose for health insurance from one of Achmea's health brands. With this number of insured clients, Achmea is market leader with an estimated market share of 29%. Organizing solidarity between customers and uniting interests in the healthcare sector fits the cooperative identity of Achmea. Through this we fulfill our societal role. Healthcare also contributes to synergy advantages such as lower execution costs and capital requirements. As Achmea we can assist in broader societal issues such as ageing of the population, employment conditions and living.

Gross earned premiums

Gross earned premiums from basic and supplementary health insurance increased by 6% to €13,942 million (2017: €13,184 million). Gross earned premiums from basic health insurance amounted to €12,621 million (2017: €11,869 million). The increase in gross earned premiums is due to higher premiums for basic health insurance and a larger contribution from the health insurance Equalisation Fund as a result of the increase in healthcare expenses in the Netherlands. Gross earned premiums from supplementary health insurance remained more or less stable at €1,321 million (2017: €1,315 million).

Operating expenses

Operating expenses of our health activities increased to €526 million (2017: €511 million). The increase is due to the reorganisation provisions made in 2018 (€29 million). These relate to the merger of De Friesland Zorgverzekeraar and Zilveren Kruis and the closure of the office location in Zwolle. This merger will result in lower operating expenses in the future. In 2017, there was a one-off windfall of €24 million from amendments to the pension scheme for our employees at several health entities. When adjusted for these items, operating expenses decreased by €38 million (-7%). The decrease is a direct result of initiatives to standardise systems and business processes, enabling a reduction in the number of employees.

Operational result

BASIC HEALTH INSURANCE

The operational result of basic health insurance was €45 million over 2018 (2017: €175 million negative). In 2017 a provision of €108 million was made for setting premiums below cost in 2018. As a consequence the result of basic health insurance is loss-making.

The operational result for the 2018 underwriting year was €18 million negative (2017: €15 million). The 2018 underwriting year has higher healthcare expenses, including higher expenses due to price inflation and expensive medicines, nursing & care and geriatric rehabilitation caused by the ageing population, than estimated in November 2017 when premium levels were set. This is partly compensated by a higher contribution from the health Insurance Equalisation Fund. Reorganisation provisions were also made in 2018.

The incidental result from previous years amounts to €84 million (2017: €83 million negative). In 2018, this positive result can be attributed to lower healthcare expenses mainly relating to specialised medical care and mental healthcare for the 2017 underwriting year. The negative result in 2017 was largely caused by an adjustment to the contribution from the National healthcare Institute (Zorginstituut Nederland).

In 2018, a limited amount of capital reserves was used for premium-setting in 2019. A provision of €21 million was made for two labels, while in 2017 a provision of €108 million was made for setting premiums below cost in 2018. The limited use of the capital reserves is in line with our objective of setting premiums at cost price for the basic health insurance business.

The combined ratio of basic health insurance is 99.4% (2017: 101.6%) and has improved as a result of lower healthcare expenses than expected on previous years.

SUPPLEMENTARY HEALTH INSURANCE

Supplementary health insurance accounts for €85 million of the operational result from the health business (2017: €55 million). The higher result derives from the 2018 underwriting year as well as previous years. The higher result for the 2018 underwriting year is due to a lower cost of claims. Healthcare expenses for previous underwriting years were €9 million less than in 2017. The percentage of basic health insurance policyholders with supplementary coverage has remained stable at around 80% in 2018. This reaffirms the value of supplementary health insurance for our customers.

The combined ratio of supplementary health insurance policies improved to 92.4% in 2018 (2017: 96.0%).

OTHER (HEALTHCARE OFFICES & SERVICES)

The operational result for Other was €2 million negative in 2018 (2017: €8 million negative). Category Other relates to healthcare offices that implement the Long-term Care Act (Wlz) and activities related to healthcare services. The higher operational result can be attributed to higher reimbursements for administrative expenses relating to the Wlz and a decrease in operating expenses.

