

2023

Solvency and Financial Condition Report

Nationale-Nederlanden Levensverzekering Maatschappij N.V.



Content Solvency II

Solvency and Financial Condition Report

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Summary

Summary

NN Leven's approach to the Solvency and Financial Condition Report

This Solvency and Financial Condition Report ('SFCR') provides public quantitative and qualitative disclosures for Nationale-Nederlanden Levensverzekering Maatschappij N.V. ('NN Leven') on Solvency II as required by the Solvency II legislation. NN Leven already discloses most of the information that is required to be included in the SFCR in its 2023 Annual Report ('Annual Report'). In order to ensure the most transparent and user-friendly approach, the information that is already included in the Annual Report is not duplicated in this SFCR. Therefore, this SFCR is prepared as a supplement to NN Leven's Annual Report. It includes all information required to be disclosed in the SFCR, either through a specific reference to the Annual Report or as supplemental information.

As required by the Delegated Regulation (EU) 2015/35/Annex XX "Structure of the Solvency and Financial Condition Report and Regular Supervisory Report", this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 and 2019/981 chapter XII Public Disclosures (articles 292-298) and 'Guidelines on reporting and public disclosure' (EIOPA-BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority ('EIOPA').

NN Leven is required to submit the so-called Quantitative Reporting Templates ('QRTs') to its supervisor Dutch Central Bank ('DNB'). A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2023, are included in the appendix to this SFCR.

The amounts disclosed in this SFCR are consistent with the amounts in the Annual Report, in millions of euros unless stated otherwise. To comply with the Solvency II legislation, the amounts in the QRTs are in thousands of euros.

The Solvency ratio, as well as the amounts disclosed in this SFCR, are not final until filed with the regulators.

Chapter A 'Business and performance' describes the overall business profile and structure of NN Leven. It also provides insight into the underwriting and investment performance of NN Leven. Chapter B 'System of governance' explains the organisational governance structure and looks into the role and execution of key Solvency II functions. Chapter C 'Risk profile' analyses NN Leven's exposure to financial and non-financial risks and explains the risk mitigation techniques in place. Chapter D 'Valuation for group solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and International Financial Reporting Standards ('IFRS'). Chapter E 'Capital management' discusses the composition of Available and Eligible Own Funds and the calculation of the Solvency Capital Requirement ('SCR').

Material changes and events in 2023

During 2023, the following material events and transactions took place:

- On 31 March 2023, the notarial deed of the legal merger between NN Leven and ABN AMRO Levensverzekering B.V. ('AAL') was executed. As a result, 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 this same date.
- 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 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
- On 9 January 2024, NN Group 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
- At the end of December 2023, NN Group decided to inject EUR 1 billion into NN Leven

Eligible Own Funds

Solvency II requires to hold Eligible Own Funds for covering the Solvency Capital Requirement. The Eligible Own Funds are classified in three tiers depending on whether the own fund items are available to absorb losses on a going concern basis and/ or in the case of winding-up as prescribed in the Solvency II legislation. Tier 1 Own Funds items are the highest grade capital and Tier 3 Own Funds are the lowest grade capital.

Summary continued

Eligible Own Funds

In EUR million	2023	2022
Tier 1 (restricted and unrestricted)	8,309	8,341
Tier 2	1,116	1,082
Tier 3	780	804
Total Eligible Own Funds	10,205	10,227

Eligible Own Funds decreased by EUR 22 million, from EUR 10,227 million at 31 December 2022 to EUR 10,205 million at 31 December 2023.

The impact from adverse market movements, dividends paid and the unit-linked settlement were largely offset by operating capital generation, the capital injection from NN Group and the positive impact of the longevity reinsurance transactions.

Solvency Capital Requirement

The Solvency Capital Requirement is based on NN Leven's 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.

Solvency Capital Requirement

In EUR million	2023	2022
Market Risk	5,237	5,340
Counterparty Default Risk	31	58
Non-market risk	2,652	3,217
Market / Non-market risk diversification	-1,832	-2,109
Partial Internal Model BSCR	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
Total Solvency Capital Requirement	5,198	5,356

The overall market risk SCR decreased from EUR 5,340 million in 2022 to EUR 5,237 million in 2023; this change can be attributed to lower equity- and real estate risk, higher market risk diversification benefit, partly offset by higher credit spread and interest rate risk. The non-market risk SCR decreased from EUR 3,217 million in 2022 to EUR 2,652 million in 2023, mainly due to 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%. The decrease is driven by a lower effective tax rate. This is a result of decreased market risk diversification (32% in 2023 compared to 33% in 2022) leading to higher tax-exempt SCR. LAC DT has also decreased in absolute value because of 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.

NN Leven's Solvency II ratio

The following table presents the solvency ratio of NN Leven at year-end 2023 compared to year-end 2022.

Solvency ratio

In EUR million	2023	2022
Eligible Own Funds (EOF)	10,205	10,227
Minimum Capital Requirement (MCR)	2,202	2,077
Solvency Capital Requirement (SCR)	5,198	5,356
Surplus	5,007	4,871
Ratio (%) (EOF/SCR)	196%	191%

NN Leven was adequately capitalised at year-end 2023. The Solvency II ratio of NN Leven increased from 191% to 196%. The positive impact from operating capital generation, the longevity reinsurance transactions and the capital injection from NN Group was partly offset by adverse market movements, dividends paid, and the unit-linked settlement.

Impact of long term guarantees and transitional measures

The quantification of the impact of changing the volatility adjustment to zero, the transitional measures on technical provisions and the transitional measures on interest rates on NN Leven's Solvency capital ratio – represented by an adjustment on the amount of technical provisions, the SCR, the Basic Own Funds and the Eligible Own Funds are included in the paragraph 'Matching and volatility adjustment, transitional measures and transitional risk-free interest rate term structure' in Section D.2 of this SFCR and QRT S.22.01.01 'Impact of long term guarantees and transitional measures' in the Appendix.

Business and performance

A. Business and performance

Introduction

This chapter of the SFCR contains general information on NN Leven, a simplified organisational structure and NN Leven's financial performance over 2023.

A.1 Business

General

Reference is made to the section 'Corporate Governance' of the 2023 Annual Report of NN Leven for the legal form of NN Leven and NN Leven's position within the legal structure of NN Group.

The supervisory authority responsible for financial supervision of NN Leven:

Dutch Central Bank
Spaklerweg 4
1096 BA Amsterdam
The Netherlands

The contact details of NN Leven's external auditor are:

KPMG Accountants. N.V.
F.M. van den Wildenberg RA
Laan van Langerhuize 1
1186 DS Amstelveen
The Netherlands

Information on the appointment of the external auditor is included in the section 'Corporate governance' in the 2023 Annual Report of NN Leven.

Qualifying holdings

A 'qualifying' holding is a direct or indirect holding in NN Leven which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

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 Eurasia'). NN Eurasia is fully owned by NN Group.

As at 31 December 2023, there were no holders of qualifying holdings in NN Group.

Material lines of business and related undertakings

Reference is made to Note 24 'Principal subsidiaries and geographical information' in the 2023 Annual Report of NN Leven for more information about the principal subsidiaries and undertakings and geographical areas.

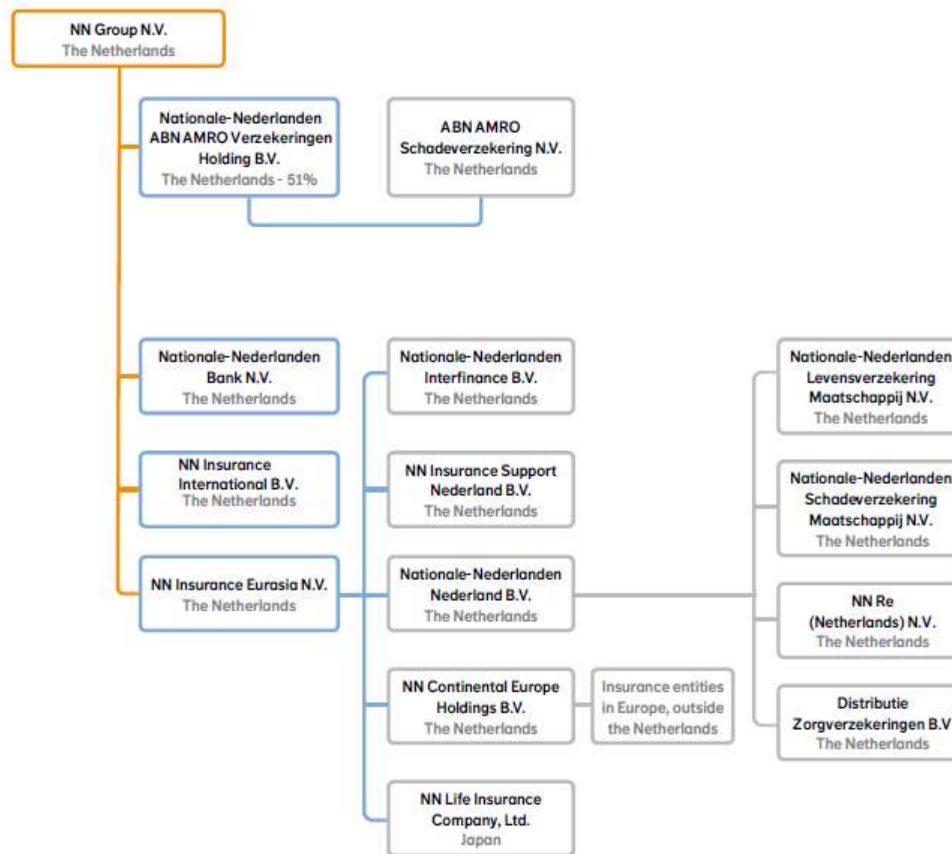
For information on any significant business events or other events that have occurred over the reporting period, reference is made to the Financial developments section in the 2023 Annual Report of NN Leven.

Reference is made to Note 36 'Companies acquired and legal mergers' for the merger with AAL in the 2023 Annual Report of NN Leven and a description of the legal structure of NN Leven. Reference is made to the section 'Corporate Governance' of the 2023 Annual Report of NN Leven for information on the governance and organisational structure of NN Leven.

Business and performance continued

Simplified group structure

The simplified group structure as at 31 December 2023 is as follows:



A.2 Underwriting Performance

For the underwriting performance of Solvency II, reference is made to QRT S.05.01.02 'Premiums, claims and expenses by line of business' and QRT S.05.02.01 'Premiums, claims and expenses by country' in the Appendix.

A.3 Investment Performance

NN Leven's operating result is analysed through a margin analysis, which includes the investment margin (investment performance), fees and premium-based revenues and the technical margin (underwriting performance). For information on underwriting and investment performance per material line of business, reference is made to the Financial developments section in the 2023 Annual Report.

Further reference is made to Note 20 'Investment result' in the 2023 Annual Report of NN Leven for information on income and expenses arising from investments by asset class and the components of such income and expenses.

Gains and losses on investments recognised directly in equity are disclosed in Note 10 'Equity'- revaluation reserve and in the Consolidated statement of comprehensive income in the 2023 Annual Report of NN Leven.

A.4 Performance of other activities

Other material income and expenses incurred over 2023 are disclosed in notes 18-28 and the 'Financial developments' section in the 2023 Annual Report of NN Leven. Leasing arrangements are included in Note 23 'Non-attributable operating expenses'. Future rental commitments are disclosed in Note 34 'Contingent liabilities and commitments' in the 2023 Annual Report of NN Leven.

A.5 Any other information

Reference is made to Financial development section in the 2023 Annual Report of NN Leven for any other material information regarding the business and performance of NN Leven.

System of governance

B. System of governance

Introduction

This chapter of the SFCR contains information on the system of the governance of NN Leven in addition to governance information included in the 2023 Annual Report of NN Leven. The additional information includes relevant committees of the Management Board, a description of the main roles and responsibilities of the Key Functions and NN Leven’s approach to the ‘fit and proper’ requirements and Own Risk and Solvency Assessment.

B.1 General information on the system of governance

This chapter describes the structure of the committees, and explains the responsibilities, members and interdependencies of each committee. This chapter also sets out the governance and control framework effective in 2023.

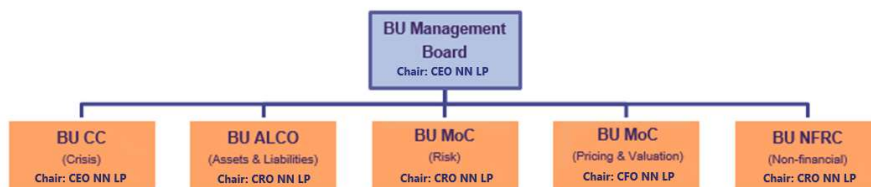
Structure of governance and changes in system of governance

For a description of the structure of NN Group’s administrative, management and supervisory body, reference is made to the Corporate Governance section and the Report of the Supervisory Board, both included in the NN Group 2023 Annual Report and to the NN Group website: <https://www.nn-group.com/our-company/Corporate-governance.htm>. These sources also describe the main roles and responsibilities of these bodies, provide a brief description of the segregation of responsibilities within these bodies and describe their relevant committees.

