



### Economic trends and our market

Although the economic outlook has improved slightly, we operate in an economic climate typified by low growth, low interest rates, relatively high unemployment and a squeeze on the spending power of large groups of people. This also affects the financial sector.

Competition is fierce on the non-life insurance market and tariffs are under pressure. The greater transparency makes it increasingly easy for consumers to compare products. The reality is that it generally comes down to price and too little to quality and service. Our brands have proved themselves capable of increasing their market shares slightly, while maintaining returns.

The life insurance and pension sector has experienced a tough few years. This is partly due to the discussions involving unit-linked policies and because customers are increasingly opting to accrue capital via bank savings rather than life insurance policies. The pension debate continues unabated in the Netherlands. This means that we still need to make some tough decisions about a future-proof strategy in this field. Clarity and political decision-making are ultimately required in order for us to determine our path. We are participating in the debate because our experience and knowledge enable us to make a valuable contribution to a positive future for all Dutch people.

The healthcare market continues to evolve. The transfer from the Exceptional Medical Expenses Act (AWBZ) to municipalities and insurers has major consequences. This applies to our customers, but also to our health insurance activities. In the transitional year of 2015 we will demonstrate that health insurers can also play a significant role in guaranteeing the quality and affordability of AWBZ healthcare. In doing so, our task remains ensuring accessible and affordable healthcare for everyone. We do this by the selective purchase of healthcare, based on competitive prices and good and transparent quality. We implement this task using our

full conviction, but we can only do so if the company is in good shape. This also includes a sound financial result. In the past year, another 5.3 million Dutch people opted for one of our high-quality insurance brands in health, which enabled us to successfully protect our market share. We made a strategic decision to maintain, in particular, customer groups with whom we can agree on terms related to prevention, vitality and care. This allows us to truly contribute to improving the health of our customers. It is good to see that all our health insurance brands show a growth in their number of customers, if corrected for the loss of the 'pseudo group contracts'. On account of our size, we can use our economies of scale to purchase the highest-quality care for our customers at the most competitive rates. We are committed to procuring the most efficient possible, highest-quality healthcare at the lowest possible cost.

### Implementing our strategy

Based on a specific management agenda, a large number of new initiatives that benefit our customers were launched or initiated in 2014. The Acceleration & Innovation management agenda is divided into four cornerstones: customer-driven, responsible returns, competitive costs and employees in transition. We are pleased to report that we have made key progress in each of these quadrants. We are making progress in terms of customer focus and cost savings, as well as being in the process of innovating our processes and online services.

We are also on schedule with the reduction of roughly 4,000 FTEs as a result of the Acceleration & Innovation programme. The number of jobs in the Netherlands was reduced by around 1,200 in 2014. Over the next two years we will say farewell to another 3,000 or so colleagues. But we will strive to protect the interests of the employees affected to the extent of our ability. We feel that the high level of employee commitment confirms our careful approach. The response to our annual Employee Engagement Survey was again high in

2014 with scores at about the same level as in 2013. The commitment of our employees is crucial to the success of our Acceleration & Innovation change programme. I would like to thank all our employees for their commitment in these rather uncertain times.

We managed to reduce our operational expenses by €143 million and are set to achieve our target of reducing our costs by €450 million by the end of 2016. The sale of non-profitable business units in our company will help to increase our returns. Examples include the closure and sale of the Achmea Health Centers and the disinvestment of Russia's Oranta. We closed the 2014 financial year with a net result of €16 million. Reorganisation expenses related to the Acceleration & Innovation programme of €239 million and goodwill write-offs of €143 million had a strong impact on our net results. Our operational result fell to €388 million (2013: €542 million); this was partly due to the cut in health insurance premiums in 2014 and the allocation of €335 million of our incidental result in order to keep health insurance premiums largely stable for 2015. This is in spite of expanding our basic health insurance package to include the district nursing services from the AWBZ. Our gross written premiums remained largely equal (around €20 billion), while our Property & Casualty insurance business managed to grow in an otherwise shrinking market. Our solvency increased to 215% and we maintained the A+ credit rating for our insurance entities with S&P, which demonstrates that we continue to be a solid financial partner to our customers and other stakeholders. In the beginning of 2015 two financing transactions were executed to improve our capital position. If these transactions had taken place in 2014, that would have had a positive effect on our pro forma IGD-solvency ratio of 13 percentage points.

