

2022

Solvency and Financial Condition Report

Nationale-Nederlanden Schadeverzekering Maatschappij N.V.

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Solvency and Financial Condition Report

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Summary

NN Schade'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 Schadeverzekering Maatschappij N.V. (NN Schade) on Solvency II as required by the Solvency II legislation. NN Schade already discloses most of the information that is required to be included in the SFCR in its 2022 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 Schade'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 chapter XII Public Disclosures (articles 292-298).

NN Schade 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 2022, are included in the appendix to this SFCR.

The amounts disclosed in this SFCR are, consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise.

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

We are also further optimising our Dutch non-life business, which, supported by long-term GDP growth and underwriting improvements, will support us towards our target of an Operating Capital Generation (OCG) of EUR 325 million and a combined ratio of between 93% and 95% in 2025.

Chapter A 'Business and performance' describes the overall business profile and structure of NN Schade. It also provides insight into the underwriting and investment performance of NN Schade. Chapter B 'Governance system' explains the organisational governance structure and looks into the role and execution of key Solvency II functions. Chapter C 'Risk profile' analyses NN Schade's exposure to financial and non-financial risks and explains the risk mitigation techniques in place. Chapter D 'Valuation for 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).

General Developments 2022

Overall impact of War in Ukraine

We are deeply concerned by the developing situation in Ukraine and the threat that it poses to our democracy and safety. Our thoughts are with everyone affected by the war and we will continue to do our best to help them. NN Schade does not have business activities in Ukraine or Russia and our direct financial exposure to these countries is limited to our co-insurance business (i.e. marine).

Impact of February storm

In February, the storm caused a great deal of loss and damage for our customers. In the Netherlands, a total of more than 39,000 claims of private individuals were reported. In our business segment Zakelijk Provinciaal we received more than 4,500 reports of loss or damage. We took an active approach to this February storm, by providing tips to our customers on how to prevent damage to their properties. Operationally we increased our customer service capacity and that enabled us to provide enough support when processing the high number of claims. The total claim amount accumulates to EUR 72 million (net of reinsurance).

Update impact of the Covid-19 pandemic

Covid-19 continued to impact our company this year. Our employees started to work in a hybrid way, i.e. partly from home and partly from the office. In 2022, the inflow of Covid-related illness in our Disability & Accident portfolios persisted, but this trend decreased as the year progressed.

Impact of inflation

The cost of living in the Netherlands increased drastically in 2022, as have inflation rates. At NN Schade, the impact varies throughout our businesses. Signs of increased inflation became apparent in our property and casualty portfolios, as increasing price pressures for suppliers result in higher claims. Rising wage inflation, including the decision of the Dutch government to increase the minimum wage with 10 percent (per 1 January 2023), has impacted our disability businesses.

Summary continued

Material changes in 2022

A - Major change business and performance

NN Schade's consistent strategy is to give meaning to the five strategic commitments (see Report of the Management Board, part of the Annual Report 2022), based on three guiding principles and three strategic themes. In a departure from previous years NN Schade has added the guiding principle of 'Sustainability'. Regarding sustainability the guiding principle is as follows: "We are committed to long-term sustainability, in our business operations, products and services, and in our interaction with our customers, intermediaries and society. In doing so we are responding to the Sustainable Development Goals (SDG) of Climate Action and Good Health & Well-being. Sustainability is a joint effort and a better world starts with ourselves. That is why we want to contribute to a world in which future generations also have a good quality of life.". The several initiatives taken within this respect have further been explained in Report of the Management Board.

The full-year 2022 operating result of NN Schade decreased to EUR 227 million from EUR 253 million in 2021. The decrease reflects lower underwriting results in P&C, partly offset by higher underwriting results in D&A and a higher investment income.

The lower underwriting results in P&C include the impact of EUR 72 million of claims (net of reinsurance) related to the February storm in 2022 and the impact of higher inflation, whereas 2021 included claims related to the floods in the Netherlands in July 2021 as well as a favourable claims development including a positive impact of Covid-19. Higher underwriting results in D&A reflect a more favourable claims development in the Individual Disability portfolio, whereas 2021 included a negative impact of Covid-19.

The full-year 2022 result before tax decreased to EUR 169 million from EUR 241 million in 2021, reflecting the lower operating result, and lower non-operating items, partly offset by lower special items. Lower non-operating items include lower realised gains/impairments on public equity as well as government bonds. Special items mainly reflect integration expenses.

The combined ratio for 2022 was 96% compared with 94% in 2021. As of 1 January 2023, NN Schade will implement IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'.

IFRS 9 and 17 will be implemented as of 2023 retrospectively with amendment of the 2022 comparative figures. The implementation will result in significant changes to NN Schade's accounting policies and may have significant impact on shareholder's equity, net result, presentation and disclosures. Shareholder's equity under IFRS 9 and IFRS 17 at the 1 January 2022 transition date was significantly higher as a result of the measurement of insurance liabilities at current assumptions. The impact, as explained in the Annual Report 2022, is preliminary and reflects the status at the date of these Annual Accounts. The final impact may deviate from the below and will be included in the 2023 Annual Accounts.

In April 2022, the integration of VIVAT Non-life was successfully completed following the migration of all policies, staff, claims, systems and data to NN's systems. In total we welcomed 1.5 million new customers from VIVAT Non-life.

B - System of Governance

Changes in the governance of NN Schade's Partial Internal Model

During 2022 the following change regarding the governance of NN Schade's Partial Internal Model (PIM) was made. The responsibility of NN Schade's Partial Internal Model (PIM) has been transferred from the Financial Risk Management (FRM) Team to the Risk Modelling Department (RMD) Team. Both the manager of the FRM and the RMD Team report to the Key Function Holder Risk.

Regarding intra group outsourcing there are the following changes

- In August 2021, NN Group announced the sale of NN Investment Partners to Goldman Sachs Group, Inc. The sale was completed in April 2022. There is an asset management agreement between NN Non-life and NN Investment Partners B.V. whereby NN Non-life provides a mandate to NN Investment Partners B.V. to manage the investments of NN Non-life.

Regarding intra group transactions there are the following changes

- On 30 December 2022, NN Schade entered into a legal merger with Volmachtkantoor Nederland B.V. (VKN).
- As from November 2022, NN Bank has become an execution-only intermediary in retail non-life insurance products of NN Non-Life in the NN Bank channel. This resulted in an Intermediary Agreement between NN Schade and Nationale Nederlanden Bank N.V.

C – Risk profile

Following the sale of NN Investments Partners and the outsourcing to Goldman Sachs Group, Inc. the Chief Investment Officer of NN Group will also - based on market views, local business unit requirements and input from assets managers - advise on Strategic Asset Allocation Studies and Reviews and Investment Plans.

In September 2021, DNB shared a Q&A on contract boundaries for individual disability products, enriched with additional guidance in November 2021. Following this Q&A, a move to end-age contract boundaries has been implemented per Q2 2022. NN combines this move with the

Summary continued

introduction of Future Management Actions (FMA) as a mitigating measure.

D – Valuation for solvency purposes

During 2022, 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.

Technical provisions decreased in 2023 as a result of increased interest rates. Regarding the technical provision Health similar to life, the non-financial assumptions regarding contract boundaries have changed. As per Q2 2022 the boundaries of insurance contracts for all products are set to end age

During 2022, best estimate assumptions were reviewed and updated where necessary. Assumption changes reflect movements in the financial markets, and recalibration of non-market assumptions.

No significant changes were made to the recognition and valuation bases nor on estimations of the other liabilities during the reporting period.

E – Capital management

Significant events of 2022:

- In June 2022 NN Schade paid EUR 56 million dividend.
- Per June 2022 NN Schade reflected in the Own Funds and SCR the consequence of the DNB guidance related to the treatment of contract boundaries for individual disability contracts.
- The Transitional Capital Lock-In (TCLI) of EUR 181 million was released in 2022 following the approval on the inclusion of VIVAT in the NN PIM.
- In December 2022 NN Schade paid EUR 80 million dividend.

Regarding capital management there are no major changes. The development of the Solvency II ration can be summarized as follows:

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 funds 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.

Eligible Own Funds

In EUR thousand	2022	2021
Tier 1 (restricted and unrestricted)	1,740,549	1,551,734
Tier 2	144,580	152,328
Tier 3		
Total Eligible Own Funds	1,885,129	1,704,062

Eligible Own Funds increased by EUR 181,067 thousand from EUR 1,704,062 thousand at 31 December 2021 to EUR 1,885,129 thousand at 31 December 2022 mainly due to New Business Contribution and Expected return and model changes (release Transitional Risk Margin Locked In and contract boundaries for individual disability contracts). Favourable results were partly offset by economic impacts, assumption changes and dividend payments.

