2023

Annual Report

Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Annual Report contents

Composition of the board

The composition of the Management Board and the Supervisory Board of Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Leven) as at 31 December 2023 was as follows:

Management Board

Composition as at 31 December 2023

L.M. (Leon) van Riet (1964), CEO and chair

A. (Arun) Sivaramakrishnan (1973), CFO

W.G. (Wilbert) Ouburg (1985), CRO

G. (Gerard) van Rooijen (1972)

Resigned in 2023

M.R. (Martijn) Hoogeweegen (1969)[1]

Supervisory Board

Composition as at 31 December 2023

J.L. (Janet) Stuijt (1969), chair

A.T.J. (Annemiek) van Melick (1976)

J.W. (Hans) Schoen (1954)

1 Resignation as from 1 September 2023 by resignation letter.

NN Group and NN Leven at a glance

NN Group

NN Group N.V. (NN Group) is an international financial services company, active in 11 countries, with a strong presence in a number of European countries and Japan.

Led by our purpose and ambition, guided by our values and brand promise, and driven by our strategic commitments, we are committed to create long-term value for all our stakeholders: customers, shareholders, employees, business partners and society at large.

With all our employees, we provide retirement services, pensions, insurance, investments and banking products to approximately 20 million customers. We are a leading financial services provider in the Netherlands.

We provide our products and services under the following brand names: Nationale-Nederlanden, OHRA, Movir, AZL and BeFrank, as well as via our joint venture, ABN AMRO Verzekeringen, and our partnership with ING Insurance.

Our roots lie in the Netherlands, with a rich history that stretches back 175 years. NN Group is listed on Euronext Amsterdam.

Within NN Group's organisational structure, NN Leven is part of the reporting segment Netherlands Life.

NN Leven

NN Leven offers a range of group life and individual life insurance products. Its group life policies are primarily group pension products. The company provides pension solutions to businesses of all sizes. It offers insured and non-insured pension solutions, bundled and unbundled options and works in close cooperation with pension administrator AZL N.V. (AZL).

NN Leven's individual life insurance business primarily consists of the closed-book operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of NN Leven, RVS Levensverzekering N.V. (RVS Leven), Delta Lloyd Levensverzekering N.V. (Delta Lloyd Leven) and Nationale-Nederlanden Services N.V. (NN Services).

NN Leven has a strong position in the Dutch pension market. It is NN Group's largest business measured by the balance sheet total and the largest Dutch life insurer measured by gross premium income and by balance sheet totals. In addition, NN Leven offers Defined Contribution (DC) pension products through its subsidiary BeFrank PPI N.V., which is the leading Premium Pension Institution (PPI) in the Netherlands.

NN Leven's business centers around people and trust by acting with professionalism and behaving with integrity and skill. NN Leven believes it can build and maintain the confidence of our customers and other stakeholders. Our values 'care, clear, commit' set the standard for conduct and serve as a compass for decision-making.

On 15 July 2022, NN Leven acquired all issued shares in the share capital of ABN AMRO Levensverzekering N.V. (AAL), the life insurance subsidiary of Nationale-Nederlanden ABN AMRO Verzekeringen Holding N.V. (AAV). NN Leven and AAL entered into a legal merger on 31 March 2023 and the merger became effective as from 1 April 2023. As a result of this merger NN Leven acquired all assets and liabilities of AAL under universal title of succession and AAL ceased to exist as per 1 April 2023. For a more detailed disclosure, reference is made to Note 36 'Companies acquired and legal mergers'.

Legal structure NN Leven

NN Leven is a fully-owned subsidiary of Nationale-Nederlanden Nederland B.V. (NN Nederland) which in turn is a fully-owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is fully owned by NN Group.

Report of the Management Board

Strategy

Our purpose is to help people care for what matters most to them. Because what matters to them matters to us.

Our ambition is to be an industry leader, known for our customer engagement, talented people, and contribution to society. All parts of our business contribute to the delivery of our ambition.

NN Leven is committed to sustainable long-term value creation for all our stakeholders. Our strategy aims to address the interests of all stakeholders, which is why we have both strategic and financial targets. Our five strategic commitments will help us achieve our ambition.

1. Customers and distribution - We see our customers as the starting point of everything we do
2. Products and services - We develop and provide attractive products and services
3. People and organisation - We empower our colleagues to be their best
4. Financial strength - We are financially strong and seek solid long-term returns for shareholders
5. Society - We contribute to the well-being of people and the planet

At the end of 2023, we redefined our five strategic commitments and introduced a new commitment on becoming a 'digital and data-driven organisation', while combining our commitments on customers and products and services into a single commitment, 'engaged customers'. This update reflects our focus on transforming our business by further simplifying our technology and operations, giving us room to grow our business further.

The goal of NN Leven is to deliver an excellent customer experience, while meeting our operational efficiency ambition. We have a proven track record in reducing costs by improving efficiency whilst at the same time improving client satisfaction. By means of our Strategic Leadership Agenda (SLA) we ensure that the strategic priorities are embedded into the entire organisation.

NN Leven is organised into two Business Lines: Pensions and Services. Pensions is our open book proposition, while Services manages the closed book operations. Pensions focuses on commercial success and profitability with DC pension products (including guaranteed decumulation products), PPI and Term Life covering the total Dutch pension market from SMEs to corporates. Services focuses on efficiency through IT simplification and migrations. Services primarily consists of the closed book operation of the group life portfolios and the individual life portfolios (comprising a range of discontinued products sold prior to 2012).

NN Leven's strategy aims for an effective response to changing dynamics in the Dutch Life and Pension market such as volatile markets, intensified competition in certain segments, regulatory changes, and developments in life expectancy.

In July 2023, the future pensions act / Wet Toekomst Pensioenen (WTP) became effective. By January 1st, 2028, all pension contracts must be adjusted to contribution-based and each individual pension contribution is allocated to their individual pension capital. NN Leven has an active project for the implementation of the WTP and actively adapted to the transition with the WTP by launching our WTP pension product and a new version of the WTP indication tool providing employers financial insights in the consequences of WTP in 2024.

Going forward, NN Leven will continue to focus on delivering on key aspects: adapting to the changes in the pension market and the shift to defined contribution, improving customer service, enhancing the effectiveness of our control landscape, operational efficiency to reduce cost levels through actions such as simplifying our IT landscape, refining the investment mix on the balance sheet taking into account managing insurance and business risks. Adapting to regulatory change remains an important management priority. Major programs are underway to prepare for the regulatory changes in the pension market and the implementation of IFRS 17 and IFRS 9 in 2023 has been completed.

On 15 February 2022, it was announced that NN Group and ABN AMRO Bank N.V. (ABN AMRO Bank) had reached an agreement on the acquisition of AAL. On 15 July 2022 NN Leven acquired all issued shares in the share capital of AAL. NN Leven and AAL entered into a legal merger on 31 March 2023 and the merger became effective as from 1 April 2023. The operational integration of AAL was largely completed in 2023.

For a more detailed disclosure on the IFRS impact as result of the acquisition of AAL, reference is made to Note 36 'Companies acquired and legal mergers'. The Solvency II ratio include the acquisition of AAL, reference is made to Note 41 'Risk management'.

In December 2023, NN Leven completed two transactions to transfer the full longevity risk associated with in total approximately EUR 13 billion of pension liabilities in the Netherlands. The deals reduce NN Leven's exposure to longevity risk and further strengthen NN Leven's capital position. The transactions covered the longevity risk of approximately 300 thousand policies and have been entered into with an insurance subsidiary of Prudential Financial, Inc. and with Swiss Re. The risk transfer became effective as of 31 December 2023, and the reinsurance agreements will continue until the portfolio has run off. The reinsurance deals have no impact on the services and guarantees that NN provides to its policyholders. The transactions delivered a solvency uplift to NN L&P of approximately 21 percentage points measured at year-end balance sheet.

On 9 January 2024, NN Leven announced a settlement with interest groups ConsumentenClaim, Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond regarding unit-linked products sold in the Netherlands by Nationale-Nederlanden, including Delta Lloyd and AAL. The settlement relates to all unit-linked products of policyholders affiliated with the aforementioned interest groups and is subject to a 90% acceptance rate of affiliated policyholders that have received an individual proposal for compensation. As part of the settlement, all pending proceedings with respect to unit-linked products initiated by these interest groups against Nationale-Nederlanden will be discontinued once the settlement is executed, which is anticipated ultimately 30 June 2025.

The settlement also includes that no new legal proceedings may be initiated by the aforementioned interest groups or their affiliated persons/parties. To cover the settlement costs, a provision of approximately EUR 360 million was recognised in the fourth quarter of 2023. This includes EUR 60 million for hardship cases, and customers unaffiliated with one of the aforementioned interest groups that have not previously received compensation. In addition, approximately EUR 20 million is available for these customers through the remainder of a provision recognised as part of the 2008 settlement as part of the insurance contract liabilities.

At the end of December 2023, NN Group decided to inject EUR 1 billion into NN Leven. The injection will cover for the unit-linked provision whilst the remainder will be deployed according to NN Leven's strategic asset allocation over time. As such, the lower organic capital generation due to the longevity transactions announced on 19 December 2023 can partly be compensated.

In 2023, NN Leven successfully implemented IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'. These accounting standards represent the largest and most complex change to insurance accounting in many years and were the culmination of a large program involving multiple stakeholders at NN Leven and NN Group.

Customers and distribution

At NN Leven we see our customers as the starting point of everything we do. We engage with them to ensure we meet their real needs and offer solutions that create long-term value. We use our digital capabilities and leverage our strong distribution footprint in order to further enhance our customer experience.

Our brand promise 'You matter' is not just a slogan; it defines what we do at NN Leven, influencing every department, every employee and every interaction with our customers.

NN Leven ranks a shared 1st place in intermediary satisfaction in both Term Life Insurance and Pensions. The r-NPS score for Pension Participants, Individual Life Customers and Pensions Employers increased compared to 2022 and is at or above market average.

In 2023, NN Leven kept improving the Human Capital Planner (HCP) tooling with the introduction of HCP sickness. Also, we launched a new version of the WTP Indication tool. This tool provides employers financial insights in the consequences of WTP.

Products and services

At NN Leven we excel in developing and providing attractive products and services, focused on our customers' needs. Operating with efficiency, agility and speed. To ensure we continue doing so, we will make optimal use of digital and data capabilities.

NN Leven offers the full spectrum of pensions solutions consisting of defined contribution (DC), insured defined benefit (DB) and term life insurance. In 2023, we introduced collective term life insurance and launched our WTP pension product. BeFrank is our Premium Pension Institution (PPI).

Also offered by NN Group are a general pension fund (APF) solution via De Nationale, and pension fund administration and advisory services via AZL.

NN Leven aims to offer true value propositions for a competitive price. We believe that with a combination of pension products, related services and a good customer experience, we will establish a sustainable long-term relationship with our customers. In a fast-changing market, with the new Pension Agreement and a society where the influence of the individual is growing, we are building a company that truly matters to our stakeholders.

Despite the ongoing shift towards DC pension plans, we see that Defined Benefit (DB) remains important for some of our customers. NN Leven continues to serve these customers through our DB proposition. In decumulation, DC adds to our guaranteed pension books as mature DC assets are converted to guaranteed direct pension annuities.

Overall, NN Leven offers modern pension solutions in both DB and DC, with and without guarantees. This enables clients to organise their retirement arrangements with a risk profile that meets their current needs.

In order to streamline our IT landscape, improve effectiveness and achieve our expense reduction ambitions, we will continue to invest in IT simplification initiatives. This is a multi-year programme and executed in close cooperation with the central IT organisation of NN Group. Although requiring significant effort as well as initial investments, once realised, it is expected to bring efficiency gains by creating state-of-the art and more standardised target IT systems, decommissioning legacy systems, removing manual workload and, as well, necessary compensating internal control measures to address certain identified deficiencies in the old systems. These activities also contributed to our successful implementation of the new accounting standard IFRS 17 Insurance Contracts in 2023. We increasingly employ robotics and apply STP (straight through processing) to improve quality and achieve a higher customer satisfaction at a lower cost. NN Leven is also striving to continuously improve data quality and adequately addressing identified shortcomings in customer communication. We recognise that we still have challenges and work to be done to further improve our data quality and customer processes.

For our legacy pension portfolio the focus is on increasing customer satisfaction and cost effectiveness. The aim is to convert this closed book portfolio to completely paid-up and further decrease costs.

Achieving further lower operating costs and rationalization of the administration systems will be realised by automation through applying Robotics, Business Process Management and Smart Scanning.

For the closed book operation of pensions and individual life policies (comprising a range of discontinued products sold prior to 2012) focus is on reducing expenses in line with the run-off of the portfolio and at the same time improving customer service. Key actions to enable this are migrating policies from legacy to target systems, outsourcing IT and operations, and digitalising processes. In 2023, we completed the Unit Linked and Traditional Life

roadmaps by migrating the last 264,000 policies from legacy systems to our future proof target platforms in our business line Individual Life Services.

In total, more than 3.3 million policies have been migrated to the target systems from 2020, which accounts for the portfolio in the former Delta Lloyd, NN and AAL legacy systems. We decommissioned 66 former Delta Lloyd and NN legacy systems. Moreover, we successfully shutdown our entire Mainframe system.

NN Leven continues to invest in innovative technology solutions. Since October 2023, part of our pension participants living abroad can provide proof of life with facial recognition. And, via Automated Call Logging, phone calls are summarized automatically.

In 2023, we also further expanded and optimised our digital online services. Customers and brokers have more (digital) ways to engage with us via the NN-portal and NN-app and provide via these channels Self Service-functionality (for information request, for policy endorsements or claims and in the collections and disbursements). Beginning 2024, pension participants will be able to log into mijn.nn with their DigiD. This is the fulfilment of a long-awaited wish from participants, brokers and employers.

Based on the achievements we have realised in the last few years, we remain on track toward our ambition to deliver an excellent customer experience, while also meeting our expense efficiency ambitions.

People and organisation

At NN Leven, we nurture a culture aligned with our purpose, values and ambitions. One that supports continuous learning, collaboration and diversity of thinking. We consider all colleagues to be talents, and invest in an inclusive and inspiring environment, so that together we are optimally equipped to take our business into the future.

Our values, care, clear, commit, which we published under the title NN statement of Living our Values, set the standard for conduct and provide a compass for decision-making. Every NN employee is responsible and accountable for living up to them.

Our approach to diversity and inclusion is simple. It is about embracing everyone. Together we build an environment in which people feel welcome, valued, and respected. A company where our colleagues can bring their whole selves to work, where an inclusive customer experience is the status quo, and where we contribute to the well-being of our communities.

We invest in attracting, developing, and retaining the best people, with a focus on further developing customer, digital and data capabilities.

Employees are encouraged to invest in themselves and in their employment prospects. For example, employees are given training, coaching and internships. To increase economic and job opportunities, we invest in employability, by stimulating our employees to develop and grow. We offer students and graduates the opportunity to gain work experience within our company.

We give clear direction about the future strategy so employees and management can anticipate upcoming changes.

In 2023, our end-to-end value chains have become more effective, making us more agile. Chain-oriented working has encouraged colleagues to think and work on the basis of the objectives in the total chain that are broader than their own departmental targets. It has made the lines of communication shorter and we are able to respond to changes quickly and effectively. Furthermore our leadership program, supporting in the development of (more) high performing management teams within NN L&P, was successfully completed and we finalized the integration of AAL into NN Leven.

Post Covid-19, we've become adept at hybrid working within NN Leven. Employees value the flexibility and surveys show hybrid working has a positive impact on job satisfaction and work-life balance. We continued to reach out to our management and employees on a regular basis to emphasize the importance of teams making agreements on hybrid working and to stress the importance of also meeting each other face to face on a regular basis. This approach, with attention for flexibility and tailor-made solutions has been successful.

Our overall employee engagement slightly decreased from 7.5 (Nov 22) to a 7.3 (Nov 23), while the underlying drivers do not show major differences compared to the previous survey. The well-being and involvement of our employees has our continued attention and we use feedback from employees to make NN Leven an even better place to work.

At NN Leven, the number of employees is 2,003 in 2023 of which approximately 58% are male and 42% are female.

Financial strength

At NN Leven, we maintain a strong balance sheet and create solid financial returns by using our financial strength, scale and by efficiently managing our customers' assets and our own insurance portfolios.

Analysis of results[1]

in EUR (millions)	2023	2022 (restated)
Profit margin	180	147
Technical result	60	126
Service expense result	-14	-19
Insurance and reinsurance result	224	254
Investment result	1,343	1,369
Other result	-110	-142
Operating result insurance business	1,459	1,481
Operating result non-insurance businesses	7	4
Total operating result	1,466	1,485
Non operating items	-251	-1,034
of which gains/losses and impairments	-266	181
of which revaluations	83	-1,202
of which market and other impacts	-68	-13
Special items	-414	-32
Result before tax	801	419
Taxation	-173	-49
Minority interests	71	-37
Net result	699	333

1 Reference is made to Note 1 'Accounting policies' for the impact of the adoption of IFRS 9 and IFRS 17. Comparative information was restated accordingly, as explained in Note 1 'Accounting policies' and Note 43 'Other IFRS 9 and IFRS 17 transition disclosures'.

Report of the management Board continued

The operating result decreased to EUR 1,466 million from EUR 1,486 million in 2022.This was mainly due to a lower technical result and investment result, partly offset by a higher profit margin and other result. The profit margin increased due to a higher contractual service margin ('CSM') release, and lower losses on onerous contracts.

The lower technical result mainly reflects a lower risk adjustment release as a result of higher interest rates, whereas the 2022 technical result included a positive claim variance.

The result before tax increased to EUR 801 million compared with EUR 419 million in 2022. The increase mainly reflects positive revaluations on derivatives used for hedging purposes reflecting accounting asymmetries which were negative in 2022, partly offset by lower revaluations on real estate in 2023. In addition, 2023 reflects lower gains/losses on the sale of government bonds, lower markets and other impacts as well as material special items reflecting the provision of approximately EUR 360 million for the final settlement with interest groups on unit-linked insurance products.

Key figures

in EUR (millions)	2023	2022 (restated)
New sales life insurance (APE)	358	372
Assets under Management DC business total (in EUR billion, end of period)	33	28
Value of new business	51	57
Administrative expenses	365	405
Operating capital generation	1,033	1,142
NN Leven Solvency II ratio[1]	196%	191%

1 The Solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the Partial Internal Model.

New sales (APE) were EUR 358 million compared to EUR 372 million in 2022, mainly driven by a lower volume of group pension contracts.
Assets under management DC increased to EUR 32.7 billion compared with EUR 27.8 billion at 31 December 2022, mainly driven by strong net inflows of EUR 2.3 billion and favourable market movements.

Full-year 2023 operating capital generation decreased to EUR 1,033 million from EUR 1,142 million in 2022, mainly driven by a lower investment return, SCR release and new business contribution as well as less favourable experience variances. This was partly offset by the higher net positive impact of the Ultimate Forward Rate ('UFR') drag and risk margin release as a result of higher interest rates.

For more information on the change of the Solvency II ratio compared to prior year, reference is made to Note 41 'Risk management'.

Society

At NN Leven we contribute to the well-being of people and the planet. We do business with the future in mind and contribute to a world where people can thrive for many generations to come. We do this by investing our assets responsibly, being a fair taxpayer, managing our direct environmental footprint, and through our activities in the communities where we operate.

We take our role in society seriously. Activities range from financial education to health and well-being initiatives. These involve raising funds and employees volunteering their time for special projects. For example, NN Leven employees raised EUR 29.000 during the Roparun, they participated in environmental clean-up activities with Plastic Whale, and they took care of less financial fortunate people and elderly in The Netherlands.

At NN Leven, focusing on diversity and inclusion is not just about doing the right thing, it's about empowering people by respecting and praising what makes them unique. NN Leven employees are free to truly value their differences in a safe, positive, and nurturing environment. At NN Leven, we care about diversity in the workplace and more broadly in society. We strive to make people feel respected and valued for who they are as individuals and as a group. We want to make sure that our employees feel valued, heard and part of the success of our organisation.

NN Leven, together with NN Group, has supported the establishment of the Research Centre for Longevity Risk in collaboration with the University of Amsterdam (UvA). At the centre, UvA scientists study the trends in survival rates and life expectancy, and how these are affected by different relevant factors. The research conducted in the centre contributes to the management of longevity risk, and is vital for governments, policymakers and other stakeholders in the financial sector.

It also helps raising awareness about accruing a pension. This is in line with our purpose to help people care for what matters most to them.

Also, in 2023 we provided people financial insights about the consequences of the new Pension Agreement during a PensioenTV Broadcast.

NN Leven has a policy framework in place to ensure that its assets are invested responsibly. Amongst others, the policy includes requirements to systematically incorporate environmental, social and governance (ESG) factors into the investment process. Consideration of ESG factors, alongside traditional financial data, helps to make better informed decisions and optimise the risk-return profile of investment portfolios. Furthermore, the implementation of a Restricted List should prevent investments in securities that are not in line with NN Leven's values, and/or applicable laws and regulations.

To our customers we provide dashboard information showing them the impact of their life cycle investments in terms of CO2 reduction, water savings and waste reduction.

Our PPI BeFrank, optimized their sustainable Triodos Lifecyles which improved the cost-return ratio by lowering costs for clients. BeFrank founded the First-Class Sustainable Return Fund in close cooperation with Triodos and Goldman Sachs Asset Management ('GSAM').

Risk management

For information regarding risk management reference is made to Note 41 'Risk management'.

Capital and liquidity management

For information on liquidity and financing, reference is made to Note 42 'Capital and liquidity management'.

Dutch Individual Life unit-linked products

In the Netherlands, unit-linked products have received negative public attention since the end of 2006. As at 31 December 2023, the portfolio of NN Leven comprised approximately 290,000 active unit-linked policies. On 9 January 2024, NN Leven announced a settlement with consumer interest groups ConsumentenClaim, Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond regarding unit-linked products sold in the Netherlands by NN Leven, including Delta Lloyd and AAL.

The settlement relates to all unit-linked products of policyholders affiliated with the aforementioned interest groups and is subject to a 90% acceptance rate of affiliated policyholders that have received an individual proposal for compensation. As part of the settlement, all pending (collective) proceedings with respect to unit-linked products against NN Leven will be discontinued once the settlement is executed, which is anticipated ultimately 30 June 2025.

Reference is made to Note 35 'Legal proceedings'.

Non-financial statement

NN Leven is exempt from the requirements of the Decree disclosure of non-financial information (Besluit bekendmaking niet-financiële informatie, the 'Decree'). NN Leven is an indirect subsidiary of NN Group. NN Group includes a non-financial statement in its Report of the Management Board for NN Group as a whole pursuant to the Decree.

Internal Supervision

The 'Rapportage van het Intern Toezicht 2023' concerning the Pension Fund Governance on the so called 'rechtstreeks verzekerde regelingen' was approved in the Supervisory Board meeting on 2 April 2024. The report can be found on the website of Nationale-Nederlanden. More information is available in the 'Wie zijn wij?' section of www.nn.nl.

Implementation of IFRS 9 and 17 in 2023

As of 1 January 2023, NN Leven implemented IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'.

IFRS 9 and 17 were implemented as of 2023 retrospectively with restatement of the comparative figures. The implementation results in significant changes to NN Leven's accounting policies with significant impact on shareholder's equity, net result, presentation and disclosures and these are elaborated in the financial sections of this annual report.

For information on the implementation of IFRS 9 and 17, reference is made to Note 1 'Accounting policies' and Note 43 'Other IFRS 9 and IFRS 17 transition disclosures'.

Conclusions 2023 and going forward

2023 continued to be a turbulent year in terms of our external environment. Financial markets witnessed significant volatility in terms of interest rates through the year while equity markets recovered from the downturn in 2022 and inflation dropped from the high levels witnessed in 2022. The geopolitical and environmental context world-wide is challenging with ongoing war in Ukraine, the Middle East, political turmoil and a warming planet. NN Leven constantly monitors external developments and the (potential) impact on NN Leven; including taking appropriate actions (where feasible).

Despite this challenging environment, NN Leven continued to progress toward its goals. NN Leven was able to maintain its leading commercial position in the Dutch market. We actively adapted to the transition with the WTP. IT simplification at NN Leven has made strong progress in bringing down costs and simplifying the IT environment and we continued to successfully migrate policies to our target systems. Specific major milestones in 2023 included the settlement on the unit-linked matter with interest groups, the conclusion of large indemnity longevity reinsurance agreements, a further strengthened capital position for NN Leven through the injection by NN Group, the completion of the operational integration of AAL and the implementation of IFRS 9 and IFRS 17.

Corporate governance

Diversity and inclusion

NN Group aims to have an adequate and balanced composition of its boards. In order to ensure such composition at all times, several relevant selection criteria are balanced and (re)appointments to these boards are made on the basis of harmonised policies and in accordance with legal and regulatory requirements.

As of 1 January 2021, NN Group aims to have a gender balance of at least 40% women and 40% men for its boards. As of 2021 NN Group also has a target to have at least 40% women in senior management positions. Since 2022, these positions include the Management Board of NN Group, managerial positions reporting directly to a Management Board member of NN Group, and all senior managerial positions reporting to a business unit CEO.

In addition, in 2022, a target was set to have at least 40% women in management team positions within each Dutch NN Group company in scope of the act on gender diversity in boards of Dutch companies (*Wet tot wijziging van Boek 2 van het Burgerlijk Wetboek in verband met het evenwichtiger maken van de verhouding tussen het aantal mannen en vrouwen in het bestuur en de raad van commissarissen van grote naamloze en besloten vennootschappen*, "the Act on gender diversity"), which entered into force on 1 January 2022.

In support of the ambitious gender diversity targets, NN Group has set an action plan, that has been adopted by all NN Group companies in scope of the Act on gender diversity. This action plan supports a healthy and diverse succession pool for senior management throughout the organisation, as part of our Diversity and Inclusion and Key Talent Management policy and processes. We have set out various actions on the different drivers behind our D&I roadmap such as: enhanced processes, data & monitoring, visibility and networks, and mindset & awareness. Actions include amongst other things:

- The 40% target must be taken into account in the succession planning and process for appointments of persons in [board and senior management] positions
- At least once a year Talent Review & Succession Planning sessions for senior management positions are organised
- Strive for a minimum of 50% females on shortlists for senior management positions
- A list of female talent pool is kept and participation in succession planning sessions and leadership and development programmes is ensured
- Engagement with female talent pool and increase visibility (examples: networking events, mentoring programme Women in Leadership Network, etc.)
- Performing equal pay analysis

Composition of NN Leven's Management and Supervisory Boards and management team

Despite NN Leven's aim to have a gender balance of at least 40% women and 40% men for its boards, the gender balance of the Management Board is 0% female and 100% male as from 1 September 2022. The resignation of Martijn Hoogewegen as per 1 September 2023 did not result in an improved composition, as there were no appointments in 2023.

NN Leven's aim to have a gender balance of at least 40% women and 40% men for its boards, and the fact that its Supervisory Board consists of only three members, require the Supervisory Board to consist of at least one female and at least one male. In 2023 the composition of the Supervisory Board met this target consisting of two females and one male.

As at 31 December 2023, NN Leven's management team consisted of its Management Board members and six additional positions. After the succession of Martijn Hoogeweegen by Nicole Wiesehahn as per 1 October 2023 and the retirement of Tom Reinders and appointment of Roxanne Willemse as per 1 November 2023, 60% of NN Leven's management team positions were held by men and 40% of such positions were held by women, therefore meeting the target.
As per 1 February, Monique Sueters stepped down as the CEO of AZL and her successor, the new CEO of AZL, no longer participates in the management team of NN Leven. After this change, NN Leven's management team consists of its Management Board members and five additional positions and composed three females (33.3%) and six males (66.7%).

In future appointments of Management and Supervisory board members and management team members, NN Leven will continue to take into account all applicable laws and regulations and relevant selection criteria, including gender diversity targets.

We believe our company is strongest when we embrace the full spectrum of humanity. Regardless of what we look like, where we come from, or who we love. That is why NN Group, including NN Leven, takes a stand for diversity, inclusion and equal opportunities for all. When people inside of our company represent the people outside our company, we can be more responsive to what they expect, want and need, also in changing circumstances. After all, change is a constant factor in our lives, also in the financial sector.

More information can be found in the Diversity and inclusion section on pages 39-40 of the 2023 NN Group Annual Report, the NN Statement on Diversity and Inclusion, and NN Group's Diversity and Inclusion Annual Overview 2023.

Audit committee

NN Leven is exempt from the requirement to set up an audit committee pursuant to the Decree of 8 December 2016 (Bulletin of Acts and Decrees 2016, no. 507). NN Leven is an indirect subsidiary of NN Group, which complies with the requirements referred to in Article 3a of the Besluit instelling auditcommissie. In addition, audit committee's duties mentioned in Article 2 paragraph 4 are assumed by NN Leven's Supervisory Board. For the composition of the Supervisory Board, reference is made to the Composition of the boards section on page 3.

Corporate governance continued

Financial reporting process

As NN Leven is part of NN Group, the policies and procedures for establishing and maintaining adequate internal control over financial reporting are the same as those applied by NN Group for its consolidated annual accounts.

The internal control over financial reporting is a process designed under the supervision of the CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of annual accounts for external purposes in accordance with generally accepted accounting principles.

The internal control over financial reporting includes those policies and procedures that:

• Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of NN Leven's assets

• Provide reasonable assurance that transactions are recorded as necessary to permit preparation of annual accounts in accordance with generally accepted accounting principles, and that NN Leven's receipts and expenditures are handled only in accordance with authorisation of its management and directors

• Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the assets that could have a material effect on NN Leven's annual accounts

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

External auditor

On 19 May 2022, the general meeting of NN Group again reappointed KPMG as the external auditor of NN Group for the financial years 2023 through 2025. Subsequently, the General Meeting of NN Leven reappointed KPMG as well as external auditor of NN Leven for the financial years 2022 through 2025.

The external auditor attended the meetings of the Supervisory Board on 29 March, 26 June, 7 September and 4 December 2023.

More information on NN Group's policy on external auditor independence is available on the website of NN Group.

Code of Conduct for Insurers

NN Leven signed up to the Code of Conduct for Insurers. The Code is a cornerstone of NN Leven's operations. The Code of Conduct for Insurers contains three core values: 'providing security', 'making it possible' and 'social responsibility'. These core values ensure that we never lose sight of the essence of what we do: adding value for our customers and society. NN Leven aims to offer security in both the short and the long term by bolstering continuity and boosting confidence.

The Code of Conduct for Insurers is available on the website of the Dutch Association of Insurers (www.verzekeraars.nl).

Data privacy

NN Leven is aware of the need to strike an appropriate balance between individual choices, privacy and social responsibility. As digitalisation continues rapidly, we are conscious that to safeguard the privacy of our customers it is more important than ever to secure their personal data and handle it responsibly. We do this by complying with all legislative data protection requirements, of which the EU General Data Protection Regulation (GDPR) is the most important. In the Privacy statement NN Leven explains how the GDPR is translated into our day-to-day operations. We foster the careful processing of (personal) data by providing repeated training and regular information on our intranet. In 2023 all employees have been requested to complete a mandatory GDPR e-learning ("Privacy Matters") as a follow up on a previous mandatory GDPR e-learning.

The NN DPO Charter provides a mandatory framework that establishes the function of Data Protection Officer (DPO). NN Leven has appointed a DPO that is assigned a clear mandate and responsibilities in line with the DPO Charter and the GDPR. Our DPO continuously monitors compliance with the GDPR and acts as a point of contact for supervisory authorities and data subjects. The DPO monitors the number of complaints and data breaches. These numbers are within an acceptable range.

The consequences of inadequate cybersecurity can be far-reaching for both individuals and companies. So, in addition to our focus on the (personal) data we manage and protect, NN Leven also provides cybersecurity services like Cyberwacht to consumers who have been hacked.

Artificial Intelligence

For many years data have been vital in serving today's customers effectively. In the past year there has been a tremendous worldwide focus on the possible use cases of Artificial Intelligence (AI). We believe that the use of AI will have significant impact on our data processing, from straightforward document handling processes to the most complex processing of (personal) data. Using AI to analyse customer propositions helps us - amongst others - to strengthen our interactions with customers, forge more intuitive partnerships and create superior tailor-made solutions. Our data and AI analyses are currently focused on product/market optimalisation, process efficiency and fraud and claim analytics but also other specific use cases are actively being explored. It is vital that for all AI use cases the application is trustworthy by design. As soon as NN Group started using AI, NN Group developed its own ethical guidelines to facilitate the development and use AI in a trustworthy manner. These NN AI Guidelines are based on the seven requirements of trustworthy AI, as set out in the Ethics Guidelines for Trustworthy AI by the European Commission in 2019.

In addition, we have been closely monitoring and anticipating for the development of the European AI Act, which draft was published in 2021 and which was discussed in the European Parliament in June 2023. In the course of 2023 NN took relevant steps by embedding its ethical guidelines in the NN Group governance. Furthermore, NN Group established an AI Working Group which validates all AI systems or models to be used within NN by using the yardstick of the NN AI Guidelines, thus focusing on the relevant aspects of trustworthy AI, such as lawful processing of personal data, preventing bias and discrimination and appropriate

Corporate governance continued

assessment of ethical dilemmas. The aforementioned also enables us to deploy AI in line with the Ethical Framework for data-driven applications of the Dutch Association of Insurers (Verbond van Verzekeraars) as well.

As soon as the final text of the AI Act is clear, NN Group will take further appropriate and definite steps in order to comply with this Act as soon as it will enter into force. NN Group also monitors other relevant upcoming legislation, such as the proposed AI Liability Directive, as well as supervisory guidance in relation to the use of algorithms.

Rotterdam, 5 April 2024

The Management Board
Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Consolidated annual accounts

Consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Consolidated balance sheet

	notes	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Assets				
Cash and cash equivalents	2	3,920	343	234
Investments at fair value through other comprehensive income	3	75,349	78,122	107,068
Investments at cost	4	124	1,060	1,648
Investments at fair value through profit or loss	5	35,905	30,824	34,312
Investments in real estate	6	2,620	2,754	2,719
Investments in associates and joint ventures	7	6,079	6,299	6,793
Derivatives		2,342	1,959	6,139
Investments		126,339	121,361	158,913
Insurance contracts	11	89	0	0
Reinsurance contracts	13	29	33	0
Insurance and reinsurance contracts		118	33	0
Intangible assets		2	0	0
Property and equipment	8	57	62	72
Deferred tax assets	25	38	11	41
Other assets	9	4,643	7,094	3,165
Other		4,740	7,167	3,278
Total assets		131,197	128,561	162,191
Equity				
Shareholder's equity		12,086	11,285	13,954
Minority interests		2,028	1,988	2,014
Undated subordinated loans		800	800	800
Total equity	10	14,914	14,073	16,768
Liabilities				
Insurance contracts	11	105,255	100,955	137,039
Investment contracts	12	800	849	904
Reinsurance contracts	13	125	116	186
Insurance, investment and reinsurance contracts		106,180	101,920	138,129
Subordinated debt	14	1,100	1,100	1,120
Other borrowed funds	15	2,511	4,265	531
Funding		3,611	5,365	1,651
Derivatives	16	3,744	5,860	1,683
Deferred tax liabilities	25	0	75	0
Other liabilities	17	2,749	1,268	3,960
Other		6,492	7,203	5,643
Total liabilities		116,283	114,488	145,423
Total equity and liabilities		131,197	128,561	162,191

References relate to the notes starting with Note 1 'Accounting policies'. These form an integral part of the annual accounts. Reference is made to Note 1 'Accounting policies' for the impact of the adoption of IFRS 9 and IFRS 17. Comparative information was restated accordingly, as explained in Note 1 'Accounting policies' and Note 43 'Other IFRS 9 and IFRS 17 transition disclosures'.

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Consolidated profit and loss account

Consolidated profit and loss account

For the year ended 31 December	notes	2023	2022 (Restated)
Release of contractual service margin		256	231
Release of risk adjustment		69	101
Expected claims and benefits		3,518	3,398
Expected attributable expenses		362	347
Recovery of acquisition costs		56	56
Experience adjustments for premiums			3
Insurance income	18	4,261	4,136
Incurred claims and benefits		3,573	3,374
Incurred attributable expenses		332	370
Amortisation of acquisition costs		56	56
Changes in incurred claims and benefits previous periods		-14	1
(Reversal of) losses on onerous contracts		66	40
Insurance expenses	19	4,013	3,841
Net insurance result		248	295
Net reinsurance result		-57	-24
Insurance and reinsurance result		191	271
Interest income		2,389	2,222
Realised gains (losses) on investments at cost and at fair value through OCI		-265	76
Gains (losses) on investments at fair value through profit or loss		2,871	-5,103
Gains (losses) on investments in real estate		-162	100
Share of result of investments in associates and joint ventures		-219	164
Impairments on investments		-35	-22
Other		1,180	-410
Investment result	20	5,759	-2,973
Finance result on (re)insurance contracts	21	4,292	-3,535
Result on investment contracts		6	6
Other	21	325	224
Finance result		4,623	-3,305
Net investment result		1,136	332
Fee and commission result	22	-32	-32
Result on disposals of group companies		-3	0
Non-attributable operating expenses	23	-524	-161
Other		31	9
Other result		-528	-184
Result before tax		801	419
Taxation	25	-173	-49
Net result		628	370
Net result attributable to:			
Shareholder of the parent		699	333
Minority interests		-71	37
Net result		628	370

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

For the year ended 31 December		2023		2022 (Restated)
Net result		628		370
– finance result on insurance contracts, recognised in OCI	-2,148		21,784	
– finance result on (re)insurance contracts, recognised in OCI	-26		20	
– revaluations on debt securities at fair value through OCI	1,484		-10,776	
– share of OCI of investments in associates and joint ventures			8	
– revaluations on loans at fair value through OCI	572		-5,475	
– realised gains (losses) transferred to the profit and loss account	-12		-4	
- changes in cash flow hedge reserve	-59		-5,709	
– foreign currency exchange differences	24		-42	
Items that may be reclassified subsequently to the profit and loss account		-165		-194
– revaluations on equity securities at fair value through OCI	277		-1,454	
Items that will not be reclassified to the profit and loss account		277		-1,454
Total other comprehensive income		112		-1,648
Total comprehensive income		740		-1,278
Comprehensive income attributable to				
Shareholder of the parent		756		-1,252
Minority interests		-16		-26
Total comprehensive income		740		-1,278

Reference is made to Note 25 'Taxation' for the disclosure on the income tax effects on each component of comprehensive income.

Consolidated statement of cash flows

Consolidated statement of cash flows

For the year ended 31 December	2023	2022 (Restated)
Result before tax	801	419
Adjusted for		
– depreciation and amortisation	121	222
– changes in (re)insurance and investment contracts	4,080	-3,791
– realised results and impairments on investments	275	-109
– other	-27	186
Net premiums, claims, and attributable expenses on (re)insurance contracts	-2,680	-2,905
Tax paid (received)	-313	514
Changes in		
– derivatives	-1,408	-505
– other assets	2,450	-3,929
– other liabilities	-1,480	2,692
Net cash flow from operating activities	1,018	-7,625
Investments and advances		
– investments at fair value through OCI	-6,300	-9,484
– investments at fair value through profit r loss	-6,266	-7,331
– investments in associates and joint ventures	-485	-741
– investments in real estate	-193	-136
Disposals and redemptions		
– investments at fair value through OCI	10,229	14,790
– Investments at cost	937	597
– investments at fair value through profit or loss	5,306	5,843
– investments in associates and joint ventures	258	970
– investments in real estate	50	100
Net cash flow from investing activities	3,536	4,608
Proceeds from other borrowed funds	7,801	8,800
Repayments of other borrowed funds	-9,554	-5,066
Capital contribution	1,000	
Dividend paid	-980	-980
Coupon on subordinated loans	-47	-47
Net cash flow from financing activities	-1,781	2,707
Net cash flow	3,577	109

Included in Net cash flow from operating activities

For the year ended 31 December	2023	2022 (Restated)
Interest received	2,320	2,144
Interest paid	-67	-176
Dividend received	566	564

Cash and cash equivalents

For the year ended 31 December	2023	2022 (Restated)
Cash and cash equivalents at beginning of the year	343	234
Net cash flow	3,577	109
Cash and cash equivalents at the end of the year	3,920	343

Consolidated statement of changes in equity

Consolidated statement of changes in equity (2023)

	Share capital	Share premium	Reserves	Total Shareholder's equity (parent)	Minority interest	Undated subordinated loan	Total equity
Balance at 1 January 2023 (Restated)	23	3,228	8,034	11,285	1,988	800	14,073
Finance result on insurance contracts recognised in OCI			-2,148	-2,148			-2,148
Finance result on reinsurance contracts recognised in OCI			-26	-26			-26
Revaluations on debt securities at fair value through OCI			1,484	1,484			1,484
Revaluations on loans at fair value through OCI			572	572			572
Revaluations on equity securities at fair value through OCI			236	236	41		277
Realised gains/losses transferred to the profit and loss account			-12	-12			-12
Changes in cash flow hedge reserve			-73	-73	14		-59
Foreign currency exchange differences			24	24			24
Total amount recognised directly in equity (OCI)	0	0	57	57	55	0	112
Net result for the period			699	699	-71		628
Total comprehensive income	0	0	756	756	-16	0	740
Capital contribution		1,000		1,000			1,000
Dividend			-980	-980			-980
Coupon on undated subordinated loan			-35	-35			-35
Changes in composition of the group and other changes			60	60	56		116
Balance at 31 December 2023	23	4,228	7,835	12,086	2,028	800	14,914

Reference is made to Note 1 'Accounting policies' for the restated statement of equity as per 1 January 2022 and to Note 43 'Other IFRS 9 and IFRS 17 transition disclosures' for the restated statement of equity as per 31 December 2022.

Consolidated statement of changes in equity continued

Consolidated statement of changes in equity (2022) (Restated)

	Share capital	Share premium	Reserves	Total Shareholder's equity (parent)	Minority interest	Undated subordinated loan	Total equity
Balance as reported at 31 December 2021	23	3,228	22,251	25,502	2,046	800	28,348
Impact (net of tax) of IFRS 9			2,160	2,160			2,160
Impact (net of tax) of IFRS 17			-13,708	-13,708			-13,708
Other impact				0	-32		-32
Balance at 1 January 2022 (Restated)	23	3,228	10,703	13,954	2,014	800	16,768
Finance result on insurance contracts recognised in OCI			21,784	21,784			21,784
Finance result on reinsurance contracts recognised in OCI			20	20			20
Revaluations on debt securities at fair value through OCI			-10,776	-10,776			-10,776
Revaluations on loans at fair value through OCI			-5,475	-5,475			-5,475
Revaluations on equity securities at fair value through OCI			-1,392	-1,392	-62		-1,454
Realised gains/losses transferred to the profit and loss account			-4	-4			-4
Changes in cash flow hedge reserve			-5,708	-5,708	-1		-5,709
Share of OCI of investments in associates and joint ventures			8	8			8
Foreign currency exchange differences			-42	-42			-42
Total amount recognised directly in equity (OCI)	0	0	-1,585	-1,585	-63	0	-1,648
Net result for the period			333	333	37		370
Total comprehensive income	0	0	-1,252	-1,252	-26		-1,278
Dividend			-980	-980			-980
Coupon on undated subordinated loan			-35	-35			-35
Changes in composition of the group and other changes			-402	-402			-402
Balance at 31 December 2022	23	3,228	8,034	11,285	1,988	800	14,073

Reference is made to Note 1 'Accounting policies' for the restated statement of equity as per 1 January 2022 and to Note 43 'Other IFRS 9 and IFRS 17 transition disclosures' for the restated statement of equity as per 31 December 2022.

Notes to the Consolidated annual accounts

1 Accounting policies

Basis of preparation

NN Leven is a public limited liability company (naamloze vennootschap) incorporated under Dutch law and domiciled in Rotterdam, the Netherlands. NN Leven is recorded in the Commercial Register under number 24042211. The principal activities of NN Leven are described in 'NN Leven and NN Leven at a Glance'. Amounts in the annual accounts are in millions of euros, unless stated otherwise.

NN Leven prepares its Consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS-EU), and where applicable with Part 9 of Book 2 of the Dutch Civil Code (DCC) in accordance with article 362 paragraphs 8 and 9 of the DCC. In the Consolidated annual accounts, the term IFRS-EU is used to refer to these standards, including the decisions NN Leven made with regard to the options available under IFRS-EU. IFRS-EU provides a number of options in accounting policies. The key areas, in which IFRS-EU allows accounting policy choices and the related NN Leven accounting policy, are summarised as follows:

- NN Leven disaggregates insurance finance result between profit or loss and in the 'Revaluation reserve' in 'Other comprehensive income' (OCI) in equity.
- NN Leven's accounting policy for real estate investments is fair value, with changes in the fair value reflected immediately in the Consolidated profit and loss account.
- NN Leven's accounting policy for property in own use is fair value, with changes in the fair value reflected, after tax, in the 'Revaluation reserve' in 'Other comprehensive income' (equity). A net negative revaluation on individual properties is reflected immediately in the Consolidated profit and loss account.

NN Leven applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS-EU. NN Leven currently does not apply the IFRS-EU exemption for aggregation of certain insurance contracts.

NN Leven's accounting policies under IFRS-EU, its decision on the options available and significant judgement used are included in the relevant notes.

Changes in IFRS-EU effective in 2023

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued in 2014. IFRS 9 replaces most of IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Main features of IFRS 9

The classification and measurement of financial assets under IFRS 9 depends on NN Leven's business model and the instrument's contractual cash flow characteristics. This results in financial assets being recognised at cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 is similar to IAS 39, although changes in classification occur. For equity securities accounted for at fair value through other comprehensive income, realised gains and losses are no longer recognised in the profit and loss account but reclassified within equity and impairments are also no longer recognised. The classification and measurement of financial liabilities remains unchanged.

The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The impairment requirements of IFRS 9 apply to all financial assets measured at cost and at fair value through other comprehensive income, except for equity securities. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial assets. Reference is made to Note 3 'Investments at fair value through other comprehensive income' for more information on impairments.