We are working hard on providing digital customer services in all our markets and via all our distribution channels. This relates both to management - concluding, amending or terminating insurance policies - and to expanding services. We continually measure the quality



of our work: in all channels, across all relevant processes. This enables us to hear directly from our customers what they like about our services and where there are opportunities for improvement. We ask our customers whether they would recommend our products to others. The Net Promoter Score (NPS) is a key gauge of how our customers value our brands. Wherever possible customer feedback is passed back to the employee who had contact with the relevant customer. This enables the Achmea brands to improve their services both in operational and strategic terms. At FBTO, for instance, this led to improved E-mail responses, which pushed up the NPS from -19 to +2. That's a result of which I am proud.

Rabobank is our main distribution partner. Achmea aims to further consolidate this strategic alliance in order to be able to serve Rabobank customers quickly, efficiently and above all properly. This is why we are investing in even closer commercial ties, which on the one hand involve improving services and on the other substantially cutting costs in the chain. This enables us to offer Interpolis customers competitive products and help Rabobank to earn a structurally sound return on insurance products. Together with Rabobank we will work on revising the propositions for Rabobank's private and business customers over the next few years. This has already been done for small business customers under the name Zeker van je Zaak (Assured of your business) at Interpolis. We plan a full revision of the Alles in één Polis (All-in-one policy) for private customers. This will mean a revised product which can be arranged online for 1.3 million customers.

We also continue to move forward with respect to sustainable operations. Our operations aim to leave the smallest possible environmental footprint. The new waste system initiated in January 2015 will provide a significant contribution to the circular economy. In doing so, Achmea is making the transition from waste management to commodity management. By the end of 2016, a minimum of 80% of the total waste produced by Achmea can be reused as raw materials: this is both good for the environment and enables Achmea to achieve long-term cost savings. Our insurance products for car pooling via, among others, SnappCar and as of recently also for lending goods via Peerby are helping to facilitate the sharing economy. We of course also assume responsibility in our role as a major institutional investor. At Achmea we are deliberately working on how much value you can add to society as a company. We are assuming responsibility for the future of our planet. We deliberately take into account environmental, social and administrative aspects. According to various independent surveys, including the Fair Insurance Guide, we again improved our performance in 2014.

We are implementing these changes in response to our customers' rapidly changing needs. Our brands serve approximately 14 million customers who are increasingly using the internet for many different purposes, including their insurance. We are therefore accelerating our efforts to implement these changes, as well as investing more in Customer Centricity and online customer services. This will enable us to maintain our identity in the future:

an insurer with roots as a cooperative organisation and strong brands, one that keeps in touch with its customers by using the latest technologies.

I would like to take this opportunity to thank all our employees and the Central Works Council for their hard work and dedication. Especially, I would like to thank three retiring members of the Supervisory Board, Mr Van der Weg, Mr Minderhoud and Mr Overmars for their many years of commitment to Achmea and the valuable contributions they have made to our Group during their tenure. Next to our employees, I would like to thank our other stakeholders: our business partners - in particular Rabobank -, our shareholders and our customers. They ensure our cooperative identity remains vital and alive.