Pension & Life Netherlands

- Strong operational result underpinned by lower operating expenses
- Premium lapse of Pension & Life service book in line with expectations
- Strong 11% growth earned premiums for term life insurance

RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	1,420	1,569	−9%
Operating expenses	150	172	−13%
Operational result	**334**	**342**	**−2%**

GENERAL INFORMATION

Pension & Life administers the group pension contracts and traditional savings and life insurance products. In addition, the service organisation services a growing open-book portfolio containing term life insurance policies and individual annuities and pension products. The service organisation focuses on generating a stable result with positive capital generation, while maintaining a high level of customer satisfaction.

Gross earned premiums

Gross earned premiums decreased by 9% to €1,420 million in 2018 (2017: €1,569 million). Of this amount, €1,193 million comes from the service book and €227 million from the open book.

Gross earned premiums on our service-book pension portfolio decreased by 13% as a result of normal portfolio trends and expirations. Total gross earned premiums amounted to €424 million (2017: €490 million). In line with our strategy, no new pension insurance contracts have been sold in this portfolio. Given the long duration of the contracts in our pension portfolio, the liabilities will decrease slowly. Premium lapse for the service-book Life portfolio stands at 7% and total gross earned premiums decreased to €769 million (2017: €831 million). The decline in the portfolio for both Pension & Life is in line with our expectations.

Gross earned premiums from term life insurance increased to €54 million (2017: €49 million). However, the growth in new term life insurance products has declined as there is no longer an obligation to take out such products when arranging NHG-guaranteed mortgages. Production of individual annuities and pensions amounted to €173 million in 2018 (2017: €199 million).

Operating expenses

Operating expenses decreased by a further 13% to €150 million in 2018 (2017: €172 million). The decrease is the result of reducing the number of employees in line with the decrease in the portfolio, reducing the number of IT systems, optimising processes and changes to cost allocation. An additional investment programme was initiated in 2018 aimed at further reducing the number of IT systems step-by-step over the coming years.

Operational result

The operational result remained fairly stable in 2018 at €334 million (2017: €342 million). The slight decline in the result is due to the lower investment results, which is largely compensated for by improved technical and expense results.

The technical result increased by €8 million in 2018 compared to 2017 . This was mainly due to the addition to the provision for contribution waivers in the case of disability in 2017.

The investment result decreased by €29 million compared to 2017. The decrease is due to lower foreign exchange results and revaluations as a result of downward trends on the financial market in 2018. The increase in the value of real estate investments partly compensates for this, while the widening swap spread also had a positive impact. These two trends, however combined only succeeded in partially absorbing the decrease.

Retirement Services Netherlands

- Increase in Retirement Services operational result to €15 million
- Higher operational result at Achmea Bank due to lower financing costs and operating expenses
- Increase in Assets under Management at Achmea Investment Management to €129 billion
- Successful phasing out of services to mandatory sectoral pension funds

RESULTS (€ MILLION)

RETIREMENT SERVICES TOTAL	2018	2017	Δ
Total Income	232	272	–15%
Of which: administration and management fees pension administration	121	158	–23%
Operating expenses[14]	217	260	–17%
Operational result	**15**	**12**	**25%**
ACHMEA BANK			
Net interest margin	112	106	6%
Fair value result[15]	–2	1	n.m.
Operating expenses	79	96	–18%
Movements to loan loss provisions	1	8	–88%

	2018	2017	
Common Equity Tier 1 ratio	20.8%	20.4%	0.4%-pt

(€ BILLION)

ACHMEA INVESTMENT MANAGEMENT	2018	2017	
Asset under management[16]	129	120	9

GENERAL INFORMATION

Achmea's Retirement Services provides pension funds, employers and retail customers with pension services, capital accrual and mortgage solutions. The Centraal Beheer General Pension Fund (APF) provides an alternative to pension insurance in the second pillar of the Dutch pension system. Combined with products for capital accrual and mortgage solutions in the third and fourth pillars, customers can choose from a wide range of financial services. These products and services are sold under the Centraal Beheer brand and administered by Achmea Bank, Achmea Investment Management and Achmea Pension Services.