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. IFRS 9 includes the option to continue applying IAS 39 for hedge accounting.

Effective date of IFRS 9 and comparative information

IFRS 9 is effective as of 2018. However, for entities with activities that are predominantly connected with insurance, amongst which NN Leven qualified, there was a temporary exemption to align the effective date with that of IFRS 17, i.e. 1 January 2023. NN Leven applied this temporary exemption. IFRS 9 includes an option to restate the comparative information for the financial year 2022, except for assets that have been disposed of in 2022. IFRS 17 includes an option to apply a 'classification overlay approach' for assets of entities of which the activities are predominantly connected with insurance, amongst which NN Leven qualifies. Based on this overlay approach in IFRS 17, also the comparative information for assets that were disposed of in 2022 may be restated. NN Leven applied both options, resulting in comparative information for 2022 as if IFRS 9 had always been applied. As a result, the transition date for IFRS 9 for NN Leven was 1 January 2022.

NN Leven's implementation of IFRS 9

For classification and measurement, NN Leven aligned the accounting for financial assets under IFRS 9 as much as possible to the accounting for insurance liabilities under IFRS 17. As a result, NN Leven accounts for financial assets of the insurance operations at fair value through other comprehensive income (equity) where allowed under IFRS 9. This mainly impacted the accounting for (mortgage) loans in the insurance operations (which were accounted for at cost). Measurement of investments in equity securities remained unchanged at fair value through other comprehensive income, but realised gains and losses and impairments are no longer recognised in the profit and loss account.

For hedge accounting, NN Leven continues applying the hedge accounting requirements in IAS 39.

Reference is made to Note 3 'Investments at fair value through other comprehensive income', Note 4 'Investments at cost' and Note 5 'Investments at fair value through profit or loss' for more information on the accounting policies used under IFRS 9.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in 2017 and revised in 2020. IFRS 17 covers the recognition and measurement, presentation and disclosure of insurance contracts and replaces IFRS 4. IFRS 17 fundamentally changed the accounting for insurance liabilities and deferred acquisition costs (DAC) for all insurance companies, including NN Leven. IFRS 17 is endorsed in the EU and is effective as of 1 January 2023.

Main features of IFRS 17

The main features of IFRS 17 are:

- Measurement of the insurance liabilities in the balance sheet at current fulfilment value, being the sum of the present value of estimated future cash flows and a risk adjustment.
- Remeasurement of the current fulfilment value every reporting period using current assumptions and discount rates.
- A CSM is recognised in the balance sheet, which is equal to the unearned expected profit in a group of insurance contracts at issue date and which is subsequently recognised in the profit and loss account over the remaining coverage period of the group of contracts. Losses on onerous contracts are recognised immediately in the profit and loss account.
- Insurance contracts are aggregated per CSM group under IFRS 17. A CSM group consists of contracts within the same portfolio, the same profitability bucket and issued in the same annual period. Contracts are in the same portfolio if these are managed together and have similar risks. NN Leven uses at least three profitability buckets: onerous contracts, contracts that have no possibility of becoming onerous and remaining contracts. Contract issued in the same annual period are referred to as an annual cohort.
- Certain changes in the insurance liability are adjusted against the contractual service margin and thereby recognised in the profit and loss account over the remaining coverage period of the group of contracts.
- The effect of changes in discount rates is, depending on the choice made per portfolio of insurance contracts measured under the General Model, recognised either in the profit and loss account or in other comprehensive income ('OCI') in equity. When recognised in other comprehensive income, the effect of these changes is recognised in the profit and loss account over the coverage duration of the portfolio.
- The presentation of the balance sheet, profit and loss account, other primary statements and the disclosures in the notes changed fundamentally. The profit and loss account will have a margin-type of presentation (with insurance result, investment result and other result). Premium income will no longer be used to determine revenue under the General Model and the Variable Fee Approach.
- IFRS 17 is implemented retrospectively with amendment of comparative figures.

Key measurement differences between IFRS 17 and NN Leven's previous IFRS accounting

The main differences for measuring the insurance liability between the requirements in IFRS 17 and the previously applicable IFRS 4 relate to the following:

- IFRS 17 requires insurance liabilities to be measured using current best estimate assumptions and current market data for all actuarial and financial assumptions. IFRS 4 allowed the use of locked-in assumptions that are set at issue of the policies, in combination with a reserve adequacy test at current assumptions.
- The insurance liability under IFRS 17 includes an explicit risk adjustment for non-financial risk and an explicit contractual service margin, representing the unamortised part of the updated profit margin. These elements were not explicitly recognised under IFRS 4.
- IFRS 17 allows certain changes in assumptions to be absorbed in the contractual service margin or in other comprehensive income in equity. Under IFRS 4, changes in assumptions were, to the extent relevant, recognised in the profit and loss account.
- In applying IFRS 4, directly attributable acquisition costs (Deferred Acquisition Costs, DAC) were recognised as assets which were amortised in the profit and loss account over time. In applying IFRS 17, DAC is (implicitly) accounted for as part of the insurance liability.
- Deferred interest credited to policyholders is no longer separately accounted for but is (implicitly) part of the insurance liability under IFRS 17.

Key measurement differences between IFRS 17 and Solvency II

Both IFRS 17 and Solvency II require insurance liabilities to be measured on the basis of the net present value of the best estimate of future expected cash flows and an explicit allowance for non-financial risk. There are however significant differences in the following areas:

- In Solvency II, the initial margin in the premium over the insurance liability is recognised immediately in Own Funds. In IFRS 17, such initial margin (when positive) is recognised as contractual service margin in the insurance liability and amortised and adjusted over time.
- In Solvency II the discount rate is prescribed by the prudential regulator, whereas the discount rate under IFRS 17 is set by NN Leven taking into account the specific characteristics of NN Leven's portfolios.
- In Solvency II the cost of capital rate and the level of diversification in determining the risk adjustment is prescribed by the regulator, whereas under IFRS 17 these are set by NN Leven taking into account the specific characteristics of NN Leven's portfolios.
- There are differences in the best estimate of future cash flows, for example, caused by different requirements expense attributions in Solvency II and IFRS 17.

NN Leven's implementation of IFRS 17

IFRS 17 allows certain accounting policy choices and requires judgment in setting certain assumptions. The most important choices and assumptions that are relevant to NN Leven are set out below.

- NN Leven applies two of the three **accounting models** in IFRS 17. The General Model is the default model and is applied to traditional life insurance portfolios. The Variable Fee Approach is applied to most unit-linked portfolios, except for unit linked portfolio for which the guarantees were in the money at the date of the Variable Fee Approach assessment.
- NN Leven determines per portfolio of insurance contracts whether changes in financial assumptions are reflected in other comprehensive income (the 'OCI option') or directly in the profit and loss account. For contracts accounted for under the General Model, in principle the OCI option is used, unless accounting for the impact of changes in financial assumptions directly in the profit and loss account resolves accounting mismatches or is otherwise preferred. For contracts accounted for under the Variable Fee Approach, the OCI option is, in principle, not applied.
- For the **level of aggregation**, under the EU-endorsed version of IFRS 17 (IFRS-EU), certain specific insurance contracts may be aggregated on the level of a profitability group within a portfolio and do not need to be further disaggregated by the year in which these contracts were issued ('annual cohorts'). NN Leven does currently not apply this IFRS-EU exemption.
- **Estimates of future cash flows** reflect mortality rate assumptions that are derived from recent credible national mortality tables published by relevant actuarial or statistical bodies; where needed, these tables are adjusted so as to reflect NN Leven's experience of its own portfolio. Lapse rates are set by major product line based on NN Leven's own experience. Estimates of future cashflows include NN Leven's projection of future expenses to the extent that these are attributable to the fulfilment of contracts.
- **Discount rates** to discount the expected future fulfilment cash flows are determined using a liquid risk-free curve to which an illiquidity premium is added. For the Euro currency, the most prominent currency within the group, the risk-free curve is based on the swap rate and includes a last liquid point (LLP) of 30 years and a long-term forward rate (LTFR) of 3.15% at 31 December 2023 (2022: 3.25%). The illiquidity premium is derived from NN Leven's own asset portfolio, where the asset yield is adjusted for expected and unexpected credit losses.
- The **risk adjustment** for non-financial risk is determined using the Cost of Capital methodology based on the Solvency II internal model. NN Leven applies diversification based on the fact that they are part of NN Group. The Cost of Capital rate represents NN Leven's view on the compensation required for bearing risk; the rate used at 1 January 2022 in the fulfilment value of insurance liabilities was 4%.
- NN Leven applies the **fair value transition approach** for almost all contracts held. In the fair value transition approach, the contractual service margin is determined by reference to the fair value of insurance liabilities. Fair value was determined similar to fulfilment value, except that no group diversification was reflected in the risk adjustment, the cost of capital rate in the risk adjustment was set at 6% and expenses also included non-directly attributable expenses.

Reference is made to Note 11 'Insurance contracts' for more information on the accounting policies used under IFRS 17.

Impact of IFRS 9 and IFRS 17 on NN Leven

NN Leven implemented IFRS 17 together with IFRS 9. The implementation of IFRS 9 and IFRS 17 resulted in significant changes to NN Leven's accounting policies and had a significant impact on shareholder's equity, net result, presentation and disclosures. Shareholder's equity under IFRS 9 and IFRS 17 was significantly lower at the 1 January 2022 transition date as a result of the measurement of insurance liabilities at current assumptions (including a current discount rate).

The table below provides a reconciliation between shareholder's equity at 31 December 2021 as previously reported to shareholder's equity in the Restated balance sheet at 1 January 2022 (the 'Transition date') after implementation of IFRS 9 and IFRS 17.

Impact of IFRS 9 and IFRS 17 on Shareholder's Equity

31 December 2021/1 January 2022	Share capital and premium	Revaluation reserves	Other reserves	Minority interests	Undated subordinated loans	Total equity
Total equity as reported at 31 December 2021	3,251	13,015	9,236	2,046	800	28,348
Impact (net of tax) of IFRS 9:						
- Loans to fair value through OCI		2,028	48			2,076
- Available-for-sale to fair value through profit or loss		-619	619			0
- Impairments		-401	485			84
Impact (net of tax) of IFRS 17:						
- Remeasurement of (re) insurance contracts		-3,470	-10,238			-13,708
Other impact				-32		-32
Restated total equity at 1 January 2022	3,251	10,553	150	2,014	800	16,768

The decrease in equity at the transition date mainly reflects the remeasurement of insurance liabilities to current discount rates and other current assumptions. Under IFRS 9 and IFRS 17 the revaluation on both assets and liabilities is recognised in equity. Shareholder's equity under IFRS 9 and IFRS 17 at the 1 January 2022 transition date was significantly lower (decrease from EUR 28,348 million to EUR 16,768 million) as a result of the measurement of insurance liabilities at current assumptions.

The table below provides a reconciliation between the carrying amounts at 31 December 2021 as reported under IAS 39 and IFRS 4 to the restated amounts in the balance sheet at 1 January 2022 (the 'transition date') after implementation of IFRS 9 and IFRS 17.

Notes to the Consolidated annual accounts continued

Reconciliation of balance sheet 31 December 2021/1 January 2022 (**'transition date'**)

Balance sheet item - balance sheet IAS 39 and IFRS 4	Reported amount	IFRS 9 1. Remea-surement	IFRS 9 2. Reclassi-fication	IFRS 17 3. Reclassi-fication	IFRS 17 4. Remea-surement	Adjusted amount	Restated balance sheet item - with IFRS 9 and IFRS 17
Cash and cash equivalents	234					234	Cash and cash equivalents
Available-for-sale investments	68,867	40,682	-5,211	2,730		107,068	Investments at fair value through OCI
Loans	42,282	-40,682	-59	107		1,648	Investments at cost
Financial assets designated at fair value through profit or loss	430		33,817	65		34,312	Investments at fair value through profit or loss
Real estate investments	2,719					2,719	Investments in real estate
Associates and joint ventures	6,789				4	6,793	Investment in associates and joint ventures
Investments for risk of policyholders	28,548		-28,548			0	
Reinsurance contracts	1,200				-1,200	0	Reinsurance contracts
Non-trading derivatives	6,137			2		6,139	Derivatives
Property and equipment	72					72	Property and equipment
Intangible assets	50			-50		0	Intangible assets
Deferred acquisition costs	235			-235		0	
Deferred tax assets	33				8	41	Deferred tax assets
Other assets	3,382				-217	3,165	Other assets
Total assets	160,978	0	-1	2,619	-1,405	162,191	Total assets
Insurance contracts	119,444				17,595	137,039	Insurance contracts
Investment contracts	0				904	904	Investment contracts
	0				186	186	Reinsurance contracts
Subordinated debt	1,120					1,120	Subordinated debt
Other borrowed funds	531					531	Other borrowed funds
Non-trading derivatives	1,681			2		1,683	Derivatives
Deferred tax liabilities	3,970		1		-3,971	0	Deferred tax liabilities
Other liabilities	5,884				-1,920	3,961	Other liabilities
Total liabilities	132,630	0	1	2	12,790	145,423	Total liabilities
Total equity	28,348	0	-1	2,621	-14,195	16,768	Total equity

The references in the columns above are explained as follows:

1. Loans held by insurance entities within NN Leven are remeasured from cost to fair value and mostly presented and measured as Investments at fair value through other comprehensive income; these are subject to an expected credit loss provision.
2. Available-for-sale investments that do not qualify for measurement at fair value through other comprehensive income are presented as Investments at fair value through profit or loss. Investments for risk of policyholders are presented as Investments at fair value through profit or loss.
3. Deferred acquisition costs, policy loans and insurance receivables and payables are derecognised and form part of the liability for insurance contracts.
4. Measurement differences on (re)insurance assets and liabilities; Reinsurance and Investment contracts are presented separately.

Notes to the Consolidated annual accounts continued

Further details on Insurance contracts under IFRS 17 are presented below:

Insurance contracts (IFRS 17) by component	1 January 2022 (Restated)
General Model and Variable Fee Approach:	
- Estimates of the present value of future cash flows	131,611
- risk adjustment	2,196
- contractual service margin	
- determined retrospectively	109
- determined under the fair value approach	3,123
Total Insurance contracts	137,039
Insurance contracts, presented as assets	0
Insurance contracts, presented as liabilities	137,039
Total Insurance contracts	137,039

Approximately 90% of the Total insurance contracts was determined using the fair value transition approach.

NN Leven continued using Operating result as an Alternative Performance Measure. The definition of Operating result was amended to reflect the impact of IFRS 9 and IFRS 17.

The implementation of IFRS 9 and IFRS 17 did not impact NN Leven's Own Funds and the Solvency Capital Requirement under Solvency II.

Reference is made to Note 43 'Other IFRS 9 and IFRS 17 transition disclosures' for further details.

In the Notes below, all references to 'Opening balance' refer to the restated balances for IFRS 9 and IFRS 17 at 31 December 2021 and 1 January 2022. References to '2022', 'Closing balance' and "31 December 2022' and 'refer to the restated balances for those periods.

IAS 12 'Taxes'

In May 2023, 'International Tax Reform – Pillar Two Model Rules' was issued, which amends IAS 12 'Income Taxes'. NN Leven applies this amendment as of 2023. Related disclosures are included in Note 25 'Taxation'.

Other changes in accounting standards that became effective

In addition to the new accounting standards IFRS 9 and IFRS 17 and the above mentioned change in IAS 12, the following amendments and revisions to existing standards became effective in 2023:

- IAS 1, Disclosure of Accounting Policies, and IFRS Practice Statement 2, Making Materiality Judgements
- IAS 8, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These changes had no material impact on NN Leven's consolidated annual accounts.

Upcoming changes in IFRS-EU

The following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective:

- IAS 1, Classification of Liabilities as Current or Non-current
- IAS 1, Non-current Liabilities with Covenants
- IFRS 16, Lease Liability in a Sale and Leaseback
- IAS 7 and IFRS 7, Supplier Finance Arrangements

These changes are not expected to have a material impact on NN Leven's consolidated annual accounts.

Changes in presentation

The presentation of, and certain terms used in, the Consolidated balance sheet, Consolidated profit and loss account, Consolidated statement of cash flows, Consolidated statement of changes in equity and the notes was changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

Changes in comparative figures

Through the acquisition of Delta Lloyd in 2017, NN Group owned 51% of the shares of Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V. (AAV). AAV is a joint venture between NN Group (51%) and ABN AMRO Bank N.V. (ABN AMRO bank) (49%). In February 2022 NN Group, ABN AMRO Bank and their joint venture AAV announced that they had reached an agreement to sell AAV's life insurance subsidiary (AAL) to NN Leven for a total consideration of EUR 253 million.

Notes to the Consolidated annual accounts continued

On 15 July 2022, NN Leven acquired the life insurance subsidiary of AAV. On 1 April 2023, the legal merger between NN Leven and AAL became effective.

The figures in the tables above regarding the IFRS 9 and IFRS 17 implementation are adjusted in relation to the merger with AAL. The merger of the life insurance subsidiary AAL was between companies with the same parent NN Group ('under common control'). IFRS 3 Business combinations is not applicable for common control transactions. As a result of this merger, NN Leven acquired all assets and liabilities of AAL under universal title of succession. The comparative figures of the Parent company NN Leven annual accounts are accordingly restated.

The comparative figures (including the opening balance 2022) in the 2023 Parent company annual accounts of NN Leven were adjusted to reflect the merger with AAL, using the carrying amounts of the assets and liabilities as included in the 2022 NN Leven Consolidated annual accounts amended for the transition for IFRS 9 and 17.

For a more detailed disclosure, reference is made to Note 36 'Companies acquired and Legal mergers'.

Material accounting policies and significant judgements

NN Leven has identified the accounting policies that are most material to its business operations and to the understanding of its results. These material accounting policies are those which involve the most complex or subjective judgements and assumptions and relate to insurance contracts, acquisition accounting, the determination of the fair value of real estate and financial assets and liabilities and impairments. In each case, the determination of these items is fundamental to the financial condition and results of operations and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. All valuation techniques used are subject to internal review and approval. For further details on the application of these accounting policies, reference is made to the applicable notes to the Consolidated annual accounts and the information below.

Reference is made to Note 41 'Risk management' for a sensitivity analysis of certain assumptions as mentioned.

General accounting policies

Consolidation

NN Leven comprises NN Leven N.V. and all its subsidiaries. The Consolidated annual accounts of NN Leven comprise the accounts of NN Leven N.V. and all entities over which NN Leven has control. NN Leven has control over an entity when NN Leven is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the substance of the relationship between NN Leven and the entity and considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

For interests in investment entities, the existence of control is determined taking into account both NN Leven's financial interests for own risk and its role as asset manager. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the 'power') and assume all risks and benefits of these investments (i.e. the policyholder assumes the variable returns).

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. Minority interests are initially measured at their proportionate share of the subsidiaries' identifiable net assets at the date of acquisition. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which NN Leven has agreed to sell but is still legally owned by NN Leven may still be controlled by NN Leven at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as held for sale if certain conditions are met.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Leven policies. In general, the reporting dates of subsidiaries are the same as the reporting date of NN Leven N.V.

A list of principal subsidiaries is included in Note 24 'Principal subsidiaries and geographical information'.

Foreign currency translation

Functional and presentation currency

Items included in the Consolidated annual accounts of each NN Leven entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated annual accounts are presented in euros, which is NN Leven's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The release of the contractual service margin of insurance contracts is translated similarly. Exchange rate differences resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges, qualifying net investment hedges or as result of applying the OCI option on insurance contracts.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss, are reported as part of the 'fair value gain or loss'. Exchange rate differences on non-monetary items measured at fair value through other comprehensive income (equity) are included in the 'revaluation reserve' in equity.

Exchange rate differences in the profit and loss account are generally included in 'Foreign currency exchange results' as part of investment result. Exchange rate differences relating to the disposal of debt and equity securities are considered to be an inherent part of the capital gains and losses. On disposal of group companies, any foreign currency exchange difference deferred in equity is recognised in the profit and loss account in 'Result on disposals of group companies'.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting exchange rate differences are recognised in a separate component of equity in 'Currency translation reserve'

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation and of borrowings and other instruments designated as hedges of such investments are taken to shareholder's equity. When a foreign operation is sold the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Recognition and derecognition of financial instruments

Financial assets and liabilities are generally (de)recognised at trade date, which is the date on which NN Leven commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which NN Leven receives or delivers the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where NN Leven has transferred substantially all risks and rewards of ownership. If NN Leven neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Realised gains and losses on investments are determined as the difference between the sales proceeds and (amortised) cost. For equity securities, the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification (generally FIFO).

Maximum credit risk exposure

The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items, the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 34 'Contingent liabilities and commitments' for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure. The manner in which NN Leven manages credit risk and determines credit risk exposures is explained in Note 41 'Risk management'.

Leases

The leases entered into by NN Leven as a lessee are primarily operating leases. At inception of a contract, NN Leven assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The net present value of operating lease commitments is recognised on the balance sheet as a 'right of use asset' under Property and equipment or Real estate investments and a lease liability is recognised under Other liabilities. NN Leven does not recognise a right of use asset and a lease liability for short-term leases that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with these leases are recognised as an expense.

Notes to the Consolidated annual accounts continued

Statement of cash flows
The Consolidated statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account and changes in balance sheet items, which do not result in actual cash flows during the year.

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition. Investments qualify as a cash equivalent if they are readily convertible into a known amount of cash and are not subject to significant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in 'Cash and cash equivalents' in the balance sheet is due to foreign currency exchange differences and is accounted for separately as part of the reconciliation of the net cash flow and the balance sheet change in 'Cash and cash equivalents'.

Cash flows related to mortgage loans held as investment in the insurance operations are recognised under Net cash flow from investing activities.

NN Leven is subject to sustainability reporting as referred to in Articles 19a and 29a of the Accounting Directive 2013/34/EU, but NN Leven makes use of the exemption from reporting sustainability information under Article 29a (8). The sustainability disclosures are performed at the parent company level of NN Group N.V.

2 Cash and cash equivalents
NN Leven invests in several types of money market funds, some qualifying as cash equivalents and some as investments. Short-term investments in money market funds are presented as cash equivalents only if these are highly liquid and quoted in an active market and have low investment risk.

Cash and cash equivalents

	2023	2022 (Restated)
Cash and bank balances	293	343
Money market funds	2,407	
Short-term deposits	1,220	
Cash and cash equivalents at the end of the period	3,920	343

NN Leven included more cash instruments directly on its own balance sheet. This concerns mainly bank deposits and money market funds.

3 Investments at fair value through other comprehensive income
Investments at fair value through other comprehensive income include debt securities and loans that are held in a business model 'held to collect and sell' and of which the cash flows are considered solely payments of principal and interest on the principal amount outstanding. The objective of this business model 'held to collect and sell' is to fund the insurance contracts. To achieve this objective, NN Leven collects contractual cash flows as they come due and sells financial assets to maintain the desired profile of the asset portfolio. Investments at fair value through other comprehensive income also include equity securities held by insurance entities within the Group so as to align the accounting for financial assets under IFRS 9 as much as possible to the accounting for insurance liabilities under IFRS 17.

Investments at fair value through other comprehensive income are initially recognised at fair value plus transaction costs. For debt securities and loans, the difference between cost and redemption value is amortised through the effective yield in the profit and loss account. Interest income on debt securities and loans is recognised in the profit and loss account in 'Investment result' using the effective interest method. Dividend income from equity securities classified as Investments at fair value through other comprehensive income is recognised in the profit and loss account in 'Investment result' when the dividend has been declared. Investments at fair value through other comprehensive income are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income (equity). For debt securities and loans, realised gains and losses on disposal, are recognised in the profit and loss account in 'Investment result'.

Impairments
Impairment applies to all debt securities and loans measured at amortised cost and at fair value through other comprehensive income. Initially, a provision is recognised for credit losses expected within the next 12 months. This is referred to as 'Stage 1'. If there is a significant increase in credit risk between the moment of initial recognition and the reporting date, but the exposure is not in default, the exposure is classified in 'Stage 2'. If the exposure is in default (i.e. credit impaired), it is classified in 'Stage 3'. For both 'Stage 2' and 'Stage 3', a provision is required for expected credit losses over the remaining lifetime of the financial asset.

Notes to the Consolidated annual accounts continued

The significance of increased credit risk is determined by considering the risk of a default occurring over the expected life of the financial asset. Default risk is individually assessed for assets that are individually significant, were previously in default or by choice. Other assets are assessed collectively per group of financial assets with similar credit risk characteristics. An asset is in default if it is probable that NN Leven will not be able to collect all amounts due (principal and interest) according to the contractual terms. Default risk is determined by considering credit risk and transfer risk. NN Leven uses external and internal credit ratings as primary driver in determining whether credit risk has increased significantly together with other qualitative factors (such as market value indicators and portfolio manager assessments). If, at initial recognition, an asset is deemed to have low credit risk (i.e. for all financial assets with an internal or external rating of 'investment grade'), a significant increase in credit risk will occur when the asset's credit rating falls below 'investment grade'. NN Leven will, in principle, not rebut the presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, except in specific cases if qualitative factors indicate there has not been a significant increase in credit risk.

The lifetime expected credit losses are calculated based on probability weighted macro-economic scenarios. The impairment for assets classified in stage 1 and stage 2 is determined by using Probability of Default, Loss Given Default and Exposure at Default parameters. Impairment on assets classified in stage 3 is determined by assessing the expected recoverable amount.

Determining impairments is an inherently uncertain process involving various assumptions and factors including condition of the counterparty, assessment of credit risk, statistical loss data, and discount rates. Estimates and assumptions are based on management's judgement and other information available. Significantly different results can occur as circumstances changes and additional information becomes known.

In certain circumstances NN Leven may grant borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as 'forbearance'. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date whereas the significance of increases in credit risk is determined as set out above. If the forbearance did not result in a substantial modification, the significance of an increase in the credit risk is determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the profit and loss account. NN Leven writes-off (part of) the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Reference is made to Note 41 'Risk management' for more information on credit risk.

Investments at fair value through other comprehensive income

	2023	2022 (Restated)
Debt securities	36,945	38,242
Equity securities	3,506	3,687
Loans	34,898	36,193
Investments at fair value through other comprehensive income	75,349	78,122

Changes in investments at fair value through other comprehensive income (2023)

2023	Debt securities	Equity securities	Loans	Total
Opening balance	38,243	3,687	36,192	78,122
Additions	4,296	366	1,638	6,300
Disposals and redemptions	-7,034	-784	-2,411	-10,229
Revaluations	1,734	213	839	2,786
Impairments	-39		3	-36
Amortisation	-38		-78	-116
Transfers and reclassifications			-1,286	-1,286
Foreign currency exchange differences	-217	24	1	-192
Closing balance	36,945	3,506	34,898	75,349

The saving mortgage portfolio of AAL (EUR 1,286 million) has been reclassified from investments at fair value through other comprehensive income to investments at fair value through profit and loss.

Notes to the Consolidated annual accounts continued

Changes in investments at fair value through other comprehensive income (2022) (Restated)

2022 (Restated)	Debt securities	Equity securities	Loans	Total
Opening balance	58,519	5,450	43,099	107,068
Additions	4,338	446	4,700	9,484
Disposals and redemptions	-10,441	-966	-3,383	-14,790
Revaluations	-14,499	-1,201	-7,988	-23,688
Impairments	-34		11	-23
Amortisation	-56		-150	-206
Transfers and reclassifications			-83	-83
Changes in composition of the group and other changes			-19	-19
Foreign currency exchange differences	416	-42	5	379
Closing balance	38,243	3,687	36,192	78,122

Impairment – Investments at fair value through other comprehensive income (2023)

2023	Stage 1 12 month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	-38	-19	-109	-166
Transfers between stage 1, 2 and 3	2	1	-3	0
Additions	-40	-8	-56	-104
Disposals	10	16	109	135
Closing balance	-66	-10	-59	-135

The loss allowance for investments at fair value through other comprehensive income of EUR 135 million (2022: 166 million) does not reduce the carrying amount of these investments (which are measured at fair value) but gives rise to an equal and opposite gain in other comprehensive income and is included in the line 'Revaluation' in the table of Changes in investments at fair value through other comprehensive income.

Impairment – Investments at fair value through other comprehensive income (2022) (Restated)

2022 (Restated)	Stage 1 12 month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	-19	-24	-108	-151
Transfers between stage 1, 2 and 3	1	5	-6	0
Additions	-22	-1	-43	-66
Disposals	2	1	48	51
Closing balance	-38	-19	-109	-166

4 Investments at cost

Investments at cost consist of loans that are held in a business model 'held to collect' and of which the cash flows are considered solely payments of principal and interest on the principal amount outstanding.

Investments at cost are initially recognised at fair value plus transaction costs. Subsequently, these are carried at amortised cost using the effective interest method less any impairment losses. Interest income is recognised in the profit and loss account in 'Investment result' using the effective interest method.

Investments at cost

	2023	2022 (Restated)
Mortgage loans	123	132
Other	1	928
Investments at cost	124	1,060

Other contains personal loans with NN Group companies.

Notes to the Consolidated annual accounts continued

Changes in investments at cost (2023)

2023	Mortgage loans	Other	Total
Opening balance	132	928	1,060
Additions		7,126	7,126
Disposals and redemptions	-9	-8,053	-8,062
Closing balance	123	1	124

Changes in investments at cost (2022) (Restated)

2022 (Restated)	Mortgage loans	Other	Total
Opening balance	123	1,525	1,648
Additions		28,360	28,360
Disposals and redemptions		-28,957	-28,957
Changes in composition of the group and other changes	9		9
Closing balance	132	928	1,060

5 Investments at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income. Financial assets at fair value through profit or loss include debt securities and loans of which the cash flows are not considered solely payments of principal and interest on the principal amount outstanding, investments in investment funds, and investments held for risk of policyholders.

Transaction costs on initial recognition are expensed when incurred. Interest income from debt securities and loans classified as investments at fair value through profit or loss is recognised in the profit and loss account in 'Investment result' using the effective interest method. Dividend income from equity securities classified as investments at fair value through profit or loss is recognised in the profit and loss account in 'Investment result' when the dividend has been declared.

The investment for risk of policyholders are classified at fair value through profit or loss as to align with the accounting for the corresponding insurance liabilities.

Investments at fair value through profit or loss

	2023	2022 (Restated)
For risk of policyholders		
- debt securities	15	25
- equity securities and investment funds	26,141	23,432
- loans and other	2,325	655
Total for risk of policyholders	28,481	24,112
For risk of company		
- debt securities	56	78
- equity securities and investment funds	6,977	6,606
- loans and other	392	28
Total for risk of company	7,425	6,712
Investments at fair value through profit or loss	35,905	30,824

6 Investments in real estate

Investments in real estate

Real estate investments are initially measured at cost, including transaction cost and are subsequently measured at fair value. Changes in the carrying value resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sales proceeds and carrying value is recognised in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. In principle each reporting period every property is valued. Market transactions and disposals made by NN Leven are monitored as part of the validation procedures to test the valuations. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All real estate investments are appraised externally at least annually.

The fair value represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The fair value is based on regular appraisals by external qualified valuers using valuation methods such as comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status.

Notes to the Consolidated annual accounts continued

The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent-free periods. The cash flows are discounted using market-based interest rates that appropriately reflect the risk characteristics of real estate.

The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment. For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

Subsequent expenditures are recognised as part of the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to NN Leven and the cost of an item can be measured reliably. All other repairs and maintenance costs are recognised immediately in the profit and loss account. Borrowing costs on real estate investments under construction are capitalised until completion.

Real estate investments under construction are included in investments in real estate.

Reference is made to Note 27 'Fair value of non-financial assets' for more disclosure on fair value of real estate investments at the balance sheet date.

Changes in investments in real estate

	2023	2022 (Restated)
Investments in real estate – opening balance	2,754	2,720
Additions	193	136
Transfers from (to) property in own use		10
Transfers from (to) other assets	-1	-3
Fair value gains (losses)	-276	-9
Disposals	-50	-100
Investments in real estate – closing balance	2,620	2,754

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2023 is EUR 175 million (2022: EUR 169 million). The real estate investments include properties that are leased (ground lease). At 31 December 2023, the corresponding right of use assets amount to EUR 52 million (2022: EUR 45 million).

The total amount of direct operating expenses (including repairs and maintenance) in relation to real estate investments recognised in rental income for the year ended 31 December 2023 is EUR 62 million (2022: EUR 59 million).

Investments in real estate by year of most recent appraisal

	2023	2022 (Restated)
Most recent appraisal in current year	100%	100%

NN Leven's total exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2023	2022 (Restated)
Investments in real estate	2,620	2,754
Investments at fair value through profit or loss	2,181	2,554
Investments at fair value through OCI	348	354
Investments in associates and joint ventures	4,384	4,915
Property and equipment – property in own use	26	28
Real estate exposure	9,559	10,605

Furthermore, the exposure is impacted by third-party interests, leverage in funds and off-balance commitments. Reference is made to Note 41 'Risk management'.

7 Investments in associates and joint ventures

Associates are entities over which NN Leven has significant influence, but not control. Joint ventures are entities in which NN Leven has joint control.

Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently accounted for using the equity method of accounting. Subsequently, NN Leven's share of profits or losses is recognised in the profit and loss account and its share of changes in reserves is recognised in other comprehensive income (equity). The cumulative changes are adjusted against the carrying value of the investment. When NN Leven's share of losses in an associate or joint venture equals or exceeds the book value of the associate or joint venture, NN Leven does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between NN Leven and its associates and joint ventures are eliminated to the extent of NN Leven's interest. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of NN Leven. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Leven.

For interests in investment entities the existence of significant influence is determined taking into account both NN Leven's financial interests for own risk and its role as asset manager.

Associates include interests in real estate funds and private equity funds. The underlying assets of both the real estate and the private equity funds are measured at fair value through profit or loss. The fair value of underlying real estate in real estate funds is determined as included in Note 6 'Investments in Real estate'. The fair value of underlying private equity investments in private equity funds is generally based on a forward-looking market approach. This approach uses a combination of company financials and quoted market multiples. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and by reference to market valuations for similar entities quoted in an active market. Valuations of private equity investments are mainly based on an 'adjusted multiple of earnings' methodology on the following basis:

- Earnings: reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, for run-rate adjustments to arrive at maintainable earnings. The most common measure is earnings before interest, tax, depreciation and amortisation (EBITDA). Earnings used are usually management forecasts for the current year, unless data from management accounts for the 12 months preceding the reporting period or the latest audited annual accounts provide a more reliable estimate of maintainable earnings.
- Earnings multiples: earnings multiples are derived from comparable listed companies or relevant market transaction multiples for companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. Adjustments are made for differences in the relative performance in the group of comparable companies.
- Adjustments: a marketability or liquidity discount is applied based on factors such as alignment with management and other investors and NN Leven's investment rights in the deal structure.

Notes to the Consolidated annual accounts continued

Investments in associates and joint ventures (2023)

2023	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda Residential Fund FGR	24%	1,545	8,982	2,590	-481	176
CBRE Dutch Office Fund FGR	19%	273	2,214	745	-370	90
Macquarie European Infrastructure Debt Fund	50%	289	583	7		
Lazora S.I.I. S.A.	23%	267	1,693	538	87	71
Rivage Euro Debt infrastructure 3	34%	313	917	1		
CBRE Retail Industrial Fund Iberica FGR	50%	221	971	528	72	37
Ardstone Residential Partners III	30%	208	1,031	335	29	20
CBRE Dutch Residential Fund I FGR	7%	209	3,013	136	-269	43
NRP Nordic Logistic Fund SA	42%	194	493	31	10	5
Hayfin Amber GP S.A R.L.	100%	205	376	171		
Healthcare Activos SOCIMI S.A.	38%	177	855	387	33	20
CBRE Dutch Retail Fund FGR	21%	150	996	282	-47	21
Dutch Urban Living Venture FGR	49%	138	434	156	-39	7
Dutch Student and Young Professional Housing Fund FGR	49%	130	342	78	-9	6
Rivage Hopitaux Publics Euro	34%	133	389	3		
Allee center Kft	50%	118	257	20	21	7
CBRE UK Property Fund PAIF	9%	112	1,309	37	21	-1
Rivage Priv. Debt – Fund for Infrastr Climate Solutions	100%	110	111	1		
Fiumaranuova s.r.l.	50%	101	208	5	5	8
Prime Ventures V C.V.	20%	83	466	44		4
Rivage Euro Debt Infrastructure High return 2	34%	84	250	1		
Octopus Commercial Real Estate Debt Fund III LP	46%	77	168			
Parquest Capital II B FPCI	29%	83	324	41		3
Delta Mainlog Holding GmbH & Co. KG	50%	77	155	1	3	2
Parcom Buy-Out Fund V CV	21%	62	358	64	88	4
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	73	194	48	17	3
DPE Deutschland III (Parallel) GmbH & Co	17%	60	426	67	-49	4
NL Boompjes Property 5 C.V.	50%	60	120	1	12	1
CBRE Property Fund Central and Eastern Europe FGR	50%	61	171	49	24	9
CBRE Dutch Retail Fund II FGR	10%	31	317	3	-1	4
Robeco Bedrijfsleningen FGR	26%	46	188	13		
Other		389				
Investments in associates and joint ventures		6,079				

The above investments in associates and joint ventures mainly consist of non-listed investment entities investing in real estate and private equity.

Significant influence exists for certain associates in which the interest held is below 20%, based on the combination of NN Leven's financial interest for own risk and other arrangements, such as participation in the relevant boards.

NN Leven holds associates over which it cannot exercise control despite holding more than 50% of the share capital. For this reason, these are classified as associates and are not consolidated.

Other includes EUR 304 million of associates and joint ventures with an individual balance sheet value of less than EUR 50 million and EUR 85 million of receivables from associates and joint ventures.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Leven's accounting principles.

The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Leven.

Notes to the Consolidated annual accounts continued

The associates and joint ventures of NN Leven are subject to legal and regulatory restrictions regarding the amount of dividends that can be paid to NN Leven. These restrictions are, for example, dependent on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements imposed by industry regulators in the countries in which the associates and joint ventures operate. In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Investments in associates and joint ventures (2022) (Restated)

2022 (Restated)	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Vesteda Residential Fund FGR	24%	1,771	9,403	2,100	-7	-1
CBRE Dutch Office Fund FGR	19%	364	2,693	733	-84	83
Macquarie European Infrastructure Debt Fund	48%	322	690	13		
Rivage Euro Debt infrastructure 3	34%	247	725	2		
Lazora S.I.I. S.A.	22%	241	1,636	545	122	40
CBRE Dutch Residential Fund I FGR	8%	238	3,301	139	125	40
Ardstone Residential Partners III	33%	226	892	203	54	10
CBRE Retail Industrial Fund Iberica FGR	50%	221	986	544	63	17
NRP Nordic Logistic Fund SA	42%	201	509	32	10	5
CBRE UK Property Fund PAIF	10%	174	1,697	19	-85	13
CBRE Dutch Retail Fund FGR	20%	170	1,181	342	-8	-43
Healthcare Activos SOCIMI S.A.	38%	164	784	350	42	11
Dutch Student and Young Professional Housing Fund FGR	49%	143	372	82	39	3
Dutch Urban Living Venture FGR	45%	142	469	157	-5	-10
Allee center Kft	50%	117	259	25	24	14
Fiumaranuova s.r.l.	50%	105	130	-79	12	9
Hayfin Amber GP S.A R.L.	100%	105	197	92		
the Fizz Student Housing Fund SCS	50%	88	259	82	7	6
Parcom Buy-Out Fund V CV	21%	88	534	114	173	5
Robeco Bedrijfsleningen FGR	26%	80	333	25	12	1
Delta Mainlog Holding GmbH & Co. KG	50%	79	164	7	-21	2
Octopus Commercial Real Estate Debt Fund III LP	46%	78	180	11		
DPE Deutschland III (Parallel) GmbH & Co	17%	74	554	110	-11	9
Parquest Capital II B FPCI	29%	71	251	8		7
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	69	193	55	5	8
Prime Ventures V C.V.	20%	69	378	27	8	4
NL Boompjes Property 5 C.V.	50%	68	141	4	10	1
Rivage Euro Debt Infrastructure High return 2	34%	60	185	6		
Rivage Hopitaux Publics Euro	34%	62	209	30		
CBRE Property Fund Central and Eastern Europe FGR	50%	59	163	46	18	8
CBRE Dutch Retail Fund II FGR	10%	57	585	11	-50	-11
Other		346				
Investments in associates and joint ventures		6,299				

Changes in investments in associates and joint ventures

	2023	2022 (Restated)
Investments in associates and joint ventures – opening balance	6,299	6,793
Additions	485	741
Share in changes in equity (revaluations)	-4	10
Share of result	-223	164
Dividends received	-244	-271
Disposals	-259	-970
Changes in composition of the group and other changes		-132
Foreign currency exchange differences	25	-36
Investments in associates and joint ventures – closing balance	6,079	6,299

8 Property and equipment

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying value are recognised in other comprehensive income (equity). Decreases in the carrying value that offset previous increases of the same asset are charged against other comprehensive income (equity); all other decreases are recognised in the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). On disposal, the related revaluation reserve in equity is transferred within equity to 'Retained earnings'.

The fair value of land and buildings is based on regular appraisals by independent, qualified valuers or internally, similar to appraisals of real estate investments. All significant holdings of land and buildings are appraised at least annually. Subsequent expenditure is included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to NN Leven and the cost of the item can be measured reliably.

Equipment is stated at cost less accumulated depreciation and any impairment losses. The estimated useful lives are generally as follows: two to five years for data processing equipment and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account when incurred. Expenditure incurred on major improvements is capitalised and depreciated. The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account in 'Other, part of Other result'.

Items of property and equipment are depreciated. The carrying values of the assets are depreciated on a straight-line basis over the estimated useful lives. Methods of depreciation, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property and equipment

	2023	2022 (Restated)
Property in own use	26	28
Property and equipment owned	26	28
Right of use assets	31	34
Property and equipment total	57	62

Changes in Property in own use

	2023	2022 (Restated)
Property in own use – opening balance	28	35
Transfers from (to) investments in real estate		-10
Revaluations	-2	3
Property in own use – closing balance	26	28
Gross carrying value	26	28
Net carrying value	26	28
Revaluation surplus – opening balance	10	7
Revaluation in year	-2	3
Revaluation surplus – closing balance	8	10

Changes in Right of use assets -Property

	2023	2022 (Restated)
Right of use assets – opening balance	34	37
Depreciation	-5	-4
Changes in composition of the group and other changes	2	1
Right of use assets – closing balance	31	34
Gross carrying value	53	51
Accumulated depreciation	-22	-17
Net carrying value	31	34

Notes to the Consolidated annual accounts continued

9 Other assets

Other assets

	2023	2022 (Restated)
Income tax receivable	79	32
Accrued interest and rents	1,063	877
Other accrued assets	11	8
Cash collateral amounts paid	2,279	4,310
Other	1,211	1,867
Other assets	4,643	7,094

Other contains EUR 879 million (2022: EUR 1,090 million) of current accounts with NN Group companies.

10 Equity

Total equity

	2023	2022 (Restated)
Share capital	23	23
Share premium	4,228	3,228
Accumulated revaluation investments	-3,177	-5,405
Accumulated revaluation (re)insurance contracts	11,691	13,895
Foreign currency exchange difference translation reserve	-25	-49
Share of associate reserve	1,443	1,907
Other reserves	-2,097	-2,314
Shareholder's equity (parent)	12,086	11,285
Minority interests	2,028	1,988
Undated subordinated loans	800	800
Total equity	14,914	14,073

Changes in **Shareholder's** equity (2023)

2023	Share capital	Share premium	Reserves	Total shareholder's equity (parent)
Shareholder's equity (parent) – opening balance	23	3,228	8,034	11,285
Total amount recognised directly in equity (other comprehensive income)			57	57
Net result for the period			699	699
Capital contribution		1,000		1,000
Dividend			-980	-980
Coupon on undated subordinated loans			-35	-35
Changes in composition of the group and other changes			60	60
Shareholder's equity (parent) – closing balance	23	4,228	7,835	12,086

Changes in **Shareholder's** equity (2022) (Restated)

2022 (Restated)	Share capital	Share premium	Reserves	Total shareholder's equity (parent)
Shareholder's equity (parent) – opening balance	23	3,228	10,703	13,954
Total amount recognised directly in equity (other comprehensive income)			-1,585	-1,585
Net result for the period			333	333
Dividend			-980	-980
Coupon on undated subordinated loans			-35	-35
Changes in composition of the group and other changes			-402	-402
Shareholder's equity (parent) – closing balance	23	3,228	8,034	11,285

Notes to the Consolidated annual accounts continued

Shareholder's equity

Share capital

	Ordinary shares (in number)		Ordinary shares (Amounts in millions of euros)	
	2023	2022 (Restated)	2023	2022 (Restated)
Authorised share capital	22,689,015	22,689,015	114	114
Unissued share capital	18,151,212	18,151,212	91	91
Issued share capital	4,537,803	4,537,803	23	23

Ordinary shares

All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the General Meeting. The par value of ordinary shares is EUR 5. The authorised ordinary share capital of NN Leven consists of 22,689,015 shares, of which 4,537,803 shares are issued and fully paid up as at 31 December 2023.

Changes in Share premium

	2023	2022 (Restated)
Share premium – opening balance	3,228	3,228
Capital contribution	1,000	
Share premium – closing balance	4,228	3,228

Changes in Accumulated revaluations investments (2023)

2023	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	6	-8,303	2,892	-5,405
Revaluations		2,292		2,292
Realised gains (losses) transferred to the profit and loss account		-12		-12
Realised gains (losses) on equity securities		21		21
Changes in cash flow hedge reserve			-73	-73
Revaluation reserve – closing balance	6	-6,002	2,819	-3,177

In 2023, NN Leven sold equity securities with a fair value of EUR 784 million, resulting in a realised gain (after tax) of EUR 21 million, which was transferred from the accumulated revaluations investments to other reserves.