Management Board committees

The Management Board (hereafter ‘MB’) of NN Leven is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective. The MB, or its (sub) committees, approves all risk management policies as well as the quantitative and qualitative elements of NN Leven’s risk appetite. The MB reports and discusses these topics with the Supervisory Board, on a regular basis. While the MB retains responsibility for risk management, it has delegated certain responsibilities to committees which are responsible for day-to-day risk and finance related management decision-making, processes and controls. The following committees are in place: the Crisis Committee, the Asset & Liability Committee, the Model Committees and the Non-Financial Risk Committees.

The respective charters of each committee explain the responsibilities, memberships(s) and interdependencies of each committee.



Crisis Committee

The main scope and responsibility of the Crisis Committee (‘CC’) is handling both financial and non-financial crisis situations. The Crisis Committee meets on an ad-hoc basis. The Crisis Committee is chaired by the Chief Executive Officer (‘CEO’) of NN Leven.

Asset and Liability Committee

The NN Leven Asset and Liability Committee (‘ALCO’) oversees the activities and market risks related to investments and the matching of assets and liabilities at NN Leven level. The NN Leven ALCO has decision making authorities that are allocated from the NN Leven MB. Investment decisions are taken by the ALCO. The Strategic Asset Allocation and the interest rate risk policy must be approved by the NN Group ALCO. The NN Leven ALCO and/or MB remain responsible for these decisions. For this reason the NN Group ALCO can only approve or decline proposals and request amendments. The NN Leven ALCO and MB are required to inform the NN Group ALCO about any deviations from the requested amendments including a justification of their decision. The NN Leven ALCO is chaired by the Chief Risk Officer (‘CRO’) of NN Leven. A separate ALCO exists for defined contribution (DC) matters, overseeing the investment policy of DC lifecycle products.

Model Committee

The main responsibility of the Model Committee (‘MoC’) concerns the approval of new (material) models, material model and assumption changes and, in general, the governance on the model implementation.

Non-Financial Risk Committee

The main responsibility of the Non-Financial Risk Committee (‘NFRC’) is monitoring the policy and management of business-related non-financial risks and the effectiveness of the management measures chosen, as well as the reporting on them. The NFRC is chaired by the Chief Risk Officer (‘CRO’) of NN Leven.

Authority, resources and operational independence of key functions

The key functions are positioned independently from the business (2nd and 3rd line). These functions have, including but not limited to, strong hiring, career development and succession planning, appraisal as well as termination of employment rights to ensure adequate resources, and to allow them to act independently and with authority. The sections below further describe how the key functions have the necessary authority, resources and operational independence to carry out their tasks and how they report to and advise the NN Leven MB.

Roles and responsibilities of key functions

NN Leven has organised its Solvency II key functions (the Risk Management Function, the Actuarial Function, the Compliance Function and the Internal Audit Function) in accordance with the applicable Solvency II regulations. All Solvency II key function holders within NN Leven have passed the applicable fit and proper test. All the Solvency II key functions are able to carry out their duties objectively and free from undue

System of governance continued

influence, and do not simultaneously perform conflicting activities. They all have been given an appropriate standing in the organisation and can report relevant findings directly to the MB.

For more information on the roles and responsibilities of the key functions, reference is made to the sections B.3 (Risk management system), B.4 (Internal control system and compliance function), B.5 (Internal audit function) and B.6 (Actuarial function) in this report.

Remuneration

Reference is made to Note 23 'Non-attributable operating expenses' and Note 39 'Key management personnel compensation' as disclosed in the 2023 Annual Report of NN Leven for information on the remuneration policy and practices regarding administrative, management and supervisory bodies and employees.

Transactions with related parties

Reference is made to Note 38 'Related parties' and Note 39 'Key management personnel compensation' in the 2023 Annual Report of NN Leven for information about material transactions during the reporting period. Section B.7 in this SFCR contains more information on intra-group outsourcing arrangements. Transactions with people who exercise a significant influence on NN Leven and with members of the Management Board and Supervisory Board are disclosed in Note 39 'Key management personnel compensation' in the 2023 Annual Report of NN Leven.

Adequacy of system of governance

A description of the main characteristics of the system of governance and risk management and control systems of NN Leven is disclosed in Note 41 'Risk management' in the 2023 Annual Report of NN Leven. NN Leven's system of governance consist of among others our risk management and internal control system which is aligned with the nature, scale and complexity of our organisation. Elements of NN Leven's system of governance are regularly reviewed, and adapted when necessary, to ensure the system of governance is appropriate for our organisation.

Consistent use of risk management, internal control systems and reporting procedures

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven for a description of how the risk management and internal control systems and reporting procedures are implemented consistently throughout NN Leven.

B.2 Fit and proper requirements

A description of NN Leven's specific requirements concerning skills, knowledge and expertise applicable to the persons who manage NN Leven, is included in article 4 of the Management Board Regulations of NN Leven. Requirements concerning skills, knowledge and expertise applicable to people who have other key functions, are included in the respective job profiles.

NN Leven's process for assessing the fit and proper quality of the people who effectively run NN Leven, is included in the Management Board Regulations of NN Leven and the Charter of the Supervisory Board of NN Leven. According to article 1.6 of the Supervisory Board Charter of NN Leven, the Supervisory Board shall meet at least once a year without the Management Board in attendance to discuss its own performance, the performance of the separate committees (if any have been set up) and of its individual members, and the conclusions that should be drawn. The desired profile, composition and competence of the Supervisory Board must also be discussed. Also, according to the Supervisory Board Charter (article 1.8) the Supervisory Board shall meet at least once a year without the Management Board in attendance to discuss the performance of the Management Board, as both an Insurer body and in terms of its individual members, and the conclusions that should be drawn. As in previous years, permanent education sessions were organised for the Management Board and the Supervisory Board of NN Leven.

Various NN Group policies and charters include provisions aiming to ensure that the people who effectively manage NN Leven and the people fulfilling key functions are fit and proper. During recruitment all candidates must have the professional qualifications, knowledge and experience that are required for sound and prudent management ('fit') and be of good reputation and have integrity ('proper'). In an early stage of the hiring process and preferably at the time a position has become vacant, an approval request is put forward to the external regulator (DNB or AFM).

All people holding key functions are assessed against their performance objectives, leadership behaviours and any other requirements from their job profiles during the annual performance cycle and specifically during the year-end appraisal.

B.3 Risk management system including the own risk and solvency assessment

Description of NN Leven's risk management system

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven for:

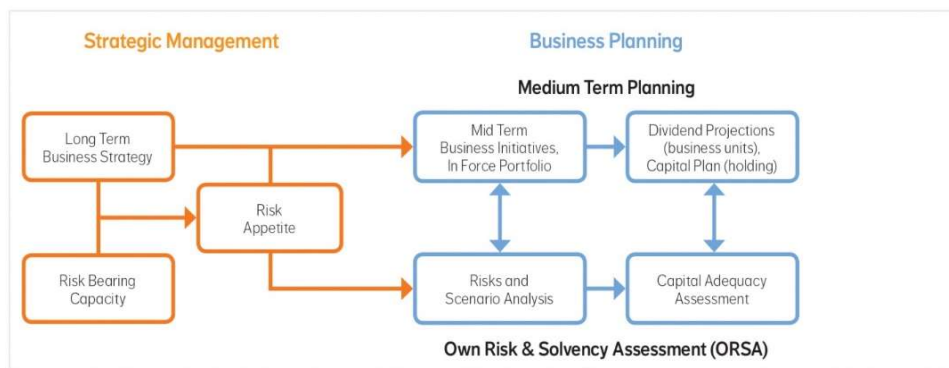
- A description of the risk management system which comprises strategies, processes and reporting procedures
- How NN Leven is able to effectively identify, assess, monitor, manage, and report, on a continuous basis and
- The risks to which NN Leven is or could be exposed on an individual and aggregated level

In the same note, a description is included on how the risk management system including the risk management function are implemented and integrated into the organisational structure and decision-making processes of NN Leven.

The regular ORSA process as undertaken within NN Leven

The ORSA is linked to the strategic management and business planning processes as illustrated below:

System of governance continued



Capital plan and projections

The strategy is further translated into a Capital Plan. The capital planning process starts with the annual budgeting process in which a capital plan is prepared for NN Leven with a time horizon of 5 years. The Capital Plan is based on current expectations including macroeconomic assumptions. The base-case and projected technical provisions are reviewed by the Actuarial Function to assess whether they represent a true and fair view of future liabilities. Second line risk reviews the capital plans. The Actuarial Function also provides input concerning the risks arising from the calculation of technical provisions.

Capital adequacy is ensured through the capital planning process and further analysed using the 1-in-20 year scenarios and specific stress scenarios that might change from time to time. In the ORSA process, the capital plan is used as the basis to further assess a wide range of scenarios during the business plan period.

Strategy and risk appetite

A thorough (re-)assessment of strategy is usually done once every 3-5 years, or when material developments in the (external or internal) environment require to do so. Yearly assessments are made in the first half of the year whether to adjust the strategy for developments in the past year and/or revised assumptions for the future. Setting (and adjusting) the risk appetite is inextricably part of strategy setting (and adjusting).

Risk Assessment

Key to the ORSA is the identification of potentially solvency threatening risks by the MB of NN Leven, given the strategy and risk appetite. For both modelled and non-modelled risks, we apply stress testing, including scenario analysis, to understand and quantify the impact on our consolidated balance sheet.

Appropriateness test of regulatory capital calculation

The assumptions and models for calculating regulatory solvency requirements are assessed against the actual risk profile. Differences are analysed in terms of future model improvements and/or non-modelled risks. The outcome of the analysis may lead to mitigating actions to overcome model shortcomings. If the deviations or uncertainties are considered material, quantification of the deviation is necessary in order to consider a (temporary) self-imposed capital add-on.

Stress testing and overall assessment of capital adequacy

Based on the Business Plan and the outcomes of the strategic risk assessment, (reverse) stress scenarios and their parameters are developed and documented. The MB is responsible for identifying the key uncertainties and the related scenarios.

Scenario testing, as well as (reverse) stress testing is required for each ORSA. When the outcomes of performed stress tests show Solvency II ratios are dropping below 100%, realistic strategies for recovering the Solvency II ratio will be considered and documented in the ORSA report. The Preparatory Crisis Plan lists a comprehensive overview of potential management actions available to strengthen our capital position. A capital downstream can only be considered if there is no other feasible management option left. Ultimately, after the assessments and considerations (including formulated management actions) the ORSA is to conclude whether, going forward, NN Leven is adequately capitalised under a wide range of scenarios over the planning horizon.

Governance of NN Leven's Partial Internal Model

For the model governance and validation process, reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven.

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 the roles and responsibilities of Model Validation in the governance of the Partial Internal Model, reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven.

B.4 The Internal control system and compliance function

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven, section 'Risk governance' which describes the activities of the Compliance Function as well as the sections 'Risk control cycle' and 'Risk profile/Non-financial risks' which provide a description of compliance aspects of the risk management system.

System of governance continued

B.5 Internal audit function

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven, section 'Risk governance' which describes the activities of the Internal Audit Function.

B.6 Actuarial function

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven, section 'Risk governance' which describes the activities of the Actuarial Function.

B.7 Outsourcing

External Outsourcing arrangements

NN Leven has outsourced part of its operational and IT processes to external service providers. In the normal course of business, NN Leven enters into various outsourcing arrangements 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. Related parties of NN Leven include, amongst others, its associates, shared service centres, joint ventures, key management personnel and the defined benefit and contribution plans. NN Leven has internal policies ensuring that a formal written agreement is in place with the service provider, covering the relevant business and financial risks. NN Leven has implemented improvements which are closely monitored by the management of NN Leven to ensure maintaining adequate control over outsourcing activities. There are no significant provisions recognised for doubtful debts or individually significant bad debt expenses on outstanding balances with these providers.