Solvency Capital Requirement

Solvency Capital Requirement

In EUR thousand	2022	2021
Market risk	442,361	483,519
Counterparty default risk	15,059	16,007
Non-market risk	1,377,615	1,130,770
Diversification	-312,521	-347,285
Partial Internal Model BSCR	1,522,514	1,283,011
Transitional Capital Lock-In	0	180,702
Operational Risk	109,854	110,163
Loss absorbing Capacity of Deferred Taxes	-392,103	-372,228
Total SCR	1,240,265	1,201,648

Solvency Capital Requirement increased to EUR 1,240,265 thousand at 31 December 2022 mainly due to DNB guidance related to the treatment of contract boundaries for individual disability contracts partially offset by the release of the Transitional Capital Lock-In (TCLI).

Summary continued

NN Schade's Solvency II ratio

The following table presents the solvency ratio of NN Schade at year-end 2022 and 2021 :

Solvency ratio

In EUR thousand	2022	2021
Eligible Own Funds (EOF)	1,885,129	1,704,062
Minimum Capital Requirement (MCR)	538,349	540,742
Solvency Capital Requirement (SCR)	1,240,265	1,201,648
Surplus	644,863	502,414
Ratio (%) (EOF/SCR)	152%	142%

The Solvency II ratio of NN Schade increased to 152% from 142% mainly due to the increase in the Own Funds.

Business and performance

A. Business and performance

Introduction

This chapter of the SFCR contains general information on NN Schade, a simplified organisational structure and NN Schade's financial performance over 2022.

A.1 Business

General

Reference is made to the section 'NN Group and NN Schade at a Glance' in the 2022 Annual Report of NN Schade for the legal form of NN Schade and NN Schade's position within the legal structure of NN Group.

The supervisory authority responsible for financial supervision of NN Schade:

Dutch Central Bank
Spaklerweg 4
1096 BA Amsterdam
The Netherlands

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

Mr. W. (Wim) Teeuwissen RA
KPMG Accountants N.V.
Laan van Langerhuize 1
1186 DS Amstelveen
The Netherlands

Information on the appointment of the external auditor is included in the section 'Corporate governance- External auditor' in the 2022 Annual Report of NN Schade.

Qualifying holdings

A 'qualifying' holding is a direct or indirect holding in NN Schade 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 Schade is a fully owned subsidiary of Nationale-Nederlanden Nederland B.V. (NN Nederland) which in turn is a fully owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is fully owned by NN Group.

As at 31 December 2022, there were no holders of qualifying holdings in NN Group.

Material lines of business and related undertakings

Reference is made to section 'NN Group and NN Schade at a glance' and section 'Report of the Management Board' in the 2022 Annual Report of NN Schade for more information on the material lines of business of NN Schade.

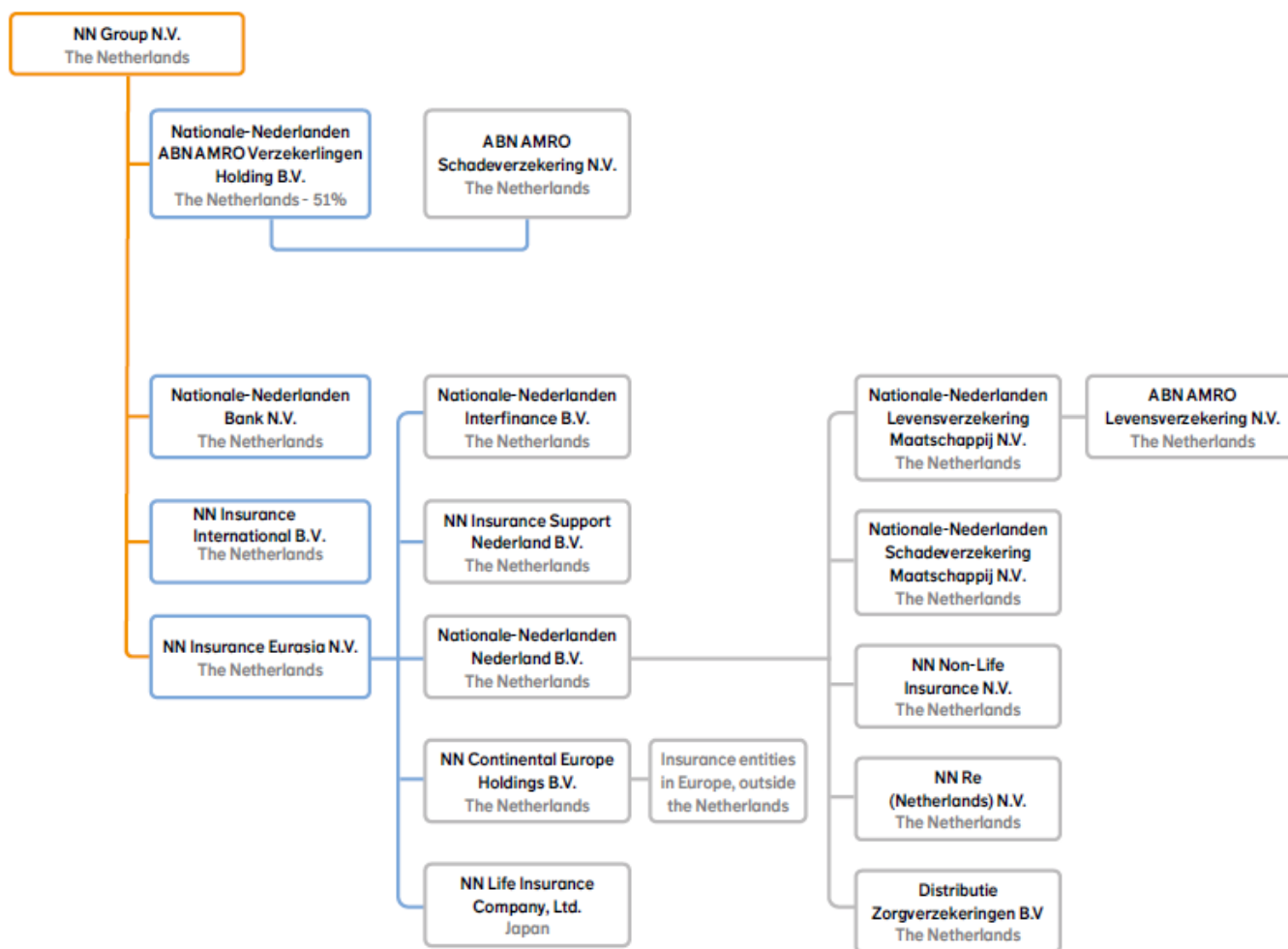
For information on any significant business events or other events that have occurred over the reporting period reference is made to the section 'Report of the Management Board – Financial strength' in the 2022 Annual Report of NN Schade and note 40 'Subsequent events' in the 2022 Annual Report of NN Schade.

Reference is made to the section 'Corporate governance' in the 2022 Annual Report of NN Schade for information on the governance and organisational structure of NN Schade.

Business and performance continued

Simplified group structure

The simplified group structure as at 31 December 2022 is as follows:



A.2 Underwriting Performance (see A.3 below)

A.3 Investment Performance

For information on underwriting and investment performance, reference is made to the section 'Report of the Management Board - Financial strength' in the 2022 Annual Report of NN Schade. For the underwriting performance, reference is made to QRT S.05.01.02 'Premiums, claims and expenses by line of business' in the Appendix.

Further reference is made to Note 18 'Investment income' in the 2022 Annual Report of NN Schade for information on income arising from investments by asset class and the components of such income.

Gains and losses on investments recognised directly in equity are disclosed in Note 12 'Equity'- revaluation reserve and in the statement of comprehensive income in the 2022 Annual Report of NN Schade.

Information on investment in securitisations is included Note 5 'Available-for-sale investments' in the 2022 Annual Report of NN Schade. Most of the investments in securitisations issued by third parties relate to debt instruments of structured entities regarding asset-backed securities classified as loans.

Business and performance continued

A.4 Performance of other activities

NN Schade has no other activities.

A.5 Any other information

Reference is made to the section 'Report of the Management Board' in the 2022 Annual Report of NN Schade for any other material information regarding the business and performance of NN Schade.

System of governance

B. System of governance

Introduction

This chapter of the SFCR contains information on the system of governance of NN Schade in addition to governance information included in the NN Group 2022 Annual Report and 2022 Annual Report of NN Schade as disclosed on NN Group's website. The additional information includes relevant committees within the Management Board, a description of the main roles and responsibilities of key functions and NN Schade's approach to the 'fit and proper' requirements and to the 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 sets out governance and control framework effective in 2022.

Structure of governance and changes in system of governance

For a description of the structure of NN Schade's administrative and management body, reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade. This source also describes the main roles and responsibilities of these bodies, provides a brief description of the segregation of responsibilities within these bodies and describes their relevant committees.