Operational result

The operational result for Retirement Services increased to €15 million in 2018 (2017: €12 million). The improved result was mainly driven by a higher net interest margin of Achmea Bank, an increase of fee income at Achmea Investment Management and cost reductions. Start-up investments for the Centraal Beheer APF were also lower in 2018 than in 2017. The operational result for Achmea Pension Services decreased as a result of expenses relating to phasing out the sectoral pension fund business.

Achmea Bank

Achmea Bank's result increased to €36 million in 2018 (2017: €24 million). This increase is the result of a decrease in expenses and an improvement in the interest result. The latter improved due to lower financing expenses. This is despite lower interest income caused by a decrease in the mortgage portfolio and lower rates on newly-originated mortgages and rate revisions.

Operating expenses decreased as a result of outsourcing mortgage administration, implementation of a new savings system, a decrease in corresponding project expenses and a lower contribution to the start-up costs of the Centraal Beheer APF.

As of year-end 2018, the Common Equity Tier 1 ratio was 20.8% (31 December 2017: 20.4%), an increase due to a decrease in the mortgage portfolio and retained profit.

Achmea Investment Management

As of 31 December 2018, assets under management (AuM) increased to €129 billion (31 December 2017: €120 billion). The AuM has increased due to the inflow of new customers, including Stichting Pensioenfonds Huisartsen.

Achmea Investment Management's contribution to the segment result increased to €8 million (2017: €4 million) due to an increase in fee revenue and a decrease in expenses. The higher revenue was driven by the inflow of new customers, new mandates and revenue growth at the Centraal Beheer APF. Expenses have decreased due to insourcing external asset managers and no further contribution to start-up expenses for the Centraal Beheer APF. These lower expenses are partly compensated for by a slight increase in personnel and other expenses.

Achmea Pension Services

Achmea has opted to phase out administrative services to mandatory sectoral pension funds. The phasing out of services to these pension funds was successfully completed as of 1 July 2018.
As a result, Achmea Pension Services focuses on services to the Centraal Beheer APF and to company, occupational and exempt sectoral pension funds. The number of pension funds in the Centraal Beheer APF will soon be increased with the planned transfer of Stichting Pensioenfonds Cindu and the Delta Lloyd APF as of 1 January 2019. Besides this, 2018 was a successful year for the employers market.

Achmea Pension Services welcomes two new clients, Pension fund Alliance and Metro. Furthermore, the number of administered members from company, occupational and exempt pension funds has increased.

The operational result of Achmea Pension Services decreased to €29 million negative in 2018 (2017: €16 million negative). The lower result is due to expenses relating to the strategic decision to phase out the sectoral pension fund business. Achmea Pension Services is investing in further optimising its processes and further reducing its operating expenses, while continuing to guarantee services that are highly rated by customers.

International

- Increase in operational result International activities to €29 million
- Growth in gross earned premiums when adjusted for exchange-rate differences; Non-Life (+7%) and Health (+11)
- Innovative market launches in Canada with initial commercial results

RESULTS (€ MILLION)

	2018	2017	Δ
Gross earned premiums	1,106	1,206	–8%
Operating expenses	266	307	–13%
Operational result	**29**	**16**	**81%**

GROSS EARNED PREMIUMS PER COUNTRY

	2018	2017	Δ
Slovakia	415	385	8%
Greece	331	318	4%
Turkey[17]	271	335	–19%
Ireland[18]	69	151	–54%
Australia	20	17	18%

GENERAL INFORMATION

Achmea International focuses on the core qualities of Non-Life, Health and Agri insurance products, distributed via the online (direct) and banking channels. Achmea pursues an international growth strategy by exporting knowledge of niche markets and online expertise gained in the Netherlands. This expertise is used in specific international markets using a limited capital lock-up. We are accelerating growth and gaining market share in existing and new markets. Moreover, our online brand Anytime has expanded its operations to Cyprus. Via its partnership with Fairfax, a Canadian holding, Achmea has entered the Canadian Property & Casualty insurance market with the launch of its completely online proposition under the Onlia brand name. The sale of Friends First to Aviva was completed successfully.