Changes in Accumulated revaluations investments (2022) (Restated)

2022 (Restated)	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	6	9,570	8,600	18,176
Revaluations		-17,643		-17,643
Realised gains (losses) transferred to the profit and loss account		-4		-4
Realised gains (losses) on equity securities		-239		-239
Changes in cash flow hedge reserve			-5,708	-5,708
Other revaluations		13		13
Revaluation reserve – closing balance	6	-8,303	2,892	-5,405

In 2022, NN Leven sold equity securities with a fair value of EUR 966 million, resulting in a realised gain (after tax) of EUR 239 million, which was transferred from the accumulated revaluations investments to other reserves.

Notes to the Consolidated annual accounts continued

Changes in Accumulated revaluations (re)insurance contracts

	2023	2022 (Restated)
Revaluation reserve – opening balance	13,895	-7,909
Changes in financial assumptions for insurance contracts	-2,148	21,784
Changes in financial assumptions for reinsurance contracts	-26	20
Changes in composition of the group and other changes	-30	
Revaluation reserve – closing balance	11,691	13,895

Changes in Foreign currency exchange translation reserve

	2023	2022 (Restated)
Foreign currency exchange difference translation reserve – opening balance	-49	-7
Foreign currency exchange difference for the period	24	-42
Foreign currency exchange difference translation reserve – closing balance	-25	-49

Unrealised revaluations relate to changes in the value of hedging instruments that are designated as net investment hedges.

Changes in Other reserves (2023)

2023	Retained earnings	Share of associates reserve	Total
Other reserves – opening balance	-2,314	1,907	-407
Net result for the period	699		699
Transfers from (to) share of associates reserve	464	-464	0
Dividend	-980		-980
Realised gains/losses on equity securities	-21		-21
Coupon on subordinated loans	-35		-35
Changes in composition of the group and other changes	90		90
Other reserves – closing balance	-2,097	1,443	-654

Changes in Other reserves (2022) (Restated)

2022 (Restated)	Retained earnings	Share of associates reserve	Total
Other reserves – opening balance	-1,622	2,065	443
Net result for the period	333		333
Transfers from (to) share of associates reserve	158	-158	0
Dividend	-980		-980
Realised gains/losses on equity securities	239		239
Coupon on subordinated loans	-35		-35
Changes in composition of the group and other changes	-407		-407
Other reserves – closing balance	-2,314	1,907	-407

Proposed appropriation of result

The result is appropriated pursuant to article 21 of the articles of association of NN Leven, the relevant provisions of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Management Board and the Supervisory Board. It is proposed to add the 2023 net result of EUR 699 million to the 'Other Reserves'.

Minority interest

NN Leven has minority interest in the following entities:

- REI Investment I B.V. (22%)
- REI Diaphane Fund F.G.R. (22%)
- Private Equity Investments II B.V. (14%)
- Private Equity Investments B.V. (10%)
- Infrastructure Equity Investments B.V. (5%)
- Private Debt Investments B.V. (3%)

The entities are fully consolidated by NN Leven with a minority interest recognised in equity of EUR 2,028 million at 31 December 2023 (2022: EUR 1,988 million).

Notes to the Consolidated annual accounts continued

Undated subordinated loan

On 30 May 2014, NN Leven received a EUR 450 million perpetual subordinated loan from NN Group. The loan is callable at par value after 5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.520% per annum for the first 10 years and will be floating thereafter. As this loan is undated and includes optional deferral of interest at the discretion of NN Leven, this is classified under IFRS-EU as equity. Coupon payments are distributed out of equity if and when paid or contractually due.

On 31 December 2016, Delta Lloyd Leven received a EUR 350 million perpetual subordinated loan from Delta Lloyd N.V. The loan is callable at par value after 10 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 7.600% per annum for the first 10 years and will be floating thereafter. As this loan is undated and includes optional cancellation of interest at the discretion of NN Leven, this is classified under IFRS-EU as equity. Coupon payments are distributed out of equity if and when paid or contractually due. As a result of merging Delta Lloyd N.V. with NN Group and Delta Lloyd Leven with NN Leven, this undated subordinated loan is now between NN Group and NN Leven.

In 2023, coupon payments on the undated subordinated loan of EUR 35 million after tax (2022: EUR 35 million after tax) were distributed out of the Other reserves.

11 Insurance contracts

IFRS 17 allows certain accounting policy choices and requires judgment in setting certain assumptions. The most important accounting policies and assumptions that are relevant to NN Leven are set out below.

Key accounting policies

Accounting models

NN Leven applies two of the three accounting models in IFRS 17. The General Model is the default model and is applied to traditional life insurance portfolios. The Variable Fee Approach is, amongst others, not applied to unit-linked portfolio's for which the guarantees were in the money at the date of the Variable Fee Approach assessment.

Finance result on (re) insurance contracts and 'OCI option'

NN Leven determines per portfolio of insurance contracts whether the effect of changes in financial assumptions, including changes in discount rates, are reflected either fully in the profit and loss account or partially in other comprehensive income ('OCI') in equity and partially in the profit and loss account based on a systematic allocation of the expected total net finance result over the duration of the group of contracts (the 'OCI option'). Under the OCI option, amounts recognised in OCI are recycled through profit or loss so that the amount in OCI will be nil at the end of the duration of the portfolio of insurance contracts. This recycling is done by accreting interest on the insurance liability through profit or loss using a locked-in discount rate at initial recognition of the contract, which is unlocked for changes in financial assumption after initial recognition, if any. This interest accretion is presented in 'Finance result on (re) insurance contracts'.

For contracts accounted for under the General Model, in principle the OCI option is used, unless accounting for the impact of changes in financial assumptions directly in the profit and loss account resolves accounting mismatches or is otherwise preferred. For contracts accounted for under the Variable Fee Approach, the OCI option is, in principle, not applied.

Level of aggregation

Insurance contracts are aggregated per 'CSM group' under IFRS 17. A CSM group consists of contracts within the same portfolio, the same profitability bucket and issued in the same annual period. Contracts are in the same portfolio if these are managed together and have similar risks. NN Leven uses at least three profitability buckets: onerous contracts, contracts that have no possibility of becoming onerous and remaining contracts. Groups of contracts issued in the same annual period are referred to as an annual cohort. For certain groups of insurance contracts additional disaggregation is applied.

Under the EU-endorsed version of IFRS 17 (IFRS-EU), certain specific insurance contracts do not need to be disaggregated by the year in which these contracts were issued (no annual cohorts). NN Leven does not apply this IFRS-EU exemption.

If a contract would fall into a different group only because law or regulation specifically constrains NN Leven's practical ability to set a different price or level of benefits for policyholders with different characteristics, NN Leven includes those contracts in the same group.

Uncertainty on the settlement of the claim amount

For insurance products where there is uncertainty on the settlement of the claim amount, NN Leven accounts for the uncertain claim amounts, as part of the liability for incurred claims or as part of the liability for remaining coverage.

Investment components excluded from insurance income and expenses

Insurance income and expenses in the profit and loss account exclude any (non-distinct) investment components. An investment component is the amount that an insurance contract requires NN Leven to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. For products containing a surrender option for the client, the non-distinct investment component is normally based on the contractual surrender value after deduction of surrender charges.

Notes to the Consolidated annual accounts continued

Generic assumptions
Under the General Model, NN Leven specifies at inception of the insurance contract the basis on which it expects to determine its commitment under the contract; for example, based on a fixed interest rate, or on returns that vary based on specified asset returns. That specification is then used to distinguish between the effect of changes in assumptions that relate to financial variables (that do not adjust the contractual service margin but are recognised as finance result though profit or loss or in other comprehensive income) and non-financial variables and discretionary changes to that commitment (that do adjust the contractual service margin).

Under the Variable Fee Approach, the effect of changes in financial and non-financial assumptions on the net present value of future cash flows (not stemming from changes in the policyholders' share of the underlying items) adjust the contractual service margin using current discount rates. Changes in the underlying items are included in 'Finance result on (re) insurance contracts' in the profit and loss account. Changes in estimates that adjust the contractual service margin exclude the changes in value of options and guarantees of contracts accounted for under the Variable Fee Approach that are hedged for which the Risk mitigation option is applied. These are reflected in 'Finance result' in the profit and loss account.

NN Leven applies a year-to-date approach, i.e. NN Leven changes the treatment of previous accounting estimates made when reporting over the year.

Insurance related receivables and payables including policy loans are presented as part of the insurance contracts.

Acquisition costs
NN Leven recognises an asset for any directly attributable insurance acquisition costs incurred relating to groups of to be recognised insurance contracts or their renewals. The asset for incurred acquisition costs to be attributed to insurance contracts is derecognised when groups of insurance contracts to which the insurance acquisition costs are allocated, are recognised.

For traditional life insurance contracts and certain types of flexible life insurance contracts with a coverage period of over one year, the amortisation of acquisition costs takes place over the premium payment period in proportion to the revenue recognised. Amortisation is adjusted when estimates of current or future profits, to be realised from a group of insurance contracts, are revised.

Transition approach
NN Leven used two of the three transition approaches in IFRS 17. Fair value is determined similar to fulfilment value, except that no group diversification is reflected in the risk adjustment, the cost of capital rate in the risk adjustment is set at 6% and expenses also include non-directly attributable expenses.

NN Leven uses the OCI option as described above, but set the amount in OCI at transition date (1 January 2022) to nil under the fair value transition approach for certain portfolios (i.e. for which it was not practicable to determine the amount in OCI retrospectively). General account assets are considered to be one pool of assets, backing (part of some and all of other) insurance contracts and NN Leven equity. Consequentially, the investment revaluation reserve of those assets cannot be allocated specifically to insurance contracts for which the amount in OCI was set to nil at the transition date.

Coverage units
Coverage units are determined based on the expected insurance contract services. The insurance contract services are determined considering the (weighted) quantity of the benefits provided from insurance and investment (return/related) services. For insurance services, the quantity of benefits can, amongst others, be based on the maximum amount a policyholder might validly claim during a certain period. For investment services, the quantity of benefits can, amongst others, be based on the account value of underlying assets. The total amount of coverage units for a group of insurance contracts is the probability weighted present value of the insurance contract services. Expected policies in force are used to determine the expected duration.

Key assumptions
Estimates of future cash flows reflect mortality and morbidity assumptions that are internally developed and calibrated to NN Leven's own experience, reflecting the characteristics of the relevant portfolio. National mortality tables published by relevant actuarial or statistical bodies are used as benchmarks. Future projected mortality improvements (generation mortality tables) are also reflected in the assumption tables and are determined internally.

Mortality assumptions are country, age, gender and sometimes product group specific. The approach to developing these assumptions internally at NN Leven is as follows. The mortality experience from NN Leven's portfolio is used for setting the baseline assumptions at the level of age, gender and homogenous risk groups. Own experience is used because an insured portfolio has structurally a different mortality experience than the general population. The internal model for future trends of mortality improvements uses a blend of national and EU mortality data and the improvement rates are defined per age and gender. Experience (both for own portfolio and national populations) is monitored through regular studies (at least on annual basis) and reflected in the measurement of insurance contracts. For the baseline assumptions calendar years are used for which the mortality experience is complete and as of 2023 a return to pre-Covid mortality rates expectations is projected in an approach similar to AG 2022 methodology (i.e. exponential reduction over time of the excess mortality generated by Covid-19).

Notes to the Consolidated annual accounts continued

Expense assumptions

Expenses that are considered directly attributable are allocated to groups of insurance contracts, and estimates of these expected future expense cashflows are included in the insurance liability as a component of the fulfilment value. Non-attributable expenses are recognised directly in the profit and loss account when incurred. In principle, expenses that are necessary to serve the policyholder (including expenses to meet regulatory requirements as insurance company) are directly attributable whereas other expenses are not. For the projection of attributable expense to the future, expense inflation assumptions are applied. These take into account expected price inflation (derived where possible from observable market inputs), which is adjusted where necessary to take into account portfolio and business specific factors. Inflation regarding expense assumptions is considered a financial assumption if contractually or legally linked to observable market inputs and non-financial if not.

Lapse and surrender rates

Lapse, cancellation and surrender assumptions reflect the expected policyholder behaviour. As such the rates depends on issue year, policy year, major product lines based on NN Leven's own experience. NN Leven reviews the lapse rates on annual basis. These rates are typically calibrated based on own experience. These rates are typically calibrated based on own experience. Such granularity is usually enough to capture how the product terms and conditions as well as regulations can influence the timing and volume of lapse and surrenders. Calendar year based adjustments and dynamic policyholder behaviour are considered when needed in specific circumstances.

Discount rates

Discount rates are determined using a liquid risk-free curve to which an illiquidity premium is added. The liquid risk-free curve is set per currency, while the illiquidity premium is determined per entity using an approach that, reflects the characteristics of the current assets of that entity. In the second half of 2022 the assumption for spreads used in the illiquidity premium was updated and spreads are derived from fixed income assets using Z-spreads. The total asset spread is adjusted for expected and unexpected credit losses.

For the Euro currency, the risk-free curve is based on the swap rate and includes a last liquid point (LLP) of 30 years and a long-term forward rate (LTFR). At 31 December 2023, the LTFR was 3.15% (2022: 3.25%).

The table below sets out the yield curves used to discount the cash flows of insurance contracts, as at 31 December 2023 and 31 December 2022.

Range of yield curves

	General Model		Variable Fee Approach	
	2023	2022 (Restated)	2023	2022 (Restated)
1 year	4.1%	3.8%	3.4%	3.2%
5 years	3.1%	3.8%	2.4%	3.1%
10 years	3.2%	3.7%	2.5%	3.1%
20 years	3.2%	3.4%	2.5%	2.8%
30 years	2.9%	2.9%	2.2%	2.3%
40 years	2.9%	2.8%	2.3%	2.3%

Risk adjustment

The risk adjustment for non-financial risk is determined using the cost of capital methodology based on the Solvency II internal model or standard formula for Solvency II entities and an own (internal) model for economic capital for non-solvency II insurance entities within the Group. The risk adjustment reflects diversification among non-market risks and with market risks within the entity as well as diversification with other entities within NN Leven ('Group diversification'). The cost of capital rate represents NN Leven's view on the compensation required for bearing non-financial risk; the cost of capital rate used in the fulfilment value of insurance liabilities is 4%. Changes in the risk adjustment related to changes in estimates of financial risk are disaggregated to OCI if the OCI option is applied to the specific portfolio. The risk adjustment used by NN Leven corresponds with a range of confidence levels as set out below. In this, the implied confidence levels are determined both for a one-year and an ultimate view, gross of reinsurance.

Corresponding confidence levels risk adjustment

	2023		2022 (Restated)	
	1 year view	Ultimate view	1 year view	Ultimate view
NN Leven	85%-95%	65%-75%	85%-95%	65%-75%

Notes to the Consolidated annual accounts continued

Insurance contracts (2023)

2023	General Model	Variable Fee Approach	Total General Model and Variable Fee Approach
Life Insurance contracts for risk of company	74,167	2,518	76,685
Life Insurance contracts for risk of policyholders	5,964	22,517	28,481
Life insurance contracts	80,131	25,035	105,166
Total insurance contracts	80,131	25,035	105,166
- of which presented as assets	89		89
- of which presented as liabilities	80,220	25,035	105,255
Total insurance contracts	80,131	25,035	105,166

Insurance contracts (2022) (Restated)

2022 (Restated)	General Model	Variable Fee Approach	Total General Model and Variable Fee Approach
Life Insurance contracts for risk of company	72,248		72,248
Life Insurance contracts for risk of policyholders	7,131	21,576	28,707
Life insurance contracts	79,379	21,576	100,955
Total insurance contracts	79,379	21,576	100,955
- of which presented as assets			
- of which presented as liabilities	79,379	21,576	100,955
Total insurance contracts	79,379	21,576	100,955

Notes to the Consolidated annual accounts continued

General Model and Variable Fee Approach

Insurance contracts under General Model (2023)

2023	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total General Model
- opening balance presented as assets				0
- opening balance presented as liabilities	75,439	987	2,953	79,379
Net opening balance	75,439	987	2,953	79,379
- insurance contracts initially recognised in the period	-107	14	102	9
- change in estimates that adjust the contractual service margin	-186	-78	264	0
- change in estimates that do not adjust the contractual service margin	13	5		18
Changes that relate to future service	-280	-59	366	27
- release to profit or loss		-63	-204	-267
- experience adjustments not adjusting the contractual service margin	176			176
Changes that relate to current service	176	-63	-204	-91
- changes in incurred claims and benefits previous periods	-74			-74
Changes that relate to past service	-74	0	0	-74
- finance result through profit or loss	1,939	29	27	1,995
- finance result recognised in OCI	2,866	36		2,902
Finance result on insurance contracts	4,805	65	27	4,897
- premiums received	1,459			1,459
- acquisition costs paid	-66			-66
- claims, benefits and attributable expenses paid	-5,396			-5,396
Cash flows	-4,003	0	0	-4,003
Foreign currency exchange differences	-3		-1	-4
Net closing balance	76,060	930	3,141	80,131
- closing balance presented as assets	149	-10	-50	89
- closing balance presented as liabilities	76,209	920	3,091	80,220
Net closing balance	76,060	930	3,141	80,131

Notes to the Consolidated annual accounts continued

Insurance contracts under Variable Fee Approach (2023)

2023	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total Variable Fee Approach
- opening balance presented as assets				0
- opening balance presented as liabilities	20,777	57	742	21,576
Net opening balance	20,777	57	742	21,576
- insurance contracts initially recognised in the period	-13	5	16	8
- change in estimates that adjust the contractual service margin	73	4	-77	0
- change in estimates that do not adjust the contractual service margin	27	5		32
Changes that relate to future service	87	14	-61	40
- release to profit or loss		-6	-52	-58
- experience adjustments not adjusting the contractual service margin	-147			-147
Changes that relate to current service	-147	-6	-52	-205
- changes in incurred claims and benefits previous periods	59			59
Changes that relate to past service	59	0	0	59
- finance result through profit or loss	2,316			2,316
Finance result on insurance contracts	2,316	0	0	2,316
- premiums received	2,160			2,160
- acquisition costs paid	-29			-29
- claims, benefits and attributable expenses paid	-864			-864
Cash flows	1,267	0	0	1,267
Foreign currency exchange differences	-11		-7	-18
Other movements		4	-4	0
Net closing balance	24,348	61	626	25,035
- closing balance presented as assets				0
- closing balance presented as liabilities	24,348	61	626	25,035
Net closing balance	24,348	61	626	25,035

Notes to the Consolidated annual accounts continued

Insurance contracts under General Model (2022) (Restated)

2022 (Restated)	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total General Model
- opening balance presented as assets				0
- opening balance presented as liabilities	107,628	2,109	2,905	112,642
Net opening balance	107,628	2,109	2,905	112,642
- insurance contracts initially recognised in the period	-111	16	105	10
- change in estimates that adjust the contractual service margin	151	-258	107	0
- change in estimates that do not adjust the contractual service margin	33	-1		32
Changes that relate to future service	73	-243	212	42
- release to profit or loss		-94	-189	-283
- experience adjustments not adjusting the contractual service margin	37			37
Changes that relate to current service	37	-94	-189	-246
- changes in incurred claims and benefits previous periods	-1			-1
Changes that relate to past service	-1	0	0	-1
- finance result through profit or loss	1,157		25	1,182
- finance result recognised in OCI	-29,607	-785		-30,392
Finance result on insurance contracts	-28,450	-785	25	-29,210
- premiums received	1,665			1,665
- acquisition costs paid	-52			-52
- claims, benefits and attributable expenses paid	-5,469			-5,469
Cash flows	-3,856	0	0	-3,856
Foreign currency exchange differences	8			8
Net closing balance	75,439	987	2,954	79,379
- closing balance presented as assets				0
- closing balance presented as liabilities	75,439	987	2,954	79,379
Net closing balance	75,439	987	2,954	79,379

Notes to the Consolidated annual accounts continued

Insurance contracts under Variable Fee Approach (2022) (Restated)

2022 (Restated)	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total Variable Fee Approach
- opening balance presented as assets				0
- opening balance presented as liabilities	23,983	88	326	24,397
Net opening balance	23,983	88	326	24,397
- insurance contracts initially recognised in the period	-16	7	22	13
- change in estimates that adjust the contractual service margin	-405	-26	431	0
- change in estimates that do not adjust the contractual service margin	-10	-3		-13
Changes that relate to future service	-431	-22	453	0
- release to profit or loss		-6	-42	-48
- experience adjustments not adjusting the contractual service margin	-44			-44
Changes that relate to current service	-44	-6	-42	-92
- changes in incurred claims and benefits previous periods	2			2
Changes that relate to past service	2	0	0	2
- finance result through profit or loss	-3,651			-3,651
Finance result on insurance contracts	-3,651	0	0	-3,651
- premiums received	1,949			1,949
- acquisition costs paid	-26			-26
- claims, benefits and attributable expenses paid	-1,019			-1,019
Cash flows	904	0	0	904
Other movements		-4	2	-2
Foreign currency exchange differences	14	1	3	18
Net closing balance	20,777	57	742	21,576
- closing balance presented as assets				0
- closing balance presented as liabilities	20,777	59	742	21,576
Net closing balance	20,777	59	742	21,576

Insurance contracts recognised in the period (2023)

2023	Onerous Insurance contracts issued	Other Insurance contracts issued	Total Insurance contracts initially recognised
Estimates of the present value of future cash inflows	-568	-1,841	-2,409
- acquisition costs	10	73	83
- claims, benefits and attributable expenses	571	1,635	2,206
Estimates of the present value of future cash outflows	581	1,708	2,289
Risk adjustment	3	15	18
Contractual service margin		119	119
Total insurance contracts initially recognised in the period	16	1	17

Notes to the Consolidated annual accounts continued

Insurance contracts recognised in the period (2022) (Restated)

2022 (Restated)	Onerous Insurance contracts issued	Other Insurance contracts issued	Insurance contracts acquired	Total Insurance contracts initially recognised
Estimates of the present value of future cash inflows	-807	-1,651		-2,458
- acquisition costs	14	55		69
- claims, benefits and attributable expenses	810	1,451		2,261
Estimates of the present value of future cash outflows	824	1,506	0	2,330
Risk adjustment	6	17		24
Contractual service margin		128		128
Total insurance contracts initially recognised in the period	23	0	0	23

Composition of underlying items for contracts with direct participation features

Fair value of underlying items	2023	2022 (Restated)
- debt securities	15	25
- equity securities	26,141	23,432
- loans and other	2,325	655
Total	28,481	24,112

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included in Other.

Contractual service margin

Disaggregation of the contractual service margin by transition approach (2023)

2023	Contract issued after transition and retrospective approach	Fair value approach	Total General Model and Variable Fee Approach
Opening balance	289	3,406	3,695
- insurance contracts initially recognised in the period	119		119
- change in estimates that adjust the contractual service margin	27	159	186
Changes that relate to future service	146	159	305
- release to profit or loss	-37	-219	-256
Changes that relate to current service	-37	-219	-256
Finance result on insurance contracts	4	23	27
Foreign currency exchange differences	-4		-4
Closing balance	398	3,369	3,767

Notes to the Consolidated annual accounts continued

Disaggregation of contractual service margin by transition approach (2022) (Restated)

2022 (Restated)	Contract issued after transition and retrospective approach	Fair value approach	Total General Model and Variable Fee Approach
Opening balance	109	3,123	3,232
- insurance contracts initially recognised in the period	128		128
- change in estimates that adjust the contractual service margin	70	468	537
Changes that relate to future service	198	467	665
- release to profit or loss	-24	-209	-233
Changes that relate to current service	-24	-209	-233
Finance result on insurance contracts	2	23	25
Other movements	1	1	1
Foreign currency exchange differences	4		4
Closing balance	289	3,405	3,695

Changes in estimate that adjust the contractual service margin in 2022 mainly reflect changes in financial risk on the non-varying part of the contracts accounted for under the Variable Fee Approach.

Contractual service margin by remaining term

	2023	2022 (Restated)
Less than 1 month	40	20
1-3 months	42	42
3-12 months	184	183
1-2 years	232	226
2-3 years	218	213
3-4 years	204	201
4-5 years	193	188
5-9 years	675	657
Over 9 years	1,979	1,965
Total	3,767	3,695

The contractual service margin by remaining term provides the expected maturity of the balance sheet amount of the contractual service margin at the end of the period. The actual release of the contractual service margin that will be recognised in the profit and loss account in future years will differ as the release in future years will be impacted by the future development of the contractual service margin due to new contracts sold, interest accreted and changes in estimates.

Notes to the Consolidated annual accounts continued

Liabilities for remaining coverage and incurred claims and benefits under General Model (2023)

2023	Liability for remaining coverage		Liability for incurred claims and benefits	Total General Model
	Remaining coverage[1]	Loss component		
Opening balance presented as assets				0
Opening balance presented as liabilities	78,535	40	804	79,379
Net opening balance	78,535	40	804	79,379
- release of contractual service margin	-204			-204
- release of risk adjustment	-63			-63
- expected claims and benefits	-3,114			-3,114
- expected attributable expenses	-240			-240
- recovery of acquisition costs	-28			-28
Insurance income	-3,649	0	0	-3,649
- incurred claims and benefits			3,217	3,217
- incurred attributable expenses			317	317
- amortisation of acquisition costs	28			28
- changes in incurred claims and benefits previous periods			-73	-73
- (reversal of) losses on onerous contracts		22		22
Insurance expenses	28	22	3,461	3,511
Investment components excluded from insurance expenses and insurance income	-1,875	0	1,875	0
- finance result through profit or loss	1,990		3	1,993
- finance result recognised in OCI	2,906		-4	2,902
Finance result on insurance contracts	4,896	0	-1	4,895
- premiums received	1,459			1,459
- acquisition costs paid	-66			-66
- claims, benefits and attributable expenses paid			-5,396	-5,396
Cash flows	1,393	0	-5,396	-4,003
Foreign currency exchange differences	-4		-1	-5
Net closing balance	79,324	62	745	80,131
Closing balance presented as assets	95	0	-6	89
Closing balance presented as liabilities	79,419	62	739	80,220
Net closing balance	79,324	62	745	80,131

1 Remaining coverage includes risk adjustment and contractual service margin.

Notes to the Consolidated annual accounts continued

Liabilities for remaining coverage and incurred claims and benefits under Variable Fee Approach (2023)

2023	Liability for remaining coverage		Liability for incurred claims and benefits	Total Variable Fee Approach
	Remaining coverage[1]	Loss component		
Opening balance presented as assets				
Opening balance presented as liabilities	21,438	3	135	21,576
Net opening balance	21,438	3	135	21,576
- release of contractual service margin	-52			-52
- release of risk adjustment	-6			-6
- expected claims and benefits	-404			-404
- expected attributable expenses	-122			-122
- recovery of acquisition costs	-28			-28
- experience adjustments for premiums relating to current or past service				0
Insurance income	-613	0	0	-613
- incurred claims and benefits			356	356
- incurred attributable expenses			15	15
- amortisation of acquisition costs	28			28
- changes in incurred claims and benefits previous periods			59	59
- (reversal of) losses on onerous contracts		44		44
Insurance expenses	28	44	430	502
Investment components excluded from insurance expenses and insurance income	-495		495	0
- finance result through profit or loss	2,304		12	2,316
Finance result on insurance contracts	2,304	0	12	2,316
- premiums received	2,160			2,160
- acquisition costs paid	-29			-29
- claims, benefits and attributable expenses paid			-864	-864
Cash flows	2,131	0	-864	1,267
Foreign currency exchange differences	-13			-13
Other movements	6		-6	0
Net closing balance	24,786	47	202	25,035
Closing balance presented as assets				0
Closing balance presented as liabilities	24,786	47	202	25,035
Net closing balance	24,786	47	202	25,035

1 Remaining coverage includes risk adjustment and contractual service margin.

Notes to the Consolidated annual accounts continued

Liabilities for remaining coverage and incurred claims and benefits under General Model (2022) (Restated)

2022 (Restated)	Liability for remaining coverage		Liability for incurred claims and benefits	Total General Model
	Remaining coverage[1]	Loss component		
Opening balance presented as assets				
Opening balance presented as liabilities	111,763	2	877	112,642
Net opening balance	111,763	2	877	112,642
- release of contractual service margin	-189			-189
- release of risk adjustment	-94			-94
- expected claims and benefits	-3,112			-3,112
- expected attributable expenses	-251			-251
- recovery of acquisition costs	-29			-29
- experience adjustments for premiums relating to current or past service	-1			-1
Insurance income	-3,676	0	0	-3,676
- incurred claims and benefits			3,053	3,053
- incurred attributable expenses			350	350
- amortisation of acquisition costs	29			29
- changes in incurred claims and benefits previous periods				0
- (reversal of) losses on onerous contracts		40		40
- other insurance expenses			-1	-1
Insurance expenses	29	40	3,402	3,471
Investment components excluded from insurance expenses and insurance income	-1,994		1,994	0
- finance result through profit or loss	117		1	118
- finance result recognised in OCI	-29,326		-1	-29,327
Finance result on insurance contracts	-29,209	0	0	-29,209
- premiums received	1,665			1,665
- acquisition costs paid	-52			-52
- claims, benefits and attributable expenses paid			-5,470	-5,470
- changes in the composition of the group - contracts acquired			1	1
Cash flows	1,613	0	-5,469	-3,856
Other movements	1	-2		-1
Foreign currency exchange differences	8			8
Net closing balance	78,535	40	804	79,379
Closing balance presented as assets				0
Closing balance presented as liabilities	78,535	40	804	79,379
Net closing balance	78,535	40	804	79,379

1 Remaining coverage includes risk adjustment and contractual service margin.

Notes to the Consolidated annual accounts continued

Liabilities for remaining coverage and incurred claims and benefits under Variable Fee Approach (2022) (Restated)

2022 (Restated)	Liability for remaining coverage		Liability for incurred claims and benefits	Total Variable Fee Approach
	Remaining coverage[1]	Loss component		
Opening balance presented as assets				0
Opening balance presented as liabilities	24,268	3	126	24,397
Net opening balance	24,268	3	126	24,397
- release of contractual service margin	-42			-42
- release of risk adjustment	-7			-7
- expected claims and benefits	-286			-286
- expected attributable expenses	-96			-96
- recovery of acquisition costs	-27			-27
Insurance income	-461	0	0	-461
- incurred claims and benefits			321	321
- incurred attributable expenses			20	20
- amortisation of acquisition costs	27			27
- changes in incurred claims and benefits previous periods			1	1
- other insurance expenses			1	1
Insurance expenses	27	0	343	370
Investment components excluded from insurance expenses and insurance income	-683		683	0
- finance result through profit or loss	-3,623		1	-3,622
- finance result recognised in OCI	-28		-1	-29
Finance result on insurance contracts	-3,651	0	0	-3,651
- premiums received	1,949			1,949
- acquisition costs paid	-26			-26
- claims, benefits and attributable expenses paid			-1,019	-1,019
- changes in the composition of the group - contracts acquired			1	1
Cash flows	1,923	0	-1,018	904
Other movements			3	3
Foreign currency exchange differences	15			15
Net closing balance	21,438	3	135	21,576
Closing balance presented as assets				0
Closing balance presented as liabilities	21,438	3	135	21,576
Net closing balance	21,438	3	135	21,576

1 Remaining coverage includes risk adjustment and contractual service margin.

12 Investment contracts

Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Investment contracts are determined at amortised cost using the effective interest method or at fair value.

Investment contracts

	2023	2022 (Restated)
Investment contracts – opening balance	849	904
Current year liabilities		
– payments to contract holders	-55	-61
– interest accrual	6	6
Investment contracts – closing balance	800	849

13 Reinsurance contracts

Accounting for reinsurance contracts held is mostly similar to the accounting for insurance contracts issued, with the following specific considerations:

- Reinsurance contracts held can be measured applying the General Model. The Variable Fee Approach cannot be applied to reinsurance contracts held and issued. Reinsurance contracts held cannot be onerous.
- Expected reinsurance recoveries include a provision for non-performance risk of the reinsurer. Changes in non-performance risk are accounted for in profit or loss. Non-performance risk includes insolvency risk, risks related to disputes, further negotiations and collateral losses.
- Losses on reinsured insurance contracts may be (partially) offset with a reinsurance loss-recovery component. This applies if the underlying insurance contracts are onerous upon initial recognition or if a change in estimates leads to onerous insurance contracts and the same change in estimates has an offsetting effect on the reinsurance contract held.

Longevity reinsurance

In May 2020, NN Leven entered into three reinsurance agreements to reinsure the full longevity risk associated with in total approximately EUR 13.5 billion of insurance contracts. This reinsurance reduced NN Leven's exposure to longevity risk and, consequently, the required capital under Solvency II. The three reinsurance agreements are similar in nature but are agreed with three different assuming reinsurers, Canada Life, Munich Re and Swiss Re. The risk transfer was effective as of 1 January 2020 and will continue until the relevant portfolio has run off.

In December 2021, NN Leven entered into a fourth reinsurance agreement to reinsure the full longevity risk associated with in total approximately EUR 4 billion of insurance contracts. The fourth reinsurance agreement is similar in nature to the first three contracts but is agreed with a different reinsurer, RGA. The risk transfer for the fourth contract is effective as of 31 December 2021. The risk transfer will continue until the relevant portfolio has run off.

In December 2023 NN Leven completed two transactions to transfer the full longevity risk associated with in total approximately EUR 13 billion of insurance contracts. The transactions cover the longevity risk of approximately 300 thousand policies and have been entered into with an insurance subsidiary of Prudential Financial, Inc. and with Swiss Re. The risk transfer became effective as of 31 December 2023, and the reinsurance agreements will continue until the portfolio has run off.

Reinsurance contracts held (2023)

2023	General Model	Total
Life reinsurance contracts	-96	-96
-of which presented as assets	29	29
-of which presented as liabilities	125	125
Total life reinsurance contracts	-96	-96

Reinsurance contracts held (2022) (Restated)

2022 (Restated)	General Model	Total
Life reinsurance contracts	-83	-83
-of which presented as assets	33	33
-of which presented as liabilities	116	116
Total life reinsurance contracts	-83	-83

Notes to the Consolidated annual accounts continued

Reinsurance contracts held under General Model (2023)

2023	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model
opening balance presented as assets	-468	142	359	33
opening balance presented as liabilities	116	0	0	116
Net opening balance	-584	142	359	-83
- reinsurance contracts initially recognised in the period	-166	167	-1	0
- change in estimates that adjust the contractual service margin	-111	-26	137	0
Changes that relate to future service	-277	141	136	0
- release of contractual service margin not attributed to loss recovery component	-1		-40	-41
- release of risk adjustment not attributed to loss recovery component		-13		-13
- experience adjustments not adjusting the contractual service margin	8	-2	-1	10
changes that relate to current service	7	-15	-41	-49
- changes in reinsurance recoveries previous periods	-7			-7
Changes that relate to past service	-7			-7
- finance result through profit or loss	17	1	2	20
- finance result recognised in OCI	-47	10		-37
Finance result from reinsurance contracts	-30	11	2	-17
- reinsurance recoveries paid	1,040			1,040
- reinsurance premiums received	-984			-984
Cash flows	56			56
Foreign currency exchange differences	4			4
Net closing balance	-831	279	456	-96
closing balance presented as assets	-700	276	453	29
closing balance presented as liabilities	131	-3	-3	125
Net closing balance	-831	279	456	-96

Notes to the Consolidated annual accounts continued

Reinsurance contracts held under General Model (2022) (Restated)

2022 (Restated)	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model
opening balance presented as assets				0
opening balance presented as liabilities	733	-293	-254	186
Net opening balance	-733	293	254	-186
- change in estimates that adjust the contractual service margin	-108	-29	137	0
Changes that relate to future service	-108	-29	137	0
- release of contractual service margin recognised for services received			-31	-31
- release to profit or loss		-22	-3	-25
- experience adjustments not adjusting the contractual service margin	32			32
changes that relate to current service	32	-22	-34	-24
- changes in reinsurance recoveries previous periods				
Changes that relate to past service	0	0	0	0
- finance result through profit or loss	11	2	2	15
- finance result recognised in OCI	146	-102		44
Finance result from reinsurance contracts	157	-100	2	59
- reinsurance recoveries paid	1,079			1,079
- reinsurance premiums	-1,033			-1,034
Cash flows	46	0	0	46
Other movements	25			25
Foreign currency exchange differences	-3			-3
Net closing balance	-584	142	359	-83
closing balance presented as assets	-468	142	359	33
closing balance presented as liabilities	116	0	0	116
Net closing balance	-584	142	359	-83

As at 31 December 2023, the total reinsurance exposure including incurred reinsurance recoveries and receivables from reinsurers (both presented as part of the closing balance of the asset for incurred reinsurance recoveries under General Model) amounts to EUR 96 million (2022: EUR 83 million).

Reinsurance contracts recognised in the period

	2023	2022 (Restated)
Estimates of the present value of future cash inflows (recoveries)	12,418	0
Reinsurance premiums	-12,584	
Estimates of the present value of future cash outflows	-12,584	0
Risk adjustment	167	
Contractual service margin at initial recognition (before loss recovery adjustment)	-1	
Total	0	0

Notes to the Consolidated annual accounts continued

Contractual service margin reinsurance contracts

	2023	2022 (Restated)
Less than 1 month	2	11
1-3 months	6	5
3-12 months	28	21
1-2 years	36	27
2-3 years	34	25
3-4 years	32	25
4-5 years	30	23
5-9 years	102	79
Over 9 years	186	143
Total	456	359

Disaggregation of the contractual service margin

	2023	2022 (Restated)
Opening balance	359	254
Change in estimates that adjust the contractual service margin	136	137
Changes that relate to future service	136	137
Release to profit or loss	-41	-34
Changes that relate to current service	-41	-34
Finance income from reinsurance contracts	2	2
Net closing balance	456	359

14 Subordinated debt

Subordinated debt and other borrowed funds are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds, net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Financial liabilities include only instruments of which the terms and conditions represent a contractual obligation to pay interest and/or principal. Instruments that are similar in substance, but of which the terms and conditions do not include a contractual obligation to pay interest and principal are classified as equity.

Subordinated debt

Interest rate	Year of Issue	Due date	First call date	Notional amount		Balance sheet value	
				2023	2022 (Restated)	2023	2022 (Restated)
5.600%	2014	10/Feb/44	10/Feb/24	600	600	600	600
5.240%	2022	26/Feb/43	26/Aug/32	500		500	500
Subordinated debt				1,100	600	1,100	1,100

Under IFRS-EU the above subordinated debt instruments are classified as liabilities.

In 2014, NN Leven received a EUR 600 million subordinated loan from NN Group. On 9 February 2024 NN Leven repaid the EUR 600 million subordinated loan with NN Group at the first call date and replaced the loan with the same amount. Reference is made to Note 40 'Subsequent and other events'

In August 2022, NN Leven received a EUR 500 million subordinated loan from NN Group. The EUR 500 million subordinated loans have a maturity of 20.5 years and are first callable after 10 years, subject to redemption conditions. The coupon is fixed at 5.24% per annum until the first reset date on 26 February 2033 and will be floating thereafter. The subordinated loans qualify as Tier 2 regulatory capital under Solvency II.

Notes to the Consolidated annual accounts continued

15 Other borrowed funds

Other borrowed funds

	2023	2022 (Restated)
Credit institutions	2,508	4,000
Other	3	265
Other borrowed funds	2,511	4,265

Other borrowed funds includes repo transactions used for liquidity management purposes.

16 Derivatives

Derivatives are recognised at fair value. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. NN Leven designates certain derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

Reference is made to Note 28 'Hedge accounting' for further information on hedge accounting.

Certain derivatives embedded in other contracts are measured as separate derivatives if:

- Their economic characteristics and risks are not closely related to those of the host contract
- The host contract is not carried at fair value through profit or loss
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (unless the embedded derivative meets the definition of an insurance contract)

These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when NN Leven first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

Derivatives (assets)

	2023	2022 (Restated)
Derivatives used in		
– cash flow hedges	193	17
Other derivatives	2,149	1,942
Derivatives assets	2,342	1,959

Other derivatives includes derivatives for which no hedge accounting is applied.

Derivatives (liabilities)

	2023	2022 (Restated)
Derivatives used in		
– cash flow hedges	1,680	2,579
Other derivatives	2,064	3,281
Derivatives liabilities	3,744	5,860

Notes to the Consolidated annual accounts continued

17 Other liabilities

Other liabilities include reorganisation provisions, litigation provisions and other provisions (included in the line provisions below). Reorganisation provisions include employee termination benefits when NN Leven is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Provisions are discounted when the effect of the time value of money is significant, using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

For defined contribution plans, NN Leven pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. NN Leven has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss account when they are due.

NN Group share-based payment expenses in relation to NN Leven staff are recognised as staff expenses over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. For cash-settled share-based payment transactions, a liability is recognised at fair value; this fair value is remeasured at every balance sheet date.

Other liabilities

	2023	2022 (Restated)
Income tax payable	70	186
Other taxation and social security contributions	1	2
Lease liabilities	86	81
Accrued interest	403	146
Costs payable	75	62
Provisions	385	13
Amounts to be settled	248	236
Cash collateral amounts received	1,103	220
Other	378	322
Other liabilities	2,749	1,268

Cash collateral amounts received relate to collateralised derivatives. The increase is a result of the increase in fair value of outstanding collateralised derivatives following a decrease in market interest rates.

Other contains EUR 141 million (2022: EUR 141 million) to an intercompany position with NN Re related to reinsurance operations.

Changes in Provisions

	2023	2022 (Restated)
Provisions – opening balance	13	12
Additions	372	
Charges	-2	-1
Changes in composition of the group and other changes	2	2
Provisions – closing balance	385	13

Provisions relate to litigation provisions and other provisions.

Other provisions include a provision for the settlement with five interest groups regarding unit-linked insurance products sold in the Netherlands. The settlement provided a reliable estimate and, therefore, a provision of EUR 360 million was recognised in the fourth quarter of 2023 to cover the settlement costs. This includes EUR 60 million for hardship cases and customers unaffiliated with one of the interest groups who have not previously received compensation. In addition, approximately EUR 20 million is available for these customers through the remainder of a provision recognised as part of the 2008 settlement. Reference is made to Note 35 'Legal Proceedings' for more detail.

Notes to the Consolidated annual accounts continued

18 Insurance income

Insurance income by transition approach (2023)

2023	Contracts issued after transition and retrospective approach	Fair value approach	Total
Release of contractual service margin	37	219	256
Release of risk adjustment	5	64	69
Expected claims and benefits	137	3,381	3,518
Expected attributable expenses	25	337	362
Recovery of acquisition costs	56		56
Insurance income General Model and Variable Fee Approach	260	4,001	4,261

Insurance income by transition approach (2022) (Restated)

2022 (Restated)	Contracts issued after transition and retrospective approach	Fair value approach	Total
Release of contractual service margin	23	208	231
Release of risk adjustment	28	73	101
Expected claims and benefits	58	3,340	3,398
Expected attributable expenses	47	300	347
Recovery of acquisition costs	56		56
Experience adjustments for premiums that relate to current or past service		3	3
Insurance income General Model and Variable Fee Approach	212	3,924	4,136

Insurance income by measurement model (2023)

2023	General Model	Variable Fee Approach	Total
Release of contractual service margin	204	52	256
Release of risk adjustment	63	6	69
Expected claims and benefits	3,114	404	3,518
Expected attributable expenses	240	122	362
Recovery of acquisition costs	28	28	56
Insurance income	3,649	612	4,261

Insurance income by measurement model (2022) (Restated)

2022 (Restated)	General Model	Variable Fee Approach	Total
Release of contractual service margin	189	42	231
Release of risk adjustment	94	7	101
Expected claims and benefits	3,112	286	3,398
Expected attributable expenses	251	96	347
Recovery of acquisition costs	29	27	56
Experience adjustments for premiums that relate to current or past service	0	3	3
Insurance income	3,675	461	4,136

Notes to the Consolidated annual accounts continued

19 Insurance expenses

Insurance expenses

	2023	2022 (Restated)
Incurred claims and benefits	3,573	3,374
Incurred attributable expenses	332	370
Amortisation of acquisition costs	56	56
Changes in incurred claims and benefits previous periods	-14	1
(Reversal of) losses on onerous contracts	66	40
Insurance expenses General Model and Variable Fee Approach	4,013	3,841

Insurance expenses by measurement model (2023)

2023	General Model	Variable Fee Approach	Total
Incurred claims and benefits	3,217	356	3,573
Incurred attributable expenses	317	15	332
Amortisation of acquisition costs	28	28	56
Changes in incurred claims and benefits previous periods	-93	79	-14
(Reversal of) losses on onerous contracts	22	44	66
Insurance expenses	3,491	522	4,013

Insurance expenses by measurement model (2022) (Restated)

2022 (Restated)	General Model	Variable Fee Approach	Total
Incurred claims and benefits	3,053	321	3,374
Incurred attributable expenses	350	20	370
Amortisation of acquisition costs	29	27	56
Changes in incurred claims and benefits previous periods		1	1
(Reversal of) losses on onerous contracts	40		40
Other insurance expenses	-1	1	0
Insurance expenses	3,471	370	3,841

(Reversal of) losses on onerous contracts General Model and Variable Fee Approach

	2023	2022 (Restated)
Losses on onerous contracts initially recognised in the period	17	24
Change in estimates not adjusting the contractual service margin	46	19
Expected claims and benefits attributed to the loss component	5	-2
Expected attributable insurance expenses attributed to the loss component	-2	-1
(Reversal of) losses on onerous contracts General Model and Variable Fee Approach	66	40

20 Investment result

Interest income and expenses

Interest income and expenses are recognised in the profit and loss account using the effective interest method. When calculating the effective interest rate, NN Leven estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset, or a group of similar financial assets is in default (Stage 3), interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses from derivatives are classified as interest income and interest expenses in the profit and loss, except for interest income and expenses on derivatives for which no hedge accounting is applied. The latter is classified in 'Result on derivatives and hedging', together with the changes in the (clean) fair value of these derivatives.