Supervisory Board

The Supervisory Board is responsible for supervising the Management Board and the general course of affairs of NN Schade and its business and providing advice to the Management Board.

MB committees

The Management Board is responsible for ensuring that NN Schade has adequate internal risk management and control systems in place so that it is aware, in good time, of any material risks the company has and that these risks can be managed properly. The Management Board retains responsibility for NN Schade's risk management, the day-to-day management and the overall strategic direction of the company, including the management of the structure, operation and effectiveness of NN Schade's internal risk-management and control systems. Within the Management Board the Chief Risk Officer (CRO) has been designated for risk purposes; as far as it concerns the day-to-day management and overall strategic direction there is no involvement.

While the Management Board retains responsibility for the risk management of NN Schade, it has delegated certain other responsibilities to committees. These Management Board committees are the Risk Board, the Model Committee, and the Assets & Liabilities Committee. In addition, the following committees are in place: a MT Risk committee per Business Line, the Crisis Committee, Pricing Model Governance Board, Pricing and Underwriting committees per Business Line, Reinsurance Steering Committee, and the Liability Driven Investment committee.

Roles and responsibilities of key functions

NN Schade has organised its Solvency II key functions in accordance with the applicable Solvency II regulations. All Solvency II Key function holders within NN Schade have passed the DNB's fit and proper test. All the Solvency II key functions are able to carry out their duties objectively and free from undue 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 relevant Board(s).

Risk function

CRO

The Chief Risk Officer (CRO) of NN Schade is a member of the NN Non-life Management Board and reports hierarchically to the NN Schade CEO and functionally to the NN Group CRO. The CRO steers an independent risk organisation which supports the first line in their decision making, with sufficient countervailing power to prevent excessive risk taking. The CRO must ensure that the Management Board and Supervisory Board are at all times informed of, and understands the material risks to which NN Schade is exposed. The CRO domain includes both the Risk Management Function and the Actuarial Function.

Risk Management Function

Responsibilities

The Head of Risk Management is the Solvency II Key Function Holder for the Risk Management Function and reports to the NN Schade CRO. Responsibilities of the Risk Management Function include:

- Setting, and monitoring compliance with, NN Schade's and NN Group's overall risk policies;
- Formulating the risk management strategy of NN Schade and ensuring that it is implemented throughout NN Schade;
- Supervising the operation of risk management and business control systems of NN Schade;
- Reporting of NN Schade's risks, as well as the processes and internal controls;
- Making risk management decisions with regards to matters which may have an impact on the financial results of NN Schade or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management.
- Sharing best practices across NN Group
- Developing the Partial Internal Model of NN Schade

System of governance continued

Compliance Function

The Compliance Function is a Solvency II Key Function within NN Schade. The Head of Compliance is the Solvency II Key Function Holder for the Compliance Function and reports to the Director of Legal & Compliance. Reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade for a description of the Compliance function.

Actuarial Function

The Actuarial Function is a Solvency II Key Function within NN Schade. The Actuarial Function Holder is the Solvency II Key Function Holder for the Actuarial Function and reports the NN Schade CRO. Reference is made to Note 41 'Risk Management' in the 2022 Annual Report of NN Schade for a description of the Actuarial Function.

Internal Audit Function

The Internal Audit Function is a Solvency II Key Function within NN Schade. NN Schade has outsourced internal audit to CAS, the internal audit department within NN Group. Reference is made to Note 41 'Risk Management' in the 2022 Annual Report of NN Schade for a description of the Internal Audit Function.

Remuneration

Remuneration is performed in line with the remuneration policies defined by NN Group. Reference is made to Note 23 'Staff expenses' as disclosed in the 2022 Annual Report of NN Schade for information on the remuneration policy and practices regarding administrative, management and supervisory bodies and employees. Other information on remuneration is disclosed on NN Group's website: NN Group - Remuneration (nn-group.com).

Transactions with related parties

Reference is made to Note 37 'Related parties' and Note 38 'Key management personnel compensation' in the 2022 Annual Report of NN Schade 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 Schade and with members of the Management Board and Supervisory Board are disclosed in Note 38 'Key management personnel compensation' in the 2022 Annual Report of NN Schade.

Adequacy of system of governance

The NN Non-life Management Board concludes that the NN Non-life's System of Governance is adequate and effective, supports its strategic objectives and operations and provides for sound and prudent management of the company. The identified improvement measures in the 2021 System of Governance Review are addressed or have been concluded. The next System of Governance Review activities (including review of follow-up on improvement measures) have been scheduled for the end of 2023 with discussion and conclusion early 2024.

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

Reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade for a description of how the risk management and internal control systems and reporting procedures are implemented consistently throughout the organisation.

Own risk and solvency assessment at group and entity level

NN Group did not make use of the option provided for in the third subparagraph of Article 246(4) of Directive 2009/138/EC to conduct the Own Risk and Solvency Assessments at the level of the group and at the level of any subsidiary in the group simultaneously. NN Schade makes use of the option provided for in the third subparagraph of Article 246(4) of Directive 2009/138/EC to conduct the own risk and solvency assessments at the level of the group of entities. The assessment is done for NN Schade and NN Non-Life Insurance N.V. as a whole.

B.2 Fit and proper requirements

For a description of NN Schade's specific requirements applicable to the persons who manage NN Schade, reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade. Requirements concerning skills, knowledge and expertise applicable to people who have other key functions, are included in the respective job profiles.

Various NN Group policies and charters include provisions aiming to ensure that the people who effectively run NN Schade and the people fulfilling Solvency II 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 repute and have integrity (proper). Where applicable the candidates must pass the DNB or AFM fit and proper test.

All people holding Solvency II 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 Schade's risk management system

Reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade for:

System of governance continued

- a description of the risk management system, which comprises of strategies, processes and reporting procedures,
- how NN Schade is able to effectively identify, assess, monitor, manage and report, on a continuous basis, and
- the risks to which NN Schade 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 Schade.

Own Risk and Solvency Assessment

Business strategy and objectives, key risk appetite statements, risk and capital management are aligned in the Own Risk and Solvency Assessment (ORSA) in synchronisation with the yearly medium term business plan. The ORSA report supports the Management Board in assessing the overall risk and capital profile of the business under a wide range of scenarios.

The ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks a (re)insurance legal entity faces or may face and to determine the own funds necessary to ensure that the entity’s overall solvency needs are met at all times. In particular, the ORSA:

- is a specific instrument within NN Schade’s risk management system: it is a high level forward looking analysis on capital adequacy under a wide range of scenarios based on the current and emerging risk profile of an entity, given its strategy and risk appetite
- does not serve to calculate the capital requirement, although capital add-ons can be considered as a result of the ORSA
- is an integral part of business planning.

Regular frequency

NN Schade, in combination with NN Non-Life Insurance N.V., prepares an ORSA at least once a year. In the ORSA, NN Schade:

- articulates its strategy and risk appetite;
- describes its key risks and how they are managed;
- analyses whether or not its risks and capital are appropriately modelled; and
- evaluates how susceptible the capital position is to shocks through stress testing and scenario analysis, including a multiyear view.

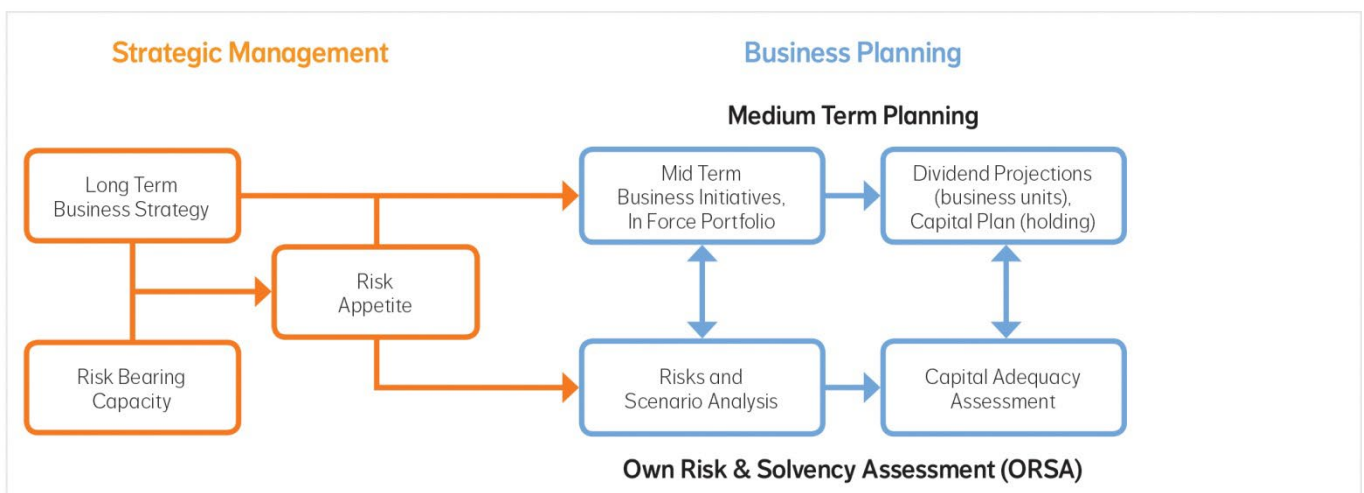
Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN Schade. Stress testing can also be initiated outside the ORSA, either internally or by external parties such as DNB and the European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes a forward looking overall assessment of the solvency position of NN Schade considering the risks it bears.