Gross earned premiums

Gross earned premiums in euros decreased by 8% to €1,106 million last year (2017: €1,206 million). This decrease in euros is mainly due to the sale of Friends First in May (five months of premiums in 2018) and the depreciation of the Turkish lira. When adjusted for exchange-rate effects, gross earned premiums increased by 11% in Health and 7% in Non-Life.

In Slovakia, both Health and Non-Life product ranges performed well, with growth of 8% for Health and 11% for Non-Life. Our online channel is evolving fast and noted an increase in premiums of 13%.

In Greece, the Health and Non-Life product ranges displayed strong growth compared to last year (5% and 19% respectively). The Greek economy is growing again after eight years of recession. Interamerican's direct online insurance brand, Anytime, grew to approximately 355,000 customers in 2018 (2017: approximately 315,000). Building on the success of Anytime in Greece, these operations were expanded to include Cyprus in July 2018.

In Turkey, gross earned premiums grew by 10% to TRY1,522 million (2017: TRY 1,379 million). Health (+21%) and Non-Motor (+23%) performed well, while the Motor portfolio decreased by 13%. This is mainly due to lower car sales and a focus on other Property & Casualty products.

In Australia, gross earned premiums increased in local currency by 29% to AUD32 million (2017: AUD25 million) thanks to a successful partnership with Rabobank and our innovative distribution strategy.

Operating expenses

Operating expenses decreased by 13% to €266 million in 2018. This decrease can largely be attributed to the depreciation of the Turkish lira and the sale of Friends First. When adjusted for this, there is slight growth in operating expenses. This increase can be attributed to the investments in the digital channel, the launch of Onlia in Canada and also the higher expenses related to autonomous growth in the individual countries.

Operating result

The total operational result was €29 million (2017: €16 million). Significant positive contributions to the operational result came from Slovakia, Turkey and Greece in particular. In 2018, the international business also profited from higher investment results and cost reductions.

Other

- Other activities result lower due to impact of January storm and additional reorganisation expenses
- Independer sold in line with strategy
- Growth in Assets under Management at Syntrus Achmea Real Estate & Finance to €21.5 billion

RESULTS (€ MILLION)

	2018	2017	Δ
Total gross Income	330	380	–13%
Operating expenses	352	203	73%
Interest and similar expenses	57	62	–8%
Operational result	**–212**	**–59**	**n.m.**
ACHMEA REINSURANCE			
Gross earned premiums	205	255	–20%
Operational result	**–13**	**5**	**n.m.**

GENERAL INFORMATION

Other activities includes the results of our Shared Service Centers, activities at holding company level, Achmea Reinsurance, Syntrus Achmea Real Estate & Finance and Independer. As part of Achmea, Achmea Reinsurance provides reinsurance solutions for the group and accepts external reinsurance risks on a limited basis. Syntrus Achmea Real Estate & Finance manages both the real estate portfolios of the insurance entities and those of external customers.

Independer was sold to De Persgroep at the end of 2018 as part of Achmea's strategic decision-making and focus on online customer services via its own distribution channels. The sale yielded a transaction result of €167 million for Achmea.

GROSS EARNED PREMIUMS

The result of Other Activities is to a large extent determined by the holding company expenses, interest expenses on external loans, and the results of the other operating companies in this segment.

The operational result was -€212 million in 2018 (2017: -€59 million). The lower result can chiefly be attributed to reorganisation expenses of €41 million caused by a further reduction in the workforce and the centralisation of office locations. In 2017, there was a release of reorganisation provisions of €28 million. Furthermore, the result of Achmea Reinsurance decreased by €18 million to -€13 million as a result of the impact of Storm Friederike in January 2018 (€30 million own retention). Higher investments of €18 million in new initiatives and services, part of the result being removed by the sale of Independer and a change to passing on charges also contributed to the decrease in the result.