For these external outsourcing arrangements written service level agreements are in place, setting out:

- The mutual rights and obligations of the parties
- The duties and responsibilities of all parties involved
- The Service Provider's commitment to comply with applicable local laws and regulatory requirements, applicable to the outsourced function or activity and to cooperate with the Outsourcing Entity's relevant supervisory authority with regard to the outsourced function or activity
- The Service Provider's obligation to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements
- That the Service Provider and the Outsourcing Entity can only terminate the contract with a notice period
- That the Outsourcing Entity is able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to the policyholder and other clients
- That the Outsourcing Entity reserves the right to be informed about the outsourced functions and activities and their performance by the Service Provider as well as a right to issue general guidelines and individual instructions at the address of the Service Provider, as to what has to be taken into account when performing the outsourced functions or activities

Intra-group Outsourcing arrangements

In the normal course of business, NN Leven enters into various transactions with entities within the consolidated Group. Transactions with entities within the consolidated Group take place on an arm's length basis and include distribution agreements, human resources-related arrangements and rendering and receiving of services.

All intra-group transactions are conducted under market-consistent conditions. Intra-group outsourcing arrangements include:

- Facility services carried out by group companies for insurance and other entities
- Various other shared services, including finance and information technology
- Staff of NN Leven is 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 salaries, they do have the character of staff expenses and they are therefore recognized as such. A staff provision for holiday entitlement and bonuses is recognised at NN Personeel B.V.. Actual spending is charged as per the contract with NN Personeel B.V.
- Transactions between NN Group and its Dutch subsidiaries concerning the payment of tax, as NN Group heads the fiscal unity in the Netherlands
- The transactions in financial instruments, such as shares, bonds, loans (excluding mortgage loans) and derivatives, are conducted via external asset managers, where the majority of the assets are managed by Goldman Sachs Group. Goldman Sachs Group makes use of Nationale-Nederlanden Interfinance B.V. for the execution of the transactions involving certain derivatives
- Nationale-Nederlanden Bank N.V. is the servicing and originating partner for mortgage loans held by NN Leven

For material intra-group outsourcing arrangements, a written service level agreement is in place, similar to the one used for external service providers.

B.8 Any other information

Reference is made to the Corporate Governance section in the 2023 Annual report of NN Leven and the NN Group website:

<https://www.nn-group.com/our-company/Corporate-governance.htm> for other information regarding the system of governance of NN Leven and NN Group.

Risk profile

C. Risk Profile

Introduction

This chapter of the SFCR contains information on the risk profile of NN Leven and information on the ‘prudent person principle’ used when investing.

Risk profile per risk category

Reference is made to Note 41 ‘Risk management’ in the 2023 Annual Report of NN Leven for quantitative and qualitative information on the risk profile per risk category. The following risk categories have been disclosed:

C.1 Non-market risk (Underwriting risk)

Non-market risk is disclosed as insurance risk and business risk in Note 41 ‘Risk management’ in the 2023 Annual Report of NN Leven.

C.2 Market risk

Market risk is disclosed in Note 41 ‘Risk management’ in the 2023 Annual Report of NN Leven.

C.3 Counterparty Default risk (Credit risk)

Counterparty Default risk is disclosed in Note 41 ‘Risk management’ in the 2023 Annual Report of NN Leven.

C.4 Liquidity risk

NN Leven identifies two related liquidity risks: funding liquidity risks and market liquidity risks. These risks are disclosed in Note 41 ‘Risk management’ in the 2023 Annual Report of NN Leven.

C.5 Operational risk

For operational risk NN Leven has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting operational risks. Operational risk is disclosed in Note 41 ‘Risk management’ in the 2023 Annual Report of NN Leven.

C.6 Other material risks

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. An important topic that receives significant attention are risks related to ESG matters, including climate change. For more details reference is made to Note 41 ‘Risk Management’ in the 2023 Annual Report of NN Leven.

Business conduct, people conduct and product suitability risk

Business conduct and people conduct risks are non-financial risks 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. For more details reference is made to Note 41 ‘Risk Management’ in the 2023 Annual Report of NN Leven.

Concentration risks

NN Leven does not have an appetite for risk concentration and manages concentration risk with a limit structure. More information on the mitigation of several types of concentration risk is included in Note 41 ‘Risk Management’ in the 2023 Annual Report of NN Leven.

Investing assets in accordance with the ‘Prudent person principle’

Acceptable investments

NN Group and its subsidiaries (NN Leven among these) complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. NN Group maintains a Global Asset List, which contains all asset classes in which NN Group and its subsidiaries are allowed to invest. Before an asset class is approved for this list, a specific assessment, called ‘New Asset Class Assessment’ (‘NACA’) must be followed.

The NACA should describe all relevant considerations on return, risk and operational consequences that are relevant to the decision whether a Business Unit of NN Group should invest in the proposed investment class.

The NACA request does not describe a specific transaction but is a proposal for the potential investment in an investment class.

The NACA should nevertheless address the quantitative impact of potential future investments and include proposed portfolio limits for the product. This should always be in line with NN Group internal policies as well as external constraints (such as regulatory limits).

Governance of investments

Within the Three Lines-of-Defence model, investments are managed in the first line, where the management is outsourced to a dedicated Central Investment Office, reporting directly to the CEO of NN Group. Within NN Leven the second line function Financial Risk Management reports to the CRO of NN Leven. Investment office, the Balance Sheet Management function within Finance and the CRO meet regularly in the NN Leven Asset & Liability Management Committee (ALCO), and in the Group ALCO for the most material issues. Operational activities regarding investments are performed by Goldman Sachs Group or third parties, which also provide advice on proposed or current investments.

Risk profile continued

All investments related activities are performed within the boundaries as set by NN Group. These include among others the following:

- Asset Class Standard
- Asset Liability Management policy
- Strategic Asset Allocation Standard
- Concentration Risk Standard
- Financial Regulations Standard
- Interest Rate Risk Management Standard
- Investment Management Policy
- Investment Mandate Standard
- Liquidity Risk Management Standard
- Responsible Investment framework policy

Chief Investment Officer

Based on market views, NN Leven requirements and input from its assets managers, the Chief Investment Officer, will:

- Propose Investment Strategies for NN Leven
- Prepare proposals for mandates and for delegated approval levels for the Asset Managers
- Prepare Performance Measurement Guidelines of all investment decisions taken under the delegated approval authorities

Asset & Liability Management Committee

The main responsibility of the ALCO is the oversight of risks related to the matching of assets and liabilities (Asset & Liability Management) and the consequences for the balance sheets and P&L of NN Leven. It includes risks related to the prevailing market circumstances and the possible adverse consequences for NN Leven. The ALCO also monitors and advises on insurance and business risks that can impact the balance sheet or P&L. The ALCO operates within the delegated authority of the Board of NN Leven.

NN Leven ALCO monitors investment performance and decides on investment strategy, investment mandates as well as investment proposals within risk limits as set by the ALCO at NN Group.

Sensitivity analysis

Reference is made to Note 41 'Risk Management' in the 2023 Consolidated annual accounts of NN Leven for a description of the methods used, the assumptions made and the outcome of a sensitivity analysis for material risks and events presented by the amount of the SCR and a breakdown by risk categories.

Risk exposure from off-balance sheet positions and transfer of risk to special purpose vehicles

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven regarding the risk exposure of NN Leven, including the exposure arising from off-balance sheet positions and describing the measures used to assess these risks. Reference is made to the 2023 Annual Review ('Our Risk Profile') for the Material risks that that NN Leven is exposed to.

As at 31 December 2023, no material risks were transferred to special purpose vehicles outside the consolidation scope of NN Leven. For the risks transferred to consolidated special purpose vehicles, reference is made to Note 37 'Structured entities' in the 2023 Annual Report of NN Leven.

C.7 Any other information relevant to the risk profile of NN Leven

Techniques used for mitigation of risks

Reference is made to Note 41 'Risk management' in the 2023 Annual Report of NN Leven for a description of the techniques used for mitigating risks and the processes for monitoring the continued effectiveness of these risk mitigation technique.

Valuation for Solvency purposes

D. Valuation for Solvency purposes

Introduction

This chapter contains information on the valuation for solvency purposes of consolidated assets, insurance liabilities and other liabilities of NN Leven and explains the differences with the valuations in the 2023 Annual Report of NN Leven.

Reconciliation IFRS Balance sheet to Solvency II Balance sheet

As at 31 December 2023 in EUR million	IFRS Consolidated	Consolidation Scope	Presentation differences	Valuation differences	Solvency II
Assets					
Cash and cash equivalents	3,920	-243	1	0	3,678
Investments at fair value through OCI	75,349	-680	700	5	75,374
Investments at cost	124	10	6	0	140
Investments at fair value through profit or loss	35,905	-5,076	-78	2	30,753
Investments in real estate	2,620	-2,533	0	0	87
Investments in associates and joint ventures	6,079	6,101	0	0	12,180
Derivatives	2,342	-8	157	0	2,491
Reinsurance contracts	118	0	-206	439	351
Property and equipment	57	-25	0	0	32
Deferred Tax Assets	38	-38	424	1,054	1,478
Other assets	4,645	-119	-873	-30	3,623
Total assets	131,197	-2,611	131	1,470	130,187
Equity					
Shareholders' equity (parent)	12,086	0	0	-3,044	9,042
Minority interests	2,028	-2,028	0	0	0
Undated subordinated notes	800	0	-800	0	0
Total equity	14,914	-2,028	-800	-3,044	9,042
Liabilities					
Insurance and investment contracts	106,180	0	-654	3,448	108,974
Subordinated debt	1,100	0	834	-39	1,895
Other borrowed funds	2,511	-4	0	0	2,507
Derivatives	3,744	-3	64	0	3,805
Deferred Tax Liabilities	0	-302	424	-25	97
Other liabilities	2,749	-274	263	1,130	3,868
Total liabilities	116,284	-583	931	4,514	121,146
Total equity and liabilities	131,197	-2,611	131	1,470	130,187

Reference is made to the 2023 Annual Report of NN Leven for more detailed information on the IFRS Balance sheet and to Note 1 'Accounting policies' for more details on the adoption of IFRS 9 and IFRS 17. Reference is made to QRT S.02.01.02 'Balance sheet' in the Appendix for the full Solvency II Balance sheet.

The values in these tables may differ from those included in Note 41 'Risk Management' in the 2023 Annual Report of NN Leven. These differences are due to classification and valuation differences which reflect a risk management view.

For Solvency II reporting, Principal subsidiaries are not consolidated line-by-line while they are consolidated for IFRS reporting. The impact from this difference is reflected above in the column 'Consolidation scope'.

The valuation and presentation differences between IFRS and Solvency II, resulting from differences in accounting principles and methods are explained in the sections below. For items where no valuation differences occur, reference is made to Note 1 'Accounting policies', Note 26 'Fair value of financial assets and liabilities' and Note 27 'Fair value of non-financial assets' in the 2023 Annual Report of NN Leven. Which include a description of the bases, methods and main assumptions used for their valuation.

At 31 December 2023, the valuation and presentation differences between the insurance and investment contracts recognised in the IFRS balance sheet and the technical provisions recognised in the Solvency II balance sheet of NN Leven amounted to EUR 2,794 million. Methods and models used in calculating the Solvency II technical provisions and the IFRS insurance liabilities differ substantially. The main valuation differences between IFRS and Solvency II are outlined below:

Valuation for Solvency purposes continued

- Different valuation rates are used to calculate the balance sheet value of insurance and investment contracts under IFRS and Solvency II
- For Solvency II the actual risk-free interest rate curve as published by EIOPA, including Volatility Adjustment (VOLA) is used. NN Leven does not apply a matching adjustment
- For IFRS the IFRS17 curve is used, including a illiquidity premium and a long-term forward rate (LTFR). The last liquid point in the extrapolation to the LTFR is at 30 years, where the Solvency II last liquid point is at 20 years
- Under IFRS 17 only directly attributable expenses are provisioned for
- Solvency II valuation of technical provisions includes a risk margin, whereas IFRS17 includes a risk adjustment. The two represent conceptually similar allowances for risk, however, due to differences in parameters and methodology the amounts are substantially different from each other
- IFRS includes a contractual service margin (CSM) in the insurance liability, while there is no equivalent in Solvency II. This represents the expected future profits to be recognised over the (remaining) lifetime of insurance contracts. In Solvency II any expected profit is recognised immediately in own funds when initially recognising the insurance contract

Details of valuation, presentation and consolidation differences are included in Section D.1- D.3 below.

D.1 Assets

Accounting principles, methods and main assumptions used

In general, Solvency II valuation requires a market consistent approach to the valuation of assets and liabilities. The default reference framework for valuing assets and liabilities is IFRS as endorsed by the European Union ('IFRS-EU'). As of this reporting period, the IFRS balance sheet is based on IFRS 9 and IFRS 17. For main assumptions used in determining fair value of assets and liabilities, reference is made to Note 26 'Fair value of financial assets and liabilities' and to Note 27 'Fair value of non-financial assets' in the 2023 Annual Report of NN Leven.