Willem van Duin

Zeist, 5 March 2015

**W.A.J. van Duin**  
**Chairman of the Executive Board**

# Strategy



## BECOMING THE MOST TRUSTED INSURER

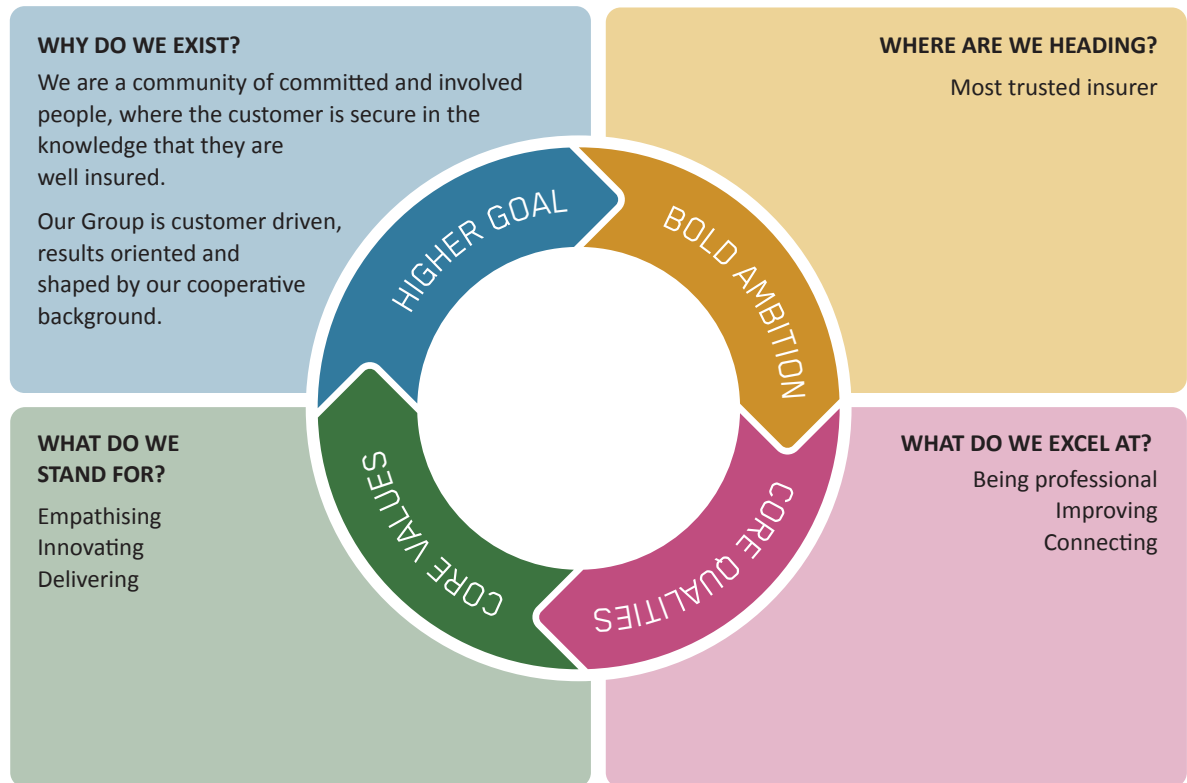
Our ambition is to become the most trusted insurer for our customers. Customers must be able to rely on us being ready to act when they need us. We are accessible via a broad range of brands and distribution channels. We see it as our duty to act in a responsible and forward-looking manner. We want to do so by applying customer centricity to all our strategies and actions, by providing products and services which have added value for society and by investing responsibly. Our cooperative background makes us customer-driven and result-oriented. How we structure our Customer Councils and their link to the Members Board of Vereniging Achmea - Achmea's largest shareholder - give Achmea a unique position compared to other large insurers when it comes to customers actually having influence over their own insurer.

While Achmea can look back over two centuries of cooperative history, it has developed into a robust and diversified insurance company, in which customers can place trust that their interests are in safe hands. Our strategy is based on creating value for four stakeholders: customers, employees, (business) partners and shareholders.