Notes to the Consolidated annual accounts continued

Investment result

	2023	2022 (Restated)
Interest income from investments in debt securities	1,103	1,185
Interest income from mortgage loans	607	553
Interest income from other loans	375	265
Interest income on (hedging) derivatives	117	136
Other interest income	187	83
Interest income	2,389	2,222
Realised gains (losses) on Investments at amortised cost and at fair value through other comprehensive income	-265	76
Gains (losses) on investments at fair value through profit or loss	2,871	-5,103
Gains (losses) on Investments at amortised cost, at fair value through OCI and at fair value through profit and loss	2,606	-5,027
Income from investments in real estate	113	109
Change in fair value of investments in real estate	-275	-9
Gains (losses) on investments in real estate	-162	100
Share of result of investments in associates and joint ventures	-219	164
Impairments	-105	-106
Reversal of impairments	70	84
Impairments on investments	-35	-22
Result on derivatives and hedging	1,073	-1,136
Foreign currency exchange result	-224	419
Dividend income on equity securities	322	295
Other investment income	10	12
Total Investment result	5,759	-2,973

Gains (losses) on investments at fair value through profit or loss include gains (losses) related to investments held for risk of policyholders for EUR 2,812 million (2022: EUR -4,453 million). These gains (losses) are mostly offset by changes in fair value of underlying items as presented in 'Finance result on (re)insurance contracts'.

Results on derivatives and hedging

	2023	2022 (Restated)
Change in fair value of derivatives relating to		
– cash flow hedges (ineffective portion)	3	-75
– other derivatives	1,069	-1,061
Net result on derivatives	1,072	-1,136
Result on derivatives and hedging	1,072	-1,136

Included in 'Results on derivatives and hedging' are the fair value movements on derivatives and other assets accounted for at fair value through profit or loss used to economically hedge exposures, but for which no hedge accounting is applied. These financial assets hedge exposures in insurance contracts. The fair value movements on the financial assets are influenced by changes in the market conditions, such as share prices, interest rates and currency exchange rates. The change in fair value of the financial assets is largely offset by changes in insurance contracts, which are included in 'finance result' in the profit or loss account (when using the risk mitigation option) or in other comprehensive income (for contracts accounted for under the General Model when using the OCI option). Reference is made to Note 11 and 12 'Insurance and investment contracts', Note 10 'Equity' and Note 21 'Finance result'.

Valuation results on derivatives are reflected in the Consolidated statement of cash flows in the section 'Result before tax', in the line item 'Adjusted for other'.

Reference is made to Note 28 'Hedge accounting'.

Notes to the Consolidated annual accounts continued

21 Finance result

Finance result on (re)insurance contracts

	2023	2022 (Restated)
Change in fair value of underlying items	2,908	-4,687
Interest accreted	1,384	1,152
Finance result on (re)insurance contracts	4,292	-3,535

Other

	2023	2022 (Restated)
Interest expenses on derivatives	163	127
Other	162	95
Other	325	222

In 2023, total interest income and total interest expenses for items not valued at fair value through profit or loss were EUR 2,411 million (2022: EUR 2,253 million) and EUR 325 million (2022: EUR 222 million) respectively.

Interest income and expenses are included in the following profit and loss account lines.

Total interest income and expenses

	2023	2022 (Restated)
Interest income	2,411	2,253
Interest expenses on insurance contracts	-1,406	-1,182
Other interest expenses	-325	-222
Total Interest income and expenses	680	849

22 Fee and commission result

Fees and commissions are generally recognised as the service is provided.

Fee and commission result

	2023	2022 (Restated)
Asset management fees	28	34
Insurance brokerage and advisory fees	-7	-7
Other	23	15
Gross fee and commission income	44	42
Asset management fees	126	135
Commission expenses and other	-50	-61
Fee and commission expenses	76	74
Net fee and commission income	-32	-32

23 Non-attributable operating expenses

Non-attributable operating expenses

	2023	2022 (Restated)
Staff expenses	233	231
Other operating expenses	712	374
Of which attributed to		
- incurred acquisition costs	-90	-78
- incurred insurance expenses	-332	-366
Non-attributable operating expenses	523	161

Notes to the Consolidated annual accounts continued

Staff expenses

	2023	2022 (Restated)
Salaries	129	123
Variable salaries	4	1
Pension costs	24	23
Social security costs	17	16
External staff costs	53	61
Education	2	2
Other staff costs	5	5
Staff expenses	233	231

NN Leven staff are employed by NN Personeel B.V. NN Leven is charged for its staff expenses by NN Personeel B.V. under a service level agreement. Although these costs are not paid out in the form of staff expenses by NN Leven, they have the characteristics of staff expenses, and they are therefore recognised as such. A provision for holiday entitlement and bonuses is recognised by NN Personeel B.V. Actual costs are charged to NN Leven when accrued by NN Personeel B.V.

Employees in the Czech Republic were transferred to a shared service centre (NN Finance S.R.O). The salary costs are recognised in the line 'Other' in the other operating expenses instead of under staff expenses.

Defined contribution plans

NN Leven is one of the sponsors of the NN Group defined contribution pension plan. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in 'Other assets' or 'Other liabilities'. The expenses recognised in staff expenses by NN Leven for defined contribution plans amounts to EUR 24 million (2022: EUR 23 million).

Number of employees

	2023	2022
Netherlands - average number of employees on full-time equivalent basis	1,592	1,632
Rest of Europe - average number of employees on full-time equivalent basis	13	15
Number of employees	1,605	1,647

Remuneration of Management Board and Supervisory Board

Reference is made to Note 39 'Key management personnel compensation'.

Share plans

NN Group has granted shares to a number of senior executives of NN Leven. The purpose of the share schemes is to attract, retain and motivate senior executives and staff.

Share awards comprise upfront shares and deferred shares. The entitlement to the deferred shares is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. A retention period applies from the moment of vesting these awards (five years for Management Board and one year for Identified Staff).

Changes in Share awards outstanding

	Share awards (in number)		Weighted average grant date fair value (in euros)	
	2023	2022 (Restated)	2023	2022 (Restated)
Share awards outstanding – opening balance	8,207	12,288	36.17	33.08
Granted	7,142	4,620	35.43	42.90
Vested	-7,934	-8,327	35.15	35.85
Forfeited	-824	-374	37.36	33.08
Share awards outstanding – closing balance	6,591	8,207	38.97	36.17

In 2023, 3,333 share awards of NN Group Shares (2022: 4,620) were granted to the members of the Management Board of NN Leven. To other employees of NN Leven 3,809 share awards of NN Group shares (2022: 0) were granted.

As at 31 December 2023 the share awards of NN Group shares consisted of 6,591 share awards (2022: 8,207) relating to equity-settled share-based payment arrangements and no share awards to cash-settled share-based payment arrangements.

Notes to the Consolidated annual accounts continued

The fair value of share awards granted is recognised as an expense under 'Staff expenses' and is allocated over the vesting period of the share awards.

As at 31 December 2023 total unrecognised compensation costs related to share awards amounted to EUR 80 thousand (2022: EUR 95 thousand). These costs are expected to be recognised over an average period of 1.3 years (2022: 1.3 years).

Other operating expenses

	2023	2022 (Restated)
Depreciation of property and equipment	5	4
Computer costs	32	39
Office expenses	-4	-4
Travel and accommodation expenses	1	1
Advertising and public relations	4	4
External advisory fees	27	23
Insurance based commissions and fees	73	48
Insurance based related Investment fees	58	80
Addition/(releases) of provisions	372	
Other	144	178
Other operating expenses	712	374

To cover the settlement costs, a provision of approximately EUR 360 million was recognised in the fourth quarter of 2023. For more information, reference is made to Note 35 'Legal Proceedings' of the Consolidated annual accounts of NN Leven.

Fees of auditors

Reference is made to Note 48 'Fees of auditors' in the Consolidated annual accounts of NN Group for audit fees and audit related fees. The services rendered by the auditor, in addition to the statutory audit, includes an audit in relation to reporting to regulators or other external parties.

Auditor fees are included in 'External advisory fees' as part of the Other operating expense.

24 Principal subsidiaries and geographical information

The principal subsidiaries and their statutory place of incorporation or primary place of business are as follows:

Principal subsidiaries of NN Leven

		Proportion of ownership interest held by NN Leven	
Subsidiary	Statutory place	2023	2022
REI Investment I B.V.	The Hague, the Netherlands	78%	79%
REI Diaphane Fund F.G.R.	The Hague, the Netherlands	78%	79%
Private Equity Investments II B.V.	The Hague, the Netherlands	86%	86%
Private Equity Investments B.V.	The Hague, the Netherlands	90%	94%
Infrastructure Equity Investments B.V.	The Hague, the Netherlands	95%	95%
Private Debt Investments B.V.	The Hague, the Netherlands	97%	100%

Notes to the Consolidated annual accounts continued

Principal subsidiaries of REI Investment I B.V.

Subsidiary	Statutory place	Proportion of ownership interest held by REI Investment I B.V. 2023	2022
REI Belgium Warande B.V.	Schiphol, the Netherlands	100%	100%
REI Belgium Puurs N.V.	Brussels, Belgium	100%	100%
REI Belgium Evere	Brussels, Belgium	100%	100%
REI Belgium Gent	Brussels, Belgium	100%	100%
REI Belgium Mechelen	Brussels, Belgium	100%	100%
REI Belgium Fonsny	Brussels, Belgium	100%	100%
Grupo Berkley Tres S.L.U.	Madrid, Spain	100%	100%
REI Spain Vitoria S.L.	Vitoria-Gasteiz, Spain	100%	100%
REI Vitoria Boulevard S.L.	Vitoria-Gasteiz, Spain	100%	100%
REI Spain Logistics S.L.U.	Madrid, Spain	100%	100%
REI Henares Logistics S.A.	Madrid, Spain	100%	100%
REI Denmark Copenhagen ApS	Copenhagen, Denmark	100%	100%
REI Denmark Solvgade Holding A/S	Copenhagen, Denmark	100%	100%
REI Denmark Solvgade A/S	Copenhagen, Denmark	100%	100%
REI Denmark Kastrup ApS	Copenhagen, Denmark	100%	100%
REI Italy Anzola S.R.L.	Milan, Italy	100%	100%
Bodio 3 S.r.l.	Milan, Italy	100%	100%
Galleria Commerciale Limbiate S.r.l.	Milan, Italy	100%	100%
Italian High Street Retail Fund	Milan, Italy	100%	100%
Stadtgalerie Heilbronn GmbH & Co KG	Frankfurt, Germany	95%	95%
REI Altenwerder GmbH & Co KG	Frankfurt, Germany	100%	100%
LZA III Mobi GmbH	Frankfurt, Germany	100%	100%
LZA III Altenwerder Grundstückverwaltung GmbH	Frankfurt, Germany	100%	100%
REI Germany Bergkirchen B.V.	The Hague, the Netherlands	100%	100%
REI Logistics Bergkirchen GmbH & Co KG	Frankfurt, Germany	94%	94%
REI Germany Lurup Center B.V.	The Hague, the Netherlands	100%	100%
REI Germany Logistics B.V.	The Hague, the Netherlands	100%	100%
REI Germany Neu Ulm B.V.	The Hague, the Netherlands	100%	100%
INS Holding France SAS	Paris, France	100%	100%
INS Investment France SCI	Paris, France	100%	100%
INS Jonage SCI	Paris, France	100%	100%
INS Criquebeuf SCI	Paris, France	100%	100%
INS MER SCI	Paris, France	100%	100%
INS Saint Priest SCI	Paris, France	100%	100%
INS Saint-Vulbas SCI	Paris, France	100%	100%
INS Satolas SCI	Paris, France	100%	100%
REI France Logistics SAS	Paris, France	100%	100%
Brie Logistique SAS	Paris, France	100%	100%
Chelles SAS	Paris, France	100%	100%
Les Arpajons SAS	Paris, France	100%	100%
Logistique Portefeuille SAS	Paris, France	100%	100%
France Campus Acrueil SNC	Paris, France	100%	100%
France Campus Bagneux SNC	Paris, France	100%	100%
France Campus Holding SAS	Paris, France	100%	100%
France Campus Massy SNC	Paris, France	100%	100%
France Campus AIX SNC	Paris, France	100%	100%
France Campus Levallois SNC	Paris, France	100%	100%
INS Holding Levallois SAS	Paris, France	100%	100%
France Campus Guyancourt SNC	Paris, France	100%	100%
REI Poland Jantar sp. z o.o.	Warsaw, Poland	100%	100%
REI Netherlands B.V.	The Hague, the Netherlands	100%	100%
REI Netherlands Venlo Zonneveld B.V.	The Hague, the Netherlands	100%	100%
REI Netherlands Amstelveenseweg B.V.	The Hague, the Netherlands	100%	100%
VGI Orionweg Moerdijk B.V.	The Hague, the Netherlands	100%	100%
REI Fund Netherlands B.V.	The Hague, the Netherlands	100%	100%
Nationale-Nederlanden Intervest XII B.V.	The Hague, the Netherlands	100%	100%

For each of the subsidiaries listed above, the voting rights held equal the proportion of ownership interest.

Notes to the Consolidated annual accounts continued

25 Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is generally recognised in the profit and loss account, but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Leven is liable to taxation, that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses carried forward where it is probable that future taxable profits will be available against which the temporary differences can be used. Unrecognised deferred tax assets are reassessed periodically and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by NN Leven and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be used.

Offsetting deferred tax assets with deferred tax liabilities is allowed as long as there is a legally enforceable right to offset current tax assets against current tax liabilities together with the intention to do so and the deferred taxes relate to income taxes levied by the same taxation authority on the same entity or on the same fiscal unity.

NN Leven will be subject to the requirements of the International Tax Reform – Pillar Two Model Rules once these become effective. NN Leven currently expects the Pillar Two minimum taxation requirements to be applicable to most of its operations, but does not expect significant impact in any of the jurisdictions in which it operates. Also no significant impact on the effective tax rate is currently expected.

Deferred tax (2023)

	Net liability 2022 (Restated)	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Foreign currency exchange differences	Net liability 2023
Investments	-2,545	737	-34	-3		-1,845
Investments in real estate	1,084		-144	2		942
Fiscal reserves	0		26			26
Insurance contracts	538	-760	93	-43		-172
Cash flow hedges	978	-17				961
Unused tax losses carried forward	-21		-2	-2		-25
Other	30	-21	20	46		75
Deferred tax	64	-61	-41	0	0	-38
Presented in the balance sheet as						
Deferred tax liabilities	75					0
Deferred tax assets	11					38
Deferred tax	64					38

Notes to the Consolidated annual accounts continued

Deferred tax (2022) (Restated)

	Net liability 2021 (Restated)	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Foreign currency exchange differences	Net liability 2022 (Restated)
Investments	3,281	-5,854	29	-1		-2,545
Investments in real estate	1,103		-19			1,084
Fiscal reserves	62		-62			0
Insurance contracts	-7,637	7,672	503			538
Cash flow hedges	2,975	-1,997				978
Unused tax losses carried forward	-34		6	7		-21
Other	209	-91	-81	-7		30
Deferred tax	-41	-270	376	-1	0	64
Presented in the balance sheet as						
Deferred tax liabilities	0					75
Deferred tax assets	-41					11
Deferred tax	-41					64

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Taxation on result

	2023	2022 (Restated)
Current tax	214	-327
Deferred tax	-41	376
Taxation on result	173	49

NN Leven is part of the Dutch fiscal unity for corporate income tax and value added tax (VAT) of NN Group making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables of NN Group.

Income tax payable amounts to EUR 70 million (2022: EUR 186 million payable). It concerns tax payable to NN Group for the most recent quarter. Reference is made to Note 17 'Other liabilities'.

Reconciliation of the weighted average statutory tax rate to NN **Leven's** effective tax rate

	2023	2022 (Restated)
Result before tax	801	419
Weighted average statutory tax rate	25.80%	25.80%
Weighted average statutory tax amount	207	108
Participation exemption	-45	-76
Impact on deferred tax from change in tax rates	-4	-4
Deferred tax benefit for previously not unrecognised amounts	2	
Other income not subject to tax	21	-30
Adjustments to prior periods	-8	51
Effective tax amount	173	49
Effective tax rate	21.56%	11.58%

In 2023, the effective tax rate for continuing operations of 21.56% was lower than the weighted average statutory tax rate of 25.8%. This was mainly a result of tax-exempt results of associates and participations.

In 2022, the effective tax rate for continuing operations of 11.58% was lower than the weighted average statutory tax rate of 25.8%. This was mainly a result of tax-exempt results of associates and participations.

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Taxation on components of other comprehensive income

	2023	2022 (Restated)
Finance result on (re) insurance contracts recognised in OCI	760	-7,672
Revaluations on debt securities and loans at fair value through OCI	-740	5,821
Revaluations on equity securities at fair value through OCI	3	34
Changes in cash flow hedge reserve	17	1,996
Other	21	91
Income tax	61	270

26 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Leven's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability or are (re) insurance contracts. The aggregation of the fair value presented below does not represent and should not be construed as representing, the underlying value of NN Leven.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2023	2022 (Restated)	2023	2022 (Restated)
Financial assets				
Cash and cash equivalents	3,920	343	3,920	343
Investments at fair value through other comprehensive income	75,349	78,122	75,349	78,122
Investments at cost	129	1,061	124	1,060
Investments at fair value through profit or loss	35,905	30,824	35,905	30,824
Derivatives	2,342	1,959	2,342	1,959
Financial assets	117,645	112,309	117,640	112,308
Financial liabilities				
Investment contracts for risk of company	733	765	800	849
Subordinated debt	1,083	1,067	1,100	1,100
Other borrowed funds	2,508	4,250	2,511	4,265
Derivatives	3,744	5,861	3,744	5,860
Financial liabilities	8,068	11,943	8,155	12,074

For the other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (exit price).

The fair value of financial assets and liabilities is based on unadjusted quoted market prices at the balance sheet date where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from external market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position and financial liabilities. In some cases, positions are marked at mid-market prices. When markets are less liquid there may be a range of prices for the same security from different price sources; selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities quoted market prices are not available, for example for financial instruments that are not traded in an active market. An active market for the financial instrument is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Assessing whether a market is active requires judgement, considering factors specific to the financial instrument.

For these financial assets and liabilities, fair value is determined using valuation techniques, based on market conditions existing at each balance sheet date. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

The following methods and assumptions were used by NN Leven to estimate the fair value of the financial instruments:

Notes to the Consolidated annual accounts continued

Cash and cash equivalents
Cash and cash equivalents are recognised at their nominal value which approximates the fair value.

Financial assets and liabilities at fair value through profit or loss
Derivatives
Derivative contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments that are not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on 'no arbitrage' principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Investments at fair value through other comprehensive income
Equity instruments
The fair value of publicly traded equity instruments is determined using quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar instruments or other valuation techniques. The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt instruments
The fair value for debt instruments is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying values represent a reasonable estimate of fair value. The fair value of other loans is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions.

The fair value of mortgage loans is estimated by discounting the cash flows on a loanpart-by-loanpart basis taking into account the characteristics of the loans by applying a market discount rate. The valuation method takes into account the type of mortgage, remaining period until interest reset date, credit quality (NHG, LTV buckets), prepayment and product-specific characteristics.

Loans with similar characteristics are aggregated for calculation purposes.

Subordinated debt and debt instruments issued
The fair value of subordinated debt and debt instruments issued is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Other borrowed funds
The fair value of other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Investment contracts
For investment contracts for risk of the company the fair value has been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholders the fair value generally equals the fair value of the underlying assets.

Financial assets and liabilities at fair value
The fair value of the financial instruments carried at fair value was determined as follows:

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Methods applied in determining the fair value of financial assets and liabilities at fair value (2023)

2023	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	1	2,341		2,342
Investments at fair value through other comprehensive income	28,403	12,505	34,441	75,349
Investments at fair value through profit or loss	28,044	473	7,388	35,905
Financial assets	56,448	15,319	41,829	113,596
Financial liabilities				
Derivatives	51	3,675	18	3,744
Financial liabilities	51	3,675	18	3,744

Methods applied in determining the fair value of financial assets and liabilities at fair value (2022) (Restated)

2022 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives	120	1,839		1,959
Investments at fair value through other comprehensive income	29,600	12,727	35,795	78,122
Investments at fair value through profit or loss	24,952	363	5,509	30,824
Financial assets	54,672	14,929	41,304	110,905
Financial liabilities				
Derivatives	2	5,840	18	5,860
Financial liabilities	2	5,840	18	5,860

NN Leven has categorised its financial instruments that are either measured in the balance sheet at fair value or for which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt instruments, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), mortgage loans and consumer lending, private equity instruments and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Leven's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Leven can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified

Notes to the Consolidated annual accounts continued

in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Changes in Level 3 financial assets (2023)

2023	Investments at fair value through other comprehensive income	Investments at fair value through profit or loss	Total
Level 3 Financial assets – opening balance	35,795	5,509	41,304
Amounts recognised in the profit and loss account	-83	41	-42
Revaluations recognised in other comprehensive income (equity)	775		775
Purchase	397	883	1,280
Sale	-182	-728	-910
Maturity/settlement	-2,259	-7	-2,266
Other transfers and reclassifications		1,286	1,286
Transfers out of Level 3	-3	-5	-8
Changes in the composition of the group		405	405
Foreign currency exchange differences	1	4	5
Level 3 Financial assets – closing balance	34,441	7,388	41,829

Changes in Level 3 financial assets (2022) Restated

2022 (Restated)	Investments at fair value through other comprehensive income	Investments at fair value through profit or loss	Total
Level 3 Financial assets – opening balance	42,111	4,144	46,255
Amounts recognised in the profit and loss account	-170	-89	-259
Revaluations recognised in other comprehensive income (equity)	-7,708		-7,708
Purchase	4,686	1,557	6,243
Sale	-316	-212	-528
Maturity/settlement	-3,113		-3,113
Other transfers and reclassifications	-19	130	112
Transfers into Level 3	319		319
Foreign currency exchange differences	5	-21	-17
Level 3 Financial assets – closing balance	35,795	5,509	41,304

Changes in Level 3 financial liabilities

	2023	2022 (Restated)
Level 3 Financial liabilities – opening balance	18	12
Amounts recognised in the profit and loss account		6
Level 3 Financial liabilities – closing balance	18	18

Level 3 – Amounts recognised in the profit and loss account during the year (2023)

2023	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments at fair value through other comprehensive income	-95	12	-83
Investments at fair value through profit or loss	45	-3	42
Financial assets	-50	9	-41
Financial liabilities			
Derivatives			0
Financial liabilities	0	0	0

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Level 3 – Amounts recognised in the profit and loss account during the year (2022) (Restated)

2022 (Restated)	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments at fair value through other comprehensive income	-170		-170
Investments at fair value through profit or loss	-89		-89
Financial assets	-259	0	-259
Financial liabilities			
Derivatives	6		6
Financial liabilities	6	0	6

Level 3 Financial assets at fair value
Financial assets measured at fair value in the balance sheet as at 31 December 2023 of EUR 113,596 million (2022: EUR 110,905 million) include an amount of EUR 41,829 million (36,8%) that is classified as Level 3 (2022: EUR 41,304 million (37,2%)). Changes in Level 3 are disclosed above in the table 'Level 3 Financial assets'.

Financial assets in Level 3 include both assets for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Leven's own assumptions about the factors that market participants would use in pricing an asset, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market but are not significantly sensitive to NN Leven's own unobservable inputs.

Unrealised gains and losses that relate to 'Level 3 Financial assets' are included in the profit and loss account as follows:
- Those relating to Investments for risk of policyholders and other investments at fair value through profit or loss are included in 'Gains (losses) on Investments at fair value through profit or loss'
- Those relating to derivatives are included in 'Result on derivatives and hedging'

Investments for risk of policyholders
Investments for risk of policyholders classified as 'Level 3 Financial assets' amounted EUR 41,829 million as at 31 December 2023 (2022: EUR 41,304 million). Net result is unaffected when reasonable possible alternative assumptions would have been used in measuring these investments.

Derivatives
Derivatives classified as 'Level 3 Financial assets' are mainly used to hedge the fair value risk of the mortgage loan portfolio. These derivatives classified as Level 3 amounted nil as at 31 December 2023 (2022: nil).

Fair value through other comprehensive income
The investments at fair value through other comprehensive income classified as 'Level 3 Financial assets' amounted EUR 34,441 million as at 31 December 2023 (2022: EUR 35,795 million) mainly consists of investments in debt instruments and shares in real estate investment funds and private equity investment funds of which the fair value is determined using (unadjusted) quoted prices in inactive markets for the instruments or quoted prices obtained from the asset managers of the funds. It is estimated that a 10% change in valuation of these investments would have no significant impact on net result but would increase or reduce shareholder's equity by EUR 3,444 million (2022: EUR 3,579 million), being approximately 23.10% (before tax) (2022: 26.34% (before tax)), of total equity.

Level 3 Financial liabilities at fair value
Derivatives
The total amount of financial liabilities classified as Level 3 at 31 December 2023 of EUR 18 million (2022: EUR 18 million) relates to derivative positions.

18 million relates to longevity hedges closed by NN Leven. It is estimated that a 5% increase in mortality assumptions for these longevity hedges reduces result and equity before tax by EUR 5 million (2022: EUR 5 million) and a 5% decrease in mortality assumptions increases result and equity before tax by EUR 7 million (2022: EUR 7 million).

Financial assets and liabilities at cost

The fair value of the financial instruments carried at cost in the balance sheet (where fair value is disclosed) was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities at cost (2023)

2023	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	3,920			3,920
Loans			1	1
Financial assets	3,920	0	1	3,921
Financial liabilities				
Subordinated debt		1,083		1,083
Other borrowed funds		2,507	1	2,508
Investment contracts for risk of company			733	733
Financial liabilities	0	3,590	734	4,324

Methods applied in determining the fair value of financial assets and liabilities at cost (2022) (Restated)

2022 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	343			343
Loans			1	1
Financial assets	343	0	1	344
Financial liabilities				
Subordinated debt		1,067		1,067
Other borrowed funds	250	4,000		4,250
Investment contracts for risk of company			765	765
Financial liabilities	250	5,067	765	6,082

27 Fair value of non-financial assets

The following table presents the estimated fair value of NN Leven's non-financial assets that are measured at fair value in the balance sheet. Reference is made to Note 6 'Investments in real estate' and Note 8 'Property and equipment' for the accounting policies, methods and assumptions used by NN Leven to estimate the fair value of the non-financial assets.

Fair value of non-financial assets

	Estimated fair value		Balance sheet value	
	2023	2022 (Restated)	2023	2022 (Restated)
Investments in real estate	2,620	2,754	2,620	2,754
Property in own use	26	28	26	28
Fair value of non-financial assets	2,646	2,782	2,646	2,782

The fair value of the non-financial assets were determined as follows:

Methods applied in determining the fair value of non-financial assets at fair value (2023)

2023	Level 1	Level 2	Level 3	Total
Investments in real estate			2,620	2,620
Property in own use			26	26
Non-financial assets	0	0	2,646	2,646

Methods applied in determining the fair value of non-financial assets at fair value (2022)

2022 (Restated)	Level 1	Level 2	Level 3	Total
Investments in real estate			2,754	2,754
Property in own use			28	28
Non-financial assets	0	0	2,782	2,782

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Changes in Level 3 non-financial assets (2023)

2023	Real estate investments	Property in own use	Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets
Level 3 non-financial assets – opening balance	2,754	28	2,782
Amounts recognised in the profit and loss account during the year	-275	-1	-276
Purchase	193		193
Sale	-50		-50
Changes in composition of the group and other changes	-2		-2
Level 3 non-financial assets – closing balance	2,620	26	2,646

Changes in Level 3 Non-financial assets (2022)

2022 (Restated)	Real estate investments	Property in own use	Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets
Level 3 non-financial assets – opening balance	2,719	35	2,754
Amounts recognised in the profit and loss account during the year	-9	3	-6
Purchase	136		136
Sale	-100		-100
Changes in composition of the group and other changes	8	-10	-2
Level 3 non-financial assets – closing balance	2,754	28	2,782

Level 3 – Amounts recognised in the profit and loss account during the year on non-financial assets (2023)

2023	Held at balance sheet date	Derecognised during the year	Total
Investments in real estate	-274	-1	-275
Property in own use	-1		-1
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	-275	-1	-276

Level 3 – Amounts recognised in the profit and loss account during the year on non-financial assets (2022)

2022 (Restated)	Held at balance sheet date	Derecognised during the year	Total
Investments in real estate	-9		-9
Property in own use	3		3
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	-6	0	-6

Real estate investments and Property in own use

Key assumptions

Key assumptions in the valuation of real estate include the estimated current rental value per square metre, the estimated future rental value per square metre (ERV), the net initial yield and the vacancy rate. These assumptions were in the following ranges:

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Significant assumptions

		Fair value	Valuation technique	Current rent/m2	ERV/m2	Net initial yield %	Vacancy % - lower bound	Average lease term in years
The Netherlands								
	Retail	11	DCF	122.3	170.8	7.7	35.1	12.5
	Industrial	161	DCF	58 - 62	72 - 77	3.86 - 4.26	-	2.5
	Office	138	DCF	376 - 391	405 - 425	4.4	1.27	6.4
	Residential	63	DCF	230.6	257.6	4.4	5.0	-
	Residential	4	Residual Value	na	na	na	na	na
Germany								
	Retail	175	DCF	19 - 30	19 - 28	5.63 - 6.19	10.7	1.8
	Industrial	246	DCF	48 - 102	64 - 109	4.36 - 5.04	0.3	5.7
France								
	Industrial	297	DCF	43 - 73	43 - 63	3.92 - 5.70	0.0	5.0
	Office	-	DCF	-	-	0.0	0.0	-
	Residential	210	DCF	298 - 443	241 - 353	4.28 - 5.08	0.0	0.7
Spain								
	Retail	235	DCF	203 - 275	198 - 263	6.30 - 8.69	6.5	3.4
	Industrial	94	DCF	3 - 54	30 - 44	-1.41 - 923	19.6	3.8
Italy								
	Retail	218	DCF	125 - 520	150 - 740	2.61 - 6.86	1.7	2.5
	Industrial	33	DCF	57	48	5.4	0.0	5.9
Belgium								
	Retail	112	DCF	65 - 317	98 - 390	4.5 - 9.6	8.1	2.8
	Industrial	36	DCF	52	51	5.2	0.0	2.7
	Office	12	DCF	229	194	6.0	27.6	1.8
	Residential	24	DCF	193	189	4.3	0.0	25.2
Denmark								
	Industrial	73	DCF	176 - 181	142 - 175	5.16 - 5.59	0.0	2.1
	Residential	110	DCF	293	329	4.4	0.0	-
Poland								
	Retail	86	DCF	176	160	0.0	4.4	3.1
Real estate under construction and other		282						
Total Real estate		2,620						

Sensitivities

Significant increases (decreases) in the estimated rental value and rent growth in isolation would result in a significantly higher (lower) fair value of the real estate investments. Significant increases (decreases) in the long-term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value of the real estate investments.

During 2023 and 2022, the number of transactions in relevant real estate markets has decreased, resulting in larger uncertainties around the inputs to the valuations and, therefore, increased uncertainty in the fair value of real estate investments.

28 Hedge accounting

Hedge accounting

NN Leven uses derivatives for effective portfolio management and the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and reported in accordance with the nature of the hedged item hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: cash flow hedge accounting, fair value hedge accounting and net investment hedge accounting.

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, NN Leven mitigates the profit or loss volatility by designating hedged assets and liabilities at fair value through profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

At the inception of the hedge transaction NN Leven documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition, NN Leven documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of the hedged items.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk.

In 2017, NN Leven entered into a longevity hedge, based on a general index of Dutch mortality. The maximum pay-out of the hedge amounts to EUR 100 million, payable after twenty years. The hedge is financed by annual premium payments to the counterparty. The longevity hedge is accounted for as derivative. The hedge reduces the impact of longevity trend scenarios implying more improvement in life expectancy. The purpose of the hedge is to reduce the longevity risk.

Cash flow hedge accounting

NN Leven's hedge accounting consists mainly of cash flow hedge accounting. NN Leven's cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (equity) in 'Cash flow hedge reserve'. Interest income and expenses on these derivatives are recognised in the profit and loss account consistent with the manner in which the forecast cash flows affect Net result. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects Net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously reported in equity is transferred immediately to the profit and loss account.

For the year ended 31 December 2023, NN Leven recognised EUR 73 million (2022: EUR -5,708 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2023 is EUR 3,833 million (2022: EUR 4,876 million) gross and EUR 2,819 million (2022: EUR 2,892 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expenses over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 48 years with the largest concentrations in the range 1 year to 13 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR 3 million gain (2022: EUR 75 million loss) which was recognised in the profit and loss account.

As at 31 December 2023, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR -1,487 million (2022: EUR -2,562 million), presented in the balance sheet as EUR 193 million (2022: EUR 17 million) positive fair value under assets and EUR 1,680 million (2022: EUR 2,579 million) negative fair value under liabilities.

As at 31 December 2023 and 2022, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes. Included in 'Interest income and Interest expenses on non-trading derivatives' is EUR 117 million (2022: EUR 136 million) and EUR 163 million (2022: EUR 127 million), respectively, relating to derivatives used in cash flow hedges.

Notes to the Consolidated annual accounts continued

29 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity (2023)

2023	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment	Total
Cash and cash equivalents	3,920							3,920
Investments at fair value through other comprehensive income	793	936	2,655	10,107	57,409	3,449		75,349
Investments at cost					124			124
Investments at fair value through profit or loss[2]	61		25	27	27	35,765		35,905
Investments in real estate						2,620		2,620
Investments in associates and joint ventures						6,079		6,079
Derivatives		1		236	2,105			2,342
Insurance contracts	3	5	21	61	28		-28	89
Reinsurance contracts	13	-7	37	155	134		-304	29
Property and equipment						57		57
Intangible assets			1	2				3
Deferred tax assets	20	8	44	140	803	-977		38
Other assets	3,501	362	739	22	5	13		4,643
Total assets	8,310	1,305	3,522	10,751	60,635	47,005	-332	131,196

1 Includes assets on demand.
2 Includes investments for risk of policyholders. Although individual investments for risk of policyholders may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Leven.

Assets by contractual maturity (2022) (Restated)

2022 (Restated)	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment	Total
Cash and cash equivalents	218	125						343
Investments at fair value through other comprehensive income	738	402	1,808	11,535	60,024	3,615		78,122
Investments at cost		927	1	3	129			1,060
Investments at fair value through profit or loss[2]			25	639	281	29,879		30,824
Investments in real estate						2,754		2,754
Investments in associates and joint ventures						6,299		6,299
Derivatives		120	4	203	1,632			1,959
Reinsurance contracts	11	-9	21	125	204		-319	33
Property and equipment						62		62
Deferred tax assets					7	4		11
Other assets	3,729	853	2,502	10				7,094
Total assets	4,695	2,420	4,361	12,514	62,278	42,614	-319	128,561

1 Includes assets on demand.
2 Includes investments for risk of policyholders. Although investments for risk of policyholders may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Leven.

30 Liabilities by maturity

The tables below include all financial liabilities and insurance contracts by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

Non-financial liabilities, including investment contracts, but excluding insurance contracts, are included based on a breakdown of the (discounted) balance sheet amounts by expected maturity. Reference is made to the Liquidity Risk paragraph in Note 41 'Risk management' for a description on how liquidity risk is managed.

Notes to the Consolidated annual accounts continued

Liabilities by maturity (2023)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Insurance contracts	664	2,031	4,917	29,226	117,776		-49,359	105,255
Investment contracts		26	30	195	549			800
Reinsurance contracts					111		14	125
Subordinated debt[2]				500	600			1,100
Other borrowed funds	803	801	907					2,511
Derivatives	12	91	174	1,094	8,869		-6,496	3,744
Other liabilities	1,485	578	172	453	35	27		2,749
Total liabilities	2,964	3,527	6,199	31,468	127,940	27	-55,840	116,284
Coupon interest due on financial liabilities	15	11	17					43

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to valuation differences, the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 14 'Subordinated debt'.

Liabilities by maturity (2022) (Restated)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Insurance contracts	759	1,800	4,112	28,943	121,392		-56,051	100,955
Investment contracts			246	195	407			849
Reinsurance contracts			1	3	118		-6	116
Subordinated debt[2]				500	600			1,100
Other borrowed funds	1,250	1,500	1,515					4,265
Derivatives	38	68	262	2,084	12,114		-8,706	5,860
Deferred tax liabilities	-26	-33	-67	-107	-546	830	24	75
Other liabilities	550	555	44	42	78			1,269
Total liabilities	2,572	3,890	6,112	31,660	134,164	830	-64,740	114,488
Coupon interest due on financial liabilities	4	5	17					26

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 14 'Subordinated debt'.

Expected maturity of insurance contracts (2023)

The table below provides the expected maturity of the cash flows, risk adjustment and contractual service margin remaining at the end of the reporting period. The maturity is based on contractual, undiscounted cash flows.

2023	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model and Variable Fee Approach	Total insurance assets	Total insurance liabilities
Less than 1 month	622	6	3	667	3	664
1-3 months	1,986	11	39	2,036	5	2,031
3-12 months	4,714	51	173	4,938	21	4,917
1-2 years	7,984	72	219	8,275	22	8,253
2-3 years	7,631	71	207	7,909	17	7,892
3-4 years	6,634	69	195	6,898	13	6,885
4-5 years	5,952	67	186	6,205	9	6,195
5-9 years	21,282	244	654	22,180	23	22,158
Over 9 years	93,079	588	1,956	95,623	5	95,619
Adjustments[1]	-49,180	-207		-49,387	-28	-49,359
Total	100,703	973	3,668	105,344	89	105,255

1 The adjustments reconciles the contractual undiscounted cash flow on insurance contracts to the balance sheet values. The adjustments mainly relate to the impact of discounting.

Notes to the Consolidated annual accounts continued

Expected maturity of insurance contracts (2022)

2022 (Restated)	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model and Variable Fee Approach	Total insurance assets	Total insurance liabilities
Less than 1 month	724	5	20	749		749
1-3 months	1,716	11	42	1,769		1,769
3-12 months	3,740	49	183	3,972		3,972
1-2 years	6,346	67	226	6,639		6,639
2-3 years	8,034	65	213	8,312		8,312
3-4 years	7,342	63	201	7,606		7,606
4-5 years	5,467	61	188	5,716		5,716
5-9 years	20,856	223	657	21,736		21,736
Over 9 years	94,394	648	1,965	97,007		97,007
Adjustments[1]	-52,406	-145		-52,551		-52,551
Total	96,213	1,047	3,695	100,955	0	100,955

1 The adjustments reconciles the contractual undiscounted cash flow on insurance contracts to the balance sheet values. The adjustments mainly relate to the impact of discounting.

31 Assets not freely disposable

The assets not freely disposable relate primarily to investments of nil (2022: nil) provided as guarantees for certain contingent liabilities. There are no significant terms and conditions relating to the collateral represented by such guarantees.

Assets relating to securities lending are disclosed in Note 32 'Transferred, but not derecognised financial assets'.

32 Transferred, but not derecognised financial assets

The majority of NN Leven's financial assets that have been transferred, but do not qualify for derecognition, are debt instruments used in securities lending. NN Leven retains substantially all risks and rewards of those transferred assets. The assets are transferred in return for cash collateral or other financial assets. Non-cash collateral is not recognised in the balance sheet. Cash collateral is recognised as an asset and an offsetting liability is established for the same amount as NN Leven is obligated to return this amount upon termination of the lending arrangement.

Transfer of financial assets not qualifying for derecognition

	2023	2022 (Restated)
Transferred assets at carrying value		
Investments at fair value through profit or loss	7,845	7,666
Associated liabilities at carrying value		
Other borrowed funds	2,511	4,265

33 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangement.

Notes to the Consolidated annual accounts continued

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2023)

		Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	2,334		2,334	-1,509	-825	1
Financial assets at fair value through profit or loss		2,335		2,335	-1,509	-825	1
Other items where offsetting is applied in the balance sheet		395		395	-338	-57	
Total financial assets		2,729		2,729	-1,847	-881	1

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2022)

		Gross financial assets	Net amount	Net financial assets in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	1,932		1,932	-1,602	-325	5
Financial assets at fair value through profit or loss		1,932		1,932	-1,602	-325	5
Other items where offsetting is applied in the balance sheet		46		46	-28	-18	
Total financial assets		1,978		1,978	-1,630	-343	5

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2023)

	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	3,598		3,598	-1,509	-2,027	61
Financial liabilities at fair value through profit or loss		3,597		3,597	-1,509	-2,027	61
Other items where offsetting is applied in the balance sheet		2,874		2,874	-338	-2,506	30
Total financial liabilities		6,472		6,472	-1,847	-4,533	92

Notes to the Consolidated annual accounts continued

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2022)

	Net financial liabilities in the balance sheet	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	5,717		5,717	-1,602	-4,057	58
Financial liabilities at fair value through profit or loss		5,717		5,717	-1,602	-4,057	58
Other items where offsetting is applied in the balance sheet		4,041		4,041	-28	-3,961	52
Total financial liabilities		9,758		9,758	-1,630	-8,018	110

34 Contingent liabilities and commitments

In the normal course of business (excluding investment commitments) NN Leven is party to activities whose risks are not reflected in whole or in part in the Consolidated annual accounts. In response to the needs of its customers, NN Leven offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments (2023)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	103	127	385	88			703
Contingent liabilities and commitments	103	127	385	88	0	0	703

Contingent liabilities and commitments (2022)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	144	249	850	96		63	1,402
Contingent liabilities and commitments	144	249	850	96		63	1,402

The 2022 commitments are restated (44 million) as result of a lower amount of issued mortgage offers.

Next to this NN Leven has committed amounts to investments of EUR 4,208 million (2022: 4,262 million) where it is uncertain when those amounts will be invested.

Tax liabilities

Together with the other group companies that are part of the fiscal unity for Dutch income tax purposes, NN Leven is jointly and severally liable for income tax payable by NN Group. The income tax positions of NN Group at the end of 2023 and 2022 constitute a receivable.

35 Legal proceedings

General

NN is involved in litigation and other binding proceedings in the Netherlands involving claims by and against NN Leven which arise in the ordinary course of its business, including in connection with its activities as insurer, investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, NN Leven believes that some of the proceedings set out below may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of NN Leven.

Unit-linked products in the Netherlands

Since the end of 2006, unit-linked products (commonly referred to in Dutch as 'beleggingsverzekeringen') have received negative attention in the Dutch media, from the Dutch Parliament, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products.

In 2013 Woekerpolis.nl and in 2017 Consumentenbond and Wakkerpolis, all associations representing the interests of policyholders of NN Leven, individually initiated so-called 'collective proceedings' against NN Leven. These claims are all based on similar grounds and have been rejected by NN Leven and NN Leven defends itself in these legal proceedings.

On 9 January 2024, NN Leven announced a settlement with interest groups ConsumentenClaim, Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond regarding unit-linked products sold in the Netherlands by Nationale-Nederlanden, including Delta Lloyd and AAL. The settlement relates to all unit-linked products of policyholders affiliated with the aforementioned interest groups and is subject to a 90% acceptance rate of affiliated policyholders that have received an individual proposal for compensation. As part of the settlement, all pending proceedings with respect to unit-linked products initiated by these interest groups against Nationale-Nederlanden will be discontinued once the settlement is executed, which is anticipated ultimately 30 June 2025. The settlement also includes that no new legal proceedings may be initiated by the aforementioned interest groups or their affiliated persons/parties. To cover the settlement costs, a provision of approximately EUR 360 million was recognised in the fourth quarter of 2023. This includes EUR 60 million for hardship cases, and customers unaffiliated with one of the aforementioned interest groups that have not previously received compensation. In addition, approximately EUR 20 million is available for these customers through the remainder of a provision recognised as part of the 2008 settlement.

36 Companies acquired and legal mergers

Acquisition in 2022

In February 2022 NN Group, ABN AMRO Bank and their joint venture ABN AMRO Verzekeringen announced that they had reached an agreement to sell the life insurance subsidiary of ABN AMRO Verzekeringen, ABN AMRO Levensverzekering N.V. (AAL) to NN Leven. This transaction was completed in July 2022. ABN AMRO Verzekeringen is a joint venture between NN Group (51%) and ABN AMRO Bank (49%). The acquisition of AAL was between companies with the same parent NN Group ('under common control') and is accounted for as if AAL was always part of NN Leven's consolidated annual accounts. The acquisition is accounted for at the book values of the assets and liabilities as included in the NN Leven Consolidated annual accounts. As the acquisition is accounted for at existing book values, no goodwill or new intangible assets are recognised.

Legal Merger in 2023

On 1 April 2023, the legal merger between NN Leven and AAL became effective. The main reasons for the merger are to be able to operate as one life insurer on the Dutch market and realise synergies.

This merger was between companies with the same parent ('under common control'). IFRS 3 Business combinations is not applicable for common control transactions. As a result of this merger, AAL ceased to exist as a separate entity and NN Leven acquired all assets and liabilities of AAL under universal title of succession as at 1 April 2023.

AAL was already consolidated by NN Leven in 2022 and, therefore, the merger did not have significant impact on the reported 2022 consolidated figures of NN Leven. The 2022 restated numbers are the result of the transition of IFRS 9 and IFRS 17 and the comparative figures in the 2023 annual report of NN Leven are not changed by the legal merger with AAL on consolidated level. Reference is made to Note 43 'Other IFRS 9 and IFRS 17 transition disclosures' for further details.

The comparative figures (including the opening balance 2022) in the 2023 Parent annual accounts of NN Leven were adjusted to reflect the merger with AAL, using the carrying amounts of the assets and liabilities as included in the 2022 NN Leven consolidated annual accounts. Reference is made to Note 1 'Accounting policies' of the Parent company annual accounts for further details.

37 Structured entities

NN Leven's activities involve transactions with structured entities in the normal course of business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed through contractual arrangements. NN Leven's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in Note 1 'Accounting policies', NN Leven establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which NN Leven can exercise control are consolidated. NN Leven may provide support to these consolidated structured entities as and when appropriate, however this is fully reflected in the Consolidated annual accounts of NN Leven as all assets and liabilities of these entities are included in the Consolidated balance sheet and off-balance sheet commitments are disclosed.