Cash and cash equivalents

In the IFRS balance sheet, cash and cash equivalents are reported at the notional amount. In the Solvency II balance sheet, cash and cash equivalents are reported at market value. There are no significant valuation differences between IFRS and Solvency II for cash and cash equivalents as the market value is not significantly different from the notional value. Differences due to a different scope of consolidation amounted to EUR -243 million as at 31 December 2023.

Investments at fair value through OCI, at cost and at fair value through profit or loss

In the IFRS balance sheet, investments are reported at fair value through other comprehensive income (OCI), at cost or at fair value through profit or loss. In the Solvency II balance sheet, investments are reported at market value. There are no significant valuation differences between IFRS and Solvency II for investments as fair value generally equals market value. Presentation differences of EUR 700 million as at 31 December 2023 are caused by:

- Presentation of accrued interest as part of the investments, instead of a separate presentation as other assets under IFRS. Solvency II requires accrued interest to be presented as part of the investments ('dirty market value') and not separately as other assets as in the 2023 Consolidated annual accounts of NN Group ('clean market value')

Valuation differences between IFRS and Solvency II represents the difference between amortised cost and market value of EUR 5 million as at 31 December 2023.

Differences due to a different scope of consolidation amounted to EUR -680 million (Fair value through OCI), EUR 10 million (Investment at Cost) and EUR -5,076 million (Fair value through P&L) as at 31 December 2023.

Investments in real estate

In the IFRS balance sheet, real estate investments are reported at fair value. In the Solvency II balance sheet, real estate investments are reported at market value. There are no significant valuation differences between IFRS and Solvency II for real estate investments as fair value generally equals market value. There is a EUR -2,533 million difference in real estate investments due to a different scope of consolidation.

Investments in associates and joint ventures

In the IFRS balance sheet, associates and joint ventures are reported at net asset value (equity accounting).

In the Solvency II balance sheet, non-Solvency II entities are recognised as associates and measured at the local regulatory capital in accordance with the local (sectoral) rules instead of consolidating all balance sheet items line-by-line. Differences in associates and joint ventures recognised in the IFRS and the Solvency II balance sheets due to a different scope of consolidation amounted to EUR 6,101 million as at 31 December 2023 (IFRS values). There are no significant valuation or presentation differences as at 31 December 2023.

All holdings in related undertakings were either valued using quoted market prices in active markets or by using the adjusted equity method (when a quoted market price was not available).

Derivatives

The difference for derivatives due to the different scope of consolidation amounted to EUR -8 million. Presentation differences for derivatives amounted to EUR 157 million as at 31 December 2023 include the different presentation of accrued interest.

Insurance contracts

Reference is made to section D.2 'Insurance and investment contracts' of this SFCR.

Valuation for Solvency purposes continued

Reinsurance contracts

Valuation differences of EUR 439 million as at 31 December 2023 represents the difference between IFRS 17 and Solvency II:

- In Solvency II, the initial margin in the premium over the reinsurance is recognised immediately in Own Funds. In IFRS 17, such initial margin is recognised as contractual service margin and amortised and adjusted over time.
- In Solvency II the discount rate is prescribed by the regulator, whereas the discount rate under IFRS 17 is set by NN Group taking into account the specific characteristics of NN Group's portfolios.
- In Solvency II no separate risk adjustments are to be included in the reinsurance contract valuation, whereas under IFRS 17 these are set by NN Group taking into account the specific characteristics of NN Group's portfolios

The presentation difference amounted to EUR -206 million as at 31 December 2023 and consists of a presentation difference in reinsurance related receivables.

Property and equipment

In the IFRS balance sheet, property in own use is reported at fair value. In the Solvency II balance sheet, property in own use is reported at market value. There are no significant valuation differences between IFRS and Solvency II for property in own use as fair value generally equals market value. In the IFRS balance sheet, equipment is reported at cost less depreciation. In the Solvency II balance sheet, equipment is reported at market value. There are no significant valuation differences between IFRS and Solvency II for equipment, as market value is generally not significantly different from depreciated cost. Differences due to a different scope of consolidation amounted to EUR -25 million as at 31 December 2023.

Deferred taxes

Under IFRS, deferred tax assets are part of the other assets. In the IFRS balance sheet, deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, are valued on the basis of the difference between the tax bases of assets and liabilities and their carrying values. A positive value to deferred taxes is only attributed where it is probable that future taxable profit will be available against which the deferred tax asset can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or credits.

Reference is made to Note 13 'Taxation' of the 2023 Annual Report of NN Leven for more information on the origin of the recognition of deferred tax assets and the amount and expiry date of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the IFRS balance sheet.

In the Solvency II balance sheet, deferred tax assets and liabilities are recognised and valued in conformity with IFRS. Differences in deferred tax assets due to differences in valuation and presentation of the underlying assets and liabilities amounted to EUR 1,478 million as at 31 December 2023. Differences due to a different scope of consolidation amounted to EUR -38 million as at 31 December 2023.

On the Solvency II balance sheet the deferred tax assets and liabilities are netted against each other to the extent allowed by the fiscal limits on offsetting (projected) tax gains and losses per (each future) year. As of 31 December 2023, the deferred tax asset on the Solvency II balance sheet was EUR 1,478 million, while the deferred tax liability was EUR 97 million.

Other assets

In the IFRS balance sheet, other assets are reported at their notional amounts. In the Solvency II balance sheet, other assets (with the exclusion of deferred taxes) are reported at market value.

Presentation differences of EUR -873 million as at 31 December 2023 consist of the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing investments ('dirty market value') and not separately as other assets as in the 2023 Annual Report of NN Leven ('clean market value').

Differences in other assets recognised in the IFRS and the Solvency II Balance sheets due to a different scope of consolidation amounted to EUR -119 million as at 31 December 2023. There is a slight valuation difference between IFRS and Solvency II of EUR -30 million although fair value generally equals market value, these represent Acquisition costs to be attributed which are recognised under IFRS but not under Solvency II.

Changes in valuation bases

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. NN disclosed comparative figures for the year 2022. The implementation resulted in significant changes to NN Leven's accounting policies with significant impact on shareholders' 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'.

During 2023, no material changes were made to the recognition and valuation bases, or estimations used, in the measurement of assets on the Solvency II balance sheet.

D.2 Insurance and investment contracts ('Technical provisions')

Value of the technical provisions

Valuation for Solvency purposes continued

The value of technical provisions, including the amount of the Best Estimate of Liabilities ('BEL') and the Risk Margin ('RM') is disclosed below separately for each material line of business as at 31 December 2023:

Value of technical provisions by Solvency II Business Line

As at 31 December 2023 in EUR million	BEL	Risk margin	Technical provisions
Technical provision by Solvency II Business line:			
1. Life	76,417	2,834	79,251
2. Health similar to life	-140		-140
3. Index-linked and Unit-linked	29,573	291	29,864
Total	105,850	3,125	108,974

Bases, methods and main assumptions used for solvency valuation

Technical Provisions are measured for Solvency II purposes as the sum of the BEL and a Risk Margin. The BEL are equal to the probability-weighted average of the present value of the future liability cash flows, based on the relevant risk-free interest rate term structure. The Risk Margin is defined as the amount that an empty (re)insurance entity is expected to require in excess of the BEL in order to take over and meet the (re)insurance obligations.

Best estimate of liabilities

NN Leven uses cash flow models and best estimate assumptions to determine the BEL under Solvency II. Premiums, benefits, expenses and other relevant cash flows are projected for the policy term - subject to contract boundaries - and discounted at the currency specific risk-free interest rate term structure, including the Ultimate Forward Rate ('UFR'), to allow for financial risk with the currency specific Credit Risk Adjustments ('CRA') and a volatility adjustment ('VOLA'). This is the full-cash flow approach and is typical for traditional business. Cash flows are either projected on a per policy basis or individual policies are grouped into representative model points.

UFR for the Euro currency applicable from 1st January 2023 was set to 3.45%. This is in accordance to the EIOPA UFR report in which EIOPA has calculated ultimate forward rate (UFR) for 2023 in accordance with the methodology to derive the UFR. Note that the annual change of the UFR is limited to 15 basis points according to the methodology. The UFR of 3.45% was for the first time applicable for the calculation of the risk-free interest rates of 1 January 2022. In 2024 the UFR will decrease to 3.30%.

Cash flows are projected along a sufficiently large set of risk-neutral interest rate scenarios to allow for one-sided financial options and guarantees. This is typical for business with profit sharing on top of a fixed interest rate guarantee and unit-linked products with a return guarantee. The best estimate risk-free interest rate term structure is used in those instances where there are no embedded options or guarantees as this would lead to the same result as using the risk neutral interest rate scenarios.

The cash flow projections consider management actions that can be taken to mitigate the loss to NN Leven. These actions may cover expense reserving, the distribution of future discretionary benefits and the predictability and profit sharing of liability cash flows. The cash flow projections used in the calculation of the BEL are based on the best estimate assumptions. The cash flow projection should reflect the expected realistic future demographic, legal, medical, technological, social, environmental and economic developments that have a material impact on the best estimate liabilities.

Assumptions underlying the BEL are portfolio-specific rather than entity-specific. Entity-specific assumptions are used only insofar as those assumptions enable the entity to better reflect the characteristics of the portfolio or where the calculation of the BEL in a realistic, reliable and objective manner without those assumptions is not possible.

NN Leven reports a relatively small portion of un-modelled Technical Provisions (approx. 3% of TP). For un-modelled business, in general, Technical Provisions are estimated either by scaling of modelled business or by setting Solvency II Technical Provisions equal to Tariff Reserves. Also a part of the Technical Provisions is calculated by means of other approximations or simplified modelling. The Actuarial Function Holder has provided an opinion that the approaches are acceptable given the materiality of these Technical Provisions.

For each material line of business, a quantitative and qualitative explanation of material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for their valuation in financial statements are included in the local Actuarial Function Reports prepared by the local Actuarial Function Holder ('AFH').

Reinsurance and other recoverables

The BEL are estimated gross, without deduction of the amounts recoverable from reinsurance contracts. The amounts recoverable from reinsurance contracts and expected losses due to counterparty default are calculated separately. The principles used to calculate the amounts recoverable are consistent with those underlying the calculation of the gross best estimate liabilities.

Risk margin

In addition to the BEL a Risk Margin is held, which represents the amount in excess of the BEL that (re)insurance undertakings would be expected to require in order to take over and meet the (re)insurance obligations. The calculation of the Risk Margin is performed by either explicitly calculating the SCR for each future year or by using a driver approach. Long-Term Guarantee ('LTG') measures are excluded from the calculation of the SCRs and in the discounting, when calculating the Risk Margin.

With the driver approach, the relevant subrisk SCRs - either Internal Model or Standard Formula - are projected using appropriate risk drivers, multiplied by the cost of capital of 6%, then discounted at the relevant risk free rate term structure. These present values per subrisk are

Valuation for Solvency purposes continued

aggregated using the appropriate non-market risk correlation matrices and (sub)diversification factors. Note that this is a simplification as Solvency II requires the individual subrisk SCRs to be diversified at each future point in time. NN Leven's simplification does not lead to a material misestimation of the risk margin.

Assumptions

Non-financial assumptions

Assumptions are set for expenses, mortality, morbidity and other relevant insurance risks using historical experience of the insurance portfolio. Material assumptions are reviewed by NN Leven at least annually and submitted to the Model Committee (MoC) for approval or for information, depending on materiality, following NN Leven's model governance. Note that Best estimate assumptions are approved by the Pricing and Valuation MoC whereas Risk assumptions are approved by the Risk MoC.

Policyholder behaviour regarding lapses, partial and full surrenders and paid-ups are taken into account, subject to the boundaries of the contracts. Management actions are reflected in the cash flow projections. These are mostly current management actions related to dynamic decision rules in the asset liability models of NN Leven. Future management actions are assumed for portfolios including discretionary benefits and expense reserving.

Boundaries of insurance contracts are based on a detailed investigation of terms and conditions.

Financial assumptions

NN Leven follows EIOPA requirements in determining the basic risk-free rates and the volatility adjustment to determine the relevant currency specific risk free rate term structure for valuation of Technical Provisions. Because EIOPA curves are not published in time for NN Leven to start their valuations, NN Leven follows the EIOPA methodology to independently produce the curves. These are then compared to the published EIOPA curves when these are made available to ensure consistency between the EIOPA and the NN Leven manufactured curves. At year-end 2023, the EIOPA and NN Leven curves were identical.

Changes in assumptions

During 2023, NN Leven reviewed the best estimate assumptions as part of the regular process and updated them where necessary to reflect new insights.