Monitoring between regular ORSAs: possible ad-hoc ORSA

To the extent necessary, outcomes of the ORSA are translated in ad-hoc ORSA triggers (i.e. events that lead to a significant shock in the risk profile and/or capital position), risk metrics and management actions for identified material risks. Monitoring of ad-hoc ORSA triggers and risk metrics is performed as part of the regular Finance & Risk control cycle. Developments are documented in internal Finance & Risk reports and discussed during board and/or delegated committee meetings. The CRO of NN Schade is responsible for identifying the need of a(n) (partial) ad-hoc ORSA. In such cases, NN Group will be informed and the relevant national supervisory authority will also be informed.

The regular ORSA process as undertaken within NN Schade

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



System of governance continued

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 an earlier re-assessment. 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 on 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 Management Board, given their strategy and risk appetite. Basis for this risk assessment is NN Group's risk taxonomy. Modelled risks are subject to an appropriateness test (see below) and additional statistical stress testing (see below), both contributing to adequate capitalisation of these risks. Focus is therefore on non-modelled risks.

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 and can result in changes in the determination of required capital.

Capital projections

The projection basis is consistent with the best-estimate assumptions and parameters used for the Business Plan best estimate financial forecasts, among others the yearly updated Macro Economic Scenario.

The Actuarial Function is to confirm that the base-case and projected technical provisions represent a true and fair view of future liabilities. The Actuarial Function also provides input concerning the risks arising from the calculation of technical provisions.

The Risk Function is also involved in the ORSA process, amongst others in assessing the stress testing in relation to the identified key risks and mitigating measures in place.

Regulatory solvency is at the heart of the ORSA: NN Schade must ensure that it is able to meet regulatory required solvency ratios at all times. In addition, NN Schade assesses:

- The quantity and quality of Own Funds over the Business Plan period
- The composition of Own Funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the Business Plan period.

Note that in principle only NN Group raises capital in the financial markets.

Stress testing and overall assessment of capital adequacy

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

Scenario testing, as well as (reverse) stress testing are required for each ORSA. When the outcomes of performed stress tests show solvency ratios dropping below 100%, realistic strategies for recovering Solvency ratios will be considered and documented in the ORSA report. One of the management actions is a capital downstream to restore Solvency ratios.

Ultimately, after all assessments and considerations (including formulated management actions) the ORSA is to conclude whether, going forward, NN Schade is adequately capitalised under a wide range of scenarios over the planning horizon.

Governance of NN Schade's Partial Internal Model

Model Validation

NN Schade has outsourced its Model Validation Function to NN Group. NN Group's Model Validation Function aims to ensure that NN Schade's models are fit for their intended use. For this purpose, the Model Validation Function carries out validations of risk and valuation models in particular those related to Solvency II. Any changes to models that have an impact larger than certain pre-set materiality thresholds require approval from either the Group CRO, Group CFO or the NN Group Management Board.

Model validation is not a one-off assessment of a model, but an ongoing process whereby the reliability of the model is verified at different stages during its life cycle: at initiation, prior to approval, when the model has been redeveloped or modified, and on a regular basis, based on a planning discussed and agreed with the Model Development departments. It is not only a verification of the mathematics and/or statistics of the model, but encompasses both a quantitative and qualitative assessment of the model. Accordingly, the validation process covers a mix of developmental evidence assessment, process verification and outcome analysis.

The validation cycle determines the maximum period between two model validations, which can be up to five years. This means that each model in scope will be independently validated at least once within the validation cycle. In general, the length of the validation cycle relates to the relative materiality of the models in scope. Model Validation can also start validating before the due date, for example following specific portfolio/market developments or regulatory changes. Materiality of a model is determined based on quantitative and qualitative criteria. Quantitative criteria relate to, amongst others, a percentage of Market Value of Liabilities/Assets, or Solvency Capital Requirement. Qualitative

System of governance continued

criteria cover model complexity, strategic importance and other factors. Depending on materiality of the model, as well as the severity of findings resulting from a model validation, models receive a Validation Opinion. Models with severe findings require remediation actions by management, such as further adjustments of the model.

Changes in the governance of NN Schade's Partial Internal Model

During 2022 the following changes to the governance of NN Schade's Partial Internal Model (PIM) were made:

- The responsibility of NN Schade's Partial Internal Model (PIM) has been transferred from the Chief Financial Officer (CFO) to the Risk Modelling Department (RMD) Team.
- The RMD team has been set up per the 1st of January 2022 in order to have a dedicated risk modelling team with focus on the internal model development and maintenance. Both the manager of the FRM and the RMD Team report to the Key Function Holder Risk.

B.4 The Internal control system

Reference is made to Note 41 'Risk management' of the Annual Report of NN Schade for a description of the implementation of the Internal control system.

B.5 Internal Audit Function

Reference is made to Note 41 'Risk management' of the Annual Report of NN Schade for a description of the implementation of the Internal Audit Function.

B.6 Actuarial Function

Reference is made to Note 41 'Risk management' of the Annual Report of NN Schade for a description of the implementation of the Actuarial Function.

B.7 Outsourcing

External Outsourcing arrangements

NN Schade has outsourced part of its (IT) processes to external service providers, either directly or indirectly via NN Group. 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 Schade entities enter into various transactions with entities within the Group. Transactions with entities within the Group take place on an arm's length basis and include distribution agreements, human resources-related arrangements and rendering and receiving of services. There are no significant provisions recognised for doubtful debts or individually significant bad debt expenses on outstanding balances within NN Schade.

System of governance continued

All intra-group transactions are conducted under market-consistent conditions. Included in the intra-group transactions were the following:

- Facility services carried out by group companies for insurance and other entities
- Various other shared services, including finance and information technology, carried out by group companies for insurance and other entities
- Staff of the insurance entities within NN Group in the Netherlands is employed by NN Personeel B.V. NN Schade 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 recognised as such. A staff provision for holiday entitlement and bonuses is recognised at NN Personeel B.V. Actual spending is charged to the NN Schade as per the contract with NN Personeel B.V.
- Transactions between NN Group and NN Schade concerning the payment of tax, as NN Group heads the fiscal unity in the Netherlands
- NN Re (Netherlands) N.V. carries out reinsurance activities of NN Schade
- On 30 December 2022, NN Schade entered into a legal merger with Volmachtkantoor Nederland B.V. (VKN).
- As from November 2022, NN Bank has become an execution-only intermediary in retail non-life insurance products of NN Non-Life in the NN Bank channel. There for an Intermediary Agreement between NN Schade and Nationale-Nederlanden Bank N.V. has been agreed.
- Nationale-Nederlanden Bank N.V. is the servicing and originating partner for mortgage loans held by NN Schade

For intra-group outsourcing arrangements, a written Intra-group Outsourcing Agreement is in place.

B.8 Any other information

Reference is made to the section 'Corporate Governance' in the 2022 Annual Report of NN Schade 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 Schade and NN Group.

Risk profile

C. Risk profile

Introduction

This chapter of the SFCR contains information on the risk profile of NN Schade 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 2022 Annual Report of NN Schade 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 2022 Annual Report of NN Schade.

C.2 Market risk

Market risk is disclosed in Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

C.3 Counterparty risk (Credit risk)

Counterparty Default risk is disclosed in Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

C.4 Liquidity risk

Liquidity risk is disclosed in Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

C.5 Operational risk

Operational risk is disclosed in Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

C.6 Other material risks

Strategic and emerging risks

Strategic risks are risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. Emerging risks are newly developing risks, or changing risks, that cannot yet be fully assessed or quantified but that could, in the future, affect the viability of NN Schade's strategy. Most of these risks have a high degree of uncertainty with regard to how they can impact us, or the size of the impact. Reference is made to the 2022 Annual Report of NN Schade, section 'Managing our risks' for any other information on any other material risks.

Business conduct risk

Business conduct risk is the risks related to unethical or irresponsible corporate behaviour, inappropriate employee behaviour and product suitability. For more details reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

Concentration risks

NN Schade 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 2022 Annual Report of NN Schade.