NN Leven's activities involving structured entities are explained below in the following categories:

- Consolidated NN Leven originated liquidity management securitisation and covered bond programmes
- Investments – NN Leven managed investment funds
- Investments – Third-party managed structured entities

Notes to the Consolidated annual accounts continued

Consolidated NN Leven originated liquidity management securitisation and covered bond programmes
Mortgage loans issued are partly funded by issuing residential mortgage-backed instruments under NN Leven's Dutch residential mortgage-backed instruments programmes (Hypenn and Arena) and covered bonds. The mortgage loans transferred to these securitisation vehicles continue to be recognised in the balance sheet of NN Leven.

Mortgage loans securitised
The investments in loan instruments of structured entities relate to loans secured by mortgages that are not originated or managed by NN Leven for an amount of EUR 7,014 million (2022: 8,636 million).

NN Leven managed investment funds
NN Leven originates investment funds. NN Leven may hold investments in these funds for its own account through the general account investment portfolio of the insurance operations. Other investments in these funds may be held for the risk of policyholders or by third parties. For the majority of these funds, NN Leven also acts as the fund manager. NN Leven considers both NN Leven's financial interests for own risk and its role as asset manager to establish whether control exists and whether the fund is consolidated. In general, NN Leven maintains a minority interest in these funds and NN Leven receives a fixed fee over assets under management, at arm's length basis, for its asset management activities. These funds are generally not consolidated by NN Leven. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the 'power') and assume all risks and benefits on these investments (i.e. the policyholder assumes the variable returns).

Reference is made to Note 3 'Investments at fair value through other comprehensive income' in which investments in equity instruments are specified by NN Leven managed investment funds and Third-party managed investment funds. The maximum exposure to loss for NN Leven is equal to the reported carrying value of the investment recognised in the balance sheet of NN Leven.

Third-party managed structured entities
As part of its investment activities, NN Leven invests both in debt and equity instruments of structured entities originated by third parties.

Most of the investments in debt instruments of structured entities relate to asset-backed instruments (ABS), classified as Investments at fair value through other comprehensive income. Reference is made to Note 3 'Investments at fair value through other comprehensive income' where the ABS portfolio is disclosed.

The majority of the investments in equity instruments of structured entities relate to interests in investment funds that are not originated or managed by NN Leven. Reference is made to Note 5 'Investments at fair value through profit or loss' in which these investments are reported in the line debt instruments for risk of company.

NN Leven has significant influence for some of its real estate investment funds as disclosed in Note 7 'Investments in associates and joint ventures'.

The maximum exposure to loss for NN Leven is equal to the reported carrying value of the investment recognised in the balance sheet of NN Leven.

38 Related parties
In the normal course of business, NN Leven enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions between related parties have taken place on an arm's length basis, and include rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

NN Leven conducts transactions with its parent company and its subsidiaries. NN Leven is part of NN Group. The following categories of transactions are conducted under market-compliant conditions with related parties belonging to NN Group:

- Reinsurance activities through NN Re
- NN Personeel: reference is made to Note 23 'Non-attributable operating expenses'.
- Transactions with NN Group concerning the payment of taxes as NN Group heads the fiscal unity. Reference is made to Note 34 'Contingent liabilities and commitments'.
- Transactions relating to the remuneration of board members. Reference is made to Note 39 'Key management personnel compensation'.
- An overview of the internal borrowing facilities is disclosed under Note 42 'Capital and liquidity management'
- Transactions relating the sale of the mortgage portfolios of EUR 194 million from NN Leven to Hypenn RMBS I B.V. and EUR -137 million to Nationale-Nederlanden Bank N.V.
- There are derivatives transactions conducted via Nationale-Nederlanden Interfinance B.V. (NNIF). The unrealised revaluations of derivatives recognised in the result of NN Leven for the 2023 financial year amount to EUR -310 million (2022: EUR -70 million).

Notes to the Consolidated annual accounts continued

Reinsurance activities through NN Re

The results of the insurance activities of NN Leven's Czech branch are fully reinsured through NN Re.

The overall balance of outstanding reinsurance liabilities from NN RE amounts to EUR 127 million.

Given that the Czech branch reported a positive result of EUR 18.3 million (2022: EUR -1.8 million), an expense of EUR -17.9 million (2022: EUR 3 million) under the reinsurance contract is recognised in the result of NN Leven. The difference of EUR 0.4 million (2022: EUR 1.2 million) relates to difference in accounting policies.

The outstanding liability contains EUR 141 million (2022: EUR 141 million) to an intercompany position with NN Re related to reinsurance operations.

Income and expenses from NN Leven recharged to NN Group companies

	Parent companies		Other group companies			Total
	2023	2022	2023	2022	2023	2022
Expenses			28	35	28	35
Investment income	37	5	644	145	681	150
Income and expenses from NN Leven recharged to NN Group companies	37	5	672	180	709	185

Income and expenses from NN Group companies recharged to NN Leven

	Parent companies		Other group companies			Total
	2023	2022	2023	2022	2023	2022
Expenses	122	58	339	355	461	413
Investment income		5	47	2,852	47	2,857
Income and expenses from NN Group companies recharged to NN Leven	122	63	386	3,207	508	3,270

Financial assets and liabilities with related parties

	Parent companies		Other group companies			Total
	2023	2022	2023	2022	2023	2022
Financial assets						
Investments at cost		927	123	132	123	1,059
Reinsurance contracts			2	2	2	2
Derivatives			667	676	667	676
Other assets	879	1,088	325	1,156	1,204	2,244
Financial assets	879	2,015	1,117	1,966	1,996	3,981
Financial liabilities						
Subordinated debt	1,100	1,100			1,100	1,100
Other borrowed funds			3	15	3	15
Derivatives			774	1,472	774	1,472
Other liabilities	61	40	469	429	531	468
Financial liabilities	1,161	1,140	1,246	1,916	2,408	3,055

Transactions with post-employment benefit plans

Entities administering or executing post-employment benefit plans of the employees of NN Leven are considered to be related parties of NN Leven. This relates to CDC pension fund and BeFrank. For more information on the post-employment benefit plans, reference is made to Note 23 'Non-attributable operating expenses'.

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39 Key management personnel compensation

Transactions with key management personnel (Management Board and Supervisory Board) are transactions with related parties. These transactions are disclosed in more detail as required by Part 9 Book 2 of the Dutch Civil Code.

Management Board[1]

Amounts in thousands of euros	2023	2022 (Restated)[2]
Fixed compensation		
– base salary (cash)	1,774	1,845
- individual saving allowance[3]	314	294
– pension costs[3]	126	126
Variable compensation		
– upfront cash	74	64
– upfront shares	74	64
– deferred cash	90	76
– deferred shares	90	76
Other benefits	235	253
Fixed and variable compensation	2,777	2,798

1 Reference is made to Composition of the Boards during 2023 on page 3.
2 The Management Board was responsible for both NN Leven and AAL until the merger was formalised on 1 April 2023.
3 The pension costs consist of an amount of employer contribution (EUR 126 thousand) and an individual savings allowance (EUR 314 thousand, which is 23.3% of the amount of base salary above EUR 128,810 thousand).

The Management Board members were eligible for a range of other emoluments, such as health care insurance and expat allowances. The Management Board members were also able to obtain banking and insurance services in the ordinary course of business and on terms that apply to all employees of NN Group in the Netherlands.

Remuneration of the members of the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. On 15 July 2022 the members of the management board of AAL resigned in light of the acquisition of AAL by NN Leven; they were succeeded by Leven's Management Board members. As a result, as per the date of acquisition, the Management Board is responsible for both NN Leven and AAL. As per the date of appointment the Management Board members hold remunerated positions within both entities. The related remuneration costs are allocated within NN Leven and are not allocated to AAL.

The NN Leven Supervisory Board members do not receive any compensation for their activities, except for one Supervisory Board member who is not an employee of NN Group (2022: one external Supervisory Board member). The remuneration of EUR 25 thousand (2022: EUR 25 thousand) is recognised in the profit and loss account in 'Operating expenses'. Some Supervisory Board members hold remunerated (Board) positions within NN Group, but not within NN Leven. Their remuneration is part of the allocation of headquarter expenses, and they do not receive any (additional) allowances for their role as Supervisory Board members. NN Leven does not provide the Supervisory Board with a pension arrangement, termination arrangements (including termination of retirement benefits) or variable remuneration in cash or in shares.

The total remuneration of EUR 2,777 thousand (2022: EUR 2,798 thousand), as disclosed in the table above, includes all variable remuneration related to the performance year 2023. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in 'Staff expenses' in 2023 and therefore included in 'Total expenses' in 2023, relating to the fixed expenses of 2023 and the vesting of variable remuneration of earlier performance years, is EUR 2,799 thousand (2022: EUR 2,998 thousand).

With respect to performance year 2023, the total number of staff eligible for variable remuneration is 13. The total approved variable remuneration budget is EUR 0.6 million, which will be paid in March or April 2024. In 2023, 1 person received a total remuneration of more than EUR 1 million. For this calculation, the individual base salary, awarded variable remuneration and, where applicable, individual saving allowances and pension contributions were included.

Remuneration policy

As an indirect subsidiary of NN Group, NN Leven is in scope of the NN Group Remuneration Framework. NN Leven is well aware of the public debate about pay in the financial industry and the responsibility the industry is taking in that light. The remuneration policies of NN Group take into account all applicable regulations and codes, including the Code of Conduct for Insurers. The NN Group Remuneration Framework strikes a balance between interests of its customers, employees, shareholder and society at large, and supports the long-term objective of the company. The variable remuneration is linked to clear targets. These targets are for a large part non-financial.

Notes to the Consolidated annual accounts continued

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Support the attraction, motivation and retention of employees, while being compliant with applicable legislation and with the aim of applying best practices within the financial industry.
- Take into account NN Group's business strategy, objectives, its role in society, values and risk appetite, as well as long-term value creation for all stakeholders.
- Be mindful of the role of the financial sector in society.
- Contribute to an inclusive working environment by ensuring equal opportunities, working conditions and equal pay for equal work.
- Promote robust and effective risk management, including risk management of sustainability risks (such as environment, society, governance and Employee related matters) in the integration thereof in the risk management system and procedures. It supports balanced risk taking, long term value creation and the protection of a sound Capital Base. This will amongst others be supported by performance objective setting processes.
- Avoid improper treatment of customers and employees.
- Comply with legislation as applicable to NN Group from time to time, apply best practices in the industry, and act in the spirit of (inter)national regulations and guidance on Remuneration.

Loans and advances to members of the Management Board

	Amount outstanding 31 December		Average interest rate		Repayments	
Amounts in thousands of euros	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
Management Board members	223	233	1.9%	1.9%		178
Loans and advances to key management personnel	223	233	1.9%	1.9%	0	178

As at 31 December 2023, the total amount of loans outstanding by NN Group regulated entities to the Management Board members was EUR 223 thousand (31 December 2022: EUR 223 thousand). The loans and advances provided to members of the Management consist of mortgage loans. The total amount of redemptions of these mortgage loans during 2023 was EUR 0 thousand (2022: EUR 178 thousand).

40 Subsequent and other events

Unit-linked products in the Netherlands

Reference is made to Note 35 'Legal proceedings' for a description of legal proceedings with respect to unit-linked products in the Netherlands.

Subordinated debt

On 9 February 2024, NN Leven repaid the EUR 600 million 5.6% Tier 2 subordinated loan with NN Group at the first call date. On the same date, NN Group granted NN Leven a EUR 600 million 5.24% Tier 2 subordinated loan.

Dividend distribution

In March 2024, NN Leven made a dividend distribution of EUR 245 million from the Other reserves to its shareholder NN Nederland. The solvency ratio per year end 2023 has not been adjusted for this dividend payment.

41 Risk management

Introduction

Accepting and managing risks is an integral part of insurance, banking and investment management business and therefore, risk management is fundamental. Appropriate risk management enables NN Leven to meet obligations towards clients, regulators and other stakeholders.

The Risk Management paragraph has the following structure:

1. Risk Governance, based on the three lines of defence model;
2. Risk Control Cycle, covering risk strategy, risk assessment, risk control, risk monitoring & reporting and risk culture; and
3. Risk Profile, categorised into:
    a. Strategic and emerging risks (including climate change);
    b. Financial risks (based on the structure of our Partial Internal Model); and
    c. Non-Financial risks.

NN Leven has one international branch in the Czech Republic. The insurance risks of the Czech branch are reinsured to NN Re. We exclude the Czech branch from this Risk Management paragraph.

Notes to the Consolidated annual accounts continued

1. Risk Governance

NN Leven's risk governance follows the three lines of defence concept, which outlines the decision-making, execution and oversight responsibilities for NN Leven's risk management. This structure has been embedded in each of NN Leven's organisational layers.

Three lines of defence[1]

The 'three lines of defence' defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities and oversight responsibilities. This concept helps to ensure that risks are managed in line with the risk appetite as defined by the Management Board of NN Leven and cascaded throughout NN Leven.

First line of defence	Second line of defence	Third line of defence
Management board members Other managers	Risk, Actuarial, Legal and Compliance teams	Corporate Audit Services
• Make business decisions • Accountable for financial performance, sales, operations, investments, underwriting • Design and sell products that reflect local needs and are well-positioned to act in both the customers' and NN Leven's best interests • Accountable for risk taking	• Support the commercial departments in their decision-making and risk/return trade-offs • Countervailing power to prevent risk concentrations and unwanted/excessive risk taking • Encouraging, challenging and monitoring sound risk management throughout NN Leven and coordinating the reporting of risks • Escalation power in relation to business activities that are judged to present unacceptable risks to NN Leven	• Provides independent assurance on the effectiveness of NN Leven's business and support processes, including governance, quality of risk management and quality of internal controls • Assesses first line of defence activities as well as second line of defence activities

1 The Risk Management, Compliance, Actuarial and Internal Audit functions are key functions under Solvency II and apply the regulatory requirements as part of their responsibility

First line of defence: Executive Management

Management Board

The Management Board is ultimately responsible for managing NN Leven, including the objectives and strategic direction of the company, the day-to-day management, and for ensuring that the company has adequate internal risk management and control systems in place so that it is aware, in good time, of any material risks the company has and that these risks can be managed properly. The Management Board retains ultimate responsibility for NN Leven's risk management whilst delegating certain powers to the Crisis Committee, Asset and Liability Committees (ALCO) and Model Committees (MoC).

NN Leven may independently perform all activities that are consistent with the strategy of NN Group and the approved (three year) business plan, NN Group's values, in line with the risk appetite and compliant with policies, standards, laws and regulations. Decisions can be made by NN Leven's Chief Executive Officer, unless decisions require Group MB approval pursuant to the NN Group decision structure.

The Chief Executive Officer (CEO) is responsible for:

- Fulfilling CEO's statutory responsibilities
- The profitability, as well as the business and operational activities, and as such the risk and control, in the area of NN Leven
- The execution in the area of NN Leven of any strategies that conform to the strategic framework of NN Group N.V., including the long-term viability of NN Leven
- Implementing and maintaining a sound control framework and operating in accordance with laws and regulations, NN Group policies, standards and internal controls and NN values

Regular oversight interaction between Head Office and NN Leven takes place with respect to, amongst others, product approval, mandate approval, risk limit setting, risk reporting, Own Risk and Solvency Assessment (ORSA), policy setting and implementation monitoring, model and assumption review and validation. These interactions cover all types of risks.

Supervisory Board

The Supervisory Board is responsible for supervising the Management Board and the general course of affairs of NN Leven. The Supervisory Board assists the Management Board with advice.

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Second line of defence: Key Functions Risk Management, Compliance, Actuarial and the Legal Function

Risk Management Function

Within the Management Board, the Chief Risk Officer (CRO) is entrusted with the day-to-day execution of the Risk Management Function.

The NN Leven CRO steers an independent risk organisation which supports the first line in their decision-making, with sufficient countervailing power to prevent excessive risk taking. The NN Leven CRO is also responsible for the organisation of Risk at NN Leven.

Responsibilities of the Risk Management Function include:
- Setting of and monitoring compliance with NN Leven's overall policies as issued by the Risk Management Function
- Formulating NN Leven's risk management strategy and ensuring that it is implemented consistently throughout NN Leven
- Supervising the operation of NN Leven's risk management and business control systems
- Reporting on NN Leven's risks, as well as the processes and internal controls
- Making risk management decisions with regard to matters which may have an impact on the financial results of NN Leven or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management
- Providing, together with the other control functions, a second line opinion when first line business initiatives can materially impact the risk profile of NN Leven and/or providing additional assurance for presented key first line risk related information

The NN Leven CRO has co-responsibility together with the business (first line) for risk management in NN Leven and to translate the risk appetite into methodologies and policies to support and monitor management's control of risk. The CRO ensures that dashboards and other risk measurement tools are appropriately maintained and developed. The CRO is ultimately responsible for all risk related information required for financial reports and statements.

The NN Leven CRO is member of the NN Leven Board and reports hierarchically to the NN Leven CEO and functionally to the NN Group CRO.

At NN Leven, the CRO acts in his role as Risk Management Function Holder accordingly to the Solvency II directive article 44 – Risk Management and delegates related tasks respectively to the Head of Non-Financial Risk Management, Head of Financial Risk Management and Head of Insurance Risk Management.

Model Validation

Model Validation, part of the Risk Management Function, is internally outsourced to NN Group and aims to ensure that all material cash flow models and risk models are fit for their intended use. For this purpose, Model Validation carries out validations of risk and valuation models related to Solvency II and, among others, IFRS 17 regulation. The findings of Model Validation are regularly reported to the NN Leven Model Committees. (Changes to) models and their disclosed metrics are approved by one of the two NN Leven Model Committees (Pricing and Valuation Model Committee and Risk Model Committee). These committees are responsible for modelling policies, processes, methodologies, and parameters which are applied within NN Leven. Any changes to models that have an impact larger than certain pre-set materiality thresholds require approval from either the NN Group CRO, NN Group CFO or the NN Group Management Board.

Model Validation performs validations on reliability of models at different stages during their life cycle: at initiation, prior to approval, when the model has been redeveloped or modified, and on a regular basis (based on a planning discussed and agreed with the Model Development departments). The validation process covers a mix of developmental evidence assessment, process verification and outcome analysis. The validation cycle determines the maximum period between two model validations, which can be up to five years. This means that each model in scope will be independently validated at least once within the validation cycle. Model Validation can also start validating before the due date, for example following specific portfolio/market developments or regulatory changes. Materiality of a model is determined based on quantitative and qualitative criteria. Quantitative criteria relate to, amongst others, a percentage of market value of liabilities/assets, or Solvency Capital Requirement. Qualitative criteria cover model complexity, strategic importance and other factors. Models with a higher materiality are validated more frequently. Depending on materiality of the model, as well as the severity of findings resulting from a model validation, models receive a validation opinion. Models with severe findings require remediation actions by management, such as further adjustments of the model.

Compliance Function

To effectively manage business conduct risk, the Management Board has a Compliance Function which is headed by the Head of Compliance. The Compliance Function is positioned independently from the business it supervises. This independent position is, amongst others, warranted by independent reporting, unrestricted access to senior management as well as structural, periodic meetings with the CEO.

Within NN Leven's broader risk framework, the purpose of the Compliance Function is to:
- Understand and advocate rules, regulations and laws for the effective management of risks in scope of the Compliance Function
- Proactively work with and advise the business to manage business conduct and product suitability risk throughout NN Leven's products' life cycle and business' activities to meet stakeholder expectations
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on business conduct risks
- Support NN Leven's strategy by establishing clear roles and responsibilities to help embed good compliance practices throughout the business by using a risk based approach to align business outcomes with NN Leven's risk appetite
- Deepen the culture of compliance by partnering with the business to increase the culture of trust, accountability, transparency and integrity in evaluating, managing and in reporting on business conduct risk

Notes to the Consolidated annual accounts continued

- Monitor that management and employees act in accordance with NN Leven's policies and standards as well as relevant material laws and regulation, in scope of the function

The Head of Compliance reports hierarchically to the CEO and functionally to the Chief Compliance Officer of NN Group.

Legal Function

The Head of Legal is entrusted with the day-to-day responsibility for NN Leven's Legal Function and steers an independent legal organisation which supports and challenges the first line in their decision-making. The Head of Legal reports hierarchically to the CEO and functionally to the General Counsel of NN Group.

Actuarial Function

The primary objective of the Actuarial Function is to ensure that technical provisions (under Solvency II and IFRS) are reliable and adequate, and as such that NN Leven is able to meet its obligations towards policyholders and to protect NN Leven from loss or reputational damage.

The Actuarial Function operates within the context of NN Leven's broader risk management system, reports hierarchically to the CRO of NN Leven and has a functional reporting line to the NN Group Chief Actuary. The Actuarial Function of NN Leven has unrestricted access to the NN Leven Management Board and NN Leven Supervisory Board in relation to actuarial topics. This contributes to the financial solidity of NN Leven.

Within this system, the role of the Actuarial Function is to:

- Understand and advocate the rules, regulations and laws for effective management of the calculation process of technical provisions, covering elements such as data quality, assumption setting, models and methods, as well as underwriting and reinsurance arrangements; proactively advise the business to manage the risk of unreliable and inadequate technical provisions
- Inform management and the Supervisory Board on its opinion on the adequacy and the reliability of the technical provisions, the adequacy of reinsurance arrangements and the underwriting policy at least on an annual basis through the Actuarial Function Report
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on risks related to unreliable or inadequate technical provisions
- Support NN Leven's strategy by establishing clear roles and responsibilities to help embed good (actuarial) practices throughout the organisation by using a risk-based approach and taking into account NN Leven's risk appetite
- Strengthen the culture of professional risk management by challenging management and experts to increase the culture of trust, accountability, transparency and integrity in evaluating, managing and reporting
- Provide a second line opinion when first line business initiatives can materially impact the risk profile of NN Leven or NN Group and/or provide additional assurance for presented key first line risk related information

Third line of defence: Corporate Audit Services

Internal Audit Function

The Internal Audit Function is internally outsourced to Corporate Audit Services NN Group (CAS). CAS provides independent assurance on the effectiveness of NN's business and support processes, including governance, quality of risk management and quality of internal controls. They assess the first line of defence activities as well as the second line of defence activities. CAS supports NN Group in accomplishing its mission and objectives through a systematic, documented approach to examine, evaluate, and improve the design and effectiveness of (NN Group's framework of) governance, risk (management) processes, and internal control. CAS is an essential part of the corporate governance structure of NN Leven.

CAS keeps in close contact with supervisors and regulators as well as with the external auditor via regular meetings in which current (audit) issues are discussed, as well as internal and external developments and their impact on NN Leven and CAS. CAS also provides information like risk assessments and relevant (audit) reports.

The General Manager of CAS and all CAS employees are authorised to:

- Obtain without delay, from General Managers within NN Leven, information on any significant incident concerning NN Leven's operations including but not limited to security, reputation and/or compliance with regulations and procedures
- Obtain without delay, from responsible managers within NN Leven, a copy of all letters and reports received from external review agencies (e.g. external auditor, supervisors, regulators and other agencies providing assurance-related services)
- Have free, full, unrestricted and unfettered access, at any time deemed appropriate, to all NN Leven departments, offices, activities, books, accounts, records, files, information. CAS must respect the confidentiality of (personal) information acquired
- Require all NN Leven staff and business management to supply such information and explanations, as may be needed for the performance of assessments, within a reasonable period of time
- Allocate resources, set frequencies, select subjects, determine scope of work and apply appropriate techniques required to accomplish the CAS's objectives
- Obtain the necessary assistance of personnel in various departments/offices of NN Leven where CAS performs audits, as well as other specialised/professional services where considered necessary from within or outside NN Leven. CAS should exercise its authority with the minimum possible disruption to the day-to-day activities of the area being assessed

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2. Risk Control Cycle

Risks represent potential future events that could adversely impact our business performance and achieving our strategic targets. Strong risk management helps us monitor developments in our operating environment and act where necessary. We manage any risks inherent to our business model and the environment in which we operate within NN Leven's risk appetite and framework.

Every employee has a role to play in identifying risks in their area of responsibility and managing them in a proactive way. It is important to know which risks we need to avoid and which we are prepared to take, and why: to be aware of large existing and emerging risks; and to ensure an adequate return for the risk assumed within the business.

The risk control cycle ensures that we operate within our risk appetite:

1. Define risk strategy: risk appetite, policies and standards
2. Identify and assess the risks that need to be managed
3. Effectively mitigate risks through controls or other mitigation measures
4. Continuously monitor effectiveness of mitigating measures and report on them

This cycle is underpinned by a sound risk culture.

The risk control cycle supports NN Leven's strategy, the Business Plan (financial control cycle) and performance management (HR cycle) that enable NN Leven to meet its business objectives.

Risk Strategy

NN Leven's risk appetite is the key link between NN Leven's strategy, capital plan and regular risk management as part of business plan execution. NN Leven's risk appetite, and the related risk limits and tolerances, is established together with the business strategy. During this strategy-setting process, strategic and emerging risks need to be considered carefully. These risks for example look at sensitivities around assumptions behind a proposed business strategy, or the possibility that a proposed business strategy does not align with NN Group's values and You matter brand promise. The risk strategy further clarifies what risks (and to what extent) NN Leven is willing to take in pursuit of business objectives. Embedding a sound risk culture within properly organised and governed business processes and projects is an important part of NN Leven's risk strategy.

Risk appetite framework and Risk Taxonomy

Risk appetite statements describe how NN Leven weighs strategic decisions and communicates its strategy to key stakeholders with respect to the desired level of risk-taking. They thereby define our preferences for or against certain risk types. This helps us avoid unwanted or excessive risk taking and optimise our use of capital.

NN Leven has defined and categorised its risk landscape in a risk taxonomy and, in alignment with NN Group policies, standards and risk appetite, expresses its risk appetite via ten key risk appetite statements, which are internally detailed further into risk limits and tolerances, control objectives and reporting:

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Risk Appetite		Risk Class	Description
Managing Strategy	Strategic Risks	Emerging Risks	External risks that cannot yet be fully assessed or quantified but that could in the future affect the viability of NN Leven's strategy.
		Strategic Risks	Risks, arising in shaping NN Leven's business, related to making incorrect business decisions, implementing decisions poorly, or being unable to adapt effectively to changes in NN Leven's operating environment
Solvency Risks	Financial Risks	Market Risks	Financial risks related to (the volatility of) financial and real estate markets.
		Counterparty Default Risks	Financial risks related to the failure by counterparties to meet contractual debt obligations.
		Underwriting & Pricing /Non-market Risks	Financial risks related to insurance liabilities due to inadequate pricing and provisioning assumptions (i.e. product-related risks from an NN Leven perspective).
Liquidity Risks		Liquidity Risks	Financial risks related to being unable to settle financial obligations when due.
Sound Business Conduct	Non-Financial Risks	Business Conduct Risks	Non-financial risks related to unethical or irresponsible behaviour when doing or representing the business (red lines)
People Conduct Culture		People Conduct Risks	Non-financial risks related to the attitude and (perceived) behaviour of our workforce
Product Suitability		Product Suitability Risks	Product related risks from a customer perspective
Operational Risks & Losses		Business Operating Risks	Non-financial risks related to inadequate or failed business processes (internally, or externally performed by business partners)
Technology Risks		Business Technology Risks	Non-financial risks related to inadequate or failed information technology (systems)
Reliable Reporting		Business Operating Risks	Non-financial risks related to inadequate or failed business processes (internally, or externally performed by business partners)
Business Continuity		Business Continuity Risks	Non-financial risks of accidents or external events impacting continuation or security of (people or assets in) our business operations.

Note: Sustainability risks are not a separate risk class. They drive strategic, financial and non-financial risks in several areas of our taxonomy. More information on how we mitigate and manage these risks is provided in section 3.a. on Risk Profile/Strategic and emerging risks

Risk Metrics

Risk appetite statements are implemented within the business through the use of risk tolerances and limits, as prescribed in specific policies for relevant risk categories. A risk limit is the maximum exposure to a risk that management is willing to accept and should not be breached. A risk tolerance is the level of exposure to a risk, where management wants to be actively informed – it is set to function as a trigger for reviewing the exposure regularly and reflects an ambition level within which management wants to act in the medium term.

Risk Class	Key Risk Metrics
Strategic and Emerging Risks	Various metrics related to the Business Plan, such as progress on main strategic initiatives and expense targets, and to the workforce, such as employee engagement scores.
Financial Risks	**Solvency II ratio:** the ratio of Eligible Own Funds (EOF) to Solvency Capital Requirement (SCR). NN Group aims to capitalise its operating units adequately at all times. To ensure adequate capitalisation, NN Leven manages its commercial capital levels (based on the Solvency II ratio) in accordance with the risk associated with the business activities. **Solvency II ratio sensitivities:** NN Leven monitors the changes for both EOF and SCR under various scenarios. **Own Funds at Risk limit:** NN Leven has implemented a limit to monitor the impact of moderate (1-in-20) stress events. **Interest Rate Risk limits:** NN Leven has implemented limits and tolerances for interest rate risk exposures. **Concentration Risk limits:** in order to prevent excessive concentration risk, NN Leven has a concentration risk limit framework. The framework sets a risk appetite and concentration limits on corporate and sovereign issuers, asset type and country of risk. **Liquidity Risk:** liquidity risks are monitored by assessing the ratio between liquid assets and liquidity requirements for severe stress scenarios and different time horizons. **Longevity Risk tolerance:** NN Leven has implemented a tolerance for longevity risk exposure.
Non-Financial Risks	**Annual Loss Tolerance and materiality:** Tolerances on potential yearly loss, reputation impact and financial reporting accuracy. **Restricted List:** to prevent investments in securities that are not in line with NN Group's values and/or applicable laws and regulations, NN Leven has a Restricted List in place, as established in NN's Responsible Investment Framework. This list is leveraged for the risk analysis related to client acceptance for the provision of financial products and services throughout NN Leven.

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Risk Assessment

Risk assessments are regularly performed throughout NN Leven. The quantitative risk profile for financial risks is mostly measured using NN Group and NN Leven models on pre-defined confidence intervals ('shocks'), and reported against risk limits. Non-quantifiable risks, and non-financial impact of quantifiable risks, are assessed through control effectiveness in relation to acceptable impact. Tail events (low probability, high impact) are explored through scenario analysis and addressed with (tested) business continuity plans or contingency plans.

Risk Class	Risk Assessment and main mitigation technique
Strategic and Emerging Risks	Business planning; Strategic Risk Assessment (SRA) and scenario analysis, including Own Risk and Solvency Assessment (ORSA); contingency planning; Internal and external benchmarking on employer attractiveness and remuneration; strategic workforce planning
Market and Liquidity Risks	Quantified via NN Leven's Partial Internal Model; Assessed in New Asset Class Assessment (NACA), ALM studies and Strategic Asset Allocation (SAA) Mitigated by limit structure and use of derivatives
Counterparty Default Risks	NN Leven's Partial Internal Model; Limit structure
Non-Market Risks	NN Leven's Partial Internal Model; Product Approval and Review Process (PARP), Limit structure, reinsurance
Non-Financial Risks	Detailed risk assessments (DRAs) on (sub-) processes (including IT aspects, fraud, etc.); Business and key controls, control testing, incident management and external insurance

Below we describe some of these risk assessments in more detail. Main mitigation techniques, such as the limit structure for financial risks, are discussed in more detail in the Risk Profile section (section 3.), where all the main risk types are described and how they are measured and managed.

Strategic Risk Assessment (SRA) and Own Risk and Solvency Assessment (ORSA)

NN Leven prepares an ORSA at least once a year. As part of the ORSA, an SRA is performed at least annually by the Management Board. The outcome of the SRA is an overview of key risks. That is, risks that are potentially solvency-threatening or could have a significant negative impact on the achievement of one or more of the business objectives from NN Leven's strategy or business plan. The ORSA includes a forward-looking overall assessment, using scenario analysis and stress testing, as to whether NN Leven holds sufficient capital across its business planning period to withstand the potential impact of identified key risks. Impact is mainly assessed on the Solvency II capital position, but also on liquidity or operating capital generation where relevant. As part of the ORSA, NN Leven also assesses the ongoing appropriateness of its internal model which is used to calculate the Solvency II ratio.

Strategic Asset Allocation (SAA)

NN Leven executes an SAA study once every three years, in which the target allocation and bandwidth are set for each asset class. The SAA study is reviewed annually, using updates for the assumptions on return, risk and feasibility, and a review of constraints and objectives.

Product approval and review process (PARP)

The PARP has been developed to enable effective design, underwriting and pricing of all insurance products, and ensure these can be managed throughout their lifetime. The process establishes requirements regarding the product risk profile features to ensure products are aligned with NN Leven's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies and regulations. It also includes requirements and standards for assessing risks as per the risk categories, as well as the administration and accounting aspects of the product.

New asset class assessment (NACA) and investment mandate process

NN Leven maintains a NACA for approving investments in new asset classes. At group level, NN Group establishes a global list of asset classes in which NN Leven may invest, and NN Leven maintains a local asset list that is a subset of the global asset list prescribing in which asset classes NN Leven may invest. Investments in these asset classes are governed through investment mandates given by NN Leven to the asset manager(s).

Detailed Risk Assessments (DRA)

DRAs are performed periodically on (sub-)processes by the relevant (sub-)process owners, with particular attention to risks in process handover points, where responsibility for activities moves between departments and/or managers. Owners annually assess what the most important non-financial risks are within their process, looking at for example aspects of IT, data quality, human error, changes to systems and processes, etc. Not only processes are relevant, also other aspects are relevant in realising business objectives, and thus could warrant specific 'thematic' DRAs.

Risk Control

Risk Control refers to activities undertaken to ensure proper mitigating measures are designed, documented and executed such that risks are managed within defined risk limits and tolerances, and in line with policies and standards.

Risk Class	Risk mitigated/controlled through:
Emerging Risks	Scenario analysis and contingency/recovering planning
Strategic Risks	Adjusting the strategic targets/business model to meet the changing environment implemented through strategic initiatives/programmes Business planning, monitoring of strategic execution and scenario analysis Employee engagement surveys, strategic workforce planning, remuneration policies, succession planning
Market Risks	Monitoring based on limits and tolerances and adjusting asset positions if necessary Hedging/use of derivatives Monitoring investment mandates for external investment managers
Counterparty Default Risks	Monitoring based on limits and tolerances and adjusting asset positions if necessary
Non-Market Risks	Hedging with financial instruments (asset-liability management) Range of group life and individual life insurance products Monitoring based on concentration and exposure metrics Product approval and review process (PARP) Reinsurance
Liquidity Risks	Monitoring based on limits and tolerances and adjusting asset positions if necessary Cash management/treasury techniques
Non-Financial Risks	Controls and control testing Incident management and external insurance Risk culture, awareness and training Project risk logs and monitoring Business continuity management

Through the NN Group Preparatory Crisis Plan, NN Leven has determined a set of measures for early detection of and potential response to a crisis, should it occur. The aim of the plan is to ensure tools, measures and processes are in place that would enable NN Leven to:

- Avoid going into Recovery
- Timely anticipate an approaching financial distress and/or potential recovery situation
- Quickly recover to an acceptable minimum solvency (and liquidity) level when faced with financial distress and/or Recovery

The Management Board of NN Group is responsible for the Preparatory Crisis Plan and the plan is regularly reassessed and updated by Finance, which is filed with DNB. NN Leven updates its specific NN Leven recovery measures which are included in the Preparatory Crisis Plan.

In the Risk Profile section (section 3.) we describe mitigating actions per risk type.

Risk Monitoring & Reporting

Risk monitoring helps us assess and evaluate developments in the risk profile. It determines whether risks are managed within the applicable risk appetite, related limits and tolerances and in line with policies and standards. Results of the risk monitoring are reported regularly to responsible managers of departments, as well as Management Board and Supervisory Board of NN Leven. This includes information on, for example, strategic projects, financial risk limits and developments, control effectiveness, control deficiencies and incidents, and second line opinions and advice. Action is taken by management when monitoring indicates that risks are being inadequately controlled.

The Management Board and Supervisory Board of NN Leven receive quarterly Effective Control Framework (ECF) reports, Own Funds reports and SCR reports. The ECF report is to provide a single consistent, holistic overview of the risks of NN Leven. It compares current risk levels to NN Leven's risk appetite and aims to encourage a forward-looking risk view. The Own Funds and SCR reports aim to provide an overview of the quarterly Solvency II capital position and development, including the Solvency II ratio sensitivities assessing the changes in various scenarios for both Eligible Own Funds and SCR at NN Leven level. Solvency II ratio sensitivities are disclosed at NN Group level.

Risk Culture

Management plays a vital role in creating a sound risk culture as they are role models and the main messengers of sound risk management. This includes to:

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- show a solid risk management focus in decision making, with a view to long term stability of the business, including understanding and use of risk models when relevant
- foster diversity of thoughts and solicits different views in decision making
- foster a culture of transparency in which early identification of risk issues and material incidents are communicated timely to relevant parties
- ensure operational management take their proper responsibilities in the risk control cycle
- address dysfunctional behaviour of staff
- ensure adequate staffing and ensure employees are well trained for their roles and
- actively manage risks throughout the lifetime of products and not just at the moment of sale

Within the risk management cycle, NN Leven performs regular assessments with regard to risk culture and maturity, to assess and learn whether this supports the effective functioning of the risk control cycle. The Maturity Reflection assessment provides the NN Leven CEO with a periodical confirmation that the framework is still materially complete and operated by first and second line as intended, ensuring the CEO will be timely informed on things the CEO needs to know from risk perspective, either by lower first line levels or by the second line, and if not, what the ambition is. In addition it creates awareness on what a good (risk) culture entails and fosters internal discussions on the same.

3. Risk Profile

3.a. Strategic and emerging risks

Strategic and emerging risks are risks, related to shaping NN's (future) business, arising from the external environment and/or from being unable to adapt effectively to changes in NN's operating environment.

Strategic risks

Risk profile

Economic, technological, ecological and demographic developments are impacting the strategic context in which we operate. To remain relevant to our customers in the long run, we need to timely anticipate these developments. Strategic risks are risks arising in shaping NN Leven's business, related to making incorrect business decisions, implementing decisions poorly, or being unable to adapt effectively to changes in NN Leven's operating environment. We manage our businesses on a risk-return basis, so that we can meet strategic objectives while taking into account the interests of our stakeholders.

In the annual Strategic Risk assessment (for more detail see sub-sections Risk Assessment and Risk Control in section 2. on the Risk Control Cycle) the Management Board of NN Leven identified various strategic risks, amongst others risks related to business model sustainability, managing ongoing expenses, regulatory changes and human resources.

Risk mitigation

Strategic risks are mainly managed by undertaking strategic projects to adjust our organisation, products or businesses to address new regulatory, technological or demographic developments. We realise organic growth in the markets we are active by developing new ecosystems or products. We also undertake scenario analysis to analyse potential future events that can impact our strategy and/or capital position, amongst others in the ORSA. We invest in personal and professional development throughout our employees' careers, offering people unique learning opportunities and advocating job rotation.

Risk measurement

Strategic risks are not fully quantified, instead several metrics are reported, such as (externally) progress versus our strategic commitments and (internally) progress on strategic initiatives. Related to human resources, several metrics are reported and monitored such as employee engagement scores.

Emerging risks

Risk profile

Emerging risks are external risks that cannot yet be fully assessed or quantified but that could in the future affect the viability of NN Leven's strategy. Most of these risks have a high degree of uncertainty with regard to how they can impact us, or the size of the impact.

An important topic that receives significant attention are risks related to ESG matters, including climate change. For NN Leven's businesses, transition risk is most important. Transition risk, meaning risks related to transition to lower carbon economies which may adversely affect individual businesses, sectors and the broader economy, thereby also having an impact on our investment portfolio and related results. Pricing and investment returns of financial assets may be influenced by such factors as public policy (carbon tax, subsidies etc.), technological developments (resulting in invested companies that will be able to profit, or that will be negatively impacted by the transition) and changing consumer preferences (e.g. customers favouring greener products).

Risk mitigation

NN Leven manages emerging risks by performing regular risk assessments, that help to further understand how emerging risks evolve, and how a combination of events can impact us. An important tool is scenario analysis to further understand how our risk profile would be impacted under certain circumstances, but also creating backup and contingency plans in case events would realise. Our main mitigant is adjusting our strategy to proactively react to these risks.

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Around climate change the main mitigating activities are:

- Dealing with climate change is an integral part of our strategy. We have set specific non-financial targets, as part of our strategic commitment *Society*, amongst others to integrate ESG aspects in our investments and our risk management framework
- NN Leven manages climate change risks by further integrating ESG aspects in its investment strategy, as laid down in the Responsible Investment Framework, where NN Leven is phasing out its investments in certain industries, as well as investing in Climate Solutions. Furthermore NN Leven uses concentration limits to avoid concentration risk in certain counterparties/industries, as well as applies stress testing to further understand the sensitivities of the investments
- Deploying qualitative and quantitative scenario analyses, amongst others as part of our ORSA, helps us to better understand the materiality of both physical and transitional risks on our assets and liabilities, for different time horizons. We use the insights gained as further input for formulating our investment strategy and integrating climate change risks in our risk management practices

Risk measurement

Emerging risks can be challenging to assess or quantify. In particular for climate change risks this is challenging as physical and transition risks are characterised by deep uncertainty and non-linearity, their chances of occurrence are not reflected in historical data and the possibility of extreme values cannot be ruled out. NN Leven continues to improve methodologies to quantify climate change risks.

3.b. Financial risks

Partial Internal Model (PIM)

The Solvency Capital Requirement (SCR) is calculated based on the actual NN Leven risk exposure. Under Solvency II, the SCR is the capital required to ensure that the insurance company will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. The risk-based framework for calculating solvency capital requirements at NN Leven is a Partial Internal Model (PIM). NN Leven uses an internal model for modelling SCR for market, counterparty default, business and insurance risks. The capital requirement for operational risk is based on the Standard Formula approach.

The choice for a Partial Internal Model is based on the conviction that an internal model in general better reflects the risk profile of NN Leven and has additional benefits for risk management purposes:

- An internal model approach can better reflect the specific assets and therefore the market risk in the portfolio of NN Leven e.g., sovereign and other credit spread risks
- The approach used for most significant non-market risks within NN Leven such as longevity (trend uncertainty) and expense risk can be better tailored to NN Leven's specific portfolio characteristics. Diversifications effects inherent to the business model can be captured in a more adequate way
- The granularity of the PIM and close alignment of the modelling techniques and parameters to NN's risk management approach also mean that it can support a wide range of business decisions

Assumptions and limitations

Risk-free rate and Volatility Adjustment (VOLA)

The assumptions used to determine the risk-free curve are important, as this curve is used for discounting future cashflows and to calculate transfer value of liabilities. For determining valuation of liabilities on Solvency II balance sheet, NN Leven uses the methodology prescribed by EIOPA for the risk-free rate including the Credit Risk Adjustment (CRA) and the Ultimate Forward Rate (UFR). Where appropriate, the risk-free rate is adjusted with the VOLA for the calculation of Own Funds.

Valuation assumptions – replicating portfolios

For SCR calculations, NN Leven uses replicating portfolio techniques to represent the insurance product-related cash flows, options and guarantees by means of standard financial instruments. The replications are used to determine and revalue insurance liabilities under a large number of Monte Carlo scenarios.

Diversification and correlation assumptions

As for any financial services provider offering a variety of products across different business segments, and investing into a wide range of assets, diversification is key to NN Leven's business model. The resulting diversification reflects the fact that not all potential worst-case losses are likely to materialise at the same time. The Internal Model takes diversification effects into account when aggregating required capitals for different risk types.

Where possible, correlation parameters are derived through statistical analysis based on historical data. In case historical data or other portfolio-specific observations are insufficient or not available, correlations are set by expert judgement via an established, well-defined and controlled process. Similar to other risk models, correlations and expert judgements are also monitored for appropriateness given availability of more recent data, and are subject to regular development, validation and regulatory oversight. Based on these correlations, industry-standard aggregation approaches such as Gaussian copula and VaR-CoVaR approach are used to determine the dependency structure of quantifiable risks.

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Model limitations
NN Leven's Partial Internal Model (PIM) set-up resulted from balancing between (1) an appropriate and clear methodology and (2) efficient calculations with appropriate accuracy and granularity to reflect the underlying risks. Despite several limitations stemming from this, the PIM is considered to be adequate to assess NN Leven's risk profile, to determine Solvency Capital Requirements and be used in key decision making processes (use test).

As a result of the granular modelling approach and the wide variety of NN Leven's assets and liabilities, the PIM is more complex than the Standard Formula.

Inherent model limitations of the PIM are related to the calibration of 1-in-200 year stress event for a full spectrum of market and non-market risks, which are based on sometimes limited historical data. Limitations also relate to the overall aim of determining forward-looking distributions of risk factors under stress based on historical data as well as the use of modelling assumptions and expert judgements.

Risks that cannot be directly modelled in the same way as market risk or insurance risk, for example strategic, reputational and model risks, and also emerging risks are managed through qualitative risk assessments and in respective processes. In addition, and as part of the ORSA, NN Leven holistically assesses its risk exposure to both quantifiable and non-quantifiable risks in order to outline mitigating actions as required.

The components of NN Leven's PIM for market and counterparty default risk and the models for risk aggregation and replication have been developed and are run centrally, and thus carry an inherent risk that the developed models include aspects which might be less appropriate for individual entities. On a regular basis NN Leven performs "Fit For Local Use" assessments. Models also undergo regular reviews and monitoring, under agreed governance, and in addition, model validations are performed by independent model validation team. Such reviews can result in additional monitoring and/or locally calculated and further centrally processed adjustments.

The Risk Management Function informs the Management Board and Supervisory Board on an annual basis on the performance of the internal model.