Options and guarantees

When establishing technical provisions at NN Leven, all material financial guarantees and contractual options included within the contract boundary of insurance and reinsurance policies are taken into account. In doing so, factors which may affect the likelihood that policyholders will exercise contractual options or realise the value of financial guarantees are analysed.

The intrinsic value of financial options and guarantees is reflected in the single (deterministic) cash flow projection of technical provisions. These include the interest rate guarantees implicit in traditional products as well as policyholder options such as paid-up, surrender etc. where material.

A stochastic model is required to determine the time value of options and guarantees (TVOG) where cash flows vary asymmetrically with market returns. The stochastic model uses a number of Monte Carlo simulations (typically 1,000 to 5,000) to project future cash flows under an appropriately calibrated set of risk-neutral scenarios. The number of scenarios is set at a level that ensures the simulation error is within the tolerance level. Currently, such error should be less than 1% of the best estimate liabilities, as determined by taking 80% confidence interval of the mean standard error of the simulations. NN Leven performs a test to ensure the simulation error is within the established limits. The number of scenarios used is increased if the test does not satisfy the requirements. Most of the TVOG for NN Leven is from NN Leven's group pension business.

Dynamic policyholder behaviour has been reflected where it is deemed material to the valuation under the different economic environments reflected in the stochastic scenarios. Where future profit sharing is dependent on economic conditions, the variability is taken into account in the TVOG. Where management actions have been taken into account, these are consistent with policies signed-off by the respective boards.

The Actuarial Function Holder has assessed the allowances made in respect of options and guarantees in the technical provisions and the underlying assumptions, and came to the conclusion that the allowances are appropriate.

Level of Uncertainty

For the level of uncertainty associated with the value of the technical provision, reference is made to Note 41 'Risk Management' in the 2023 Annual Report of NN Leven.

Main differences between IFRS and Solvency II valuation of technical provisions

As at 31 December 2023 in EUR million	IFRS	Valuation differences	Solvency II
Technical provision by Solvency II Business line:			
1. Life	76,097	3,154	79,251
2. Health similar to life		-140	-140
3. Index-linked and Unit-linked	30,083	-219	29,864
Total	106,180	2,794	108,974

Valuation for Solvency purposes continued

Summary of main differences between IFRS and Solvency II as at 31 December 2023

At 31 December 2023, the valuation and presentation differences between the insurance and investment contracts recognised in the IFRS balance sheet and the technical provisions recognised in the Solvency II balance sheet of NN Leven amounted to EUR 2,794 million. Methods and models used in calculating the Solvency II technical provisions and IFRS insurance liabilities differ substantially. The main valuation differences between IFRS and Solvency II are outlined below:

- IFRS 17 allows certain accounting policy choices and requires judgment in setting certain assumptions that are different from those under Solvency II. The most important differences that are relevant to NN Leven are set out below

Difference in Cash flows

Expense assumptions

In IFRS, 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. Non-attributable expenses are recognised directly in the profit and loss account when incurred. In principle, under IFRS, expenses that are necessary to serve the policyholder, including expenses to meet regulatory requirements as an insurance company, are considered directly attributable whereas other expenses such as corporate expenses, are not. Under Solvency II both types of expenses are considered directly attributable. As a result, expense provisioning under IFRS is lower, given that fewer expenses are in scope of IFRS provisioning.

Difference in discount rates

Under Solvency II the discount rate is prescribed by the regulator. It includes a credit risk adjustment (CRA) and a volatility adjustment (VOLA) on top of the swap curve for liquid tenors. Then it converges to an ultimate forward rate (UFR) of 3.45% as at 31 December 2023 after the last liquid point of 20 years.

Under IFRS, NN Leven determines the discount rate by taking into account the specific characteristics of NN Leven's portfolios. A liquid risk-free curve is used to which an illiquidity premium is added. The liquid risk-free curve is set per currency, while the illiquidity premium (ILP) is determined reflecting the characteristics of the entity's current assets. 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 of 30 years and a long-term forward rate (LTFR). At 31 December 2023 the LTFR was 3.15% for EUR currency.

Difference in risk adjustment / risk margin

The risk adjustment for non-financial risk in IFRS is determined using the cost of capital methodology which is based on the Solvency II internal model or standard formula. Although the cost of capital methodology is similar to Solvency II, there are some differences between the Solvency II risk margin and the IFRS 17 risk adjustment.

In the IFRS 17 risk adjustment, diversification between non-market and market risk within the entity, and diversification with other entities within NN Group (known as 'group diversification') is reflected, whereas this is not the case under Solvency II. The cost of capital rate under IFRS represents NN Group's view on the compensation required for bearing non-financial risk, with the cost of capital rate used in the fulfilment value of insurance liabilities being 4%, whilst it is a prescribed 6% under Solvency II.

Besides the differences already mentioned in the above paragraphs (expense attributability and discount rates) a further difference between IFRS and Solvency II is that operational risk is not included in the IFRS risk adjustment.

Note that the risk adjustment is presented in IFRS gross and in Solvency II net of reinsurance.

These differences resulted in a lower risk adjustment under IFRS.

Other differences

Contractual service margin

The contractual service margin is included in the insurance liability under IFRS, while there is no equivalent in Solvency II. In Solvency II any expected profit is recognised immediately in own funds when initially recognising the insurance contract.

Scope

Investment contracts (without discretionary participation features) are in scope of Solvency II technical provisions, but out of scope of the insurance contracts under IFRS. Instead these contracts are reported as investment contracts under IFRS 9.

Payables and receivables

In Solvency II, insurance related payables and receivables, including policy loans, are presented as part of other liabilities and other assets whilst in IFRS 17 these are presented as part of the insurance liability.

Matching and volatility adjustment, transitional measures, and transitional risk-free interest rate-term structure

QRT S.22.01.01 'Impact of long term guarantees and transitional measures' in the Appendix provides the quantitative impact of excluding the so-called Long-Term Guarantee ('LTG') measures and Transitional measures from Own Funds and the SCR. QRT S.22.01.01 mandates disclosure of the quantitative impact of excluding:

- Transitional measures on technical provisions
- Transitional measures on interest rates

Valuation for Solvency purposes continued

- Volatility adjustment
 - Matching Adjustment
- on:
- Technical provisions
 - Basic Own funds
 - Eligible Own Funds to meet Solvency Capital Requirement
 - Solvency Capital Requirement

All the elements of which the impact is excluded in this QRT are an integral part of the Solvency II framework. The resulting Own Funds and SCR should therefore not be seen as a replacement of, or alternative for, the Own Funds and SCR as determined in accordance with Solvency II. For NN Leven, the volatility adjustment is of relevance given its liability profile and its approach to match cash-flows of these liabilities with corresponding fixed income instruments. Transitional measures in respect of technical provisions and interest rates and Matching Adjustment are not applied by NN Leven.

Volatility adjustment

NN Leven applies the yield curve as published by EIOPA for the calculation of the technical provisions under Solvency II. In line with Solvency II regulations, this curve includes a Volatility adjustment component. As at 31 December 2023, the level of the volatility adjustment for the Euro currency was 20 bps (31 December 2022: 19 bps). The application of the volatility adjustment resulted in a reduction of EUR 1,929 million in technical provisions, contributing EUR 1,431 million (after tax) to Basic own funds as at 31 December 2023.

In the calculation of the SCR, NN Leven assumes no change to the volatility adjustment after a shock-event, but reflects the illiquidity of liabilities in the asset shocks to ensure appropriate solvency capital requirements. This volatility adjustment approach is approved by DNB, in particular to ensure appropriate risk incentives on asset allocation decisions. NN Leven also shocks all government bonds and its mortgage portfolio in the calculation of spread risk capital requirements. Under the Standard Formula no capital is required to be held against spread risk arising from these assets, whereas under the Partial Internal Model substantial capital is held against these risks.

The Partial Internal Model of NN Leven is an integrated model in which the current approach of reflecting the illiquidity of the liabilities in the asset shocks is an integral part. If the volatility adjustment would be excluded from the SCR calculation, spreads on government bonds and mortgages would, in the opinion of NN Leven, need to be adjusted accordingly. However, for the completion of QRT S.22.01.01 'Impact of long term guarantees and transitional measures' in the Appendix, NN Leven is required to reflect only the impact of excluding the volatility adjustment from Eligible Own Funds and the SCR, without adjusting the asset shocks.

The impact of removing the volatility adjustment from Own Funds increased in 2023 versus 2022 as the level of the volatility adjustment in the yield curve as published by EIOPA has increased from 19 bps per 31 December 2022 to 20 bps per 31 December 2023. During the year of 2023, the volatility adjustment was relatively stable.

D.3 Other liabilities

Subordinated debt, Debt securities issued and Other borrowed funds

In the IFRS balance sheet, subordinated debt, debt securities issued and other borrowed funds are reported at amortised cost. In the Solvency II balance sheet, these borrowings are reported at market value, excluding an adjustment for the change in NN Leven's own credit risk after initial recognition. In Solvency II value, the change in the own credit risk after initiation is not taken into account. The Solvency II value of subordinated debt is calculated using discounted cash flows based on current interest rates and credit spreads at issue date. The Solvency II value of other borrowed funds, is calculated by discounting expected future cash flows using a current market interest rate and credit spreads at issue date.

Presentation differences include accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing liabilities ('dirty market value') and not separately as other liabilities, as in the 2023 Annual Report of NN Leven ('clean market value'). In addition to this presentation difference, the undated subordinated notes presented as equity under IFRS are presented as liability under Solvency II. Total presentation differences for subordinated debt amounted to EUR 834 million as at 31 December 2023.

There are no differences due to a different scope of consolidation for the other borrowed funds as at 31 December 2023. Valuation differences amount to EUR -39 million.

Deferred tax liabilities

In the Solvency II balance sheet, deferred tax assets and liabilities are recognised and valued in accordance with IFRS (reference is made to section D.1 'Assets'- Other assets). However, due to the differences in valuation of assets and liabilities as set out in sections D.1 'Assets', D.2 'Insurance and investment contracts' and D.3 'Other liabilities'. Differences due to a different scope of consolidation amounted to EUR -302 million as at 31 December 2023.

On the Solvency II balance sheet the deferred tax assets and liabilities are netted against each other to the extent allowed by the fiscal limits on offsetting (projected) tax gains and losses per (each future) year. As of 31 December 2023, the deferred tax asset on the Solvency II balance sheet was EUR 1,478 million, while the deferred tax liability was EUR 97 million.

Other liabilities

In the IFRS balance sheet, other liabilities are reported at the notional amount. In the Solvency II balance sheet, other liabilities are reported at market value.

Valuation for Solvency purposes continued

Presentation differences amounted to EUR 263 million as at 31 December 2023 of accrued interest transferred to Subordinated debt and to Financial liabilities at fair value through profit or loss. Solvency II requires accrued interest to be presented as part of the interest bearing liability ('dirty market value') and not separately as other liabilities as in the 2023 Annual Report of NN Leven ('clean market value').

Valuation differences of EUR 1,130 million at 31 December relate to the transition from IFRS 4 to IFRS 17 and is due to the Czech reinsurance construction. This is a reinsurance agreement between NN Leven and NN RE. Under SII this contract is presented as 'other liabilities', whereas under IFRS 17 it is included on the asset side under the reinsurance contracts. All reinsurance contracts are revalued between Solvency II and IFRS 17, which lead to valuation differences. Consequently, the amounts in reinsurance contracts are not identical to the amounts under other liabilities, due to revaluations. Differences due to a different scope of consolidation amounted to EUR -274 million as at 31 December 2023.

Contingent liabilities and provisions

Part of the other liabilities are the contingent liabilities and provisions. In the IFRS balance sheet, provisions are recognised when:

- An entity has a present obligation (legal or constructive) as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

In the IFRS balance sheet, provisions are recognised for the amount representing the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Contingent liabilities are not recognised in the IFRS balance sheet. These are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the Solvency II balance sheet, all material contingent liabilities are recognised as liabilities for the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.

Valuation differences between IFRS and Solvency II for contingent liabilities and provisions represent:

- A recognition difference: contingent liabilities are not recognised in the IFRS balance sheet, but are recognised in the Solvency II balance sheet if the exposure can be reliably estimated
- A measurement difference: provisions are measured in the IFRS balance sheet using the best estimate outcome (i.e. the full amount that may be incurred), while Solvency II requires a provision for the probability weighted outcome (i.e. the probability multiplied by the impact of the differences as at 31 December 2023)

For more details on other provisions and contingent liabilities, reference is made to Note 34 'Contingent liabilities and commitments' and Note 35 'Legal proceedings' in the 2023 Annual Report of NN Leven.

The valuation difference between IFRS and Solvency II for provisions and contingent liabilities had no material impact at 31 December 2023.