Investing assets in accordance with the 'Prudent person principle'

Acceptable investments

NN Schade 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 subsidiaries of NN Group 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 considerations on return, risk, tax, Environmental, Social and Governance (ESG) matters and operational consequences that are relevant to the decision whether NN Schade can invest in the proposed asset 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 in close cooperation with NN Investment Office, reporting directly to the CFO of NN Schade. The second line functions, Risk Management and Actuarial Function Holder (AFH), reports to the CRO of NN Schade. All stakeholders regularly meet in the Asset and Liability Committee (ALCO) for discussing the most material issues. ALCO is involved in (but not limited to) oversight of market and investment risk taking, the definition of an investment strategy applicable to certain mandates and/or local financial markets, discussing quarterly figures and insights in interventions before end of quarter and capital position, risk metrics and balance sheet. Operational activities regarding investments are performed by NN Group/Investment Operations, 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 of NN Group

Based on market views, local business unit requirements and input from its assets managers, the Chief Investment Officer will:

- Propose on investment Strategy for NN Group and the business units
- Prepare or advise on Strategic Asset Allocation Studies and Reviews and Investment Plans based on these Studies and Reviews
- Prepare proposals for mandates containing investment limits and delegated approval levels for the asset managers
- Prepare Performance Measurement Guidelines of all investment decisions taken under the delegated approval authorities..

Sensitivity analysis

Reference is made to Note 'Risk Management' in the 2022 Annual Report of NN Group for a description of the methods used and the assumptions made. Details on the exposures to certain risk types can be found 'Risk Management' in the 2022 Annual Report of NN Schade.

Other material risks

Reference is made to the section 'Report of the Management Board' in the 2022 Annual Report of NN Schade for any other information on any other material risks if any.

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 2022 Annual Report of NN Schade regarding the risk exposure of NN Schade, including the exposure arising from off-balance sheet positions and describing the measures used to assess these risks.

As at 31 December 2022, no material risks were transferred to special purpose vehicles outside NN Schade.

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

Techniques used for mitigation of risks

Reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade for a description of the techniques used for mitigating risks and the processes for monitoring the continued effectiveness of these risk mitigation techniques.

Contract Boundaries – Future Management Actions (FMA)

In September 2021 DNB shared a Q&A on contract boundaries for individual disability products, enriched with additional guidance in November 2021. Following this Q&A, a move to end-age contract boundaries has been implemented per Q2 2022. NN combines this move with the introduction of FMAs as mitigating measures.

Valuation for Solvency purposes

D. Valuation for Solvency Purposes

Introduction

This chapter contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of NN Schade and explains the differences with the valuations in the NN Schade 2022 Annual accounts.

Reconciliation IFRS Balance sheet to Solvency II Balance sheet

As at 31 December 2022. In EUR thousand	IFRS	Presentation differences	Valuation differences	Solvency II
Assets				
Cash and cash equivalents	12,441	0	0	12,441
– Non-trading derivatives	216,542	926	0	217,467
Available-for-sale investments	5,133,433	47,057	-73	5,180,417
Loans and advances	2,447,065	5,911	-354,081	2,098,895
Reinsurance contracts	347,397	0	-66,092	281,305
Property and equipment	8,262	0	0	8,262
Subsidiaries and associates	54,778	0	0	54,778
Intangible assets	93,733	0	-93,733	0
Deferred acquisition costs	59,265	0	-59,265	0
Deferred tax assets	124,916	0	-124,916	0
Other assets	606,860	-64,205	0	542,655
Total assets	9,104,692	-10,311	-698,160	8,396,220
Equity				
Shareholder's equity	888,211	0	726,217	1,614,428
Undated subordinated loan	130,000	3,730	-3,814	129,916
Total equity / Excess of assets over liabilities	1,018,211	3,730	722,403	1,744,344
Liabilities				
Subordinated debt	159,002	66	-14,489	144,580
Other borrowed funds	0	0	0	0
Insurance contracts	7,153,845	0	-1,546,137	5,607,709
Financial liabilities at fair value through profit or loss:				
– Non-trading derivatives	326,838	1,367	0	328,206
Deferred tax liabilities	0	0	127,623	127,623
Other liabilities	446,796	-15,475	12,440	443,759
Total liabilities	8,086,481	-14,042	-1,420,563	6,651,877
Total equity and liabilities	9,104,692	-10,312	-698,160	8,396,221

Reference is made to the 2022 Annual Report of NN Schade for more detailed information on the IFRS Balance sheet. Reference is also 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 2022 Annual Report of NN Schade due to classification and valuation differences to reflect a risk management view.

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 difference occurred, reference is made to Note 1 'Accounting policies' and Note 4 and 15 'Fair value of financial assets and liabilities' in the 2022 Annual Report of NN Schade for a description of the bases, methods and main assumptions used for their valuation.

Details of these and other valuation 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, other than technical provisions, is IFRS as endorsed by the European Union (IFRS-EU). The exception is if the IFRS valuation principle does not reflect a market consistent valuation (e.g. amortised cost). For main assumptions used in fair valuing assets, reference is made to Note 4 and 15 'Fair value of financial assets and liabilities' in the 2022 Annual Report of NN Schade.

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.

Valuation for Solvency purposes continued

Financial assets at fair value through profit or loss and Available-for-sale investments

In the IFRS balance sheet, investments are reported at fair value. 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 47,057 thousand as at 31 December 2022 are caused by presentation of accrued interest as part of the investments, instead of a separate presentation as accrual 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 2022 Annual Report of NN Schade (clean market value).

Loans

In the IFRS balance sheet, loans are reported at amortised cost. In the Solvency II balance sheet, loans are reported at market value. For loans that are repriced frequently and have had no significant changes in credit risk, the carrying values in the 2022 Annual Report of NN Schade represent a reasonable estimate of the market value for Solvency II. For other loans the market value is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The market value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Valuation differences between IFRS and Solvency II for loans represents the difference between amortised cost and market value of EUR -354,081 thousand as at 31 December 2022.

Presentation differences of EUR 5,911 thousand as at 31 December 2022 are caused by the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the loans (dirty market value) and not separately as other assets as in the 2022 Annual Report of NN Schade (clean market value).

Reinsurance contracts

Reference is made to section D2 'Technical provisions' of this SFCR.

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.

Subsidiaries and associates (Holdings in related undertakings)

In the IFRS balance sheet, subsidiaries are recognised using the equity method of accounting and associates are reported at net asset value (equity accounting).

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).

Intangible assets

Goodwill and Value of Business Acquired (VOBA) are not recognised for Solvency II purposes. Other intangibles including software can be recognised and measured at a value other than nil if they can be sold separately and if there is a quoted market price in an active market for the same or similar intangible assets. As there is no quoted market price for NN Schade's other intangible assets, it is valued at nil for Solvency II purposes.

Deferred acquisition costs

Deferred Acquisition Costs are not recognised for Solvency II purposes.

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 26 'Taxation' in the 2022 Annual Report and Note 35 'Contingent liabilities and commitments – Tax liabilities' of NN Schade for more information on the origin of the recognition of deferred taxes.

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 64,205 thousand as at 31 December 2022 is mainly related to 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 2022 Annual Report of NN Schade (clean market value).

Valuation for Solvency purposes continued

Changes in valuation bases

During 2022, 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 Technical provisions (Insurance contracts)

Value of the technical provisions

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 2022:

Value of technical provisions by Solvency II Business Line

As at 31 December 2022. In EUR thousand	Best Estimate Liabilities	Risk margin	Technical provisions
Technical provision per line of Business:			
1. Non-Life	2,119,316	86,204	2,205,520
2. Health similar to Non-Life	238,454	13,968	252,422
3. Health similar to Life	2,740,362	409,405	3,149,767
Total	5,098,132	509,577	5,607,709

Bases, methods and main assumptions used for solvency valuation

Technical Provisions are measured for Solvency II purposes as the sum of the BEL and RM. The BEL is equal to the probability-weighted average of the present value of the future liability cash flows. The RM 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 Schade 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 to allow for financial risk with currency specific Credit Risk Adjustments (CRA) and country specific Volatility Adjustment (VOLA). This is the full-cash flow approach and is typical for traditional business. Cash flows are projected on a combination of per policy basis and portfolio level.

Cash flows are projected deterministically since NN Schade does not have material embedded options or guarantees except the modelling of inflation for the Movir portfolio, where a Time Value of Options and Guarantees (TVOG) exists.

The cash flow projections used in the calculation of the BEL are based on the best estimate assumptions. The cash flow projection reflects the expected realistic future demographic, legal, medical, technological, social, environmental and economic developments that will have a material impact on the BEL.