Solvency II 2020 review
On 22 September 2021 the European Commission (EC) published, as part of the Solvency II 2020 Review the proposed Level I texts (Directive) and insights in the upcoming Level II (Delegated Acts) regulations. In June 2022 the Council reached consensus on their view on the Solvency II 2020 review. This position is broadly similar to the EC proposals. The economic committee of the European Parliament (EP) reached consensus in July 2023 and the final vote in the EP took place in September 2023. Compared to the EC, the position of the EP is more leaning to some of the positions of the insurance industry, for example, with respect to the cost of capital rate used for the valuation of the risk margin and the calibration of the risk correction which is relevant for the Volatility Adjustment (both in terms of balance sheet valuation and SCR). The EC proposal formed the basis for the political process, which has led to a compromise position as agreed by the trilogue parties on 13 December 2023.

Actual implementation of the changes is currently not expected before 2026. The details of the agreement are not fully known yet and some key aspects in the agreement will not be detailed out in Level I, but will be clarified later in the process (part of Level II). The trilogue compromise position forms the basis for the upcoming legislative process, which can take a long time and can lead to further changes.

Solvency II ratio
Solvency II ratio of NN Leven
The following table shows the NN Leven Solvency II ratio as at 31 December 2023 and 31 December 2022 respectively.

	2023	2022
Eligible Own Funds (EOF)	10,205	10,227
Solvency Capital Requirement (SCR)	5,198	5,356
Solvency II ratio (EOF/SCR)	196%	191%

The Solvency Capital Requirement is based on the Partial Internal Model. This comprises Internal Model calculation for all risks except for Operational risk and Standard Formula calculation for AAL. SCR for Operational risk is calculated using the Standard Formula. The increase of the solvency ratio over 2023 reflects the net impacts of the reinsurance transactions and capital injection from NN Group at the end of 2023 coupled with market movements, dividends paid, the unit-linked settlement and operating capital generation over 2023.

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Solvency Capital Requirement
The following table shows the NN Leven Solvency Capital Requirement (SCR) as at 31 December 2023 and 31 December 2022 respectively.

Solvency Capital Requirement

	2023	2022
Market Risk	5,237	5,340
Counterparty Default Risk	31	58
Non-market risk	2,652	3,217
Total BSCR (before diversification)	7,920	8,615
Diversification	-1,832	-2,109
Total BSCR (after diversification)	6,088	6,506
Operational Risk	382	371
Capital adjustment	137	0
Loss-Absorbing Capacity of Technical Provisions	-15	-48
Loss-Absorbing Capacity of Deferred Taxes	-1,395	-1,472
Solvency II SCR	5,198	5,356
NN Life SCR	196%	191%

The breakdown of specific SCR risk types and explanations for the most significant changes in the risk profile over the year 2023 are presented in the next sections. The overall market risk SCR decreased from EUR 5,340 in 2022 to EUR 5,237 million in 2023; this change can be attributed to lower equity- and real estate risk, more market risk diversification benefit, and partly offset by higher credit spread risk and interest rate risk. The non-market risk SCR decreased from EUR 3,217 million in 2022 to EUR 2,652 million in 2023, caused largely by the longevity reinsurance transactions executed at year-end 2023.

The loss absorbing capacity of deferred taxes (LAC DT) recognized as a percentage of gross SCR has decreased from 21.6% to 21.2%. LAC DT has also decreased in absolute value because of a lower gross SCR.

In the above table, the 2023 figure at 'Capital adjustment' includes the capital adjustments on BSCR level. This stands in contrast to the 2022 figure, where capital adjustments are included on sub risk level.

Main types of risks
In the next sections the main risks associated with NN Leven's business are discussed. Each risk type is analysed through the risk profile, risk mitigation and risk measurement. For market and non-market risks more detailed quantification of risk exposures are provided.

Market risk
Market risk comprises the risks related to the impact of changes in various financial markets indicators on NN Leven's balance sheet. Market risks are taken in pursuit of returns for the benefit of customers and shareholders. These returns are used to fulfil policyholder obligations with any surplus returns benefiting the shareholders. Accordingly, optimisation within the risk appetite is paramount to generate returns for both policyholder and shareholder. In general, market risks are managed through a well-diversified portfolio under several relevant policies within clearly defined and monitored limits. NN Leven reduces downside risk through various hedging programmes, in particular risks for which NN Leven has no or only a limited appetite like interest rate risk, inflation risk and foreign exchange risk. In addition, NN Leven performs ad hoc analyses in response to changing market circumstances. NN Leven also integrates Environmental, Social, and Governance (ESG) factors in the investment decision-making framework.

Market risk capital requirements

	2023	2022
Interest rate risk	767	346
Equity risk	1,915	1,953
Credit spread risk	2,820	2,766
Real estate risk	1,548	1,620
Foreign exchange risk	337	344
Inflation risk	250	309
Basis risk	42	42
Diversification market risk	-2,442	-2,040
Market risk	5,237	5,340

In 2023, the market risk SCR decreased from EUR 5,340 million to EUR 5,237 million. Over the year the net change in capital for equity risk and credit spread risk is limited. However, interest rate risk has increased significantly; this difference can mainly be attributed to the longevity reinsurance transactions and changes in the portfolio (transactions and run-off).

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The table below sets out NN Leven's market value of assets for each asset class as at the end of 2023 and 2022. The values in these tables may differ from those included in the consolidated IFRS (International Financial Reporting Standards) balance sheet as derivatives are excluded and furthermore due to classification and valuation differences to reflect a risk management view.

Investment assets

	Market value 2023	% of total 2023	Market value 2022	% of total 2022
Fixed income	75,535	78%	76,373	82%
Government bonds and loans	23,788	25%	25,065	27%
Financial bonds and loans	4,451	5%	4,755	5%
Corporate bonds and loans	15,397	16%	14,820	16%
Asset Backed Securities	1,093	1%	1,135	1%
Mortgages	30,618	31%	30,387	33%
Other retail loans	188	0%	211	0%
Non-fixed income	16,720	17%	17,129	18%
Common & preferred stock[1]	3,153	3%	3,276	3%
Private equity	67	0%	98	0%
Real estate[2]	9,629	10%	10,481	12%
Mutual funds (money market funds excluded)[3]	3,871	4%	3,274	3%
Money market instruments (money market funds included)[4]	4,364	5%	300	0%
Total investments	96,619	100%	93,802	100%

[1] All preference shares are included in 'common & preferred stock', even when preference shares are modelled as bonds
[2] The real estate values exclude the real estate forward commitments, since NN Leven has no price risk related to them
[3] Fixed income mutual funds are included in mutual funds
[4] Money market mutual funds and commercial papers are included in the Money Market Instruments

Total investment assets have increased from EUR 93,802 million at the end of 2022 to EUR 96,619 million at the end of 2023.

Interest rate risk

Interest rate risk is defined as the risk of having losses in the Solvency II Own Funds due to adverse changes in the level or shape of the risk-free interest rate curve used for discounting assets and liabilities cash flows. Exposure to interest rate risk arises from asset or liability positions that are sensitive to changes in this risk-free interest rate curve

Risk profile

As shown in the 'Market risk capital requirements' table above, the interest rate risk SCR of NN Leven increased from EUR 346 million in 2022 to EUR 767 million in 2023. The increase in capital is driven by the longevity reinsurance transactions (resulting in a lower risk margin), portfolio changes (transactions and run-off), and a decrease in interest rates

Risk mitigation

The interest rate SCR indicates to what extent assets and liabilities are matched on Solvency II basis. NN Leven manages its interest rate position by investing in long-term bonds and interest rate swaps. The interest rate risk management focuses on matching best estimate liability cash flows with asset cash flows for tenors where markets for fixed income instruments are sufficiently deep and liquid.

NN Leven liability cash flows are predictable and stable since exposure to policyholder behaviour and profit-sharing mechanisms is limited. Until year 30, where markets for fixed income instruments are sufficiently deep and liquid, best estimate liability cash flows (excluding risk margin) are to a large extend matched with government bonds, corporate bonds, mortgages, and loans. Cash flows after 30 years are partially hedged on a duration basis with long term government bonds and interest rate swaps, due to price and illiquidity of markets.

NN Leven has implemented limits and tolerances for interest rate risk exposures.

Risk measurement

For discounting EUR-denominated asset cash flows, NN Leven uses market swap curves as a basis to value assets. For the asset cash flows denominated in other currencies, the relevant swap or government curve is used for that specific currency.

For discounting the EUR-denominated liability cash flows NN Leven uses a swap curve less credit risk adjustment (CRA) plus Volatility Adjustment (VOLA) in line with definitions under the Solvency II framework. For the liability cash flows denominated in other currencies, the relevant swap or government curve is used where this curve is also lowered by the credit risk adjustment and adding the Volatility Adjustment specific for each currency. In line with Solvency II regulations, NN Leven extrapolates the EUR swap curve starting from the last liquid point onwards to the Ultimate Forward Rate for each relevant currency in its portfolio. The last liquid point (LLP) used for EUR is 20 years. As such, the sensitivity of SCR for interest rate risk primarily depends on the level of cash flow matching between assets and liabilities up to the 20-year point, and the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows.

Over the year 2023 the European Insurance and Occupational Pensions Authority (EIOPA) prescribes a UFR level set at 3.45%. The sensitivity of the Solvency II ratio to changes in interest rates is monitored on a quarterly basis.

Equity risk
Equity risk is defined as the risk of having losses in Solvency II Own Funds due to adverse changes in the level of equity market prices. Exposure to equity risk arises from direct or indirect asset or liability positions, including equity derivatives such as futures and options, that are sensitive to equity prices.

Risk profile
The table below sets out the market value of NN Leven's equity assets as at the 31 December 2023 and 2022, respectively.

Equity assets

	2023	2022
Common & preferred stock	3,153	3,276
Private equity	67	98
Mutual funds (money market funds excluded, includes fixed income mutual funds)	3,871	3,274
Total	7,091	6,648

NN Leven is mainly exposed to publicly listed equity, and to a lesser extent to private equity funds and equity exposures through mutual funds. The direct equity exposure is spread mainly across the Netherlands, and remaining exposure in other countries predominantly in core EU countries. Note that mutual funds are classified as equity in the table above but include fixed income funds as well. The movements of private equity and mutual funds include some reclassifications within these categories, which lead to a decrease in the category private equity and increase in the category mutual funds.

As shown in the 'Market risk capital requirements' table above, the Equity risk SCR of NN Leven decreased from EUR 1,953 million in 2022 to EUR 1,915 million in 2023. The decrease in capital is due to a lower equity exposure reflecting the net effect from transactions, model changes, and equity performance over 2023.

Risk mitigation
Exposure to equities provides additional diversification and upside return potential in the asset portfolio of an insurance company with long-term illiquid liabilities. The concentration risk on individual issuers is mitigated by having issuer risk limits in place in investment mandates. NN Leven hedges the interest and equity sensitivities of the unit-linked guarantees. Equity risk in the unit-linked portfolio is hedged using a dynamic hedge which is updated at least quarterly. NN Leven uses short futures and long calls to hedge equity risk.

Risk measurement
The sensitivity of the Solvency II ratio to changes in the value of equity is monitored on a quarterly basis.

Credit spread risk
The credit spread risk is defined as the risk of having losses in Solvency II Own Funds due to adverse movements in the credit spreads of fixed income assets. The credit spread widening (or narrowing) reflects market supply and demand, rating migration of the issuer and changes in expected default. Changes in liquidity and other risk premiums that are relevant to specific assets can play a role in the value changes.

In the calculation of the SCR, NN Leven assumes no change to the volatility adjustment on the liability side of the balance sheet after a shock-event, but instead reflects the illiquidity of liabilities in the asset shocks to ensure appropriate solvency capital requirements. This approach ensures appropriate risk incentives. NN Leven also shocks all government bonds and its mortgage portfolio in the calculation of spread risk capital requirements. The main asset classes in scope of the credit spread risk module are government and corporate bonds, mortgages and loans.

Risk profile
As shown in the 'Market risk capital requirements' table, the credit spread risk SCR of NN Leven increased from EUR 2,766 million in 2022 to EUR 2,820 million in 2023. The increase in capital is the net effect of decreased interest rates, model updates, and changes in the portfolio.

The table below shows the market value of NN Leven's fixed-income bonds subject to credit spread risk SCR by issuer as at the 31 December 2023 and 31 December 2022, respectively.

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Fixed-income bonds and loans by type of issuer

	Market value		Percentage	
	2023	2022	2023	2022
Government Bonds & Loans	23,788	25,065	53%	55%
Finance and Insurance	4,451	4,755	10%	10%
Asset Backed Securities	1,093	1,135	2%	2%
Manufacturing	4,198	4,030	9%	9%
Utilities	1,900	1,737	4%	4%
Real Estate and Rental and Leasing	1,282	1,524	3%	3%
Information	1,139	1,160	3%	3%
Transportation and Warehousing	749	809	2%	2%
Others	6,129	5,560	14%	12%
Total	44,729	45,775	100%	100%

The table below sets out the market value of NN Leven's assets invested in government bonds and loans by country and maturity.

Market value government bond and loans exposures (2023)

			Market value of government bond and loans in 2023 by number of years to maturity[4]								
	Rating[1]	Domestic exposure[2]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2023
France	AA						33	1,087	270	2,954	4,344
Germany	AAA		291			406	456	1,609	547	204	3,512
Netherlands	AAA	100%		91	11	203	316	2,255	156	234	3,267
Austria	AA+				137	227		116	467	1,020	1,967
Belgium	AA-				35	151	74	1,074	557	586	2,477
United States	AA+							208	1,432		1,640
Spain	A-		15	51		9	49	854	382	28	1,388
Multilateral[3]	AAA		26		77	12	123	550	414	20	1,220
Finland	AA+			142				665	48		855
Italy	BBB					82	265	5	242	30	623
Other			4	47	3	248	812	798	517	66	2,494
Total			336	331	264	1,337	2,127	9,220	5,032	5,142	23,788

1 NN Leven uses the second-best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds
2 Percentage of the bonds held in the local unit, e.g. percentage of Dutch bonds held by entities registered in the Netherlands
3 Includes EIB, ECB, EFSF, EU and ESM
4 Based on legal maturity date

Market value government bond and loans exposures (2022)

			Market value of government bond and loans in 2022 by number of years to maturity[4]								
	Rating[1]	Domestic exposure[2]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2022
France	AA		36				37	1,543	598	2,784	4,998
Germany	AAA		5	302		50	1,222	1,988	304	203	4,074
Netherlands	AAA	100%	511		135	16	353	2,383	43	9	3,450
Austria	AA+			159		366		278	558	928	2,289
Belgium	AA-		15			39	220	1,345	479	590	2,688
United States	AAA				1			223	1,498		1,722
Spain	A-			15	52	6	166	811	363	25	1,438
Multilateral[3]	AAA			25		88	43	474	221	21	872
Finland	AA+				143			594	169		906
Italy	BBB		8			81	398	21	33	26	567
Other			67	60	138	353	712	318	369	44	2,061
Total			642	561	469	999	3,151	9,978	4,635	4,630	25,065

1 NN Leven uses the second best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds
2 Percentage of the bonds held in the local unit, e.g. percentage of Dutch bonds held by entities registered in the Netherlands
3 Includes EIB, ECB, EFSF, EU and ESM
4 Based on legal maturity date

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Of the total NN Leven sovereign debt exposure 69% (or EUR 16,4 billion) is invested in AAA and AA rated eurozone countries (2022: 73% (or EUR 18,4 billion)). These long-term government bonds and loans are sensitive to sovereign credit spread movements versus EUR swap rates. In line with the strategy of NN Leven there is a gradual reduction in the exposure to government bonds and mortgages, and an increase in allocation to corporate bonds and loans.

The tables below show the market value of non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity.

Market value non-government bond securities and loans (2023)

	Market value of non-government bond securities in 2023 by number of years to maturity								
	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2023
AAA	27	1	28	121	121	744	218	576	1,837
AA	61	79	99	204	330	170	94	85	1,123
A	570	526	837	873	1,608	613	812	86	5,926
BBB	1,348	880	859	1,142	2,065	1,181	550	67	8,092
BB	224	335	404	819	578	51	10		2,421
B	40	101	332	341	192				1,006
CCC	44	1	30	25	4				104
D	4					8			11
No rating available	87	37	30	174	77	13		1	421
Total	2,405	1,961	2,618	3,700	4,976	2,781	1,684	816	20,941

Market value non-government bond securities and loans (2022)

	Market value of non-government bond securities in 2022 by number of years to maturity								
	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2022
AAA	51	48	1	153	72	700	255	595	1,875
AA	143	67	77	252	229	95	140	117	1,120
A	547	648	705	1,138	1,285	443	575	445	5,786
BBB	873	1,517	834	1,468	1,667	1,245	576	82	8,262
BB	263	161	351	617	903	21	23		2,339
B	7	101	163	386	200				857
CCC	16	10	9	12	34				81
CC				7					7
D	16		5	8		12			41
No rating available	73	68	5	114	79		2	1	342
Total	1,989	2,620	2,150	4,155	4,469	2,516	1,571	1,240	20,710

The table below sets out NN Leven's holdings of loans and other debt securities as at the 31 December 2023 and 2022, respectively.

Market value bonds, loans and other debt securities (per credit rating)

	Fair value	
	2023	2022
AAA	9,576	11,733
AA	13,384	12,786
A	7,812	7,627
BBB	9,199	9,459
BB	3,001	2,659
B and lower	1,336	1,169
No rating available	421	342
Mortgages	30,618	30,387
Other Retail Loans	188	211
Total	75,535	76,373

Mortgages

The required capital for mortgages within entities under the Partial Internal Model is calculated in the credit spread risk module while the required capital for mortgages within entities under Standard Formula is calculated in the counterparty default risk module. The credit spread risk module within the Partial Internal Model captures the behaviour of Own Funds when the valuation of mortgages changes with market mortgage rates, while the counterparty default risk module within Standard Formula captures the behaviour of Own Funds as a result of unexpected loss or default of mortgages.

Notes to the Consolidated annual accounts continued

The Loan-to-Value (LTV) for residential mortgages (which is based on the net average loan to property indexed value) at NN Leven stood at 55%, respectively at the end of 2023 while this was 53%, respectively at the end of December 2022. The slight migration towards higher LTV buckets is due to the house price decrease between the third quarter of 2022 and the third quarter of 2023 (4.6%). Although house prices decreased in 2023, the portfolio remains well-collateralised.

The inherent credit risk of mortgages is backed primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers like savings, investments, and life insurance policies. Mortgages with NHG at NN Leven accounted for 23% of the mortgages at the end of 2023 compared to 24% at the end of 2022. On portfolio level the NHG coverage showed no significant changes.

Loan-to-Value on mortgage loans[1]

	2023	2022
NHG	23%	24%
LTV ≤80%	71%	72%
LTV 80% - 90%	4%	3%
LTV 90% - 100%	2%	1%
LTV >100%	0%	0%
Total	100%	100%

[1] Risk figures and par ameters do not include third party originated mortgages and collateralised mortgages although they are on the balance sheet of NN Leven

The mortgage portfolio is regularly reviewed to ensure troubled assets are identified early and managed properly. The loan is classified as a non-performing loan (NPL) if the loan is 90 days past due, or the client was in default the previous month, and the minimum holding period (MHP) is active or the loan is classified as Unlikely To Pay (UTP) by the problem loans department.

The main criterion for lifting the default status will be that no arrears greater than EUR 250 occurred during the Minimum Holding Period (MHP). For defaulted clients that are classified as 'distressed restructuring', the MHP is 12 months. For all other defaulted clients, the MHP is 3 months.

The impact of the recent geopolitical developments and increasing inflation on the creditworthiness of the portfolio are limited, as a result the percentage of non-performing loans showed no significant changes in 2023. The provision decreased due to an update in the provisioning model. Secondly, the management overlay related to increasing interest rates and high inflation decreased as inflation and interest rates are stabilizing. The decrease in provision was partly offset by the house price decrease and the fact that from this year the provision calculation is based on IFRS 9 regulations instead of IAS 39. The main change is that a lifetime provision is calculated for past due and non-performing loans.

The net exposure slightly increased after deduction of capped collaterals and guarantees, because of a decrease in the house price. The NHG guarantee value remained stable.

Credit quality: NN Leven mortgage portfolio, outstanding[1,2,4]

	2023	2022
Performing mortgage loans that are not past due	25,914	26,316
Performing mortgage loans that are past due	119	111
Non-performing mortgage loans[3]	79	85
Total	26,113	26,512
Provisions for performing mortgage loans	2	1
Provisions for non-performing mortgage loans	2	4
Total[3,5]	4	5

1. The total value for Mortgages is different in this table vs. Investment Assets Table because of exclusion of mortgage not managed by NN Bank of EUR 4,505 million in 2023 (2022: EUR 3,875 million)
2. Amounts are excluding partial transfer of mortgages and DRMF
3. 'The non-performing loans include 'unlikely to pay' mortgage loans, which may not be past due
4. From 2022 the carrying value includes the accrued interest, past due amount, and deduction of construction deposits
5. In 2023 the calculation of provisions is based on IFRS 9 regulations. Figures from 2022 remain based on IAS 39 regulations

Notes to the Consolidated annual accounts continued

Collateral on mortgage loans[1]

	2023	2022
Carrying value	26,113	26,512
Indexed collateral value of real estate	55,531	58,286
Savings held[2]	1,134	1,144
NHG guarantee value[3]	5,300	5,600
Total cover value[4] including NHG guarantee capped at carrying value	26,100	26,500
Net exposure	13	12

1. The figures in the table contain mortgages originated by NN Bank. Mortgages sourced via third party managers are not included in the table
2. Savings held includes life policies
3. The NHG guarantee value follows an annuity scheme and is corrected for the 10% own risk (on the granted NHG claim)
4. The cover value of the real estate does not include haircuts, which are applied in the determination of loan loss provisions

Risk mitigation

NN Group has concentration risk limits for individual issuers which depend on the credit quality of the issuer; for individual asset classes; and country limits which depend on the country's credit rating and GDP, and whether the country is a member of the European Union. These limits ensure that large risk concentrations are avoided. In order to diversify the credit spread risk further, NN Leven has increased its investments in non-listed assets. In addition, NN Leven's mortgages are subject to strict underwriting criteria and are well collateralised.

Risk measurement

NN Leven has exposure to government, corporate and financial debt, and is exposed to spread changes for these instruments. Furthermore, the Volatility Adjustment in the valuation of liabilities introduces an offset to the valuation changes on the asset side. The sensitivity of the Solvency II ratio to changes in the value of credit spread is monitored on a quarterly basis.

Government bond shocks are applied to the following asset classes: government bonds and loans, government-linked instruments (sub-sovereigns and supranational). Corporate spread shocks are applied to the following asset classes: corporate bonds (financials and non-financials), covered bonds, subordinated bonds, asset-backed securities and loans. Mortgages are subject to spread shocks in a separate scenario.

Real estate risk

Real estate risk is defined as the risk of having losses in Solvency II Own Funds due to adverse changes in the value of real estate. Exposure to real estate risk arises from holding direct real estate properties or positions in real estate mutual funds. With the long-term nature of the liabilities of NN Leven, illiquid assets such as real estate play a key role in the asset allocation.

Risk profile

As a result of devaluations and divestments, NN Leven's real estate exposure (excluding forward commitments) decreased from EUR 10,481 million at the end of 2022 to EUR 9,269 million at the end of 2023.

NN Leven holds real estate directly (owning the object) or indirectly by having a stake in an investment fund dedicated to real estate. Several of the real estate funds owned by NN Leven include leverage, and therefore the actual real estate exposure is larger than NN Leven's actual real estate assets.

The table below sets out NN Leven's real estate exposure per region as of 31 December 2023 and 2022, respectively.

Real estate assets per region[1]

	2023	2022
Western Europe	58%	60%
Southern Europe	17%	17%
Nordics	10%	8%
Central and Eastern Europe	4%	4%
UK and Ireland	11%	11%
Other	0%	0%
Total	100%	100%

[1] Excludes real estate forward commitments, since NN Leven has no price risk related to them

As shown in the 'Market risk capital requirements' table, the real estate risk SCR of NN Leven decreased from EUR 1,620 million in 2022 to EUR 1,548 million in 2023 as a result of depreciation of our real estate investments.

Risk mitigation

Exposure to real estate provides for additional diversification for the asset portfolio. The concentration risk on individual assets is mitigated under the relevant investment mandates. Real estate portfolio is also well diversified across European countries and sectors.

Notes to the Consolidated annual accounts continued

Risk measurement
NN Leven monitors the sensitivity of the Solvency II ratio to quarterly changes in the value of real estate.

Foreign exchange risk
Foreign exchange (FX) risk measures the impact of losses related to adverse changes in currency exchange rates.

Risk profile
FX transaction risk can occur when items included in the annual accounts are measured using the country's local currency instead of NN Leven's reporting currency, the euro.

The SCR for foreign exchange risk decreased from EUR 344 million in 2022, to EUR 337 million in 2023. The decrease in capital is limited and can be attributed to market movements and position movements.

Risk mitigation
FX risk is mitigated by hedging the FX risk in liabilities that are sensitive to changes in FX rates and by limiting investment in non-euro-denominated assets. As a result of this, FX risk marginally contributes to the SCR of NN Leven.

Inflation risk
Inflation risk is defined as the risk of adverse changes in inflation that result into decrease in Solvency II Own Funds.

Risk profile
NN Leven has two types of inflation-linked exposures. The first exposure relates to inflation-linked group contracts where the payment (pensions) to the policyholder is linked to an external inflation index. Next to that, NN Leven expenses are sensitive to inflation risk because of, for example, increasing wages. This latter will be discussed in more detail in the upcoming section on Business risk.

Risk mitigation
The Inflation risk is managed through the use of inflation swaps and investments in inflation bonds. In particular, the exposure to inflation linked liabilities is limited and hedged.

Risk measurement
By year-end 2023 the required capital for the inflation risk related to the inflation-linked contracts, offset by the inflation-linked swaps, is EUR 250 million, while per year-end 2022 the capital was EUR 309 million. The decrease in capital is driven by an update of expense inflation assumptions and movements in interest rates. The capital for inflation risk related to NN Leven expenses is included in the expense risk and discussed in more detail in the upcoming section on Business risk.

Basis risk
The SCR Basis risk is defined as a risk that the underlying asset or liability behaves differently than the underlying hedge instrument, which results in the loss in the Solvency II balance sheet.

Risk profile
The SCR for Basis risk in 2023 remains unchanged compared to 2022; EUR 42 million.

Risk mitigation
The Basis Risk is mitigated by fund mapping of the underlying funds to risk factors, and by constant monitoring of the fund performance compared to the benchmark.

Market risks within separate account businesses
For the separate account businesses the policyholder bears most of the market and credit risk. NN Leven's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business, NN Leven retains risk associated with the guarantees provided to its policyholders. Businesses in this separate account category are (i) the group pension business for which guarantees are provided and (ii) other separate account business, primarily the unit-linked business and variable annuities (VA).

Separate account guaranteed group pension business in NN Leven
Risk profile
In the separate account guaranteed group pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded their contract with NN Leven. Regardless of actual returns on these investments, pension benefits for the beneficiaries are guaranteed under the contract. The value of the provided guarantee is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

The Assets under Management for NN Leven's portfolio decreased from EUR 2,1 billion 31 December 2022 to EUR 2,0 billion 31 December 2023, primarily because of the movement of Separate Account contracts to the General Account.

Businesses in the separate account category are the group pension business for which certain guarantees are provided, and other separate account business, primarily the unit-linked business. Some unit-linked policies include a guarantee on the performance of specific underlying funds. The value of this guarantee is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

Risk mitigation

NN Leven currently hedges the value of the guarantees it provides under group pension contracts. For hedging, the exposure under such guarantees is discounted at the swap curve without the extrapolation to the UFR. Upon contract renewal, NN Leven offers policyholders defined contribution products with investments in portfolios that NN Leven can more easily hedge, thus reducing the risk. The risk that the present value of future fees is affected by market movements of the underlying policyholder funds is not hedged. NN Leven determines Eligible Own Funds (EOF) for the market of the separate account business through modelling the risks of the fee income and the guarantees including the impact of the hedge programs. The hedge program includes equity basket options, swaps and equity futures.

Other separate account businesses

Risk profile

The other separate account business primarily consists of unit-linked insurance policies and variable annuity (VA) portfolios. Unit-linked insurance policies provide policyholders with selected fund returns combined with an insurance cover. The investment risk is borne by the policyholder, although there are some unit-linked products where NN Leven has provided guarantees on the performance of specific underlying funds. Unit-linked products without guarantees do not expose NN Leven to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds. The variable annuities consist of guaranteed minimum accumulation benefit products, guaranteed minimum death benefit products and guaranteed minimum withdrawal benefit products.

Risk mitigation

The market risks of the unit-linked and other separate account business are managed by the design of the product. Currently, NN Leven does not hedge the market risks related to the present value of future fee income derived from this business. For VA business Leven has hedging programmes in place targeting equity, interest rate, credit spread and FX risk as well as volatility risk.

Risk measurement

NN Leven determines eligible own funds for the market and credit risks of the separate account business through modelling the risks of the fee income and the guarantees including the impact of the hedge programmes.

Counterparty default risk

Counterparty default risk is the risk of loss due to default or deterioration in the credit standing of the counterparties and debtors (including reinsurers) of NN Leven. The SCR for counterparty default risk is primarily based on the issuer's probability of default (PD) and the loss-given-default (LGD) of each individual position, taking into account diversification across these positions.

The counterparty default risk module also covers any credit risk exposures which are not covered in the spread risk sub-module.

Risk profile

As shown in the 'Solvency II Capital Requirements' table above, the Counterparty default risk SCR of NN Leven decreased from EUR 58 million at the end of 2022 to EUR 31 million at the end of 2023. The change in capital for Counterparty default risk can be attributed to a decrease in exposure towards private debt investors.

Risk mitigation

NN Leven uses different credit risk mitigation techniques. For OTC derivatives, the exchange of collateral under the International Swaps and Derivatives Associations contracts accompanied with Credit Support Annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral exchange. For cash and money market funds, limits per counterparty are put in place.

Risk measurement

The Counterparty default risk module comprises two sub-modules:

- CDR Type I: applicable to exposures which might not be diversified and where the counterparty is likely to be (externally) rated, e.g. reinsurance contracts, derivatives and money market exposures. The underlying model is the Ter Berg model (which was also the basis for Standard Formula calibration under Solvency II)
- CDR Type II: applicable to exposures that are usually (well) diversified and where the counterparty is likely to be unrated, like retail loans, but also other forms of term lending not covered in Type I

The capital charges for CDR Type I and CDR Type II exposures are calculated separately and subsequently aggregated.

Notes to the Consolidated annual accounts continued

Counterparty Default risk exposures[1] arising from insurance and reinsurance contracts at 31 December 2023

	Insurance contracts[2]	Reinsurance held as Assets[3]	Reinsurance held as Liabilities[3]	Reinsurance Total[3]
AA			-485	-485
A		55		55
BBB			-27	-27
No rating available	192	13		13

1 Maximum exposure given on Solvency II Standard Formula basis. Standard Formula basis is used due to the fact that Standard Formula rating is more conservative. Intercompany exposure is excluded
2 Insurance contracts exposure is related to receivables from policyholders, brokers, and tied agents as well as policyholder loans
3 Reinsurance exposure is related to receivables from (external) reinsurers

Counterparty Default risk exposures[1] arising from insurance and reinsurance contracts at 31 December 2022

	Insurance contracts[2]	Reinsurance held as Assets[3]	Reinsurance held as Liabilities[3]	Reinsurance Total[3]
AA		-497		-497
A		59		59
BBB		-28		-28
No rating available	213	13		13

1 Maximum exposure given on Solvency II Standard Formula basis. Standard Formula basis is used due to the fact that Standard Formula rating is more conservative. Intercompany exposure is excluded
2 Insurance contracts exposure is related to receivables from policyholders, brokers, and tied agents as well as policyholder loans
3 Reinsurance exposure is related to receivables from (external) reinsurers

Liquidity risk

Liquidity risk is the risk that NN Leven does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due. NN Leven manages liquidity risk via a liquidity risk framework: ensuring that – even after shock - NN Leven can meet immediate obligations. Liquidity stress events can be caused by a market-wide event or an idiosyncratic NN Leven specific event. These events can be short-term or long-term and can both occur on a local, regional, or global scale.

Since NN Leven trades in derivatives, NN Leven is responsible for maintaining sufficient liquidity levels to meet their collateral requirements. For this purpose, liquidity buffers are set to ensure sufficient liquidity is available in an adverse scenario and to ensure the liquidity thresholds are being met. The liquidity position framework estimates the collateral requirements after several interest rate scenarios.

Risk profile

Liquidity risk covers three areas of attention. Operational liquidity risk is the risk that funds are unavailable to meet financial obligations when due. Market liquidity risk is the risk that an asset cannot be sold in the short-term without significant losses. Funding risk is the risk related to not being able to refinance maturing debt instruments and may lead to higher funding costs. The connection between market and operational liquidity risk stems from the fact that when payments are due and not enough cash is available, investment positions need to be converted into cash; if market liquidity is low or an adverse market movement took place in this situation, this could lead to a loss.

For NN Leven, the main direct liquidity risk is caused by collateral requirements after interest rates increase. In case interest rates increase, the collateral requirements related to derivatives will lead to an outflow of cash from NN Leven to its counterparties such that the decreasing market value of the interest rate derivatives is matched.

A liquidity event on the liability side, resulting from e.g., payments related to increased lapses or claims, leads to a liquidity outflow which may affect the overall liquidity position of NN Leven. This outflow typically occurs over time. NN Leven's liquidity metrics demonstrate that NN Leven has sufficient cash and unencumbered liquid assets which can be liquidated to fulfill stressed liquidity needs from liabilities in a combined market and liability stress scenario. Selling liquid assets in a lapse event is considered a logical consequence since the balance sheet decreases.

Risk mitigation

NN Leven aims to match day-to-day cash in- and outflows and at the same time wants to be able to have sufficient cash in case of a liquidity stress event.

NN Group Liquidity Management Principles defines three levels of Liquidity Management:
- Short-term liquidity (including operational liquidity) management covers the day-to-day cash requirements under normal business conditions
- Long-term liquidity management considers business conditions, in which market liquidity risk materialises
- Stress liquidity management looks at the company's ability to respond to a potential crisis

Risk measurement

NN Group Liquidity Risk Management Standard measures liquidity risk in a stress event through the gap between liquidity needs and liquidity sources compared to available liquid assets for sale. This is calculated for different time horizons and various levels of availability of liquidity sources. Liquidity risk is not part of NN Leven's Partial Internal Model.

Notes to the Consolidated annual accounts continued

Non-market risk
Non-market risks are split between:
- **Insurance risk**: is the risk related to the events insured by NN Leven and comprise actuarial and underwriting risks like Life risk (mortality, longevity) and Morbidity risk which result from the pricing and acceptance of insurance contracts
- **Business risks**: are the risks related to the management and development of the insurance portfolio but excluding risks directly connected to insured events. Business risk includes policyholder behaviour risks, expense risk and persistency risk. Business risks can occur because of internal, industry, regulatory/political or wider market factors

Risk profile
The table below presents the non-market risk SCR composition at the end of 2023 and at the end of 2022 respectively. The main changes in the risk profile are explained in the subsequent section of this document.

Non-market risk capital requirements

	2023	2022
Insurance risk	1,931	2,679
Business risk	1,397	1,340
Diversification non-market risk	-676	-802
Non-market risk	2,652	3,217

Insurance risk decrease is mainly due to the impact of the longevity reinsurance transactions executed at year-end 2023. This was partly compensated by the increase in SCR brought by the decrease in interest rates. Business risk remained overall at a similar level, the small increase being largely due to the decrease in interest rates as of Q4 2023. This impact (an increase) compensates the decreasing impacts of lower inflation.

Risk mitigation
Proper pricing, underwriting, claims management and diversification are the main risk mitigating actions for insurance risks.

By offering a range of group life and individual life insurance products, to a large and diverse group of clients, NN Leven limits the likelihood that a single insurance risk event will have a material impact on NN Leven's financial condition. Concentration and exposure metrics are monitored, and exposures are limited through reinsurance.

Insurance risk
Insurance risk is the risk that the future insurance claims and other contractual benefits cannot be covered by premiums, policy fees and/or investment income or that insurance liabilities are not sufficient because claims and benefits might differ from the assumptions used in determining the best estimate liability.

Risk profile
The table below presents the Partial Internal Model insurance risk SCR for NN Leven at 31 December 2023 and 31 December 2022.

Insurance risk capital requirements

	2023	2022
Mortality (including longevity) risk	1,925	2,677
Morbidity risk	69	53
Diversification insurance risk	-63	-51
Insurance risk	1,931	2,679

The SCR for insurance risk is mostly driven by longevity risk which is included in mortality risk.

Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that technical provisions to cover insurance obligations will not be sufficient due to higher than expected life expectancies arising from mortality improvements such as better living conditions, improved health care, and medical breakthroughs. While NN Leven is exposed to both longevity and mortality risks, these risks do not fully offset one another as the impact of the longevity risks in the pension business is significantly larger than NN Leven's mortality risk, which is not only due to the size of the business but also due to the current low interest rate environment. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like Own Funds.

Morbidity risk occurs when claims related to disability insurance and to insured premium continuation in case of disability are higher than expected.

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Risk mitigation
Insurance risk is mitigated through diversification between mortality and longevity risks within NN Leven, appropriate pricing and underwriting policies and risk transfer via reinsurance which are used to reduce the Own Funds volatility.

The largest risk exposure for NN Leven is related to longevity risk. The concentration of this risk is managed via reinsurance at total portfolio level. NN Leven has some exposure to mortality risks as well, but this is largely part of the individual life portfolio and therefore less subject to concentration risk.

Concentration risk for longevity reinsurance transactions is mitigated through spreading the risk over multiple counterparties. CDR risk is further mitigated through collateral mechanisms in place for these transactions.

Risk measurement
Insurance risk decreased from EUR 2,679 million at the end of 2022 to EUR 1,931 million at the end of 2023, mainly due to the impact of the longevity reinsurance transactions executed at the end of 2023. Given the long-term nature of the liability portfolio of NN Leven, the capital requirements underlying insurance risk are sensitive to interest rates and Volatility Adjustment changes due to the discounting impact.

Business risk
Business risk include risks related to the management and development of the insurance portfolio risk, policyholder behaviour risks, persistency risk and expense risks. These risks occur because of internal, industry, regulatory/political, or wider market factors.

Risk profile
The table below presents the Partial Internal Model business risk SCR for NN Leven on 31 December 2023 and 31 December 2022 respectively.

Business risk capital requirements

	2023	2022
Persistency risk	68	84
Expense risk	1,378	1,317
Diversification business risk	-49	-61
Business risk	1,397	1,340

The SCR for business risks is mostly driven by expense risk. The overall level has not significantly changed over 2023, the SCR for expense risk increased due to lower interest rates, while for persistency the same cause had a small decreasing impact. Lower inflation had a small decreasing impact in Expense Risk.

Expense risk is the risk that future expenses deviate from expected (best estimate) expense assumptions. Expense level risk addresses the risk that future expenses exceed the originally assumed expenses. This includes the risk that a portion of the expenses will not decrease by the same rate as the number of policies in the in-force book, and the risk that acquisition expenses are not fully covered if the sales volume in the following 12 months is below the assumptions. Expense inflation risk relates to the actual expense development over time not being aligned with the best estimate inflation assumed.

Persistency risks have limited materiality and are most material for the Individual Life portfolios. Persistency level uncertainty risk addresses the risk that the level of the best estimate lapse rates has been incorrectly estimated. In other words, this represents the risk that the actual lapse rate level is different from the expected level, best estimate lapse rates. Persistency calamity risk is the risk that a catastrophic event leads to a sharp increase in surrender probabilities, subsequently increasing technical provisions and an associated decrease in own funds. The SCR for persistency calamity risk at a certain point in time is calculated by applying a mass lapse shock on the surrender probabilities.

Risk mitigation
Policyholder behaviour risks, such as persistency risk, are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in-force policies is assessed at least annually.

As part of its strategy, NN Leven has put several programmes in place to own and improve the customer experience. These programmes improve the match between customer needs, and the benefits and options provided by NN Leven's products. Over time, NN Leven's understanding and anticipation of the choice policyholders are likely to make, will improve, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Ongoing initiatives are in place to manage expense risk throughout NN Leven where company targets are in place to reduce expenses. These initiatives seek to reduce expenses through e.g. the number of underlying contracts in place and further optimization of IT infrastructure. This is particularly relevant for the Dutch individual life closed-block business.

In addition to the mitigating actions described, proper pricing, underwriting, claims management, and diversification also mitigate business risks.

3.c. Non-financial risks

Non-financial risks are risks arising in running NN Leven's business, related to people, inadequate or failed processes (including information technology and communication systems) and/or external events. The NN Leven risk taxonomy includes business operating, technology and continuity risks as well as business conduct, people conduct and product suitability risks.

Business operating, technology and continuity risks

Risk profile

Business operating, technology and continuity risks are non-financial risks that are related to inadequate or failed business processes, inadequate or failed (information) technology and accidents or external events impacting continuation or security of (people or assets in) our business operations.

Risk mitigation

Mitigation of risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and execution, and the expected benefits.

Business operating and continuity risks are mitigated through controls. For specific areas like financial reporting, outsourcing of activities and business continuity, specific policies and standards apply. In the case of outsourcing, an appropriate outsourcing agreement is required between outsourcing parties and the performance under the outsourcing agreement is required to be monitored regularly.

NN Leven conducts regular risk and control monitoring to measure and evaluate the effectiveness of key controls. It determines whether the risks are within the norms for risk appetite and in line with requirements from policies and standards. The exposure of NN Leven to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each quantifiable risk is assessed as to its likelihood of occurrence as well as its potential impact, should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their controls.

The Chief Information Officer (CIO) function ensures Business Continuity Management, Cyber risk management and Business Information Security.

For technology risks, CIO has adopted the Standard of Good Practice of the Information Security Forum (ISF) as the basis to manage IT, cyber and cloud risks within NN Leven. ISF forms the basis of NN Leven's ISF Policy and Standard, and ensures a consistent view and treatment of its risks in this area. Cyber security is an integral part of NN Leven's risk management strategy. Education and awareness-raising are part of the security strategy at all levels of the organisation.

Main regular activities undertaken to manage this risk are amongst others:

- Regular IT risk assessments are performed on critical business environments, applications and supporting systems/networks, and testing of security measures is performed on a regular basis. Identified risks are documented, classified and monitored in the Security Action Plans
- User identification and access management are in place, based on defined authorisation matrices and enforcing segregation of duties (especially for administrative accounts). Password parameters are system-enforced for user accounts on the network and critical applications. Multi-factor authentication on business-critical applications is required as an additional measure for protecting against unauthorised access
- Anti-malware and anti-virus tooling and file integrity checking are implemented and kept up-to-date
- Effective security logging and monitoring is defined and corrective actions are taken for identified vulnerabilities. A security incident process is in place, and incidents are registered, assessed and solved within a predefined timeframe
- Networks are protected by intrusion detection and prevention systems. All hardware and software on the network are monitored so that only authorised devices and software is granted access. The security configuration of laptops, servers, and workstations is managed via a configuration management and change control process
- Data are classified based on their relevance and confidentiality. Depending on their risk classification, data are secured and encrypted according to required security standards
- A change management process exists and is required for relevant systems and infrastructure, including relevant steps to ensure security such as impact analyses, testing, fall back scenarios and post implementation review

Non-Financial Risk Management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness of NN Leven's risks and controls.

Risk measurement

NN Leven's SCR for operational risk increased from EUR 371 million at the end of 2022 to EUR 382 million at the end of 2023. The main drivers for the increase are 1) the inclusion of operational risk related to AAL and 2) lower interest rates compared to end of 2022 resulting in a higher market value of our GA liabilities. The SCR is calculated based on the Standard Formula. As it is additive to the modelled SCR, it should be considered as net of diversification with other NN Leven risks. Business conduct, people conduct and product suitability risks are considered to be part of the Operational Risk SCR and are therefore not specifically calculated. Progress is also tracked through monitoring control effectiveness and timeliness as well as tracking progress of open issues.

Business conduct, people conduct and product suitability risks

Risk profile

Business conduct and people conduct risks are non-financial risks that are related to unethical or irresponsible behaviour when doing or representing the business and to the attitude and (perceived) behaviour of our workforce. Product suitability risks are non-financial risks that are related to products from a customer perspective.

Through NN Leven's retirement services, insurance and investments products, NN Leven is committed to help its customers care for what matters most to them. To fulfil this purpose, NN Leven bases its work on three core values: care, clear, commit. These values set the standard for conduct and provide a compass for decision-making. Further, NN Leven is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and standards in each of the markets in which it operates. All employees are expected to adhere to these laws, regulations and standards and management is responsible for ensuring such compliance. NN Leven continuously enhances its business conduct risk management programme to ensure that NN Leven complies with applicable laws, regulations and standards.

Risk mitigation

NN Leven separates business conduct risk into three risk areas: Sound business conduct, people conduct and product suitability. In addition to effective reporting systems, NN Leven has a whistleblower policy and procedure which protects and encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or its values. NN Leven also has policies and procedures regarding anti-money laundering, anti-terrorist financing, sanctions, anti-bribery and corruption, product suitability, conflicts of interest and confidential and inside information, as well as a Code of Conduct for its personnel. Furthermore, NN Leven designates specific countries as 'ultra-high risk' and prohibits client engagements and transactions (including payments of facilitation) involving those countries.

NN Leven performs a product approval and review process for its products and continuously invests in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception of acceptable market practices by both the public at large and governmental authorities might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the (changing) market situation, customer expectations, and regulatory activity. The Compliance Function and the business work closely together with the aim to anticipate changing customers' needs.

42 Capital and liquidity management

Objective

The goal of NN Leven's capital and liquidity management is to adequately capitalise NN Leven and have sufficient liquid funds available to meet its obligations in the interests of its stakeholders, including customers and shareholders. The capital and liquidity position is assessed based on regulatory and economic requirements.