Expected profits in future premiums

For existing business, expected profits included in future premiums are reflected in the technical provisions and therefore contribute to the Own Funds. For more information on the expected profits in future premiums, reference is made to QRT S.23.01.01 'Own funds' as included in the Appendix.

Outflow of economic benefits

For the expected timing of the outflows of economic benefits reference is made to Note 30 'Liabilities by maturity' in the 2023 Annual Report of NN Leven. Uncertainties surrounding the amount or timing of the outflows of economic benefits is described in the Liquidity Risk paragraph in Note 41 'Risk management' in the 2023 Annual Report NN Leven. The uncertainties in amount or timing of other liability cash flows are low. Deviation risk was not taken into account in the valuation of the other liabilities.

D.4 Alternative methods for valuation

Alternative valuation methods used

Alternative valuation methods are used by NN Leven to determine the fair value of assets and liabilities if quoted market prices in active markets are unavailable. Reference is made to Note 26 'Fair value of financial assets and liabilities' and Note 27 'Fair value of non-financial assets' in the 2023 Annual Report of NN Leven for more information on the valuation approaches used.

D.5 Any other information

Active markets

Information on the criteria used to assess whether markets are active is included in Note 1 'Accounting policies' in the 2023 Annual Report of NN Leven. The valuation methods used if the markets are inactive are described in Note 26 'Fair value of financial assets and liabilities' in the 2023 Annual Report of NN Leven.

Estimation uncertainties

For the major sources of estimation uncertainty, reference is made to Note 41 'Risk Management' in the 2023 Annual Report of NN Leven.

Capital management

E. Capital Management

Introduction

This chapter of the SFCR contains information on the capital management of NN Leven, including the reconciliation of IFRS equity to Solvency II Own Funds, NN Leven's Minimum Capital Requirement ('MCR') and detailed information on NN Leven's Partial Internal Model.

E.1 Own funds

Reference is made to Note 42 'Capital and liquidity management' in the 2023 Annual Report of NN Leven for:

- The objectives, policies and processes employed by NN Leven for managing its own funds, including information on the time horizon used for business planning and on any material changes over the reporting period
- The structure, amount and quality of own funds, including the extent to which each material own fund item is available and subordinated, as well as its duration and any other features that are relevant for assessing its quality
- The amount of Eligible Own Funds to cover the SCR, split into the relevant tiers and taking into account eligibility restrictions

Solvency II Basic Own Funds represent the excess of assets over liabilities in the Solvency II balance sheet and subordinated liabilities. It comprises the following items:

- Paid-in ordinary share capital and the related share premium account
- Paid-in preference shares and related share premium account
- The amount equal to the value of net deferred tax assets
- A reconciliation reserve. The purpose of the reconciliation reserve is to reconcile the value of the above items to the total amount of the excess of assets over liabilities
- Qualifying subordinated debts

NN Leven did not have ancillary own funds during 2023 or as at 31 December 2023.

Impact of long term guarantees and transitional measures

The quantification of the impact of a change of the volatility adjustment to zero on NN Leven's financial position, represented by an adjustment on the amount of technical provisions, the SCR, the basic own funds and the Eligible Own Funds is included in Section D.2 and QRT S.22.01.01 'Impact of long term guarantees and transitional measures' in the Appendix. No transitional measures are applicable for NN Leven.

Items deducted from own funds

Under Solvency II, Own funds are reduced by 'foreseeable dividends, distributions and charges'. This requirement differs from IFRS reporting, where dividends are deducted from equity (and a corresponding liability is recognised) when they are declared and share buy-backs are deducted from equity (through 'treasury shares held') when these are executed.

Recognition of 'foreseeable dividends, distributions and charges' under Solvency II are relevant for NN Leven in two circumstances:

- Dividends: no foreseeable dividends are subtracted from the 31 December 2023 own funds
- Coupons on subordinated liabilities: from the equity per 31 December 2023 an amount of EUR 34 million is subtracted as accrued coupon in relation to the subordinated liabilities

Additional ratios

No additional ratios are disclosed in this Solvency and Financial Condition Report other than the ratios included in QRT S.23.01.01 'Own funds' as included in the Appendix; plus those that are included by reference into this report.

Analysis of significant changes in own funds

Reference is made to Note 42 'Capital and liquidity management' in the 2023 Annual Report of NN Leven for an analysis of significant changes in own funds.

The principal loss-absorbency mechanism

During 2023, subordinated liabilities issued by NN Leven and recognised as Tier 1 solvency capital had no principal loss-absorbency mechanism in place.

Reconciliation reserve

The reconciliation reserve equals the total excess of assets over liabilities reduced by the following key elements:

- Paid-in ordinary share capital and related share premium account
- Paid-in preference shares and related share premium account
- The amount equal to the value of net deferred tax assets
- Foreseeable dividends, distributions and charges

Capital management continued

Reconciliation IFRS equity to Own Funds

Reconciliation IFRS equity to Solvency II Basic Own Funds

In EUR million	2023	2022 (restated)
IFRS Shareholder's Equity	12,086	11,285
Elimination of acquisition costs to be allocated and other 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 effects 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	-34
Basic Own Funds	10,903	10,625

The IFRS Shareholder's Equity is presented on IFRS 9/17 basis, the 2022 figures have been restated. This impacts the presentation of the balance sheet and therefore on the bridge between IFRS shareholder's equity and Basic Own Funds. The valuation differences on assets and liabilities are most significantly impacted by the move towards IFRS9/17.

Reference is made to section D 'Valuation for Solvency Purposes' for more information on the valuation and consolidation differences between IFRS and Solvency II.

Intra-group transactions

There are five significant transactions with other companies within NN Group worth mentioning.

- All liabilities stemming from commercial contracts from the Czech branch are reinsured at NN Re
- There are derivative transactions from NN Leven conducted via Nationale-Nederlanden Interfinance B.V. (NN IF)
- NN Leven and NN IF have entered a EUR 1.000 million loan agreement for the purpose of liquidity risk management. At year-end 2023 no funds were borrowed under this loan agreement
- NN Leven and NN IF have a Collateral Borrowing Facility Agreement to lend amounts to NN IF to satisfy NN IF's cash collateral obligations. At year-end 2023 an amount of EUR 225 million has been borrowed by NN IF from NN Leven
- NN Leven has borrowed under four subordinated loans from NN Group N.V. For more details on these loans refer to Note 42 'Capital and liquidity management' of the 2023 Annual Report of NN Leven

Eligibility of Own Funds

The Solvency II directive requires that insurance undertakings hold sufficient Eligible Own Funds to cover the Solvency Capital Requirement. EUR 699 million in assets are non-eligible.

Reference is made to Note 42 'Capital and liquidity management' in the 2023 Annual Report of NN Leven for the reconciliation of available to eligible Own Funds of NN Leven.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR

Reference is made to QRT S.25.02.21 in the Appendix and Note 41 'Risk management' of the 2023 Annual Report of NN Leven for the amount of the SCR split by risk categories.

NN Leven determined the SCR including:

- Loss-absorbing capacity of technical provisions ('LAC TP'). LAC TP is the part of the technical provisions that can be used to absorb some of the SCR shock losses, as the expected future profit sharing to policyholders will be reduced if actual losses would arise. LAC TP is applicable to insurance policies with discretionary profit sharing
- Loss-absorbing capacity of deferred taxes ('LAC DT'). NN Leven's total loss in a 1-in-200 adverse event would be offset by tax recoveries and these are recognised to the extent to be expected to be recoverable. The determination of LAC DT is significantly dependent on various assumptions, such as capitalisation assumptions, the assumed investment returns and the projection period

Minimum Capital Requirement

In EUR million	2023	2022
Eligible Own Funds to cover Minimum Capital Requirements	8,749	8,756
of which Tier 1 unrestricted	7,529	7,573
of which Tier 1 restricted	780	768
of which Tier 2	440	415
Minimum Capital Requirements	2,202	2,077

Deferred tax under Solvency II

Reference is made to section E6 'Any other information' of this SFCR.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

NN Leven does not use the duration-based equity risk sub module during the reporting period.

Capital management continued

E.4 Differences between the Standard Formula and any Internal Model used

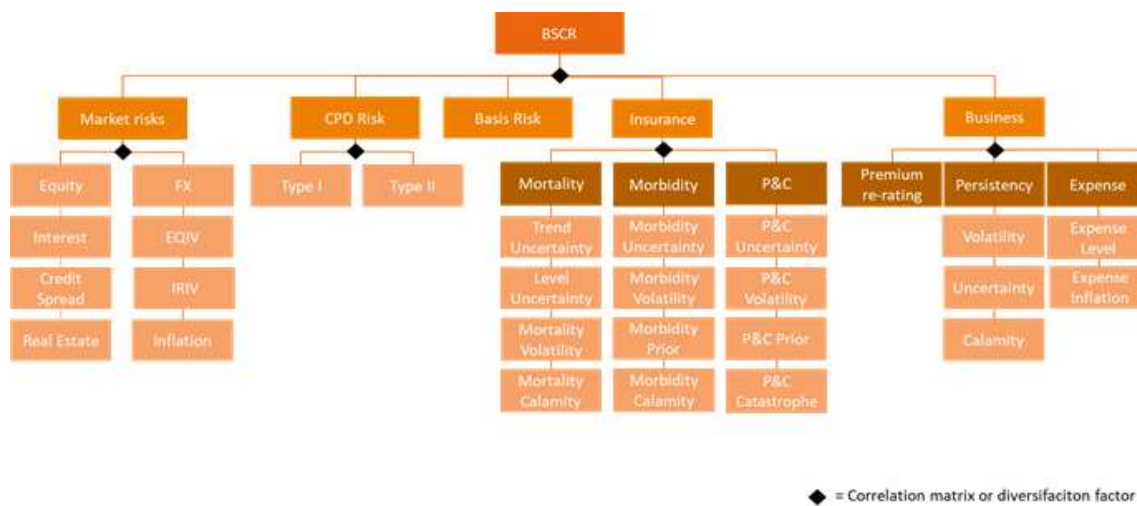
Internal Model vs Standard Formula

NN Leven applies a Partial Internal Model as it better reflects the risk profile and facilitates better risk management purposes. In particular:

- An Internal Model approach better reflects the specific assets and therefore the market risk in the portfolio of NN Leven e.g. property risk, sovereign and other credit spread risks. In addition, the approach to the most significant non-market risks within NN Leven such as life risk and expense risk is better tailored to the specific portfolio characteristics and statutory reserves set up according to local company law
- The Standard Formula diversification assumptions do not recognise all the diversification of risks that exist in the NN Leven portfolios
- The Internal Model accounts for the effect of the volatility adjustment for spread risk by means of an approach recognizing the illiquidity of liabilities in setting the asset shocks. Reference is made to section D.2 (in paragraph ‘Matching and volatility adjustment, transitional measures and transitional risk-free interest rate term structure’) for further information on NN Leven’s volatility adjustment

Risks covered by the Internal Model which are not -or differently- covered in the Standard Formula

Risk arises from the possibility that actual occurrences will negatively deviate from expectations, resulting in economic losses for NN Leven. In this respect, NN Leven identified the following risk factors and developed accompanying P&L distributions as part of its Internal Model, leading to the Basic Solvency Capital requirement (‘BSCR’)¹:



In addition to the risks covered in the Standard Formula, the Internal Model includes the following risks:

- Inflation risk refers to the possibility of adverse changes in both realised and future expected inflation rates
- Equity implied volatility refers to the possibility of adverse changes in Solvency II own funds due to adverse changes in the level of equity implied volatilities
- Interest rate implied volatility refers to the possibility of adverse changes in Solvency II own funds due to adverse changes in the level of interest rate implied volatilities
- Foreign exchange implied volatility refers to the possibility of adverse changes in Solvency II own funds due to adverse changes in the level of FX implied volatilities
- Basis risk refers to the risk that occurs if the underlying asset or liability behaves differently than the underlying of the hedge instrument

The most important differences between the Internal Model and the Standard Formula in covered risk factors are:

Interest Rate Risk:

- The Internal Model incorporates non-parallel shocks to the curve instead of only two parallel shocks used in the Standard Formula.
- The Internal Model allows for shocking negative interest rates, whereas the Standard Formula does not
- In the Internal Model, firstly a shock is applied to the interest rates before extrapolating to the Ultimate Forward rate. Under the Standard Formula this occurs exactly the other way around where the interest rates are first extrapolated to the Ultimate Forward rate before a shock is applied

¹ This scheme reflects the NN Group Internal Model, some risks are not applicable for NN Leven

Capital management continued

Equity Risk:

The level of shocks differ mainly because of the higher granularity in the Internal Model and calibration to the equity portfolio of NN Leven