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 Actuarial Function Report prepared by the local Actuarial Function Holder (AFH).

NN Schade reports a relatively small portion of unmodelled Technical Provisions. For unmodelled business, Technical Provisions are estimated either by scaling of modelled business or by setting Solvency II Technical Provisions equal to IFRS provisions. Where these approaches are taken, the AFH has provided an opinion that the approaches are acceptable given the materiality of the Technical Provisions.

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 BEL.

Risk margin

In addition to the BEL a RM is held to allow for non-hedgeable market and non-market risks. The calculation of the RM is performed by using a driver approach. Long-Term Guarantee (LTG) measures are excluded from the discounting, when calculating the RM.

With the driver approach, the relevant sub-risk SCRs are projected using appropriate risk drivers, multiplied by the cost of capital of 6%, then discounted at the relevant risk free rate term structure. The sub-risk market value margins are aggregated using the relevant diversification factors. Note that this is a simplification as Solvency II requires the individual SCRs to be diversified at each future point in time. NN Schade's simplification does not lead to a material misestimation of the RM (less than 1%).

Assumptions

Non-financial assumptions

Best estimate assumptions are set for expenses, mortality, morbidity and other relevant insurance risks using historical experience of the insurance portfolio. Assumptions are reviewed by NN Schade at least annually and submitted to the Model Committee (MoC) for approval, following NN Schade's model governance.

Valuation for Solvency purposes continued

Policyholder behaviour regarding lapses, are taken into account subject to the boundaries of the contracts.

Boundaries of insurance contracts for all products are set equal to the contract term.

Financial assumptions

NN Schade follows EIOPA requirements in determining the basic risk-free rates and the VOLA to determine the relevant currency specific risk free rate term structure for valuation of Technical Provisions. Because EIOPA curves are not available in time for NN Schade to start their valuations, NN Schade follows NN Group using 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 Schade manufactured curves. At year-end 2022, the EIOPA and NN Schade curves were consistent.

Changes in assumptions

During 2022, best estimate assumptions were reviewed and updated where necessary. Assumption changes reflect movements in the financial markets, and recalibration of non-market assumptions.

Options and guarantees

NN Schade does not have material options and guarantees in the insurance liabilities.

Level of Uncertainty

For the level of uncertainty associated with the value of the technical provisions, reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

Main differences between IFRS and Solvency II valuation of technical provisions

As at 31 December 2022. In EUR thousand	IFRS	Valuation differences	Solvency II
Technical provision per line of Business:			
1. Non-Life	2,767,988	-562,468	2,205,520
2. Health similar to Non-Life	317,462	-65,040	252,422
3. Health similar to Life	4,068,395	-918,629	3,149,767
Total	7,153,845	-1,546,137	5,607,709

Summary of main differences between IFRS and Solvency II as at 31 December 2022

At 31 December 2022, the valuation 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 Schade amounted to EUR -1,546,137 thousand. Methods and models used in calculating Solvency II technical provisions and IFRS insurance liabilities differ substantially. The main valuation differences between IFRS and Solvency II are outlined below:

- Insurance liabilities in the IFRS Balance sheet are established in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2005, NN Schade decided to continue the then existing accounting principles for insurance contracts under IFRS-EU. This means the application of accounting standards generally accepted in the Netherlands (Dutch GAAP) for the provisions for liabilities under insurance contracts
- The BEL in Solvency II are calculated as the expected present value of future liability cash flows using best estimate assumptions, whereas the IFRS assumptions contain prudence
- A RM for non-hedgeable risks is added to the BEL to establish the Solvency II technical provisions
- Different interest rates are used for calculation of insurance contracts under IFRS and Solvency II. For Solvency II a risk-free interest rate curve with credit risk and VOLA where applicable is used. A matching adjustment is not applied. For IFRS a fixed interest rate/guaranteed technical interest rate is used, and for certain Non-Life insurance contracts discounting is not applied
- The present value of future profits is recognised in Solvency technical provisions but not in IFRS reserves
- Technical provisions under Solvency II decreased in 2023 as a result of increased interest rates. Technical provisions under IFRS are based on fixed interest rates and in principle do not change when interest rates change. The decrease of the technical provision under Solvency II due to changed interest rates is the main cause of the valuation difference between Solvency II and IFRS.

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

QRT S.22.01.21 '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.22.01.21 mandate disclosure of the quantitative impact of excluding:

- Transitional measures on technical provisions
- Transitional measures on interest rates
- Volatility adjustment
- Matching Adjustment

on:

Valuation for Solvency purposes continued

- 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 Schade, the Volatility adjustment (VOLA) is of significant 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 Schade.

Volatility adjustment

NN Schade 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 yield curve includes a Volatility adjustment component. As at 31 December 2022, the level of the VOLA for the Euro currency was 19 bps (31 December 2021: 3bps). The application of the VOLA resulted in a reduction of EUR 72,596 thousand in technical provisions, contributing EUR 53,866 thousand (after tax) to Basic own funds and Eligible Own Funds as at 31 December 2022.

In the calculation of the SCR, NN Schade assumes no change to the VOLA after a shock-event, but reflects the illiquidity of liabilities in the asset shocks to ensure appropriate solvency capital requirements. This VOLA approach is approved by DNB, in particular to ensure appropriate risk incentives on asset allocation decisions. NN Schade also shocks all government bonds and its mortgage portfolio in the calculation of spread risk capital requirements.

If the VOLA would be excluded from the SCR calculation, the spread risk on government bonds and mortgages would, in the opinion of NN Schade, need to be adjusted accordingly. However, for the completion of QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix, NN Schade is required to reflect only the impact of excluding the VOLA from Eligible Own Funds and the SCR, without adjusting for the spread risk on government bonds and mortgages.

The impact of removing the VOLA from Own Funds increased in 2022 compared to 2021.

D.3 Other liabilities

Subordinated Debt

In the IFRS balance sheet, subordinated debt reported at amortised cost. In the Solvency II balance sheet, subordinated debt is reported at market value, excluding an adjustment for the change in NN Schade'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 issued date.

Presentation differences include the different presentation of 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 2022 Annual Report of NN Schade (clean market value). In addition to this presentation difference, the undated subordinated notes presented as equity under IFRS is presented as liability under Solvency II. Total presentation differences for subordinated debt amounted to EUR 66 thousand as at 31 December 2022.

Valuation differences between IFRS and Solvency II for Subordinated debt of EUR -14,489 thousand represent the difference between amortised cost and market value, excluding an own credit element.

Deferred tax liabilities

In the Solvency II balance sheet, deferred tax assets and liabilities are recognised and valued in conformity with IFRS (reference is made to section D.1 'Assets' - Deferred taxes). However, due to the differences in valuation of assets and liabilities as set out in sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities' EUR 2,706 thousand higher deferred tax liabilities are recognised in the Solvency II balance sheet as at 31 December 2022.

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 differences between IFRS and Solvency II for other liabilities of EUR 12,440 thousand represent the difference between IFRS valuation and Solvency II valuation for reinsurance payables.

Presentation differences include the different presentation of accrued interest. 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 2022 Annual Report of NN Schade (clean market value). Presentation differences amounted to EUR -15,475 thousand as at 31 December 2022.

Valuation for Solvency purposes continued

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 2022).

For more details on other provisions and contingent liabilities, reference is made to Note 35 'Contingent liabilities and commitments' in the 2022 Annual Report of NN Schade.

Leasing

Information on operating lease arrangements are recognised in Note 25 'Other operating expenses' and Note 35 'Contingent liabilities and commitments' in the 2022 Annual Report of NN Schade. There are no financial lease arrangements within NN Schade.

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 31 'Liabilities by maturity' in the 2022 Annual Report of NN Schade. 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 2022 Annual Report of NN Schade. 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.

Changes in 2022

No significant changes were made to the recognition and valuation bases nor on estimations of the other liabilities during the reporting period.

D.4 Alternative methods for valuation

Alternative valuation methods used

Alternative valuation methods are used by NN Schade to determine the fair value of assets and liabilities if quoted market prices in active markets are unavailable. Reference is made to Note 4 and 15 'Fair value of financial assets and liabilities' in the 2022 Annual Report of NN Schade 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 2022 Annual Report of NN Schade. The valuation methods used if the markets are inactive are described in Note 4 and 15 'Fair value of financial assets and liabilities'.

Estimation uncertainties

For the major sources of estimation uncertainty, reference is made to Note 41 'Risk management' in the 2022 Annual Report of NN Schade.

Capital management

E. Capital management

Introduction

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

E.1 Own funds

Reference is made to Note 42 'Capital management' in the 2022 Annual Report of NN Schade for:

- The objectives, policies and processes employed by NN Schade 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, classified by tiers

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

- Paid-in ordinary share capital and the related share premium account
- A reconciliation reserve. The purpose of the reconciliation reserve is to reconcile the value of the above item to the total amount of the excess of assets over liabilities

NN Schade did not have ancillary Own Funds during 2022 or as at 31 December 2022.