Capital and liquidity management involves the management, planning and execution of transactions concerning the capital position and the availability of cash resources of NN Leven. Capital and liquidity management at NN Leven is performed in close cooperation with NN Group.

NN Leven is a Dutch life insurance company and is therefore supervised by the Dutch regulator, DNB. The supervision takes place based on rules and regulations, as defined in the Dutch Financial Supervision Act (Wet op het financieel toezicht; Wft) and further DNB guidelines as issued from time to time.

Processes for managing capital and liquidity

Capital and liquidity management takes place within the framework set by the NN Group Management Board for its subsidiaries on the basis of policy documents, guidelines and procedures.

The capital position of NN Leven is evaluated in three perspectives: the statutory position, an economic point in time perspective and a dynamic forward-looking perspective. The statutory position monitors whether NN Leven fulfils the solvency requirements. The economic point in time perspective starts from the statutory solvency and applies adjustments to create a (more) economic balance sheet. The dynamic forward looking perspective considers how the statutory capital position develops over time, taking into account the development of the technical provisions including risk margin, in relation to the development of the assets and capital requirements.

The liquidity position of NN Leven is monitored by taking into account possible events with an impact on the liquidity position like insurance claims, investments and collateral requirements from derivative transactions. This leads to monitoring and managing from a long term and short-term perspective. The long-term perspective includes possible events that can impact our liquidity position within a period of one year. It includes an analysis of the available liquidity from assets – in some cases subject to a reduction applied to the value of assets - divided by the expected outflow including lapses in a severe stress scenario. The short-term perspective is based on a two-day horizon and compares directly available cash with a two-day shock in cash outflow because of collateral calls from the derivative portfolio of NN Leven.

Notes to the Consolidated annual accounts continued

Per year end 2023 NN Leven had outstanding external short-term borrowing covered by repurchase transactions for the amount of EUR 2,500 million. The purpose of the short-term borrowing is to fund the possible liquidity requirements out of collateral calls for the derivatives from NN Leven.

DNB approved improvements to the Partial Internal Model for Q4 2023.

Main events in 2023

During 2023 a total amount of EUR 980 million dividend was paid in four quarterly payments of EUR 245 million each. All scheduled coupon payments on the subordinated liabilities were met during the year.

During 2023 the UFR stood at 3.45%. In 2024, the UFR will decrease to 3.3%.

On 31 March 2023, NN Leven and AAL entered into a legal merger which became effective as per 1 April 2023. As a result of this legal merger, AAL ceased to exist as per 1 April 2023 and NN Leven assumed all assets and liabilities of AAL under universal title of succession (algemene titel) as per that same date.

On 19 December 2023, NN Leven completed two transactions to transfer the full longevity risk associated with in total approximately EUR 13 billion of insurance liabilities in the Netherlands. The transactions cover the longevity risk of approximately 300 thousand policies and have been entered into with an insurance subsidiary of Prudential Financial, Inc. and with Swiss Re. The risk transfer became effective as of 31 December 2023, and the reinsurance agreements will continue until the portfolio has run off.

At the end of December 2023, NN Group imade a capital contribution of EUR 1 billion of capital NN Leven via share premium.

On 9 January 2024, NN Leven announced a settlement with interest groups ConsumentenClaim, Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond regarding unit-linked products sold in the Netherlands by Nationale-Nederlanden, including Delta Lloyd and AAL. The settlement relates to all unit-linked products of policyholders affiliated with the aforementioned interest groups and is subject to a 90% acceptance rate of affiliated policyholders that have received an individual proposal for compensation. As part of the settlement, all pending proceedings with respect to unit-linked products initiated by these interest groups against Nationale-Nederlanden will be discontinued once the settlement is executed, which is anticipated ultimately 30 June 2025. The settlement also includes that no new legal proceedings may be initiated by the aforementioned interest groups or their affiliated persons/parties. To cover the settlement costs, a provision of approximately EUR 360 million was recognised in the fourth quarter of 2023. This includes EUR 60 million for hardship cases, and customers unaffiliated with one of the aforementioned interest groups that have not previously received compensation. In addition, approximately EUR 20 million is available for these customers through the remainder of a provision recognised as part of the 2008 settlement.

Events after year-end

On 9 February 2024. NN Leven redeemed the EUR 600 million 5.6% Tier 2 subordinated loan with NN Group at the first call date.

On 9 February 2024, NN Group granted NN Leven a EUR 600 million 5.24% subordinated loan. First interest reset date is on 9 February 2034, first call date on 9 May 2033, maturity date is 9 November 2043. This loan is classified as Tier 2 Own Funds instrument.

In March 2024, NN Leven made a dividend distribution of EUR 245 million from the Other reserves to its shareholder NN Nederland. The solvency ratio per year end 2023 has not been adjusted for this dividend payment.

Solvency II

Solvency II is the regulatory framework for (re-)insurance undertakings and groups domiciled in the EU. It is implemented in The Netherlands via the Wft.

Under the Solvency II regime, the required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon. Available capital (Own Funds) is determined as the excess of assets over liabilities, both based on economic valuations, plus qualifying subordinated debt. The Solvency II directive requires that insurance undertakings hold sufficient Eligible Own Funds to cover the Solvency Capital Requirement.

On 22 September 2021, the European Commission (EC) published, as part of the Solvency II 2020 Review the proposed Level I texts (Directive) and insights in the upcoming Level II (Delegated Acts) regulations. In June 2022, the Council reached consensus on their view on the Solvency II 2020 review. This position is broadly similar to the EC proposals. The economic committee of the European Parliament (EP) reached consensus in July 2023 and the final vote in the European Parliament took place in September 2023. Compared to the EC, the position of the EP is more leaning to some of the positions of the insurance industry, for example, with respect to the cost of capital rate used for the valuation of the risk margin and the calibration of the risk correction which is relevant for the Volatility Adjustment (both in terms of balance sheet valuation and SCR). The EC proposal formed the basis for the political process, which has led to a compromise position as agreed by the trilogue parties on 13 December 2023. Actual implementation of the changes is currently not expected before 2026. The details of the agreement are not fully known yet and some key aspects in the agreement will not be detailed out in Level I, but will be clarified later in the process (part of Level II). The trilogue compromise position forms the basis for the upcoming legislative process, which can take a long time and can lead to further changes.

NN Leven is well capitalised at 31 December 2023 with a Solvency II ratio of 196% based on the Partial Internal Model

Notes to the Consolidated annual accounts continued

Facility Agreement

NNIF and NN Leven have a facility agreement in place, providing NN Leven for the possibility to borrow short term funds from NNIF up to a maximum amount of EUR 1,000 million. The facility agreement is regularly renewable, and has been renewed in December 2023. At year end 2023 no funds are borrowed by NN Leven following this facility agreement.

NN Leven has committed Repo lines in place for EUR 1,500 million with external banks.

Structure, amount and quality of Own Funds

Subordinated liabilities included in NN Leven eligible Own Funds for Solvency II reporting (EUR, millions)

In the Eligible Own Funds of NN Leven there are the following subordinated liabilities.

Interest rate	Year of issue	Notional amount	Due date	First call date	Own Funds tier	Fair value (dirty) 2023[1]	Fair value (dirty) 2022[1]
4.52% (quarterly)[2]	2014	450	Perpetual	Each quarter	Tier 1	450	451
7.6% (annual)	2016	350	Perpetual	31 December 2026	Tier 1	330	317
5.6% (annual)[2]	2014	600	10 February 2044	10 February 2024	Tier 2	628	620
5.24% (quarterly)[2]	2022	500	26 February 2043	26 August 2032	Tier 2	488	463

1 As defined based on Solvency II valuation guidelines.
2 These notes are grandfathered for a maximum period of 10 years until 1 January 2026

Eligible Own Funds and Solvency Capital Requirements

	2023	2022 (Restated)
Total equity	12,086	11,285
Elimination of acquisition costs to be allocated and intangible assets	-21	-24
Valuation differences on assets	439	561
Valuation differences on liabilities, including insurance and investment contracts	-4,541	-3,964
Deferred tax effect on valuation differences	1,079	951
Excess assets/liabilities	9,042	8,809
Qualifying subordinated debt	1,895	1,851
Foreseeable dividends and distributions	-34	-35
Basic Own Funds	10,903	10,625
Non-eligible Own Funds	-699	-398
Eligible Own Funds to cover Solvency Capital Requirements (a)	10,205	10,227
Solvency Capital Requirements (b)	5,198	5,356
NN Leven Solvency II ratio (a/b)[1]	196%	191%

1 The solvency ratios are not final until filed with the regulators. The Solvency II ratio for NN Leven is based on the partial internal model

Capital adequacy assessment

On 31 December 2023 the SCR based on the PIM is EUR 5,198 million. The impact of the application of the eligibility restrictions can be found in the table above. The amount of Eligible Own Funds to cover the SCR is EUR 10,205 million, leading to a Solvency II ratio of 196%. The capital position of NN Leven met all regulatory solvency requirements following the Solvency II directive throughout 2023.

Eligible Own Funds

NN Leven Own Funds are classified into three tiers as follows:

- The excess of assets over liabilities excluding net Deferred Tax Asset is classified as Tier 1
- The perpetual subordinated debt is classified as (restricted) Tier 1
- The 2043 and 2044 subordinated debt is classified as Tier 2
- Net Deferred Tax Asset is classified as Tier 3

Notes to the Consolidated annual accounts continued

There are a number of regulatory restrictions on the amounts classified as Restricted Tier 1, Tier 2 and Tier 3 capital. The following restrictions have to be taken into account:

- Restricted Tier 1 capital cannot exceed 20% of the total Tier 1 amount
- Tier 1 capital shall be at least 50% of the SCR;
- The proportion of Tier 1 items in the EOF should be higher than one third of the total amount of EOF;
- Tier 2 and Tier 3 capital together cannot exceed 50% of the SCR;
- Tier 3 capital cannot exceed 15% of the SCR;
- Tier 3 capital cannot exceed one third of the total amount of EOF.

Eligible Own Funds to cover the Solvency Capital Requirement

	Available Own Funds 2023	Eligibility Own Funds 2023	Available Own Funds 2022	Eligibility Own Funds 2022	Eligibility restriction
Tier 1	8,309	8,309	8,341	8,341	More than one third of total EOF
Of which:					
– Unrestricted Tier 1	7,530	7,530	7,573	7,573	Not applicable
– Restricted Tier 1	779	779	768	768	Less than 20% of Tier 1
Tier 2 + Tier 3	2,594	1,896	2,284	1,886	Less than 50% of SCR
Tier 2	1,116	1,116	1,082	1,082	
Tier 3	1,478	780	1,202	804	Less than 15% of SCR; Less than one third of total EOF
Total Own Funds	10,903	10,205	10,625	10,227	

Credit ratings

NN Leven maintained an “AA-” Long Term Insurer Financial Strength rating from Fitch, that was affirmed on 12 December 2023.

Notes to the Consolidated annual accounts continued

43 Other IFRS 9 and IFRS 17 transition disclosures

Reconciliation Consolidated balance sheet 31 December 2022

Balance sheet item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated balance sheet item - with IFRS 9 and IFRS 17
Cash and cash equivalents	343	0	343	Cash and cash equivalents
Available-for-sale investments	48,035	30,087	78,122	Investments at fair value through OCI
Loans	42,610	-41,550	1,060	Investments at cost
Financial assets designated at fair value through profit or loss	386	30,438	30,824	Investments at fair value through profit or loss
Real estate investments	2,754	0	2,754	Investments in real estate
Associates and joint ventures	6,405	-106	6,299	Investment in associates and joint ventures
Investments for risk of policyholders	24,115	-24,115		
Non-trading derivatives	1,957	2	1,959	Derivatives
Reinsurance contracts	1,079	-1,046	33	Reinsurance contracts
Property and equipment	62	0	62	Property and equipment
Intangible assets	46	-46	0	Intangible assets
Deferred acquisition costs	231	-231	0	
Deferred tax assets	676	-665	11	Deferred tax assets
Other assets	7,301	-207	7,094	Other assets
Total assets	136,000	-7,439	128,561	Total assets
Insurance contracts	108,308	-7,353	100,955	Insurance contracts
	0	849	849	Investment contracts
	0	116	116	Reinsurance contracts
Subordinated debt	1,100	0	1,100	Subordinated debt
Other borrowed funds	4,265	0	4,265	Other borrowed funds
Non-trading derivatives	5,857	3	5,860	Derivatives
Deferred tax liabilities	366	-291	75	Deferred tax liabilities
Other liabilities	2,970	-1,702	1,268	Other liabilities
Total liabilities	122,866	-8,378	114,488	Total liabilities
Total equity	13,134	939	14,073	Total equity

Reconciliation of Consolidated profit and loss account 1 January 2022 to 31 December 2022

Main profit and loss accounts item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated profit and loss account item - with IFRS 9 and IFRS 17
Total income	5,631	-1,495	4,136	
Total expenses	5,478	-1,637	3,841	
	153	118	271	Insurance and reinsurance result
	0	332	332	Net investment result
	0	-184	-184	Other result
Result before tax	153	266	419	Result before tax
Minority interest				
Taxation	-9	58	49	Taxation
Net result	162	208	370	Net result

The line items as included above represent the line items in the statement of profit and loss for which it was practicable to make a reconciliation between amounts as published and the restated amounts after implementation of IFRS 9 and IFRS 17.

Notes to the Consolidated annual accounts continued

Reconciliation of Consolidated statement of comprehensive income 1 January to 31 December 2022

Comprehensive income item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated Comprehensive income item - with IFRS 9 and IFRS 17
Net result from continuing and discontinued operations	162	208	370	Net result from continuing and discontinued operations
-		21,784	21,784	– finance result on (re)insurance contracts recognised in OCI
– unrealised revaluations available-for-sale investments and other	-11,597	821	-10,776	– revaluations on debt securities at fair value through OCI
-		20	20	– finance result om (re)insurance contracts, recognised in OCI
-		8	8	– share of OCI of investments in associates and joint ventures
-		-5,475	-5,475	– revaluations on loans at fair value through OCI
– realised gains/losses transferred to the profit and loss account	-458	454	-4	– realised gains/losses transferred to the profit and loss account
– changes in cash flow hedge reserve	-5,709		-5,709	– changes in cash flow hedge reserve
– deferred interest credited to policyholders	3,640	-3,640		
– exchange rate differences	-24	-18	-42	– foreign currency exchange differences
Items that may be reclassified subsequently to the profit and loss account:	-14,148	13,954	-194	Items that may be reclassified subsequently to the profit and loss account:
-		-1,454	-1,454	– revaluations on equity securities at fair value through OCI
Items that will not be reclassified to the profit and loss account:	0	-1,454	-1,454	Items that will not be reclassified to the profit and loss account:
Total other comprehensive income	-14,148	12,500	-1,648	Total other comprehensive income
Total comprehensive income	-13,986	12,708	-1,278	Total comprehensive income
Comprehensive income attributable to:				Comprehensive income attributable to:
Shareholders of the parent	-14,110	12,858	-1,252	Shareholders of the parent
Minority interests	124	-150	-26	Minority interests
Total comprehensive income	-13,986	12,708	-1,278	Total comprehensive income

Notes to the Consolidated annual accounts continued

Reconciliation of Consolidated statement of cash flows 2022

Statement of cash flows item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated cash flow item - with IFRS 9 and IFRS 17
Result before tax	153	266	419	Result before tax
Adjusted for:				Adjusted for:
– depreciation and amortisation	128	94	222	– depreciation and amortisation
– deferred acquisition costs and value of business acquired	12	-12		
– underwriting expenditure (change in insurance liabilities)	-1,375	-2,416	-3,791	– change in insurance contracts and investment contracts
– realised results and impairments of available-for-sale investments	184	-293	-109	– realised results and impairments on investments
– other	113	73	186	– other
		-2,905	-2,905	- net premiums, claims and attributable expenses on (re) insurance contracts
Tax paid (received)	471	43	514	Tax paid (received)
Changes in:				Changes in:
– loans	125	-125		– investments at cost (retail mortgages)
– other financial assets at fair value through profit or loss	-24	24		– investments at fair value through profit or loss
– non-trading derivatives	-509	4	-505	– derivatives
– other assets	-3,615	-314	-3,929	– other assets
– other liabilities	-3,148	5,840	2,692	– other liabilities
Net cash flow from operating activities	-7,638	13	-7,625	Net cash flow from operating activities
Investments and advances:				Investments and advances:
– available-for-sale investments	-6,436	-3,048	-9,484	– investments at fair value through comprehensive income
– loans	-32,929	4,569	-28,360	– investments at cost
– investments for risk of policyholders	-5,691	-1,640	-7,331	– investments at fair value through profit or loss
– associates and joint ventures	-741		-741	– investments in associates and joint ventures
– real estate investments	-136		-136	– investments in real estate
Disposals and redemptions:				Disposals and redemptions:
– available-for-sale investments	11,567	3,223	14,790	– investments at fair value through comprehensive income
– loans	32,633	-3,676	28,957	– investments at amortised cost
– investments for risk of policyholders	5,550	293	5,843	– investments at fair value through profit or loss
– associates and joint ventures	970		970	– investments in associates and joint ventures
– real estate investments	100		100	– investments in real estate
Net cash flow from investing activities	4,887	-279	4,608	Net cash flow from investing activities
Proceeds from other borrowed funds	8,800		8,800	Proceeds from other borrowed funds
Repayments of other borrowed funds	-5,066		-5,066	Repayments of other borrowed funds
Dividend paid	-980		-980	Dividend paid
Coupon on undated subordinated loans	-47		-47	Coupon on undated subordinated loans
Net cash flow from financing activities	2,707	0	2,707	Net cash flow from financing activities
Net cash flow	109		109	Net cash flow

Notes to the Consolidated annual accounts continued

Reconciliation of Consolidated statement of changes in equity 2022

Statement of changes in equity item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated changes in equity item - with IFRS 9 and IFRS 17
Balance at 1 January 2022	28,348	-11,580	16,768	Balance at 1 January 2022
		21,804	21,804	Finance result on (re) insurance contracts recognised in OCI
Unrealised revaluations available-for-sale investments and other	-11,597	821	-10,776	Revaluations on debt securities at fair value through OCI
		-5,475	-5,475	Revaluations on loans at fair value through OCI
		-1,454	-1,454	Revaluations on equity securities at fair value through OCI
Realised gains/losses transferred to the profit and loss account	-458	454	-4	Realised gains/losses transferred to the profit and loss account
Changes in cash flow hedge reserve	-5,709	0	-5,709	Changes in cash flow hedge reserve
Deferred interest credited to policyholders	3,640	-3,640	0	-
Exchange rate differences	-24	-18	-42	Foreign currency exchange difference
		-1,454	-1,454	Revaluations on equity securities at fair value through OCI
		8	8	Share of OCI of investments in associates and joint ventures
Total amount recognised directly in equity (OCI)	-14,148	12,500	-1,648	Total amount recognised directly in equity (OCI)
Net result	162	208	370	Net result for the period
Total comprehensive income	-13,986	12,708	-1,278	Total comprehensive income
Dividend	-980	0	-980	Dividend
Coupon on undated subordinated loans	-35	0	-35	Coupon on undated subordinated loans
Changes in the composition of the group and other changes	-213	-189	-402	Changes in the composition of the group and other changes
Balance at 31 December 2022	13,134	939	14,073	Balance at 31 December 2022

Authorisation of the Consolidated annual accounts

The Consolidated annual accounts of NN Leven for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Management Board on 5 April 2024. The Management Board may decide to amend the Consolidated annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Consolidated annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the Consolidated annual accounts, propose amendments and then adopt the Consolidated annual accounts after a normal due process.

The Hague, 5 April 2024

The Management Board

L.M. (Leon) van Riet, CEO and chair

A. (Arun) Sivaramakrishnan, CFO

W.G. (Wilbert) Ouburg, CRO

G. (Gerard) van Rooijen

The Supervisory Board

J.L. (Janet) Stuijt, chair

A.T.J. (Annemiek) van Melick

J.W. (Hans) Schoen

Parent company annual accounts

Parent company balance sheet

Parent company balance sheet

	notes	2023	2022 (Restated)	1 January 2022 (Restated)
Assets				
Cash and cash equivalents	2	3,677	97	44
Investments at fair value through OCI	3	74,669	77,504	106,416
Investments at cost	4	134	1,114	1,648
Investments at fair value through profit or loss	5	30,829	25,963	30,940
Investments in real estate	6	87	92	89
Investments in subsidiaries and associates	7	12,180	12,502	11,563
Derivatives	12	2,334	1,937	6,138
Investments		123,910	119,209	156,838
Insurance contracts		89	0	0
Reinsurance contracts		29	33	0
Insurance and reinsurance contracts		118	33	0
Property and equipment		32	36	39
Intangible assets		2	0	0
Deferred tax assets	18	303	225	339
Other assets	9	4,524	6,774	2,938
Other		4,861	7,035	3,316
Total assets		128,889	126,277	160,154
Equity*				
Share capital		23	23	23
Share premium		4,228	3,228	3,228
Accumulated revaluation investments		-2,865	-5,100	18,745
Accumulated revaluation (re)insurance contracts		11,691	13,895	-7,909
Foreign currency exchange difference translation reserve		26	2	44
Share of associate reserve		1,443	1,907	2,065
Other reserves		-3,159	-3,003	-3,833
Unappropriated profit		699	333	1,760
Shareholder's equity		12,086	11,285	14,123
Undated subordinated loans		800	800	800
Total equity	10	12,886	12,085	14,923
Liabilities				
Insurance contracts		105,255	100,955	137,039
Investment contracts		800	849	904
Reinsurance contracts		125	115	167
Insurance, investment and reinsurance contracts		106,180	101,919	138,110
Subordinated debt		1,100	1,100	1,120
Other borrowed funds	11	2,507	4,250	531
Funding		3,607	5,350	1,651
Derivatives	12	3,741	5,859	1,674
Other liabilities	13	2,475	1,064	3,796
Other		6,216	6,923	5,470
Total liabilities		115,701	114,192	145,231
Total equity and liabilities		128,889	126,277	160,154

*The presentation of equity has been changed compared to previous years to be compliant with article 2:373.1 of the Dutch Civil Code, as explained on page 127.

References relate to the notes starting with Note 1 'Accounting policies'.

Parent company profit and loss account

Parent company profit and loss account

For the year ended 31 December	notes	2023	2022 (Restated)
Release of contractual service margin		256	228
Release of risk adjustment		69	98
Expected claims and benefits		3,518	3,398
Expected attributable expenses		362	347
Recovery of acquisition costs		56	56
Experience adjustments for premiums		0	3
Other insurance income		0	9
Insurance income		4,261	4,139
Incurred claims and benefits		3,573	3,374
Incurred attributable expenses		332	370
Amortisation of acquisition costs		56	56
Changes in incurred claims and benefits previous periods		-14	1
(Reversal of) losses on onerous contracts		66	40
Insurance expenses		4,013	3,841
Net insurance result		249	298
Net reinsurance result		-57	-27
Insurance and reinsurance result		192	271
Interest income		2,362	2,211
Realised gains (losses) on Investments at cost and at fair value through OCI		-265	76
Gains (losses) on investments at fair value through profit or loss		2,874	-5,085
Gains (losses) on investments in real estate		-2	6
Share of result of investments in associates and joint ventures		-132	275
Impairments on investments		-37	-25
Other		1,001	-547
Investment result	14	5,801	-3,089
Finance result on (re)insurance contracts	15	4,292	-3,535
Result on investment contracts		6	6
Other		322	215
Finance result		4,620	-3,314
Net investment result		1,181	225
Fee and commission result	16	-34	-19
Non-attributable operating expenses	17	-498	-139
Other		25	3
Other result		-507	-155
Result before tax		865	340
Taxation	18	166	7
Net result		699	333

These form an integral part of the Parent company annual accounts. The comparative figures are adjusted in relation to the legal merger of NN Leven and AAL and due to the adoption of IFRS 9 and IFRS 17. Comparative information was restated accordingly, as explained in Note 1 'Accounting policies'.

Parent company statement of comprehensive income

Parent company statement of comprehensive income

For the year ended 31 December		2023		2022 (Restated)
Net result		699		333
– finance result on insurance contracts, recognised in OCI	-2,148		21,784	
– finance result on reinsurance contracts, recognised in OCI	-26		20	
– revaluations on debt securities at fair value through OCI	1,484		-10,776	
– revaluations on loans at fair value through OCI	551		-5,692	
– realised gains (losses) transferred to the profit and loss account	-12		-4	
- changes in cash flow hedge reserve	-49		-5,740	
– share of OCI of investments in associates and joint ventures			2	
– foreign currency exchange differences	24		-42	
Items that may be reclassified subsequently to the profit and loss account		-176		-448
– revaluations on equity securities at fair value through OCI	240		-1,392	
Items that will not be reclassified to the profit and loss account		240		-1,392
Total other comprehensive income		64		-1.840
Total comprehensive income		763		-1,507

Reference is made to Note 18 'Taxation' for the disclosure on the income tax effects on each component of comprehensive income.

Parent company statement of cash flows

Parent company statement of cash flows

For the year ended 31 December	2023	2022 (Restated)
Result before tax	865	340
Adjusted for		
– depreciation and amortisation	121	210
– changes in (re)insurance and investment contracts	4,080	-3,785
– realised results and impairments on investments	266	-126
– other	-52	52
Net premiums, claims, and attributable expenses on (re)insurance contracts	-2,680	-2,905
Tax paid (received)	-313	547
Changes in		
– derivatives	-1,403	-517
– other assets	2,250	-3,836
– other liabilities	-1,409	2,732
Net cash flow from operating activities	860	-7,628
Investments and advances		
– investments at fair value through OCI	-6,218	-9,397
– investments at fair value through profit or loss	-5,441	-5,779
– investments at fair value	-641	-1,154
Disposals and redemptions		
– investments at fair value through OCI	10,228	14,743
– Investments at cost	980	542
– investments at fair value through profit or loss	4,699	5,669
– investments in associates and joint ventures	17	25
Net cash flow from investing activities	3,624	4,649
Proceeds from other borrowed funds	7,775	8,707
Repayments of other borrowed funds	-9,517	-4,988
Capital contribution	1,000	
Dividend paid	-980	-980
Coupon on undated subordinated loans	-47	-47
Net cash flow from financing activities	-1,769	2,692
Net cash flow	3,580	53

Included in Net cash flow from operating activities

For the year ended 31 December	2023	2022 (Restated)
Interest received	2,177	2,403
Interest paid	-64	-187
Dividend received	484	509

Cash and cash equivalents

For the year ended 31 December	2023	2022 (Restated)
Cash and cash equivalents at beginning of the year	97	44
Net cash flow	3,580	53
Cash and cash equivalents at the end of the year	3,677	97

Parent company statement of changes in equity

Parent company statement of changes in equity (2023)

	Share capital	Share premium	Share of associate reserves	Reserves	Total Shareholder's equity (parent)	Undated subordinated loans	Total equity
Balance at 1 January 2023 (Restated)	23	3,228	1,907	6,127	11,285	800	12,085
Finance result on insurance contracts recognised in OCI				-2,148	-2,148		-2,148
Finance result on reinsurance contracts recognised in OCI				-26	-26		-26
Revaluations on debt securities at fair value through OCI				1,484	1,484		1,484
Revaluations on loans at fair value through OCI				551	551		551
Revaluations on equity securities at fair value through OCI				240	240		240
Realised gains (losses) transferred to the profit and loss account				-12	-12		-12
Changes in cash flow hedge reserve				-49	-49		-49
Foreign currency exchange differences				24	24		24
Total amount recognised directly in equity (OCI)	0	0	0	64	64	0	64
Net result for the period				699	699		699
Total comprehensive income	0	0	0	763	763	0	763
Capital contribution		1,000			1,000		1,000
Transfer to/from associates			-464	464	0		0
Dividend				-980	-980		-980
Coupon on undated subordinated loans				-35	-35		-35
Changes in composition of the group and other changes				53	53		53
Balance at 31 December 2023	23	4,228	1,443	6,392	12,086	800	12,886

The reserves comprise accumulated revaluation investments, accumulated revaluation (re)insurance contracts, foreign currency exchange difference translation reserve and other reserves.

Parent company statement of changes in equity

Statement of changes in equity (2022) (Restated)

	Share capital	Share premium	Share of associate reserve	Reserves	Total Shareholder's equity (parent)	Undated subordinated loans	Total equity
Balance as reported at 31 December 2021	23	3,228	2,698	19,734	25,683	800	26,483
Impact (net of tax) of IFRS 9				2,161	2,161		2,161
Impact (net of tax) of IFRS 17				-13,708	-13,708		-13,708
Transfer to/from associates			-633	620	-13		-13
Balance at 1 January 2022 (Restated)	23	3,228	2,065	8,807	14,123	800	14,923
Finance result on insurance contracts recognised in OCI				21,784	21,784		21,784
Finance result on reinsurance contracts recognised in OCI				20	20		20
Revaluations on debt securities at fair value through OCI				-10,776	-10,776		-10,776
Revaluations on loans at fair value through OCI				-5,692	-5,692		-5,692
Revaluations on equity securities at fair value through OCI				-1,392	-1,392		-1,392
Realised gains (losses) transferred to the profit and loss account				-4	-4		-4
Changes in cash flow hedge reserve				-5,740	-5,740		-5,740
Share of OCI of investments in associates and joint ventures			2		2		2
Foreign currency exchange differences				-42	-42		-42
Total amount recognised directly in equity (OCI)	0	0	2	-1,842	-1,840	0	-1,840
Net result for the period				333	333		333
Total comprehensive income	0	0	2	-1,509	-1,507	0	-1,507
Dividend				-980	-980		-980
Transfer to/from associates			-160	160	0		0
Coupon on undated subordinated loans				-35	-35		-35
Changes in composition of the group and other changes				-316	-316		-316
Balance at 31 December 2022	23	3,228	1,907	6,127	11,285	800	12,085

The reserves comprise accumulated revaluation investments, accumulated revaluation (re)insurance contracts, foreign currency exchange difference translation reserve and other reserves.

1 Accounting policies

The Parent company annual accounts of NN Leven are prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS-EU). The principles of valuation and determination of results stated in connection with the Consolidated balance sheet and profit and loss account are also applicable to the Parent company balance sheet and Parent profit and loss account.

Changes in balance sheet values due to changes in the revaluation reserves of associates are reflected in the 'Share of associates reserve', which forms part of shareholder's equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with NN Leven accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the 'Share of associates reserve'.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the 'Share of associates reserve'.

Changes in presentation

The presentation of, and certain terms used in, the Balance sheet, Profit and loss account, Statement of cash flows, Statement of changes in equity and the notes was changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

The notes insurance contracts, reinsurance contracts and the insurance result are not separately presented in the parent company annual accounts as the numbers are the same as in the consolidated annual accounts.

Error correction

Shareholder's equity was presented as a single line item in the balance sheet. In accordance with article 2:373 paragraph 1 of the Dutch Civil Code the Shareholder's equity has been split into the legal elements of equity, including the comparative figures.

Previous presentation of Equity in the balance sheet

	31 December 2022	31 December 2021
Equity		
Shareholder's equity	**10,345**	**25,502**
Undated subordinated loans	800	800
Total equity	11,145	26,302

New presentation of Equity in the balance sheet

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Equity			
Share capital	23	23	23
Share premium	4,228	3,228	3,228
Accumulated revaluation investments	-2,865	-5,100	18,745
Accumulated revaluations (re)insurance contracts	11,691	13,895	-7,909
Foreign currency exchange difference translation reserve	26	2	44
Share of associate reserve	1,443	1,907	2,065
Other reserves	-3,159	-3,003	-3,833
Unappropriated profit	699	333	1,760
Total shareholder's equity	12,086	11,285	14,123
Undated subordinated loans	800	800	800
Total equity	12,886	12,085	14,923

Impact of IFRS 9 and IFRS 17 on NN Leven

NN Leven implemented IFRS 17 together with IFRS 9. The implementation of IFRS 9 and IFRS 17 resulted in significant changes to NN Leven's accounting policies and had a significant impact on shareholder's equity, net result, presentation and disclosures. Shareholder's equity under IFRS 9 and IFRS 17 was significantly lower at the 1 January 2022 transition date as a result of the measurement of insurance liabilities at current assumptions (including a current discount rate).

The table below provides a reconciliation between shareholder's equity at 31 December 2021 as previously reported to shareholder's equity in the Restated balance sheet at 1 January 2022 (the 'Transition date') after implementation of IFRS 9 and IFRS 17.

Impact of IFRS 9 and IFRS 17 on **Shareholder's** Equity

31 December 2021/1 January 2022	Share capital	Share premium	Reserves	Undated subordinated loans	Total equity
Total equity as reported at 31 December 2021	23	3,228	22,432	800	26,483
Impact (net of tax) of IFRS 9:					
- Loans to fair value through OCI			2,077		2,077
- Available-for-sale to fair value through profit or loss			0		0
- Impairments			84		84
Impact (net of tax) of IFRS 17:					
- Remeasurement of (re) insurance contracts			-13,708		-13,708
Other impact			-13		-13
Restated total equity at 1 January 2022	23	3,228	10,872	800	14,923

The decrease in equity at the transition date mainly reflects the remeasurement of insurance liabilities to current discount rates and other current assumptions.

Under IFRS 9 and IFRS 17 the revaluation on both assets and liabilities is recognised in equity. Shareholder's equity under IFRS 9 and IFRS 17 at the 1 January 2022 transition date was significantly lower (decrease from EUR 26,483 million to EUR 14,923 million) as a result of the measurement of insurance liabilities at current assumptions.

The table below provides a reconciliation between the carrying amounts at 31 December 2021 as reported under IAS 39 and IFRS 4 to the restated amounts in the balance sheet at 1 January 2022 (the 'transition date') after implementation of IFRS 9 and IFRS 17.

Notes to the Parent comany annual accounts

Reconciliation of balance sheet 31 December 2021/1 January 2022 (**'transition date'**)

Balance sheet item			IFRS 9		IFRS 17		Restated balance sheet item
- balance sheet IAS 39 and IFRS 4	Reported amount	1. Remea-surement	2. Reclassi-fication	3. Reclassi-fication	4. Remea-surement	Adjusted amount	- with IFRS 9 and IFRS 17
Cash and cash equivalents	44					44	Cash and cash equivalents
Available-for-sale investments	65,198	40,323	-1,838	2,733		106,416	Investments at fair value through OCI
Loans	41,924	-40,323	-59	106		1,648	Investments at cost
Financial assets designated at fair value through profit or loss	430		30,445	65		30,940	Investments at fair value through profit or loss
Real estate investments	89					89	Investments in real estate
Associates and joint ventures	11,560				4	11,564	Investment in associates and joint ventures
Investments for risk of policyholders	28,548		-28,548			0	
Reinsurance contracts	1,200				-1,200	0	Reinsurance contracts
Non-trading derivatives	6,137			1		6,138	Derivatives
Property and equipment	39					39	Property and equipment
Intangible assets	50			-50		0	Intangible assets
Deferred acquisition costs	235			-235		0	
Deferred tax assets	27				312	339	Deferred tax assets
Other assets	3,124				-186	2,938	Other assets
Total assets	158,605	0	0	2,620	-1,070	160,154	Total assets
Insurance contracts	119,444				17,596	137,039	Insurance contracts
Investment contracts	0				904	904	Investment contracts
	0				167	167	Reinsurance contracts
Subordinated debt	1,120					1,120	Subordinated debt
Other borrowed funds	531					531	Other borrowed funds
Non-trading derivatives	1,672			2		1,674	Derivatives
Deferred tax liabilities	3,666		1		-3,667	0	Deferred tax liabilities
Other liabilities	5,688				-1,892	3,796	Other liabilities
Total liabilities	132,121	0	1	2	13,108	145,231	Total liabilities
Total equity	26,484	0	-1	2,618	-14,178	14,923	Total equity

The references in the columns above are explained as follows:

1. Loans held by insurance entities within NN Leven are remeasured from cost to fair value and mostly presented and measured as Investments at fair value through other comprehensive income; these are subject to an expected credit loss provision.
2. Available-for-sale investments that do not qualify for measurement at fair value through other comprehensive income are presented as Investments at fair value through profit or loss. Investments for risk of policyholders are presented as Investments at fair value through profit or loss.
3. Deferred acquisition costs, value of business acquired, policy loans and insurance receivables and payables are derecognised and form part of the liability for insurance contracts.
4. Measurement differences on (re)insurance assets and liabilities; Reinsurance and Investment contracts are presented separately.

Further details on Insurance contracts under IFRS 17 are presented below:

Approximately 90% of the Total insurance contracts was determined using the fair value transition approach.

Notes to the Parent comany annual accounts

Insurance contracts (IFRS 17) by component	1 January 2022 (Restated)
General Model and Variable Fee Approach:	
- Estimates of the present value of future cash flows	131,611
- risk adjustment	2,196
- contractual service margin	
- determined retrospectively	109
- determined under the fair value approach	3,123
Total Insurance contracts	137,039
Insurance contracts, presented as assets	0
Insurance contracts, presented as liabilities	137,039
Total Insurance contracts	137,039

NN Leven continued using Operating result as an Alternative Performance Measure. The definition of Operating result was amended to reflect the impact of IFRS 9 and IFRS 17.

The implementation of IFRS 9 and IFRS 17 did not impact NN Leven's Own Funds and the Solvency Capital Requirement under Solvency II.

In the Notes below, all references to 'Opening balance' refer to the restated balances for IFRS 9 and IFRS 17 at 31 December 2021 and 1 January 2022. References to '2022', 'Closing balance' and "31 December 2022' and 'refer to the restated balances for those periods.

Legal Merger in 2023

On 1 April 2023, the legal merger between NN Leven and AAL became effective. The main reasons for the merger are to be able to operate as one life insurer on the Dutch market and realise synergies. As a result of this merger, AAL ceased to exist as a separate entity and NN Leven acquired all assets and liabilities of AAL under universal title of succession as at 1 April 2023.

This merger was between companies with the same parent ('under common control'). IFRS 3 Business combinations is not applicable for common control transactions. NN Leven had similar transactions in the past and applied consistently book value accounting for previous common control transactions. The comparative figures (including the opening balance 2022) in the 2023 Parent annual accounts of NN Leven were adjusted to reflect the merger with AAL, using the carrying amounts of the assets and liabilities (book value accounting) as included in the 2022 NN Leven consolidated annual accounts and adjusted for the transition to IFRS 9 and IFRS 17.

Notes to the Parent comany annual accounts

Reconciliation of Parent balance sheet 1 January 2022:

- as reported under IAS 39 and IFRS 4	Reported amount as in 2022 Parent company AR NN Leven (Prior to merger) 1/1/2022	Reported AAL figures based upon carrying values as in 2022 consolidated AR NN Leven 1/1/2022	Adjustment due to merger (AAL was subsidiary in 2022 AR NN Leven) 1/1/2022	Restated merged figures before IFRS transition 1/1/2022	Adjustment due to IFRS transition 1/1/2022	Restated amount (Merged figures)	- with IFRS 9 and IFRS 17
Cash and cash equivalents	43	1		44		44	Cash and cash equivalents
Available-for-sale investments	64,424	774		65,198	41,218	106,416	Investments at fair value through OCI
Loans	39,861	2,062		41,923	-40,275	1,648	Investments at cost
Financial assets designated at fair value through profit or loss	430			430	30,510	30,940	Investments at fair value through profit or loss
Real estate investments	89			89		89	Investments in real estate
Associates and joint ventures	11,749		-189	11,560	3	11,563	Investment in associates and joint ventures
Investments for risk of policyholders	27,229	1,319		28,548	-28,548	0	
Non-trading derivatives	6,137			6,137	-6,137	0	Insurance contracts
						0	Reinsurance contracts
Reinsurance contracts	1,200			1,200	-1,200	0	Derivatives
Property and equipment	39			39		39	Property and equipment
Intangible assets	50			50	-50	0	Intangible assets
Deferred acquisition costs	235			235	-235	0	
Deferred tax assets	27			27	-27	0	Deferred tax assets
Other assets	3,112	12		3,124	-186	2,938	Other assets
Total assets	154,625	4,168	-189	158,604	-4,927	153,677	Total assets
Insurance and investment contracts	115,766	3,676		119,442	17,597	137,039	Insurance contracts
					904	904	Reinsurance contracts
					167	167	Investment contracts
Subordinated debt	1,120			1,120		1,120	Subordinated debt
Other borrowed funds	531			531		531	Other borrowed funds
Customer deposits and other funds on deposit	0					0	Customer deposits
Non-trading derivatives	1,673			1,673	1	1,674	Derivatives
Deferred tax liabilities	3,612	54		3,666	-3,666	0	Deferred tax liabilities
Other liabilities	5,621	68		5,689	-1,893	3,796	Other liabilities
Total liabilities	128,323	3,798	0	132,121	13,111	145,232	Total liabilities
Total equity	26,302	370	-189	26,483	-11,560	14,923	Total equity

Notes to the Parent comany annual accounts

Reconciliation of Parent balance sheet 31 December 2022:

- as reported under IAS 39 and IFRS 4	Reported amount as in 2022 Parent company AR NN Leven (Prior to merger)	Reported AAL figures based upon carrying values as in 2022 consolidated AR NN Leven	Adjustment due to merger (AAL was subsidiary in 2022 AR NN Leven)	Restated merged figures before IFRS transition	Adjustment due to IFRS transition	Restated amount (Merged figures)	- with IFRS 9 and IFRS 17
	12/31/2022	12/31/2022	12/31/2022	12/31/2022	12/31/2022	2022 (restated)	
Cash and cash equivalents	95	2		97	0	97	Cash and cash equivalents
Available-for-sale investments	42,309	521		42,830	34,674	77,504	Investments at fair value through OCI
Loans	40,382	1,950		42,332	-41,218	1,114	Investments at cost
Financial assets designated at fair value through profit or loss	386	0		386	25,577	25,963	Investments at fair value through profit or loss
Real estate investments	92	0		92	0	92	Investments in real estate
Associates and joint ventures	12,850	0	-227	12,623	-121	12,502	Investment in associates and joint ventures
Investments for risk of policyholders	22,959	1,157		24,116	-24,116	0	
Non-trading derivatives	1,935	0		1,935	2	1,937	Derivatives
							Insurance contracts
Reinsurance contracts	1,079	0		1,079	-1,046	33	Reinsurance contracts
Property and equipment	36	0		36	0	36	Property and equipment
Intangible assets	46	0		46	-46	0	Intangible assets
Deferred acquisition costs	231	0		231	-231	0	
Deferred tax assets	669	0		669	-665	4	Deferred tax assets
Other assets	6,973	8		6,981	-207	6,774	Other assets
Total assets	130,042	3,638	-227	133,453	-7,397	126,056	Total assets
Insurance and investment contracts	104,977	3,332		108,309	-7,353	100,955	Insurance contracts
					849	849	Investment contracts
					116	116	Reinsurance contracts
Subordinated debt	1,100	0		1,100	0	1,100	Subordinated debt
Other borrowed funds	4,250	0		4,250	0	4,250	Other borrowed funds
Non-trading derivatives	5,857	0		5,857	2	5,859	Derivatives
Deferred tax liabilities	0	27		27	-248	-221	Deferred tax liabilities
Other liabilities	2,713	52		2,766	-1,702	1,064	Other liabilities
Total liabilities	118,897	3,411	0	122,309	-8,337	113,971	Total liabilities
Total equity	11,145	227	-227	11,145	940	12,085	Total equity

2 Cash and cash equivalents

NN Leven invests in several types of money market funds, some qualifying as cash equivalents and some as investments. Short-term investments in money market funds are presented as cash equivalents only if these are highly liquid and quoted in an active market and have low investment risk.

Cash and cash equivalents

	2023	2022 (Restated)
Cash and bank balances	50	97
Money market funds	2,407	
Short-term deposits	1,220	
Cash and cash equivalents at the end of the period	3,677	97

As at 31 December 2023, NN Leven held EUR 50 million (31 December 2022: EUR 97 million) at central banks.

3 Investments at fair value through other comprehensive income

Investments at fair value through other comprehensive income

	2023	2022 (Restated)
Debt securities	36,945	38,243
Equity securities	3,168	3,341
Loans	34,556	35,920
Investments at fair value through other comprehensive income	74,669	77,504

Changes in investments at fair value through other comprehensive income (2023)

2023	Debt securities	Equity securities	Loans	Total
Opening balance	38,242	3,341	35,921	77,504
Additions	4,296	324	1,598	6,218
Disposals and redemptions	-7,034	-784	-2,410	-10,228
Revaluations	1,734	262	809	2,805
Impairments	-39		1	-38
Amortisation	-38		-78	-116
Transfers and reclassifications			-1,286	-1,286
Foreign currency exchange differences	-216	25	1	-190
Closing balance	36,945	3,168	34,556	74,669

The saving mortgage portfolio of AAL (EUR 1,286 million) has been reclassified from investments at fair value through other comprehensive income to investments at fair value through profit and loss.

Changes in investments at fair value through other comprehensive income (2022) (Restated)

2022 (Restated)	Debt securities	Equity securities	Loans	Total
Opening balance	58,519	5,155	42,741	106,415
Additions	4,338	378	4,681	9,397
Disposals and redemptions	-10,441	-966	-3,336	-14,743
Revaluations	-14,499	-1,185	-7,928	-23,612
Impairments	-34		8	-26
Amortisation	-56		-150	-206
Transfers and reclassifications			-83	-83
Changes in composition of the group and other changes			-19	-19
Foreign currency exchange differences	415	-41	7	381
Closing balance	38,242	3,341	35,921	77,504

Notes to the Parent comany annual accounts

Impairment – Investments at fair value through other comprehensive income (2023)

2023	Stage 1 12 month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	-35	-18	-109	-162
Transfers between stage 1,2 and 3	2	1	-3	
Additions	-38	-12	-56	-106
Disposals	10	16	109	135
Closing balance	-61	-13	-59	-133

The loss allowance for investments at fair value through other comprehensive income of EUR 32 million (2022: 23 million) does not reduce the carrying amount of these investments (which are measured at fair value) but gives rise to an equal and opposite gain in other comprehensive income and is included in the line 'Revaluation' in the table of Changes in investments at fair value through other comprehensive income.