Credit Spread Risk:

- Shocks in the Internal Model apply to all fixed income assets, whereas the Standard Formula does not apply shocks to the government bonds issued by members of the European Union in their own currency
- In the Internal Model mortgage exposure is treated under the Credit Spread Risk module, whereas in the Standard Formula these are treated under the Counterparty Default Risk module
- In contrast to the Standard Formula, the Internal Model recognises that volatility of credit spreads on our assets is mitigated by the illiquid nature of the liabilities through the use of the Aligned Reference Portfolio (ARP) approach

Real Estate Risk:

- Shocks applied in the Standard Formula are calibrated to historical prices observed in the UK property market which are less representative for NN Leven's portfolio; shocks in the Internal Model are calibrated to historical prices observed in the property markets according to actual exposures of NN Leven

Counterparty Default Risk:

- In the Internal Model mortgage exposure is treated under the Credit Spread Risk module, whereas in the Standard Formula these are treated under the Counterparty Default Risk module

Diversification within the Market Risk module:

- The Internal Model captures the dependency structure between risk drivers by means of a Gaussian copula, while Standard Formula correlates between losses by means of the variance-covariance method

Life Risk:

- The SF model treats liabilities exposed to mortality and longevity risk separately. For longevity risk, the SF model assumes an instantaneous 20% reduction of the Best Estimate mortality rates across all ages and for both genders. The SF assumes an instantaneous 15% increase of the Best Estimate mortality rates across all ages and for both genders for mortality risk. The SF does not differentiate between the uncertainty of the current mortality rates and the future improvement rates
- For PIM, the Life risk (excl. volatility and calamity) is comprised of two separate elements: [1] the uncertainty related to the future mortality improvement rates [2] the uncertainty that originates from the current portfolio mortality level of the portfolio. The shocks are age and gender-specific for both components and calibrated on the European and portfolio data. For the first component, the (longevity) shock is unique across all portfolios. For the second component, the shock is portfolio-specific (either mortality or longevity depending on the portfolio)

The table below shows a breakdown of the SCR under the Internal Model in 2023 Q4:

Solvency Capital Requirement

In EUR million	2023	2022
Market Risk	5,237	5,340
Counterparty Default Risk	31	58
Non-market risk	2,652	3,217
Diversification	-1,832	-2,109
Partial Internal Model BSCR	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	-1,471
Total SCR	5,198	5,356

The overall market risk SCR decreased from EUR 5,340 million in 2022 to EUR 5,237 million in 2023; this change can be attributed to lower equity- and real estate risk, higher market risk diversification benefit, partly offset by higher credit spread and interest rate risk. The non-market risk SCR decreased from EUR 3,217 million in 2022 to EUR 2,652 million in 2023, mainly due to the longevity reinsurance transactions executed at year-end 2023.

The loss absorbing capacity of deferred taxes (LAC DT) recognised as a percentage of gross SCR has decreased from 21,6% to 21,2%. The decrease is driven by a lower effective tax rate. This is a result of decreased market risk diversification (32% in 2023 compared to 33% in 2022) together with a decrease in recoverable LAC DT related to Real Estate Investments (REI) (because of a lower total return and a higher rent income assumption) leading to a higher tax-exempt SCR. LAC DT has also decreased in absolute value because of a lower gross SCR.

Capital management continued

The nature and appropriateness of the data used in the Internal Model

Market data is collected from pre-defined external data sources. All relevant market data must be used when it is available and is of sufficient quality for most of the market risk models NN Group uses standard well established market data sources. The data is analysed for correctness as part of the calibration process.

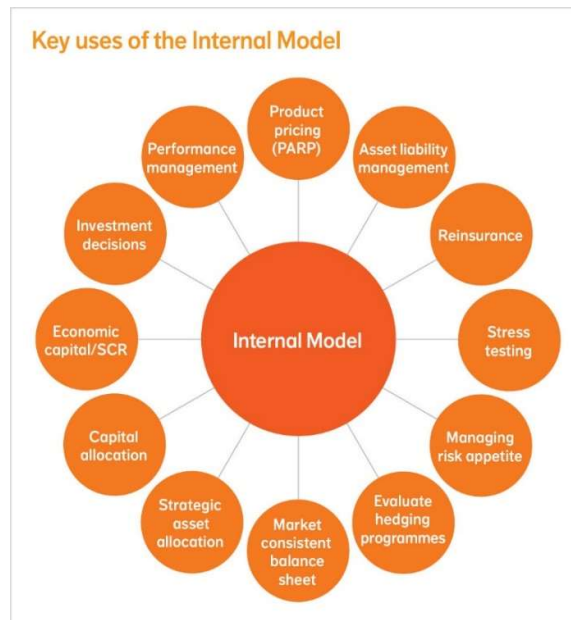
The use of the Internal Model

The Internal Model allows NN Leven to treat different risk management activities in a consistent way:

- The model provides a framework which is consistent across risk types, businesses and the key uses such as market valuation, capitalisation, product pricing, investments, monitoring of risk appetite and risk mitigation/transfer
- The model facilitates adequate risk management at all levels of the organisation and provides a framework to measure, monitor and manage risks versus NN Leven’s risk appetite
- The model allows NN Leven to manage risk in many different ways, e.g.:
- Manage individual risk types at a much more granular approach, i.e. a stochastic (loss distribution) approach
- Manage volatility in a stochastic rather than deterministic approach
- Supports valuation, scenario- and stress analysis by running scenarios in a simple way using replicating portfolios
- The model allows NN Leven to proactively define its risk measurement and management approach rather than awaiting (generic) industry changes to the Standard Formula

The Internal Model is used for different purposes. The Internal Model is used to measure and manage the risks at all levels within the company. This information is not only used to determine the SCR to cover tail risks; it is also used for, amongst others, wider risk management, capital management and business decisions such as product pricing and asset allocation.

The following diagram provides an overview of the key uses of the Internal Model.



The methods used in the Internal Model for determining the probability distribution for risks and the Solvency Capital Requirement

For the market risk models the Normal Inverse Gaussian ('NIG') distribution is mostly used. NIG distributions are a flexible set of distributions that allows modelling of fat-tailed and skewed distributions. For some market risk models e.g. for the real estate risk model where fewer data points are available, the Normal or t-distribution is used.

Where there is lack of annual data, higher frequency data is used for the calibration of the distribution parameters. The distribution is then annualised for the calculation of the SCR.

To assess the quality of the calibration, the goodness-of-fit tests and back testing are applied.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

NN Leven complied with the MCR and the SCR during the reporting period.

Capital management continued

E.6 Any other information

Reference is made to Note 42 'Capital and liquidity management' in the 2023 Annual Report of NN Leven for any other material information regarding the capital management of NN Leven and financial leverage of NN Leven.

Deferred tax under Solvency II

- Taxable or deductible temporary differences because the carrying amount of assets or liabilities in the balance sheet differs from the tax base of those assets or liabilities. These differences multiplied by the tax rate are recognised as a net deferred tax liability or a net deferred tax asset in the balance sheet. Reference is made to section D.1 'Assets' for the deferred tax asset recognised in the Solvency II balance sheet
- Unused tax losses that are available for carry forward for tax purposes
- The Loss Absorbing Capacity of deferred taxes on the Solvency Capital Requirement ('LAC DT' on the SCR)

Not all valuation differences between the tax basis and Solvency II and SCR shocks will lead to deferred tax as certain elements are exempt for tax. For example: valuation differences on certain equity securities and the equity shock in the SCR on these securities do not result in a deferred tax effect when equity returns are exempt from tax. Therefore, these are excluded from the valuation differences and SCR amounts in order to arrive at the deferred tax balances for Solvency II.

The total deferred tax amount for Solvency II is therefore built up in a number of steps:

- deferred tax assets on unused tax losses
- +/- deferred tax assets/liabilities from valuation differences between IFRS and tax basis (except for non-taxable items)
- = deferred tax asset/liability in the IFRS balance sheet (deferred tax for IFRS)
- +/- deferred tax assets/liabilities from valuation differences between Solvency II and IFRS (except for non-taxable items)
- = deferred tax asset/liability in the Solvency II balance sheet (deferred tax for Own Funds)
- + deferred tax on SCR (LAC DT on the SCR) (except for non-taxable items)
- = total deferred tax amount for Solvency II

The 'total deferred tax amount for Solvency II' represents the deferred tax position that would be reflected in a Solvency II balance sheet that is fully shocked in line with the SCR shock. Any net deferred tax asset/benefit - whether for IFRS, Own Funds or SCR - must be tested for recoverability. The general guidance on assessing recoverability is summarised as follows:

Tax assets can only be recognised when it is concluded that their recoverability is probable. This applies to both deferred tax assets from timing differences, deferred tax assets from unused tax losses carried forward and the LAC DT on the SCR.

Deferred tax assets are recoverable when:

- There are sufficient deferred tax liabilities relating to the same taxation authority and the same taxable entity. These deferred tax liabilities must be expected to reverse either in the same period as the tax asset or in periods into which a tax loss can be carried back or forward. The portion of the deferred tax liability that to do not relate to the same taxation authority and the same taxable entity and/or do not reverse either in the same period as the tax asset or in periods into which a tax loss can be carried back or forward, cannot be netted with the deferred tax asset and is charged to Tier 1 capital
- It is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward)
- Tax planning opportunities are available

Deferred taxes in the IFRS and Solvency II balance sheet are nominal, undiscounted, amounts. Therefore, recoverability testing also only considers nominal, undiscounted, amounts.

Specific guidance applies under Solvency II in respect of item b. 'Sufficient taxable profit' as, different from IFRS, this refers to Solvency II based profits (before and after a shock event) and not to regular (IFRS-based) profits.

In order to assess the recoverability of deferred tax, the total deferred tax amount for Solvency II (i.e. deferred tax in the Solvency II balance sheet plus the LAC DT on the SCR) must be equal to or lower than the total recoverable deferred tax amount in a Solvency II environment.

The recoverable amount must be assessed at the legal entity level and may not - except for the Solvency II balance sheet deferred tax asset only - include amounts from other entities in the Group, independent of existing fiscal unities or tax groups. While from a legal, tax and economic perspective the recoverability would benefit from the existence of a fiscal unity, and therefore the benefit from a fiscal unity is 'real', the Solvency II requirements prohibits reflecting the benefit of a fiscal unity in supporting the LAC DT on the SCR. The fiscal unity may be reflected in supporting the deferred tax asset in the Solvency II balance sheet.

As the total deferred tax amount for Solvency II (i.e. the deferred tax asset that exists in a fully shocked SCR balance sheet) is the highest amount, it acts as starting point for the recoverability test. This total amount reflects the differences between the tax values and the Solvency II values for all assets and liabilities and the tax benefit on the SCR. Only if the total deferred tax is non-recoverable, the recoverability of the deferred tax in Own Funds becomes separately relevant.

Capital management continued

It is reasonable to assume that NN Leven can continue as a going concern after the shock. The tax recoverability test of NN Leven is performed on this basis.

The total recoverable deferred tax amount in a Solvency II environment may come from various sources and includes both recoverability from items that never impact taxable profits and reverse over time as well as sources of profits and losses that would emerge in a Solvency II environment or a Solvency II environment after a SCR-type shock would have occurred. The recoverability is therefore based on an estimation of the total taxable results (including both income and expenses) that is expected to arise in a Solvency II environment after the shock. The sources of recoverability include all components of the estimated future taxable results, irrespective whether these are income ('profit') or expense ('loss').

The following items are included in determining the total recoverable deferred tax amount:

- The amount of the risk margin in the technical provision
- Taxable return on capital after the shock, after recapitalisation, net of expected dividends
- Taxable part of investment spread in excess of interest accretion on liabilities over their remaining life time
- Other taxable items

The most important assumption in determining estimated future taxable profits to support the DTA and LAC DT is the investment spread that is used both to determine taxable return on capital after the shock and the taxable part of investment spread in excess of interest accretion on liabilities and funding costs. This investment spread after shock is assumed to be similar to the investment spread before shock (i.e. the positive impact on spreads from the recovery after shock is not taken into account) and the spreads are set at the same level as used for other purposes (including strategic asset allocation and business and capital planning). In determining the total recoverable deferred tax amount, the uncertainty around future taxable profits and the increasing degree of uncertainty in future taxable profits as the projection horizon becomes longer is taken into account. This is done by excluding certain profit sources, setting conservative assumptions and/or calculating various alternative scenarios to assess the (potential) impact of these scenarios on the LAC DT. Scenarios that are used to reflect uncertainty include a scenario of higher/lower technical results (impacting the release of the risk margin), higher/lower investment spreads (impacting the investment return in excess of interest accretion on liabilities). The average recoverable LAC DT resulting from these scenarios is determined and reflected in the recognised LAC DT.