Impact of long term guarantees and transitional measures

The quantification of the impact of changing the volatility adjustment to zero, the transitional interest rates on NN Schade'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.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix.

Items deducted from Own Funds

Under Solvency II, Own Funds are reduced by 'foreseeable dividends, distributions and charges'. This requirement is different from reporting under IFRS where dividends are deducted from equity (and a corresponding liability is recognised) when they are declared.

Dividends are declared when these are approved by the General meeting. In addition, under Solvency II, proposed dividends that are not yet finally approved but form part of the appropriation of the net result for the year are foreseeable dividends as from the date the decision to distribute has been made by the Management Board. If such decision is made after the balance sheet date but before the publication date, these are reflected as foreseeable dividends. Dividends that are approved after the balance sheet date and relate to the new period/year (i.e. are not part of the appropriation of the result for the period), are not reflected as foreseeable dividends at the reporting date.

Quantitative explanation of the material differences between IFRS equity and excess assets over liabilities as calculated for solvency purposes is provided further in this section and section D 'Valuation for Solvency Purposes'.

Additional ratios

No additional ratios are disclosed in the 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 management' in the 2022 Annual Report of NN Schade for an analysis of significant changes in Own Funds.

The principal loss-absorbency mechanism

During 2022, NN Schade 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
- Foreseeable dividends, distributions and charges

The reconciliation reserve is included in QRT S.23.01.01 'Own funds' in the Appendix to this report.

As at 31 December 2022 NN Schade has foreseeable dividends, distributions and charges due to the interest on the subordinated debt.

Capital management continued

Reconciliation IFRS equity to Own Funds

Reconciliation IFRS equity to Solvency II Basic Own Funds

In EUR thousand	2022	2021
IFRS Shareholder's Equity	888,211	1,563,910
Elimination of deferred acquisition costs and other intangible assets	-152,998	-164,015
Valuation differences on assets	-420,245	13,422
Valuation differences on subordinated loan, liabilities and insurance and investment contracts	1,551,999	-45,427
Deferred tax effects on valuation differences	-252,539	48,950
Excess of assets over liabilities	1,614,429	1,416,840
Undated subordinated loan	129,916	138,678
Subordinated debt	144,580	152,328
Foreseeable dividends and distributions	-3,796	-3,784
Basic Own Funds	1,885,129	1,704,062

The differences between IFRS Shareholders' Equity in NN Schade's 2022 Annual accounts and Solvency II Basic Own Funds of NN Schade as at 31 December 2022 are mainly caused by:

Valuation differences:

- Intangible assets are not recognised under Solvency II
- Deferred acquisition costs are not recognised under Solvency II as separate balance sheet item
- Loans and advances are measured differently on the IFRS and Solvency II balance sheets
- Reinsurance contracts are measured differently
- Insurance and investment contract liabilities are measured differently
- The other adjustments mainly consist of the change in net Deferred Tax Assets or Deferred Tax Liabilities caused by using different valuations for some Solvency II balance sheet items whilst the tax base of these items remained the same.

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

Eligibility of Own Funds

NN Schade does not have restrictions affecting eligibility, transferability and fungibility of Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

SCR

NN Schade uses the Partial Internal Model (PIM) to calculate capital requirements under Solvency II.

On 31 December 2020, NN Schade entered into a legal merger with VIVAT Schadeverzekeringen N.V. (VIVAT Non-life). As a result, VIVAT Non-life ceased to exist as a separate legal entity and NN Schade assumed all assets and liabilities of VIVAT Non-life under universal title of succession. In September 2021, NN Schade submitted a MMC request to DNB which targeted approval of the proposed model changes, inclusion of the former VIVAT Schade (VIVAT) portfolio in the NN PIM and the release of the Transitional Capital Lock-In (TCLI). DNB has partially approved this MMC and have imposed four Term & Conditions (T&Cs) which should be addressed before 1 July 2023. The TCLI at the end of 2021 was EUR 181 million.

Solvency Capital Requirement

In EUR thousand	2022	2021
Market risk	442,361	483,519
Counterparty default risk	15,059	16,007
Non-market risk	1,377,615	1,130,770
Diversification	-312,521	-347,285
Partial Internal Model BSCR	1,522,514	1,283,011
Transitional Capital Lock-In	0	180,702
Operational Risk	109,854	110,163
Loss absorbing Capacity of Deferred Taxes	-392,103	-372,228
Total SCR	1,240,265	1,201,648

Reference is made to QRT S.25.02.21 in the Appendix and Note 'Risk management' in the 2022 Annual Report of NN Schade for further explanations by risk categories.

Capital management continued

NN Schade determined the SCR including:

- Loss-absorbing capacity of deferred taxes (LACDT). NN Schade'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 LACDT is significantly dependent on various
- assumptions, such as capitalisation assumptions, the assumed investment and new business returns and the projection period.

Deferred tax under Solvency II

The total deferred tax amount in Solvency II arises from:

- 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 (per legal entity) in the balance sheet. Reference is made to section D.1 'Assets' for the deferred tax asset recognised in the Solvency II balance sheet.
- The LACDT on the SCR.
- Unused tax losses that are available for carry forward for tax purposes.

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 (LACDT 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 LACDT 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
 - 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 '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 LACDT 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 Q&As as published by DNB prohibits reflecting the benefit of a fiscal unity in supporting the LACDT on the SCR. The fiscal unity may be reflected in supporting the deferred tax asset in the Solvency II balance sheet.

Capital management continued

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.

NN Group holds the capital buffers for the Group companies. Therefore after a 1-in-200 adverse event NN Schade is dependent on recapitalisation from NN Group to continue as a going concern after a shock. The tax recoverability test of NN Schade 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 may be 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 to 105% SCR if applicable, net of expected dividends.
- Taxable part of investment spread in excess of interest accretion on liabilities and funding costs over their (expected average) remaining duration.
- Profits from estimated new business to a limited number of years
- Other taxable items
- Finally, a number of scenarios is run to apply increasing uncertainty in future years. The average of the LACDT of the scenarios is rounded to the nearest 5% bucket of the maximal LACDT

The net deferred tax asset is classified as Tier 3 capital. Tier 3 capital cannot exceed 15% of NN Schade's SCR. Further information on Tiering is included in Note 'Capital management' in the 2022 Annual Report of NN Schade.

Minimum Capital Requirement

In EUR thousand	2022	2021
Eligible Own Funds to cover MCR	1,848,218	1,659,882
of which Tier 1 unrestricted	1,610,633	1,413,056
of which Tier 1 restricted	129,916	138,678
of which Tier 2	107,670	108,148
MCR (or the sum of the MCR of the related undertakings)	538,349	540,742

For the MCR (and its inputs) as calculated in accordance with the formulas in the Solvency II regulations, reference is made to QRT S.28.01.01 as included in the Appendix.

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

NN Schade has not used the duration-based equity risk sub-module during the reporting period.

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

Partial Internal Model vs Standard Formula

The considerations for using a Partial Internal Model are in particular:

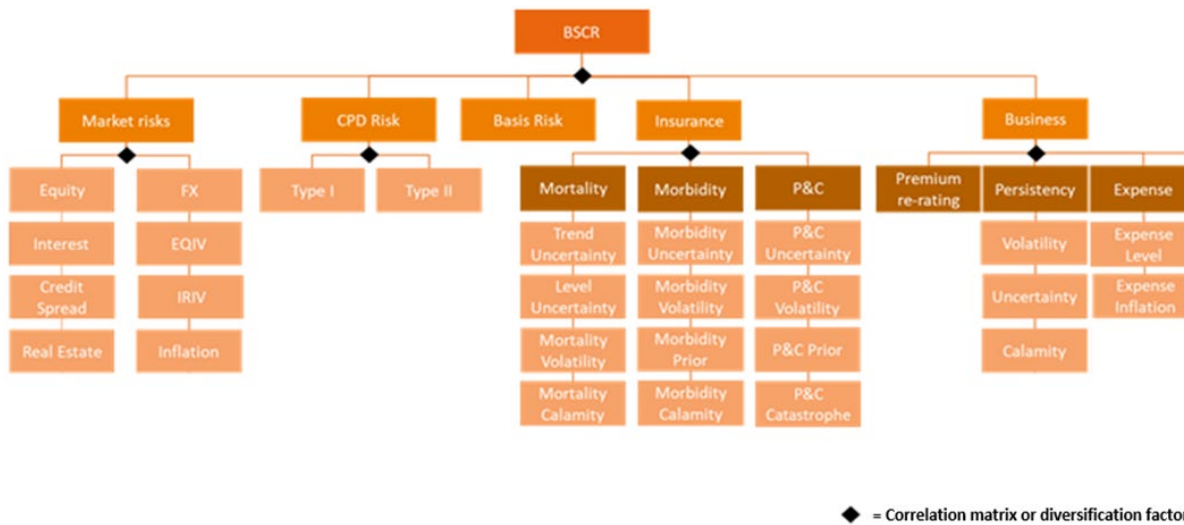
- An Partial Internal Model approach better reflects the specific assets and therefore the market risk in the portfolio of NN Schade e.g. property risk, sovereign and other credit spread risks. In addition the approach to the most significant non-market risks within NN Schade such as Disability/Morbidity and catastrophe windstorm is better tailored to the specific portfolio characteristics and statutory reserves set up according to local company law
- In the case of Disability/Morbidity Risks the product features and experience in the Dutch market are different from those in the wider European market, e.g. greater emphasis is placed on claimants returning to work in the Netherlands
- In the case of the Non-Life catastrophe windstorm risk in P&C products the Partial Internal Model better reflects the risk profile in the NN portfolio which differs due to the type of property
- The Standard Formula diversification assumptions do not recognise all the diversification of risks that exists in the NN portfolios.
- The Partial Internal Model accounts for the volatility adjustment by means of an approach recognising the illiquidity of liabilities in 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 Schade's volatility adjustment.