Impairment – Investments at fair value through other comprehensive income (2022) (Restated)

2022 (Restated)	Stage 1 12 month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	-19	-17	-108	-144
Transfers between stage 1,2 and 3	1	5	-6	0
Additions	-19	-7	-43	-69
Disposals	2	1	48	51
Closing balance	-35	-18	-109	-162

4 Investments at cost

Investments at cost

	2023	2022 (Restated)
Mortgage loans	123	132
Other	11	982
Investments at cost	134	1,114

Other contains personal loans with NN Group companies.

Changes in investments at cost (2023)

2023	Mortgage loans	Other	Total
Opening balance	132	982	1,114
Additions		7,220	7,220
Disposals and redemptions	-10	-8,190	-8,200
Closing balance	122	12	134

Changes in investments at cost (2022) (Restated)

2022 (Restated)	Mortgage loans	Other	Total
Opening balance	123	1,524	1,647
Additions		28,730	28,730
Disposals and redemptions		-29,272	-29,272
Changes in composition of the group and other changes	9		9
Closing balance	132	982	1,114

Notes to the Parent comany annual accounts

5 Investments at fair value through profit or loss

Investments at fair value through profit or loss

	2023	2022 (Restated)
For risk of policyholders		
- debt securities	15	25
- equity securities and investment funds	26,141	23,432
- loans and other	2,325	655
Total for risk of policyholders	28,481	24,112
For risk of company		
- debt securities	56	78
- equity securities and investment funds	1,901	1,745
- loans and other	391	28
Total for risk of company	2,348	1,851
Investments at fair value through profit or loss	30,829	25,963

6 Investments in real estate

Changes in investments in real estate

	2023	2022 (Restated)
Investments in real estate – opening balance	92	89
Fair value gains (losses)	-5	3
Investments in real estate – closing balance	87	92

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2023 is EUR 4 million (2022: EUR 4 million).
The total amount of direct operating expenses (including repairs and maintenance) in relation to real estate investments recognised in rental income for the year ended 31 December 2023 is EUR 1 million (2022: EUR 1 million).

NN Leven's total exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2023	2022 (Restated)
Investments in real estate	87	92
Investments at fair value through profit or loss		1
Investments at fair value through OCI	10	9
Investments in associates and joint ventures	1,317	1,512
Property and equipment – property in own use	1	2
Real estate exposure	1,415	1,616

Furthermore, the exposure is impacted by third-party interests, leverage in funds and off-balance commitments. Reference is made to Note 41 'Risk management'.

7 Investments in subsidiaries and associates

Investments in subsidiaries and associates (2023)

2023	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
REI Investment I B.V.	78%	4,927	6,734	387	247	20
Private Debt Investments B.V.	97%	2,533	2,636	16	182	2
REI Diaphane Fund F.G.R.	78%	1,208	1,573	34	-205	-2
Private Equity Investments B.V.	90%	1,225	1,365		167	1
Vesteda Residential Fund FGR	21%	1,317	8,982	2,590	-481	176
Infrastructure Equity Investments B.V.	95%	865	908		57	
Private Equity Investments II B.V.	86%	36	42		5	
Other		69				
Subsidiaries and associates		12,180				

Notes to the Parent comany annual accounts

The above investments in subsidiaries and associates mainly consist of non-listed investment entities investing in real estate and private equity.

Other includes EUR 69 million of subsidiaries and associates with an individual balance sheet value of less than EUR 50 million.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Leven's accounting principles.

The reporting dates of all significant subsidiaries and associates are consistent with the reporting date of NN Leven.

The subsidiaries and associates of NN Leven are subject to legal and regulatory restrictions regarding the amount of dividends that can be paid to NN Leven. These restrictions are, for example, dependent on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements imposed by industry regulators in the countries in which the subsidiaries and associates operate. In addition, the subsidiaries and associates also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Investments in subsidiaries and associates (2022) (Restated)

2022 (Restated)	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
REI Investment I B.V.	79%	5,630	7,603	436	232	31
Private Debt Investments B.V.	100%	2,124	2,131	7		25
REI Diaphane Fund F.G.R.	79%	1,249	1,660	73		31
Private Equity Investments B.V.	94%	1,209	1,280	1	155	2
Vesteda Residential Fund FGR	21%	1,512	9,403	2,100	-7	-1
Infrastructure Equity Investments B.V.	95%	663	696		31	1
Private Equity Investments II B.V.	86%	48	56		18	
Other		67				
Subsidiaries and associates		12,502				

Changes in investments in subsidiaries and associates

	2023	2022 (Restated)
Investments in subsidiaries and associates – opening balance	12,502	11,563
Additions	641	1,154
Share in changes in equity (revaluations)	-13	51
Share of result	-132	331
Dividends received	-333	-371
Disposals	-17	-25
Repayment from capital/surplus	-314	-24
Changes in composition of the group and other changes	-149	-184
Foreign currency exchange differences	-5	7
Investments in subsidiaries and associates – closing balance	12,180	12,502

8 Property and equipment

Property and equipment

	2023	2022 (Restated)
Property in own use	1	2
Property and equipment owned	1	2
Right of use assets	31	34
Property and equipment total	32	36

Notes to the Parent comany annual accounts

Changes in Property in own use

	2023	2022 (Restated)
Property in own use – opening balance	2	2
Revaluations	-1	0
Property in own use – closing balance	1	2
Gross carrying value	1	2
Net carrying value	1	2
Revaluation surplus – opening balance	8	8
Revaluation in year	-1	0
Revaluation surplus – closing balance	7	8

Changes in Right of use assets -Property

	2023	2022 (Restated)
Right of use assets – opening balance	34	37
Depreciation	-4	-4
Changes in composition of the group and other changes	1	1
Right of use assets – closing balance	31	34
Gross carrying value	53	51
Accumulated depreciation	-22	-17
Net carrying value	31	34

9 Other assets

Other assets

	2023	2022 (Restated)
Income tax receivable	59	26
Accrued interest and rents	1,060	875
Other accrued assets	7	5
Cash collateral amounts paid	2,279	4,310
Other	1,119	1,558
Other assets	4,524	6,774

Other contains EUR 829 million (2022: EUR 821 million) of current accounts with NN Group companies.

10 Equity

Total equity

	2023	2022 (Restated)
Share capital	23	23
Share premium	4,228	3,228
Accumulated revaluation investments	-2,865	-5,100
Accumulated revaluation (re)insurance contracts	11,691	13,895
Foreign currency exchange difference translation reserve	26	2
Share of associate reserve	1,443	1,907
Other reserves	-3,159	-3,003
Unappropriated profit	699	333
Shareholder's equity (parent)	12,086	11,285
Undated subordinated loans	800	800
Total equity	12,886	12,085

The legal reserves comprise accumulated revaluation investments, foreign currency exchange difference translation reserve and share of associate reserve.

Notes to the Parent comany annual accounts

Changes in **Shareholder's** equity (2023)

2023	Share capital	Share premium	Reserves	Total shareholder's equity (parent)
Shareholder's equity (parent) – opening balance	23	3,228	8,034	11,285
Total amount recognised directly in equity (other comprehensive income)			64	64
Net result for the period			699	699
Capital contribution		1,000		1,000
Dividend			-980	-980
Coupon on undated subordinated loan			-35	-35
Changes in composition of the group and other changes			53	53
Shareholder's equity – closing balance	23	4,228	7,835	12,086

Changes in **Shareholder's** equity (2022) (Restated)

2022 (Restated)	Share capital	Share premium	Reserves	Total shareholder's equity (parent)
Shareholder's equity (parent) – opening balance	23	3,228	10,872	14,123
Total amount recognised directly in equity (other comprehensive income)			-1,840	-1,840
Net result for the period			333	333
Dividend			-980	-980
Coupon on undated subordinated loan			-35	-35
Changes in composition of the group and other changes			-316	-316
Shareholder's equity – closing balance	23	3,228	8,034	11,285

For details on share capital and share premium, reference is made to Note 10 'Equity' in the Consolidated annual accounts.

Changes in Accumulated revaluations investments (2023)

2023	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	6	-7,925	2,820	-5,100
Revaluations		2,275		2,275
Realised gains (losses) transferred to the profit and loss account		-12		-12
Realised gains (losses) on equity securities		21		21
Changes in cash flow hedge reserve			-49	-49
Revaluation reserve – closing balance	6	-5,641	2,771	-2,865

Changes in Accumulated revaluations investments (2022) (Restated)

2022 (Restated)	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	6	10,179	8,560	18,745
Revaluations		-17,860		-17,860
Realised gains (losses) transferred to the profit and loss account		-4		-4
Realised gains (losses) on equity securities		-239		-239
Changes in cash flow hedge reserve			-5,740	-5,740
Other revaluations		-2		-2
-2Revaluation reserve – closing balance	6	-7,925	2,820	-5,100

Changes in Accumulated revaluations (re)insurance contracts

	2023	2022 (Restated)
Revaluation reserve – opening balance	13,895	-7,909
Changes in financial assumptions for insurance contracts	-2,148	21,784
Changes in financial assumptions for reinsurance contracts	-26	20
Changes in composition of the group and other changes	-30	
Revaluation reserve – closing balance	11,691	13,895

Notes to the Parent comany annual accounts

Revaluation reserves include non-distributable reserves and freely distributable reserves.

Distributable reserves

NN Leven is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. These restrictions come from two sources: the national civil code and capital requirements from prudential supervision. Total freely distributable reserves are the minimum of freely distributable capital on the basis of solvency requirements (Eligible Own Funds in excess of the Solvency Capital Requirement) and freely distributable equity based on requirements in the Dutch civil code.

The Dutch Civil Code contains the restriction that in case of negative balances in individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

The net position of the accumulated revaluations on investments and the accumulated revaluations on (re) insurance contracts is used for determining (non-)distributable reserves. The accumulated revaluations on insurance contracts consist of accumulated revaluations as recognised in the consolidated balance sheet and estimated revaluations for insurance contracts for which the accumulated amount was set to zero at the first of January 2022.

In addition, NN Leven's ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. NN Leven is legally required to create a non-distributable reserve insofar profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions. Such restrictions may among others be of a similar nature as the restrictions which apply to NN Leven.
The Dutch supervisory rules and regulations stemming from the Dutch Financial Supervision Act (Wet op het financieel toezicht) provide a second restriction on the possibility to distribute dividends. Total freely distributable reserves is the minimum of freely distributable capital on the basis of solvency requirements and freely distributable capital on the basis of capital protection.

Total freely distributable reserves on the basis of solvency requirements is lower than total freely distributable reserves on the Dutch Civil Code for NN Leven. Therefore, the Solvency II capital requirements of NN Leven are leading for the restriction posed on the amount of dividends it can distribute and capital it can repay pay to its shareholder.

Total freely distributable reserves on the basis of solvency requirements is EUR 5,007 million at 31 December 2023 (2022: EUR 4,871 million). Reference is made to Note 42 'Capital and liquidity management' in the Consolidated annual accounts for more information on solvency requirements.

Changes in Foreign currency exchange translation reserve

	2023	2022 (Restated)
Foreign currency exchange difference translation reserve – opening balance	2	44
Foreign currency exchange difference for the period	24	-42
Foreign currency exchange difference translation reserve – closing balance	26	2

Changes in Other reserves (2023)

2023	Retained earnings	Share of associates reserve	Un appropriated profit	Total
Other reserves – opening balance	-2,670	1,907		-763
Net result for the period			699	699
Transfers from (to) share of associates reserve	464	-464		0
Dividend	-980			-980
Realised gains (losses) on equity securities	-21			-21
Coupon on subordinated loan	-35			-35
Changes in composition of the group and other changes	83			83
Other reserves – closing balance	-3,159	1,443	699	-1,017

Proposed appropriation of result

The result is appropriated pursuant to article 21 of the articles of association of NN Leven, the relevant provisions of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Management Board and the Supervisory Board. It is proposed to add the 2023 net result of EUR 699 million to the 'Other Reserves'.

Changes in Other reserves (2022) (Restated)

2022 (Restated)	Retained earnings	Share of associates reserve	Un appropriated profit	Total
Other reserves – opening balance	-2,073	2,065		-8
Net result for the period			333	333
Transfers from (to) share of associates reserve	158	-158		0
Dividend	-980			-980
Realised gains (losses) on equity securities	239			239
Coupon on subordinated loan	-35			-35
Changes in composition of the group and other changes	-312			-312
Other reserves – closing balance	-3,003	1,907	333	-763

11 Other borrowed funds

Other borrowed funds

	2023	2022 (Restated)
Credit institutions	2,507	4,000
Other		250
Other borrowed funds	2,507	4,250

Other borrowed funds includes repo transactions used for liquidity management purposes.

12 Derivatives

Derivatives (assets)

	2023	2022 (Restated)
Derivatives used in		
– cash flow hedges	193	17
Other derivatives	2,141	1,920
Derivatives assets	2,334	1,937

The fair value of derivatives was impacted significantly in 2022 by the change (increase) in market interest rates. This change in market interest rates also significantly impacted other balance sheet items, including debt and equity instruments and Other liabilities – Cash collateral amounts received as well as other liabilities in the statement of cash flows.

Other derivatives includes derivatives for which no hedge accounting is applied.

Derivatives (liabilities)

	2023	2022 (Restated)
Derivatives used in		
– cash flow hedges	1,680	2,579
Other derivatives	2,061	3,280
Derivatives liabilities	3,741	5,859

13 Other liabilities

Other liabilities

	2023	2022 (Restated)
Income tax payable	45	173
Other taxation and social security contributions	1	1
Lease liabilities	33	36
Accrued interest	400	143
Costs payable	27	29
Provisions	385	13
Amounts to be settled	236	227
Cash collateral amounts received	1,103	220
Other	245	222
Other liabilities	2,475	1,064

Cash collateral amounts received relate to collateralised derivatives. The increase is a result of the increase in fair value of outstanding collateralised derivatives following a decrease in market interest rates.

Other contains EUR 141 million (2022: EUR 141 million) to an intercompany position with NN Re related to reinsurance operations.

14 Investment result

Investment result

	2023	2022 (Restated)
Interest income from investments in debt securities	1,103	1,186
Interest income from mortgage loans	607	553
Interest income from other loans	377	267
Interest income on (hedging) derivatives	117	136
Other interest income	158	69
Interest income	2,362	2,211
Realised gains (losses) on Investments at amortised cost and at fair value through other comprehensive income	-265	76
Gains (losses) on investments at fair value through profit or loss	2,874	-5,085
Gains (losses) on Investments at amortised cost, at fair value through OCI and at fair value through profit and loss	2,609	-5,009
Income from investments in real estate	4	3
Change in fair value of investments in real estate	-6	3
Gains (losses) on investments in real estate	-2	6
Share of result of investments in associates and joint ventures	-132	275
Impairments	-105	-106
Reversal of impairments	68	81
Impairments on investments	-37	-25
Result on derivatives and hedging	1,064	-1,123
Foreign currency exchange result	-223	420
Dividend income on equity securities	151	144
Other investment income	9	12
Total Investment result	5,801	-3,087

Gains (losses) on investments at fair value through profit or loss include gains (losses) related to investments held for risk of policyholders for EUR 2,812 million (2022: EUR -77 million). These gains (losses) are mostly offset by changes in fair value of underlying items as presented in 'Finance result on (re)insurance contracts'.

Notes to the Parent comany annual accounts

Results on derivatives and hedging

	2023	2022 (Restated)
Change in fair value of derivatives relating to		
– cash flow hedges (ineffective portion)	5	-75
– other derivatives	1,059	-1,048
Net result on derivatives	1,064	-1,123
Result on derivatives and hedging	1,062	-1,123

Included in 'Results on derivatives and hedging' are the fair value movements on derivatives and other assets accounted for at fair value through profit or loss used to economically hedge exposures, but for which no hedge accounting is applied. These financial assets hedge exposures in insurance contracts. The fair value movements on the financial assets are influenced by changes in the market conditions, such as share prices, interest rates and currency exchange rates. The change in fair value of the financial assets is largely offset by changes in insurance contracts, which are included in 'finance result' in the profit or loss account (when using the risk mitigation option) or in other comprehensive income (for contracts accounted for under the general measurement model when using the OCI option).

Valuation results on derivatives are reflected in the statement of cash flows in the section 'Result before tax', in the line item 'Adjusted for other'.

Reference is made to Note 28 'Hedge accounting' of the Consolidated annual accounts.

15 Finance result

Finance result on (re)insurance contracts

	2023	2022 (Restated)
Change in fair value of underlying items	2,908	-4,687
Interest accreted	1,384	1,152
Finance result on (re)insurance contracts	4,292	-3,535

Other

	2023	2022 (Restated)
Interest expenses on derivatives	163	127
Other	159	88
Interest expenses	322	215

In 2023, total interest income and total interest expenses for items not valued at fair value through profit or loss were EUR 2,384 million (2022: EUR 2,241 million) and EUR 322 million (2022: EUR 215 million) respectively.

Interest income and expenses are included in the following profit and loss account lines.

Total interest income and expenses

	2023	2022 (Restated)
Interest income	2,384	2,241
Interest expenses on insurance contracts	-1,406	-1,182
Other interest expenses	-322	-215
Total Interest income and expenses	656	844

Notes to the Parent comany annual accounts

16 Fee and commission result

Fees and commissions are generally recognised as the service is provided.

Fee and commission result

	2023	2022 (Restated)
Asset management fees	5	13
Insurance brokerage and advisory fees	-8	-7
Other	23	15
Gross fee and commission income	20	21
Asset management fees	104	110
Commission expenses and other	-50	-70
Fee and commission expenses	54	40
Net fee and commission income	-34	-19

17 Non-attributable operating expenses

Non-attributable operating expenses

	2023	2022 (Restated)
Staff expenses	223	223
Operating expenses	696	360
Of which attributed to		
- incurred acquisition costs	-89	-78
- incurred insurance expenses	-332	-366
Non-attributable operating expenses	498	139

Staff expenses

	2023	2022 (Restated)
Salaries	123	118
Variable salaries	4	1
Pension costs	23	22
Social security costs	16	15
External staff costs	51	60
Education	2	2
Other staff costs	4	5
Staff expenses	223	223

NN Leven staff are employed by NN Personeel B.V. NN Leven is charged for its staff expenses by NN Personeel B.V. under a service level agreement. Although these costs are not paid out in the form of staff expenses by NN Leven, they have the characteristics of staff expenses, and they are therefore recognised as such. A provision for holiday entitlement and bonuses is recognised by NN Personeel B.V. Actual costs are charged to NN Leven when accrued by NN Personeel B.V.

Employees in the Czech Republic were transferred to a shared service centre (NN Finance S.R.O). The salary costs are recognised in the line 'Other' in the other operating expenses instead of under staff expenses.

Defined contribution plans

NN Leven is one of the sponsors of the NN Group defined contribution pension plan. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in 'Other assets' or 'Other liabilities'. The expenses recognised in staff expenses by NN Leven for defined contribution plans amounts to EUR 23 million (2022: EUR 22 million).

Number of employees

Reference is made to Note 23 'Non-attributable operating expenses' for information on the average number of employees of the Consolidated annual accounts.

Notes to the Parent comany annual accounts

Remuneration of Management Board and Supervisory Board

Reference is made to Note 39 'Key management personnel compensation' of the Consolidated annual accounts for the information on fixed and variable compensation and loans and advances to (supervisory) board members.

Share plans

NN Group has granted shares to a number of senior executives of NN Leven. The purpose of the share schemes is to attract, retain and motivate senior executives and staff.

Share awards comprise upfront shares and deferred shares. The entitlement to the deferred shares is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. A retention period applies from the moment of vesting these awards (five years for Management Board and one year for Identified Staff).

Changes in Share awards outstanding

	Share awards (in number)		Weighted average grant date fair value (in euros)	
	2023	2022 (Restated)	2023	2022 (Restated)
Share awards outstanding – opening balance	8,207	12,288	36.17	33.08
Granted	7,142	4,620	35.43	42.90
Vested	-7,934	-8,327	35.15	35.85
Forfeited	-824	-374	37.36	33.08
Share awards outstanding – closing balance	6,591	8,207	38.97	36.17

In 2023, 7,142 share awards on NN Group Shares (2022: 4,620) were granted to the members of the Management Board of NN Leven. To other employees of NN Leven 3,809 share awards on NN Group shares (2022: 0) were granted.

As at 31 December 2023 the share awards on NN Group shares consist of 6,591 share awards (2022: 8,207) relating to equity-settled share based payment arrangements and no share awards to cash-settled share-based payment arrangements.
The fair value of share awards granted is recognised as an expense under 'Staff expenses' and is allocated over the vesting period of the share awards.

As at 31 December 2023 total unrecognised compensation costs related to share awards amount to EUR 80 thousand (2022: EUR 95 thousand). These costs are expected to be recognised over an average period of 1.3 years (2022: 1.3 years).

Other operating expenses

	2023	2022 (Restated)
Depreciation of property and equipment	5	4
Computer costs	28	35
Office expenses	-5	-5
Advertising and public relations	3	4
External advisory fees	24	21
Insurance based commissions and fees	73	48
Insurance based related Investment fees	58	80
Addition/(releases) of provisions	372	
Other	137	173
Other operating expenses	696	360

To cover the settlement costs, a provision of approximately EUR 360 million was recognised in the fourth quarter of 2023. For more information, reference is made to Note 35 'Legal Proceedings' of the Consolidated annual accounts of NN Leven.

Fees of auditors

Reference is made to Note 48 'Fees of auditors' in the Consolidated annual accounts of NN Group for audit fees and audit related fees. The services rendered by the auditor, in addition to the statutory audit, includes an audit in relation to reporting to regulators or other external parties.

Auditor fees are included in 'External advisory fees' as part of the Other operating expense.

18 Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is generally recognised in the profit and loss account, but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Leven is liable to taxation, that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses carried forward where it is probable that future taxable profits will be available against which the temporary differences can be used. Unrecognised deferred tax assets are reassessed periodically and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by NN Leven and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be used.

Offsetting deferred tax assets with deferred tax liabilities is allowed as long as there is a legally enforceable right to offset current tax assets against current tax liabilities together with the intention to do so and the deferred taxes relate to income taxes levied by the same taxation authority on the same entity or on the same fiscal unity.

NN Leven will be subject to the requirements of the International Tax Reform – Pillar Two Model Rules once these become effective. NN Leven currently expects the Pillar Two minimum taxation requirements to be applicable to most of its operations, but does not expect significant impact in any of the jurisdictions in which it operates. Also no significant impact on the effective tax rate is currently expected.

Deferred tax (2023)

	Net asset 2022	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net asset 2023
Investments	2,534	-734	40	2		1,842
Investments in real estate	-766		106			-660
Fiscal reserves			-26			-26
Insurance contracts	-538	760	-93	44		173
Cash flow hedges	-978	17				-961
Other	-27	12	-6	-44		-65
Deferred tax	225	55	21	2	0	303
Presented in the balance sheet as						
Deferred tax liabilities	0					0
Deferred tax assets	225					303
Deferred tax	225					303

Notes to the Parent comany annual accounts

Deferred tax (2022) (Restated)

	Net asset 2021	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net asset 2022
Investments	-3,274	5,837	-30	1		2,534
Investments in real estate	-801		35			-766
Fiscal reserves	-62		62			
Insurance contracts	7,637	-7,672	-503			-538
Cash flow hedges	-2,975	1,997				-978
Other	-186	105	54			-27
Deferred tax	339	267	-382	1	0	225

Presented in the balance sheet as		
Deferred tax liabilities	0	0
Deferred tax assets	339	225
Deferred tax	339	225

Deferred tax on unused tax losses carried forward

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Taxation on result

	2023	2022 (Restated)
Current tax	187	-375
Deferred tax	-21	382
Taxation on result	166	7

NN Leven is part of the Dutch fiscal unity for corporate income tax and value added tax (VAT) of NN Group making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables of NN Group.

Income tax payable amounts to EUR 45 million (2022: EUR 173 million payable). It concerns tax payable to NN Group for the most recent quarter. Reference is made to Note 17 'Other liabilities'.

Reconciliation of the weighted average statutory tax rate to NN **Leven's** effective tax rate

	2023	2022 (Restated)
Result before tax	865	340
Weighted average statutory tax rate	25.8%	25.8%
Weighted average statutory tax amount	223	88
Participation exemption	-14	-95
Impact on deferred tax from change in tax rates	-4	
Other income not subject to tax	-35	
Adjustments to prior periods	-4	14
Effective tax amount	166	7
Effective tax rate	19%	2%

In 2023, the effective tax rate for continuing operations of 19% was lower than the weighted average statutory tax rate of 25.8%. This was mainly a result of tax exempt results of associates and participations.

In 2022, the effective tax rate for continuing operations of 2% was lower than the weighted average statutory tax rate of 25.8%. This was mainly a result of tax-exempt results of associates and participations.

Taxation on components of other comprehensive income

	2023	2022 (Restated)
Finance result on (re)insurance contracts recognised in other comprehensive income	760	-7,672
Revaluations debt securities and loans at fair value through other comprehensive income	-732	5,805
Revaluations equity securities at fair value through other comprehensive income	-2	32
Changes in cash flow hedge reserve	17	1,997
Other	12	105
Income tax	55	267

19 Other

Assets not freely disposable

For further explanation of the assets that are not freely disposable reference is made to Note 31 'Assets not freely disposable' in the Consolidated annual accounts.

Contingent liabilities and commitments

For further explanation of the Contingent liabilities and commitments reference is made to Note 34 'Contingent liabilities and commitments' in the Consolidated annual accounts.

Related parties

For further explanation of the related parties reference is made to Note 38 'Related parties' in the Consolidated annual accounts.

20 Subsequent events

For subsequent events of NN Leven reference is made to Note 40 'Subsequent and other events' in the Consolidated annual accounts.

Authorisation of Parent company annual accounts

The annual accounts of NN Leven for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Management Board on 5 April 2024. The Management Board may decide to amend the annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the annual accounts, propose amendments and then adopt the annual accounts after a normal due process.

The Hague, 5 April 2024

The Management Board

L.M. (Leon) van Riet, CEO and chair

A. (Arun) Sivaramakrishnan, CFO

W.G. (Wilbert) Ouburg, CRO

G. (Gerard) van Rooijen

The Supervisory Board

J.L. (Janet) Stuijt, chair

A.T.J. (Annemiek) van Melick

J.W. (Hans) Schoen

Independent auditor's report

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Report on the audit of the annual accounts 2023 included in the annual report

Our opinion

In our opinion the accompanying annual accounts give a true and fair view of the financial position of Nationale-Nederlanden Levensverzekering Maatschappij N.V (hereafter: 'NN Leven') as at 31 December 2023 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as endorsed by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the 2023 annual accounts of NN Leven based in Rotterdam. The annual accounts include the consolidated annual accounts and the parent company annual accounts.

The annual accounts comprise:

1. the consolidated and company balance sheet as at 31 December 2023;
2. the following consolidated and company statements for 2023: the profit and loss account, the statements of comprehensive income, cash flows and changes in equity; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the annual accounts' section of our report.

We are independent of NN Leven in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the annual accounts as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality
• Materiality of EUR 155 million • 1,45% of Shareholder's equity

Group audit
• Audit coverage of 99% of Shareholders equity • Audit coverage of 99% of total assets

Risk of material misstatements related to Fraud, NOCLAR and Going concern
• Fraud risks: presumed risk of management override of controls and presumed risk of revenue recognition as further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'. • Non-compliance with laws and regulations (NOCLAR) risks: no reportable risk of material misstatements related to NOCLAR risks identified. • Going concern risks: no going concern risks identified.

Key audit matters
• Initial application of IFRS 17 • Valuation of insurance contract liabilities for life insurance contracts applying the General Measurement Model Approach • Unit-linked exposure • Valuation of illiquid investments

Materiality

Based on our professional judgement we determined the materiality for the annual accounts as a whole at EUR 155 million (2022: EUR 110 million). The materiality is determined with reference to shareholders equity and amounts to 1,45%. We deem the increase from EUR 110 million to EUR 155 million appropriate.

Independent auditor’s report continued

In 2022 we determined our materiality based on 1% of shareholders' equity minus revaluation reserves to take into account the valuation mismatch between insurance contract liabilities measured at locked-in assumptions and investments measured at fair value through other comprehensive income. This mismatch disappeared with the application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* in 2023 and therefore we use shareholders' equity as from this year.

We consider shareholders' equity as the most appropriate benchmark based on our assessment of the general information needs of the users of the annual accounts of insurance companies.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 7.5 million (2022: EUR 5 million) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NN Leven is a wholly owned subsidiary of NN Group N.V. (hereafter: 'NN Group') and is by itself a group company of several subsidiaries, which are mainly related to asset management activities (as set out in note 24). The financial information of the subsidiaries is included in the consolidated annual accounts of NN Leven.

Our group audit mainly focused on significant components. These significant components are either individually financially significant due to their relative size within the Group or because we assigned a significant risk of material misstatement to one or more account balances of the component. In addition, we included certain components in the scope of our group audit in order to arrive at a sufficient coverage for all relevant significant account balances.

This resulted in a full or specific scope audit for 8 (2022: 11) components in a coverage of 99% of equity and 99% of total assets. For the remaining 1% of equity and 1% of total assets, procedures were performed at the group level including analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit. This coverage is in line with our 2022 audit.

All components in scope for group reporting purposes are audited by KPMG member firms. We sent audit instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to the group audit team.

With all components in scope of our group audit, we discussed the planning, risk assessment, procedures performed, findings and observations reported to the group auditor and any additional work deemed necessary by the group audit team was then performed. We also performed file reviews of selected in scope components.

The group audit team has set component materiality levels, which ranged from EUR 18 million to EUR 150 million, based on the mix of size and risk profile of the components within NN Leven.

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Independent auditor's report continued

The consolidation of NN Leven, the disclosures in the annual accounts and certain accounting topics are audited by the NN Group audit team. The topics on which audit procedures are performed by the NN Group audit team include, but are not limited to, staff expenses and other operating expenses in the Netherlands, centralised processes, certain elements of the risk and capital management disclosures, corporate income tax for the Dutch fiscal unity and legal proceedings.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the annual accounts.

Total assets

95% Audit of the complete reporting package

4% Audit of specific items

Shareholders Equity

80% Audit of the complete reporting package

19% Audit of specific items

Audit response to the risk of fraud and non-compliance with laws and regulations

In note 41 'Risk management' of the Annual Accounts the Company describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into NN Leven and its business environment and NN Leven's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing NN Leven's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Management Board, the Supervisory Board and other relevant functions, such as Internal Audit, Legal Counsel and Compliance and included correspondence with relevant supervisory authorities and regulators in our evaluation. We have also incorporated an element of unpredictability in our audit related to out-of-pocket expenses.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to NN Leven.

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Independent auditor's report continued

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As a result from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the annual accounts in case of non-compliance:

- wet op het financieel toezicht (Wft) (including the European Solvency II directives);
- financial and economic crime (FEC) related laws and regulations; and
- data privacy regulation (GDPR).

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards in respect of management override of controls and revenue recognition.

Management override of controls (a presumed fraud risk)

Risk

Management is in a unique position to manipulate accounting records and prepare fraudulent annual accounts by overriding controls that otherwise appear to be operating effectively such as those related to journal entries and accounting estimates which require significant judgement such as the valuation of insurance liabilities and investments.

Response

We assessed the design and the implementation of internal controls that mitigate the risk of fraud such as processes related to journal entries and key estimates.

We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the NN Leven, including retrospective reviews of prior year's estimates.

Where we identified instances of unexpected journal entries or other risks through our data analysis, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.

We incorporated an element of unpredictability in our audit related to out-of-pocket expenses.

We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.

We refer to the key audit matters below that provide information of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Revenue recognition (a presumed fraud risk)

Risk and response

Insurance revenue for the period based on the General Measurement Model Approach (GMM) is to a large extent determined by the key assumptions made for the measurement of related insurance contract liabilities. We have covered our assessment of the risk of fraudulent revenue recognition and our response thereto in the key audit matter below "Valuation of insurance contract liabilities for life insurance contracts applying the General Measurement Model Approach".

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Independent auditor's report continued

We communicated our risk assessment, audit responses and results to management and the Audit Committee of the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Management Board has performed its going concern assessment and has not identified any going concern risks. To assess management's assessment, we have performed, inter alia, the following procedures:

We considered whether management's assessment of the going concern risks included all relevant information of which we are aware as a result of our audit.

We assessed whether the scenarios included in the Own Risk Solvency Assessment (ORSA) that were submitted to De Nederlandsche Bank N.V. (the Dutch Central Bank, DNB) and other regulatory correspondence indicate a significant going concern risk.

We considered whether the outcome of our audit procedures on the Solvency II capital position indicate a significant going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Management Board and the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

With the initial application of IFRS 17 *Insurance contracts* as from 1 January 2023 we have amended and updated our approach for the audit of insurance contract liabilities which resulted in a revised key audit matter on this topic ; 'Valuation of insurance contract liabilities for life insurance contracts applying the General Measurement Model Approach'. Given the complexity of IFRS 17 and the significant effort and management judgment required to implement the new standard, we paid significant attention to address the risk of material misstatement from the initial application of IFRS 17 as at 1 January 2022 (transition date) for which we included the key audit matter 'Initial application of IFRS 17.

For our audit of insurance contract liabilities under IFRS 17 we cover certain critical processes and controls that also form part of the Solvency II reporting chain. For that reason, the key audit matter 'Solvency II disclosures' on which we reported last year has not been included anymore. Next to IFRS 17 also IFRS 9 *Financial instruments* has been applied for the first time this year. In Note 1 'Accounting policies' of the annual accounts management explained that the impact of

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IFRS 9 is most relevant to the remeasurement of investments in mortgages loans by the insurance entities from amortised cost to fair value. Our response thereto has been captured in key audit matter 'Valuation of Illiquid Investments'.

1. Initial application of IFRS 17

Description

IFRS 17 *Insurance Contracts* was implemented by NN Leven on 1 January 2023. This new standard requires NN Leven to measure insurance contract liabilities at current values which involves significant judgement and estimates and resulted in a significant decrease in shareholders' equity as of 1 January 2022 (transition date). We determined the initial application of IFRS 17 and related disclosures in the 2023 annual accounts to be a key audit matter because of the significance and complexity of the changes introduced by the standard, including a number of new estimates requiring significant management judgement such as the recognition of the Contractual Service Margin ('CSM').

Our response

- We assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17 and challenged significant new accounting policies, choices and assumptions made against the requirements of the standard.
- We assessed the appropriateness of management's selection and application of the transition approaches for each group of insurance contracts to determine the transitional adjustments.
- Considering the relevance of the fair value approach for NN Leven at transition date in determining the transitional adjustments, we assessed, together with our actuarial specialists, key assumptions in the fair value of contractual cash flows, in particular the cost of capital rate used for the measurement of the risk adjustment and the applied discount rate.
- For the discount rate applied to determine the fair value of insurance contract liabilities we involved our valuation specialists to assess and challenge compliance with the requirements of IFRS 13 Fair Value Measurement. We also assessed consistency applied by management for the elements to determine the discount rate such as the used base curves and last liquid point.
- We assessed the selection of the General Measurement Models and Variable Fee Approach Measurement Models and the application thereof for the groups of contracts identified.
- We involved our actuarial specialists to evaluate the appropriateness of new methodologies and models including estimates and discounting of the IFRS 17 fulfilment cash flows, risk adjustment and CSM. This included consideration of the reasonableness of assumptions and judgements applied, including whether or not there was any indication of intentional management bias.

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Independent auditor's report continued

- We compared the outcome of the insurance contract liability measurement under IFRS 17 with the best estimate liability and risk margin under Solvency 2, using management's analysis and we assessed differences against our expectations for differences in measurement principles and assumptions.
- We assessed the appropriateness of quantitative and qualitative transitional disclosures included in Note 1 'Accounting Policies' of the 2023 annual accounts, against the requirements of the IFRS 17 standard.

Our observation

We consider the transitional impact from the initial application of IFRS 17 at transition date and related disclosures to be appropriate. Refer to Note 1 'Accounting Policies'.

2. Valuation of insurance contract liabilities for life Insurance contracts applying the General Measurement Model Approach

Description

Insurance contract liabilities (in short: insurance liabilities) amount to EUR 105.255 million as at 31 December 2023, or 91% of total liabilities. The valuation of insurance liabilities involves the use of cash flow models and methodologies and requires significant management judgement over assumptions.

Elements that give rise to a significant risk of error are the use of incorrect assumptions in estimating the fulfillment cash flows under the General Measurement Model. Key assumptions for the valuation of life insurance contracts relate to expenses, inflation, longevity and elements of the discount rate.

As referred to in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations' in this audit opinion, assumption setting inherently include the risk of fraud that management may influence assumptions to manage the outcome of calculations and measurements. For example, as management may feel the pressure to achieve certain key performance targets communicated internally and externally. We consider the most critical assumptions in this regard the longevity assumption and expense/inflation assumption for life insurance contracts. Given the financial significance, the level of judgement required and the inherent risk of fraud we considered the valuation of insurance contract liabilities for life insurance contracts applying the General Measurement Model Approach a key audit matter.

Our response

Our audit approach is a mixture of controls testing and substantive audit procedures. Our procedures over internal controls focused on testing of controls around assumption setting and internal review procedures performed by the actuarial functions. We also assessed the process for the internal validation and implementation of the models used for the valuation of the insurance liabilities.

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Independent auditor's report continued

With the assistance of our actuarial specialists, we performed the following substantive audit procedures:

- We assessed the appropriateness of assumptions used in the valuation of the insurance liabilities for all significant components by reference to company data as well as relevant market and industry data.
- We tested the appropriateness of the data used, assumptions and methodologies applied in the valuation of insurance contract liabilities.
- We assessed and tested the appropriateness of the discount rate and challenged the methodology used to determine the discount rate, including management's assessment of the last liquid point and the illiquidity premium of which the unexpected credit loss adjustment forms an integral part.
- We performed substantive analysis of developments in actuarial results and movements in provisions, the risk adjustment, CSM and other comprehensive income during the year and made corroborative inquiries with management and the Chief Actuary.
- For life insurance contracts, we also challenged and assessed:
  - The data used and expert judgment applied by management in determining the Covid-19 excess mortality impact on the level and trend of the longevity assumptions. This included a challenge on sensitivities around the management estimate to identify potential indicators of management bias of assumptions changes made. We also derived our own sensitivities based on publicly available mortality data and compared the outcome with management's estimate in order to identify potential indicators of management bias of assumptions changes made.
  - The appropriateness of management's estimate of expense cash flow projections for Life products, assessing the main assumptions underlying the expected wage cost development, inflation assumptions, future savings and the appropriateness of the allocation keys used to allocate expenses and determine the cost per policy.
  - Regarding expense inflation we reperformed management's regression analysis for estimating the impact of current inflation levels on long term inflation expectations for life insurance contracts. We challenged the modelling of 2022 and 2023 inflation data and expert judgment applied by management for outliers during these years using published authoritative available market data.

Our observation

We consider the valuation of the insurance contract liabilities measured using the General Measurement Model Approach to be appropriate. We refer to Note 11 'Insurance contracts' of the annual accounts. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud that are considered material for our audit.

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3. Unit-linked exposure

Description

Holders of unit-linked products sold in the Netherlands, or interest groups on their behalf, have filed claims or initiated legal proceedings against NN Leven and may continue to do so. A negative outcome of such claims and proceedings, settlements, or any other actions to the benefit of the customers by other insurers or sector-wide measures, may affect the (legal) position of NN Leven and could result in substantial financial losses for NN Leven as and when compensation would be required.

On 9 January 2024 NN announced that it has agreed on a settlement with all interest groups for an amount of approximately EUR 300 million. The settlement relates to unit-linked insurance products of customers affiliated with one of the interest groups. All legal proceedings will be discontinued and no new legal proceedings may be initiated by the interest groups and affiliated parties. Once all details relating to the execution of the settlement are finalised, customers will receive their individual proposal through their respective interest group. The agreement will be final once 90% of these customers agree with their proposal. NN expects this process to take until the end of 2024. To cover the settlement costs, a provision of approximately EUR 300 million was recognised in 2023. An additional provision of EUR 60 million was recognised for hardship cases and customers unaffiliated with one of the interest groups who have not previously received compensation.

Due to the significance and judgement that is required to assess the developments with respect to the unit linked exposure and the resultant accounting treatment we considered this a key audit matter.

Our response

- We inspected and assessed supporting legal documentation and discussed on a quarterly basis the evolving legal risks and proceedings with the legal counsel and its internal legal advisors.
- This assessment took into account the interim judgment dated 26 September 2023 of the Court of Appeal in The Hague in the collective proceedings initiated by Vereniging Woekerpolis.nl against Nationale-Nederlanden Levensverzekering Maatschappij N.V. and the outcome of unit linked related court activities of other insurers in the Netherlands during the year.
- We inspected and assessed the settlement agreement with the relevant interest groups dated 9 January 2024 and gained an understanding of the build-up and composition of the agreed settlement amount.
- We challenged management's assessment of the likelihood of a final settlement (90% hurdle for the interest groups) that supports management's recognition and measurement of the provision of EUR 300 million in 2023.
- We assessed and challenged the documentation prepared by management to support the recognition of the provision in 2023 for hardship cases and customers unaffiliated with one of the interest groups who have not previously received compensation

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- We assessed the unit-linked related disclosure in the annual accounts.

Our observation

We concur with the recognition and measurement of the provisions to cover the expected settlement costs of the unit linked exposure and consider the disclosure on provisions in Note 17 'Other liabilities' and Note 35 'Legal proceedings' to be appropriate.

4. Valuation of illiquid investments

Description

For illiquid (non-listed) investments quoted prices are not available and fair values are based on valuation techniques which often involve the exercise of judgement by management and the use of assumptions, estimates and valuation models. Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value. For these illiquid investments the estimation uncertainty can be high, especially due to increased market volatilities. This is mainly applicable to:

- mortgages held by the insurance entities, which following the implementation of IFRS 9 this year are measured at fair value through other comprehensive income;
- real estate investments; and
- private equity and private debt investments.

Given the financial significance and estimation uncertainties we considered the valuation of illiquid investments a key audit matter.

Our response

We assessed management's approach to the valuation of illiquid investments and performed the following procedures:

— We evaluated NN Leven' s processes and controls governing the valuation of non-listed investments.

— We inspected the supporting valuation documents prepared by management's internal and external valuation experts.

— KPMG valuation specialists assisted us in challenging the appropriateness of the models and methodologies used by management in calculating fair values of mortgages. We tested the source data used and assessed the appropriateness of critical valuation parameters. Our valuation specialists independently calculated whether the fair value for the mortgage portfolio as a whole as determined by management is within the acceptable fair value range.

— We involved our real estate valuation specialists in the substantive audit procedures of selected real estate investments. We evaluated the objectivity, independence and professional competence of external valuators engaged by management. We inspected the valuation reports obtained, tested the source data used and the calculations made and challenged significant assumptions such as the gross initial yield/discount rate and estimated rental values.

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Independent auditor's report continued

KPMG

We assessed the assumptions used against available market data and object specific underlying characteristics such as occupancy rates and contract renewals.

- We tested and challenged management's valuation of private equity and private debt investments by critically reviewing the minutes of the meetings of management with the external fund managers, we tested the timeliness of such meetings and performed back testing procedures to determine the reliability of the fair value estimates provided by the external fund managers. We compared the movements in the valuations for the period with available external market data and performed back testing on the prior year estimates, e.g., by reconciliation of valuations to annual accounts of investments or comparison to sales results.
- We assessed the disclosures in the annual accounts.

Our observation

We consider the fair value of illiquid investments to be appropriate. We observed that valuation uncertainties in real estate investments remained significant in 2023 due to the limited number of relevant market transactions to support the estimated yield levels that are used for valuation purposes. We refer to Note 27 'Fair value of non-financial assets' of the annual accounts in which the real estate valuation uncertainties are disclosed.

Report on the other information included in the annual report

In addition to the annual accounts and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

is consistent with the annual accounts and does not contain material misstatements; and

contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual accounts or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the annual accounts.

The Management Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of NN Leven, on 28 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year. We were reappointed by the General Meeting of Shareholders on 19 May 2022 to continue to serve the Group as its external auditor for the financial years 2023-2025.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the annual accounts

Responsibilities of the Management Board and the Supervisory Board for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error. In that respect the Management Board under supervision of the Supervisory Board is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the annual accounts, the Management Board is responsible for assessing NN Leven's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the annual accounts using the going concern basis of accounting unless the Management Board either intends to liquidate NN Leven or to cease operations or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the NN Leven's ability to continue as a going concern in the annual accounts. The Supervisory Board is responsible for overseeing NN Leven's financial reporting process.

Our responsibilities for the audit of the annual accounts

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the annual accounts is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl) This description forms part of our auditor's report.

Amstelveen, 5 April 2024

KPMG Accountants N.V.

F.M. van den Wildenberg RA

Appropriation of result and other information

Appropriation of result

The result is appropriated pursuant to article 21 of the articles of association of NN Leven, the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting having heard the advice of the Management Board and the Supervisory Board. Reference is made to Note 10 'Equity' of the Consolidated annual accounts for the proposed appropriation of result. It is proposed to add the 2023 net result of EUR 699 million to the 'Other reserves.

Other information

NN Leven has a branch office (NN Životní pojišťovna N.V., pobočka pro Českou republiku) which is located in the Czech Republic. NN Životní pojišťovna N.V., pobočka pro Českou republiku, as a foreign branch of NN Leven, is part of NN Leven, and therefore all liabilities of NN Životní pojišťovna N.V are integral part of the liabilities of NN Leven. All insurance activities from NN Životní pojišťovna N.V. are reinsured to NN Re, without any consequences for the policyholders of NN Životní pojišťovna N.V.

Contact us

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Nationale-Nederlanden Levensverzekering Maatschappij N.V. is part of NN Group N.V.

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