## CREATING VALUE AS AN INSURANCE COMPANY

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 absorb the risk of such setbacks from them if these risks become so substantial that they are unable or unwilling to bear it themselves. Since our customers pay premiums in a cooperative context, we can offer them continuity when facing unexpected adversity. Insurance is based on the principle of solidarity, which means that, although all individual policyholders pay premiums, not all of them will

Our bold ambition remains to be the most trusted insurer



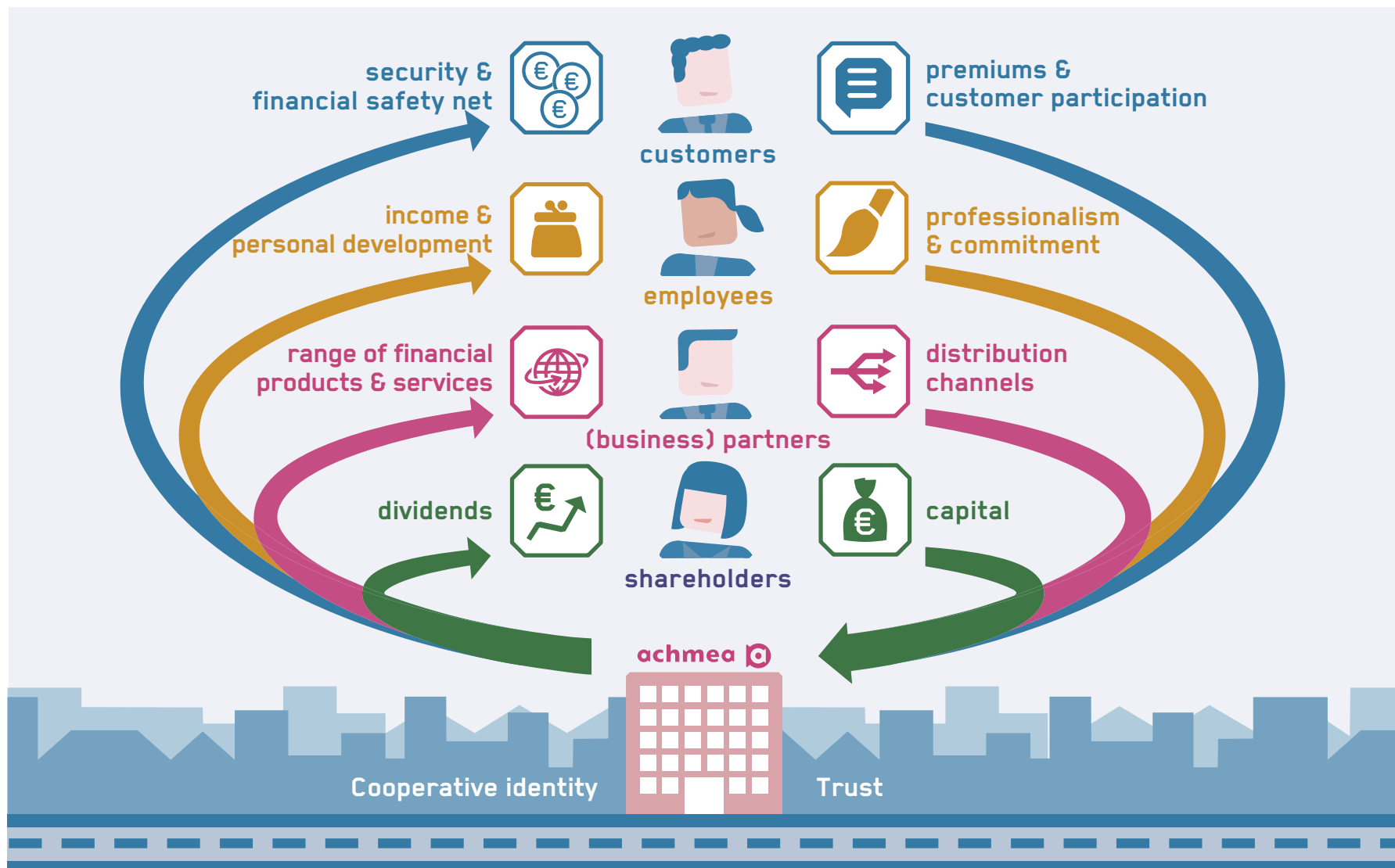
suffer actual loss. The impact on individual policyholders will therefore remain manageable due to the shared risk.