Syntrus Achmea Real Estate & Finance and Independer both added positively to the result in 2018 (the contribution from Independer is eleven months due to its sale as of 1 December 2018).

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 provides reinsurance cover to the Dutch and foreign legal entities in the group. The purpose of Achmea Reinsurance's external reinsurance portfolio is diversification of insurance risks and earnings growth for Achmea.

The operational result was €13 million negative in 2018 (2017: €5 million). The decrease in the result was primarily caused by €30 million in net claim costs generated by the severe storm that passed over the Netherlands and other parts of northwest Europe on 18 January 2018. Investment results were also lower than in 2017. The external reinsurance portfolio earned a positive result of €4 million, despite a number of global catastrophes. Over 2017 this was a loss of €17 million due to a record number of global natural disasters.

Other

Gross earned premiums stood at €205 million in 2018 (2017: €255 million). Premiums were €37 million higher in 2017 due to the one-off effect of moving the renewal date for the group reinsurance programme in that year.

Syntrus Achmea Real Estate & Finance

Assets under management in real estate and mortgages increased to €21.5 billion (2017: €19.7 billion). This increase is due to the new mandates for institutional investors and higher revaluations of existing portfolios. Of the individual asset classes, mortgages and residential property in particular experienced strong growth. Management fees increased to €82 million (2017: €72 million). This is due to an increase in the number of mortgages issued to retail customers thanks to higher mortgage mandates, as well as higher revaluations across all product groups, but primarily at residential property investments. Higher fees led to the result increasing to €11 million (2017: €8 million).

Footnotes

GROUP RESULTS

Key figures

[1] Gross operating expenses comprise personnel expenses, depreciation costs for land and buildings for company use and plant and equipment and general expenses, including IT expenses and marketing expenses. These are operating expenses excluding paid and due fees, profit sharing on reinsurance and fees and for the allocation of claims handling expenses and allocated investment costs

[2] The operational result is calculated by adjusting the result before tax for certain items. These are items within income and expenses which are significant and which arise from events or transactions which are clearly distinct from the normal business operations, and are therefore not expected to occur regularly. Examples of such items include exceptional depreciation losses from goodwill and pre-tax results from disinvestments related to disinvestment operations

[3] The Partial Internal Model was expanded to include market risk in 2018

[4] The solvency ratio's here are not only before and after (planned) dividend, but also before and after coupon payment on hybrid capital and the in 2017 announced purchase of own shares. In 2018 there is no intention to purchase own shares

[5] The number of FTEs is based on a working week of 36 hours

Investments

[6] Investment income consists of investment income (own risk) in the Consolidated Income Statement, including income from associates and joint ventures and realised and unrealised gains and losses, adjusted for investment income directly related to the insurance liabilities (both fair value and other)

Free Capital Generation

[7] This relates to the amount of disposable capital that is generated. This is the increase in capital above the Solvency Capital Requirement

Financing

[8] ICR: Issuer Credit Rating
[9] FSR: Financial Strength Rating
[10] IDR: Issuer Default Rating
[11] IFS: Insurer Financial Strength
[12] Leverage ratio: (non-banking debt + perpetual subordinated bonds) as a percentage of the total (total equity + non-banking debt + perpetual subordinated bonds minus goodwill)

HEALTH NETHERLANDS

[13] The incidental result refers to earnings from health expenses and/or equalisation from previous underwriting years and allocations to a provision for losses

RETIREMENT SERVICES NETHERLANDS

[14] Operating expenses including other expenses
[15] The fair value result is an accounting result that is compensated for in other financial periods, in line with the value development of the underlying derivatives. Derivatives are used to restrict the interest rate risk
[16] The Assets under Management (AuM) include a derivatives (overlay) portfolio

INTERNATIONAL ACTIVITIES

[17] In local currency, gross earned premiums increased by 10% to TRY1,522 million
[18] The premiums for 2018 and 2017 include the figures up to and including May 2018 for Irish insurer Friends First