The LAC DT recognised as at 31 December 2023 was EUR 1,395 million. This LAC DT was supported by expected taxable profits for the current year and future years. NN Leven has sufficient recoverable amounts to support the total deferred tax position recognised in SCR and on the balance sheet.

The net deferred tax asset excluding the portion of the deferred tax liability that is not deductible is classified as Tier 3 capital. The non-deductible portion of the deferred tax liability is charged to Tier 1 capital. The net deferred tax asset is classified as Tier 3 capital. Tier 3 capital cannot exceed 15% of the SCR. Further information on Tiering is included in Note 42 'Capital and liquidity management' in the 2023 Annual Report of NN Leven.

Subsequent events

Reference is made to Note 40 'Subsequent and other events' in the 2023 Annual Report of NN Leven for the nature and the effect of material events arising after the balance sheet date which are not reflected in the balance sheet, if any.

Appendix 1

Appendix 1: Quantitative Reporting Templates that form part of the Solvency and Financial Condition Report

This appendix includes certain Quantitative Reporting Templates ('QRTs') of NN Group, required to be reported to DNB and to be publicly disclosed :

Reference number	Title	Description
S.02.01.01	Balance sheet	Balance sheet information using Solvency II valuation methodology
S.05.01.02	Premiums, claims and expenses by line of business	Information on premiums, claims and expenses using the valuation and recognition principles used in NN Leven's Consolidated Annual Report
S.12.01.01	Life and health similar to life provisions	Information on life and health similar to life provisions split by line of business
S.22.01.01	Impact of long term guarantees and transitional measures	Information on the impact of the long term guarantee and transitional measures
S.23.01.01	Own Funds	Information on Own Funds, including Basic Own Funds
S.25.05.01	Solvency Capital Requirement	Solvency Capital Requirement - for undertakings using an internal model (partial or full)
S.28.01.01	Minimum Capital Requirement	Information on the Minimum Capital Requirement

All amounts in this appendix are recorded in EUR 1,000.

Appendix 1 continued

S.02.01.01 Balance sheet

	<u>Solvency II value</u>	
	C0010	
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	1,478,237
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	31,999
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	61,393,155
Property (other than for own use)	R0080	87,200
Holdings in related undertakings, including participations	R0090	12,180,525
Equities	R0100	3,101,268
Equities - listed	R0110	2,964,184
Equities - unlisted	R0120	137,084
Bonds	R0130	37,630,456
Government Bonds	R0140	24,461,901
Corporate Bonds	R0150	11,953,992
Structured notes	R0160	114,011
Collateralised securities	R0170	1,100,552
Collective Investments Undertakings	R0180	4,681,942
Derivatives	R0190	2,491,094
Deposits other than cash equivalents	R0200	1,220,670
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	28,486,914
Loans and mortgages	R0230	34,773,563
Loans on policies	R0240	4,879
Loans and mortgages to individuals	R0250	23,161,220
Other loans and mortgages	R0260	11,607,465
Reinsurance recoverables from:	R0270	350,533
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-582,890
Health similar to life	R0320	-146,811
Life excluding health and index-linked and unit-linked	R0330	-436,079
Life index-linked and unit-linked	R0340	933,423
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	174,643
Reinsurance receivables	R0370	3,086
Receivables (trade, not insurance)	R0380	1,116,427
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	49,715
Any other assets, not elsewhere shown	R0420	2,102,574
Total assets	R0500	130,187,354

Appendix 1 continued

	Solvency II value	
	C0010	
Liabilities		
Technical provisions – non-life	R0510	
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	79,110,482
Technical provisions - health (similar to life)	R0610	-140,253
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	-140,253
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	79,250,735
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	76,416,621
Risk margin	R0680	2,834,114
Technical provisions – index-linked and unit-linked	R0690	29,863,982
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	29,573,477
Risk margin	R0720	290,505
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	384,406
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	1,116,232
Deferred tax liabilities	R0780	97,360
Derivatives	R0790	3,805,474
Debts owed to credit institutions	R0800	3,857,871
Financial liabilities other than debts owed to credit institutions	R0810	33,823
Insurance & intermediaries payables	R0820	557,308
Reinsurance payables	R0830	28,802
Payables (trade, not insurance)	R0840	266,985
Subordinated liabilities	R0850	1,895,238
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	1,895,238
Any other liabilities, not elsewhere shown	R0880	127,142
Total liabilities	R0900	121,145,104
Excess of assets over liabilities	R1000	9,042,249

Appendix 1 continued

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations				Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	
		C0210	C0220	C0230	C0240	
Premiums written						
Gross	R1410	85,147	230,788	1,849,021	1,630,975	3,795,931
Reinsurers' share	R1420	85,147	23,966	83,750	1,047,297	1,240,160
Net	R1500	-0	206,822	1,765,272	583,677	2,555,771
Premiums earned						
Gross	R1510	85,147	230,788	1,850,082	1,630,975	3,796,991
Reinsurers' share	R1520	85,147	23,966	84,810	1,047,297	1,241,220
Net	R1600	-0	206,822	1,765,272	583,677	2,555,771
Claims incurred						
Gross	R1610	21,572	1,245,236	1,394,965	3,523,017	6,184,789
Reinsurers' share	R1620	21,572	81,504	75,073	992,086	1,170,235
Net	R1700	-0	1,163,732	1,319,891	2,530,931	5,014,554
Expenses incurred	R1900	23,615	57,789	330,186	539,566	951,156
Balance - other technical expenses/income	R2510					-88,631
Total technical expenses	R2600					862,525
Total amount of surrenders	R2700	213	138,636	497,869	243,997	880,715

Appendix 1 continued

S.12.01.01 Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance				Other life insurance			Health insurance (direct business)					
		Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Total (Life other than health insurance, incl. Unit-Linked)	Contracts without options and guarantees	Total (Health similar to life insurance)				
											C0020	C0030	C0040	C0050
Technical provisions calculated as a whole	R0010													
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020													
Technical provisions calculated as a sum of BE and RM Best Estimate														
Gross Best Estimate	R0030	13,995,223	24,705,274	4,868,203		52,360,722	10,060,676	105,990,098		-140,253			-140,253	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	313,886	927,734	5,689		-749,657	-307	497,344		-146,811			-146,811	
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	13,681,338	23,777,540	4,862,514		53,110,380	10,060,983	105,492,754		6,558			6,558	
Risk Margin	R0100	199,922	290,505			2,634,192		3,124,619		0			0	
Technical provisions - total	R0200	14,195,145	29,863,982			65,055,590		109,114,717		-140,253			-140,253	

Appendix 1 continued

S.22.01.01 Impact of long term guarantees and transitional measures

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero ¹	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	108,974,464			1,930,402	
Basic own funds	R0020	10,903,442			-1,432,415	
Eligible own funds to meet SCR	R0050	10,204,841			-877,525	
SCR	R0090	5,197,573			7,019,181	
Eligible own funds to meet MCR	R0100	8,749,806			-1,760,010	
Minimum Capital Requirement	R0110	2,202,227			851,961	

¹ This reflects the impact to set the volatility adjustment to zero; it does not reflect second order impacts, such as changes to LAC DT (which is kept constant).

Reference is made to Section D.2. (paragraph 'Matching and volatility adjustment, transitional measures and transitional risk free interest rate term structure') for more information on the impact of long term guarantees and transitional measures.

Appendix 1 continued

S.23.01.01 Own funds

		Total	Tier 1 -		Tier 2	Tier 3
		C0010	unrestricted C0020	Tier 1 - restricted C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	22,689	22,689			
Share premium account related to ordinary share capital	R0030	4,228,029	4,228,029			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	3,279,249	3,279,249			
Subordinated liabilities	R0140	1,895,238		779,393	1,115,844	
An amount equal to the value of net deferred tax assets	R0160	1,478,237				1,478,237
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	10,903,442	7,529,968	779,393	1,115,844	1,478,237
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	10,903,442	7,529,968	779,393	1,115,844	1,478,237
Total available own funds to meet the MCR	R0510	9,425,205	7,529,968	779,393	1,115,844	
Total eligible own funds to meet the SCR	R0540	10,204,841	7,529,968	779,393	1,115,844	779,636
Total eligible own funds to meet the MCR	R0550	8,749,806	7,529,968	779,393	440,445	
SCR	R0580	5,197,573				
MCR	R0600	2,202,227				
Ratio of Eligible own funds to SCR	R0620	1.96				
Ratio of Eligible own funds to MCR	R0640	3.97				

Appendix 1 continued

S.25.05.01 Solvency Capital Requirement - for undertakings using an internal model (partial or full)

		Solvency Capital Requirement	Amount modelled	USP	Simplifications
		C0010	C0070	C0090	C0120
Risk type					
Total diversification	R0020	-5,836,763	-5,836,763		
Total diversified risk before tax	R0030	0	0		
Total diversified risk after tax	R0040	0	0		
Total market & credit risk	R0070	7,798,320	7,798,320		
Market & Credit risk - diversified	R0080	5,237,165	5,237,165		
Credit event risk not covered in market & credit risk	R0190	32,756	32,756		
Credit event risk not covered in market & credit risk - diversified	R0200	30,845	30,845		
Total Business risk	R0270	0	0		
Total Business risk - diversified	R0280	0	0		
Total Net Non-life underwriting risk	R0310	0	0		
Total Net Non-life underwriting risk - diversified	R0320	0	0		
Total Life & Health underwriting risk	R0400	4,189,016	4,189,016		
Total Life & Health underwriting risk - diversified	R0410	3,439,975	3,439,975		
Total Operational risk	R0480	382,177	0		
Total Operational risk - diversified	R0490	382,177	0		
Other risk	R0500	0	0		

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	9,132,046
Diversification	R0060	-2,524,656
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	6,607,390
Capital add-ons already set	R0210	0
Capital add-ons already set - Article 37 (1) Type a	R0211	0
Capital add-ons already set - Article 37 (1) Type b	R0212	0
Capital add-ons already set - Article 37 (1) Type c	R0213	0
Capital add-ons already set - Article 37 (1) Type d	R0214	0
Solvency capital requirement	R0220	5,197,573
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-15,028
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-1,394,789
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	0
Net future discretionary benefits	R0460	0

Approach to tax rate	Yes/No
	C0109
Approach based on average tax rate	R0590 No

Calculation of loss absorbing capacity of deferred taxes		Before the shock	After the shock	LAC DT
		C0110	C0120	C0130
DTA	R0600	1,478,237	2,915,444	
DTA carry forward	R0610	0	0	
DTA due to deductible temporary differences	R0620	1,478,237	2,915,444	
DTL	R0630	97,360	0	
Amount/estimate of LAC DT	R0640			-1,394,789
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650			0
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660			-1,366,912
Amount/estimate of AC DT justified by carry back, current year	R0670			-27,876
Amount/estimate of LAC DT justified by carry back, future years	R0680			0
Amount/estimate of Maximum LAC DT	R0690			-1,437,207

Appendix 1 continued

S.28.01.01 Linear formula component for life insurance and reinsurance obligations

		C0040	
MCR Result		R0200	2,202,227
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	13,359,195	
Obligations with profit participation - future discretionary benefits	R0220	322,143	
Index-linked and unit-linked insurance obligations	R0230	28,640,054	
Other life (re)insurance and health (re)insurance obligations	R0240	63,177,921	
Total capital at risk for all life (re)insurance obligations	R0250		282,102,849
Overall MCR calculation		C0070	
Linear MCR		R0300	2,202,227
SCR		R0310	5,197,573
MCR cap		R0320	2,338,908
MCR floor		R0330	1,299,393
Combined MCR		R0340	2,202,227
Absolute floor of the MCR		R0350	4,000
Minimum Capital Requirement		R0400	2,202,227

Appendix 1

Contact and legal information

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Disclaimer

NN Leven's Consolidated annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 on the Dutch Civil Code. In preparing the financial information in this document, the same accounting principles are applied as in the 2023 NN Levens Consolidated annual accounts, except as indicated in chapter D 'Valuation for Solvency Purposes' of the 2023 Solvency and Financial Condition Report.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements in this 2023 SFCR are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Leven's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Leven operates, on NN Leven's business and operations and on NN Leven's employees, customers and counterparties (3) changes in performance of financial markets, including developing

markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Leven of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Leven's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, (20) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (21) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (22) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (23) the inability to retain key personnel, (24) adverse developments in legal and other proceedings and (25) the other risks and uncertainties contained in recent public disclosures made by NN Group.

Any forward-looking statements made by or on behalf of NN Leven in this report speak only as of the date they are made, and NN Leven assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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