Profitability contributes to the company's financial health, which must ensure that we can meet our obligations to our customers. A sound return is essential here to maintain our solid financial position over many years. In doing so, regulators such as the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten; AFM) and the Dutch Central Bank

(De Nederlandsche Bank; DNB) set requirements to ensure that we are able continue to fulfil our function in society.

Our brands offer their insurance policies directly to their customers but also via our distribution partners, such as Rabobank and brokers. Our partners also allow us to offer our propositions that customers require. Meeting specific customer requirements makes us accessible to customers and provides a broad basis for the principle of solidarity.

Stakeholder Value Management model





## OUR ANALYSIS

Last year, we started our Acceleration & Innovation change programme. In doing so, we are writing a new episode in the history of Achmea. This is the multi-year programme we have initiated using the customer-driven, responsible returns, employees undergoing change and competitive costs initiatives in order to become a more customer-centric company and improve our online customer service. If we take stock now, one year on, we can conclude that we are heading in the right direction and that we have achieved most of what we set out to do over the past year. We have taken steps to develop our target corporate profile, a risk insurer. Yet at the same time we are aware that the speed at which digital customer interaction is becoming widely-accepted is so high and the pressure on our revenue capacity is so great that we are not yet where we wish to be.

We have a very sound starting position thanks to the breadth of our company, our market position and the strength of our brands. Our customer satisfaction is high and our financial position is solid.

Yet the changes in our environment persist. This implies that we face considerable challenges. Now that the fallout from the financial crisis has cleared, it is more obvious than ever that there will be limited growth on the insurance market. The pensions and life insurance business, a major driver of financial results in the insurance industry, has been shrinking for years.

At the same time, there is growing pressure in the health insurance market to keep premiums and capital low. This in turn squeezes the revenue capacity in the health business. The non-life market is now growing slightly in the wake of a period of stabilisation.

Yet here, too, we are seeing increasing pressure on margins. This is chiefly due to new players with digital corporate models. In the longer term, the nature and scale of the business will change due to alterations to risk profiles, for instance driverless cars.

## SWOT analysis

<ul style="list-style-type: none"> <li>• High customer satisfaction score</li> <li>• Large market share in the Netherlands (market leader positions)</li> <li>• Good product and distribution diversification</li> <li>• Strong brands, especially in direct and banking channel</li> <li>• Solid capitalisation</li> <li>• Aggregator that enables us to monitor customer behaviour</li> <li>• One of the most attractive employers in the Netherlands</li> </ul>	<ul style="list-style-type: none"> <li>• Complexity due to large number of IT systems</li> <li>• Relatively high cost level</li> <li>• Complex organisational structure</li> <li>• Limited geographic diversification</li> <li>• Low return on some segments</li> </ul>
<p><b>STRENGTHS</b></p>	<p><b>WEAKNESSES</b></p>
<ul style="list-style-type: none"> <li>• Renewed focus on customer centricity</li> <li>• Increased digitisation and multimedia distribution</li> <li>• Privatisation of certain markets</li> <li>• Big data</li> <li>• Increasing demand for simple and transparent products</li> <li>• Aggregator offers options for online comparison</li> <li>• Further developing relationship with Rabobank, both domestic and international</li> </ul>	<ul style="list-style-type: none"> <li>• Low confidence in insurance sector</li> <li>• Mature and highly competitive market in the Netherlands drives down profit margins</li> <li>• Public and political pressure on return of Dutch basic health insurance</li> <li>• New players entering the market</li> <li>• Political decisions regarding health and pensions</li> <li>• Low interest rates</li> <li>• Volatility of financial markets</li> <li>• Increasing regulatory burden</li> </ul>
<p><b>OPPORTUNITIES</b></p>	<p><b>THREATS</b></p>