Risks covered by the Partial Internal Model which are not –or differently- covered in the standard formula

Risk arises from the possibility that actual experience will negatively deviate from expectations, which results in economic losses for NN Schade.

Capital management continued

In this respect, NN Schade identified the following risk factors, and developed probability distributions for these various risk factors, as part of its Partial Internal Model, which leads to the Basic Solvency Capital requirement (BSCR):



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

- Inflation risk is defined as the risk associated with 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 foreign currency implied volatilities
- Basis risk is the risk that occurs if the underlying asset or liability behaves differently than the underlying hedge instrument

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

Interest Rate Risk:

- The Partial Internal Model incorporates non-parallel shocks, to the curve as well instead of only two parallel shocks used in the Standard Formula
- When interest rates are at low levels, the Partial Internal Model uses absolute shocks, while the Standard Formula uses relative shocks
- The Partial Internal Model allows for negative interest rates, whereas the Standard Formula does not
- In the Partial Internal Model, first, the shock is applied to the interest rates and then the resulting rates are extrapolated to the Ultimate Forward rate. In the Standard Model the interest rates are first extrapolated to the Ultimate Forward rate and afterwards the shock is applied
- In the Partial Internal Model interest rates converge to the UFR after shock and thereby follow the dynamics of the balance sheet, whereas in the Standard Formula there is no convergence to the UFR after shock

Equity Risk:

- Level of shocks differs mainly because of the higher granularity in the Partial Internal Model and calibration to the equity portfolio of NN Group

Credit Spread Risk:

- Shocks in the Partial Internal Model apply to all fixed income assets, whereas the Standard Formula does not apply shocks to the bonds issued by EU member countries
- In the Partial Internal Model mortgages and loans are treated under Credit Spread Risk, whereas in the Standard Formula these are shocked as part of Counterparty Default Risk
- In contrast to the Standard Formula, the Partial Internal Model recognises that exposure to volatility on credit spreads on our assets is mitigated by the illiquid nature of the liabilities through the Aligned Reference Portfolio (ARP) approach

Real Estate Risk:

- Shock applied in the Standard Formula is calibrated to historical prices observed in the UK property market, while the shocks in the Partial Internal Model are calibrated to historical prices observed in the property markets according to actual exposures of NN Schade
- Counterparty Default Risk:
 - Counterparty Default Risk module in the Standard Formula includes shocks applied to mortgage exposure, which are included under the Credit Spread module in the Partial Internal Model

Capital management continued

- Diversification within the Market Risk module:
 - The Risk aggregation within the Partial Internal Model is performed on different level than in the Standard Formula. Partial Internal Model captures the dependency between risk drivers, while Standard Formula correlates losses
- Morbidity Risk:
 - For some products (e.g. WGA-EBD) the benefits are very specific to the Dutch market and depend on Dutch legislation. The regular Standard Formula calibration is based on Europe wide experience and does not fit the Dutch market well. Furthermore, the Standard Formula calculation does not take all risks into account that are present in the WIA products
- Non-Life Catastrophe Risk:
 - NN Schade's own data does not necessary fit the Standard Formula assumptions. For CAT Windstorm, the specific characteristics of the NN portfolio (e.g. building characteristics – private or commercial) and a more advanced model that predicts the path of storm have been used to more accurately capture the risk profile of the business than is possible with the Standard Formula
- Non-life Premium and Reserve Risk:
 - NN Schade distinguishes between P&C Prior risk and P&C Current risk in its Partial Internal Model. P&C Prior and Current Risk are tailored to the characteristics of NN Schade's portfolios with separate homogeneous risk groups for personal and commercial lines as well as different distribution channels. For P&C Current risk model, large losses and attritional losses are modelled separately. However, this split is not made under Standard Formula.
- Diversification within the Non-Market Risk module:
 - Non-market risks are modelled using a Variance-Co-variance method. This approach is similar to the Standard Formula. The Variance-Co-Variance methodology is based on a pure 'bottom-up' approach, meaning that NN Schade does not consider sub-aggregation across risk types in the basic matrix. This differs from the standard approach under Solvency II.

Capital requirements for operational risk is calculated based on the Standard Formula, and added to the combined BSCR. Next, loss absorption capacity of taxes are included.

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

Market data is collected from pre-defined external data sources. The market data methodologies are based on the following key principles:

- All relevant market data must be used when it is available and is of sufficient quality, i.e. data derived from deep, liquid and transparent (DLT) markets; for most of the market risk models NN Schade uses standard well established market data sources,
- The market data used should be of sufficient quality; e.g. for most of the market risk models standard well established market data sources are used. The data is analysed for correctness as part of the calibration process;
- From the last observable liquid market data point, extrapolation methods must be used to complete the data set

Extrapolated market data should:

- Be free of arbitrage
- Be based on sound theoretical assumptions and/or expert judgment
- Follow a smooth path from the entry point to the unconditional long-term level
- Estimates of ultimate long-term rates or levels should be stable over time, and only change because of changes in long-term expectations
- For non-market risks in general, an appropriate selection of company-specific data is made to give the best possible fit to our risk profile
- Qualitative and quantitative information on the material sources of NN Schade's diversification effects

The material diversification effects arises from:

- For diversification within market risks, reference is made to the 'Market risk capital requirements' table in Note 41 'Risk management' of the 2022 Annual Report of NN Schade
- For other diversifications, reference is made to Note 41 'Risk management' of the 2022 Annual Report of NN Schade

The use of the Partial Internal Model

The Partial Internal Model allows NN Schade 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 Schade's risk appetite

The model allows NN Schade to manage risk in many different ways, e.g.:

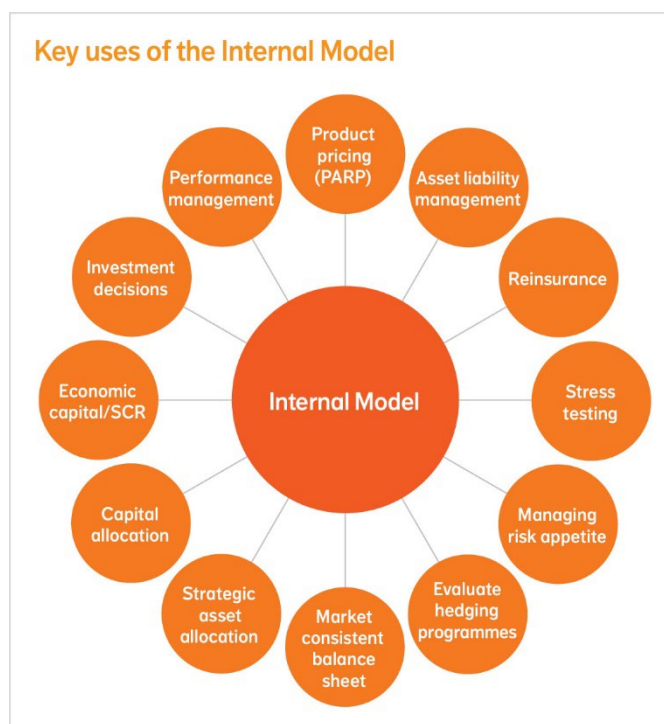
- Manage individual risk types at a much more granular approach, i.e. a stochastic (loss distribution) approach
- Manage volatility in a stochastic rather than deterministic approach
- Supports valuation, scenario- and stress analysis by running scenarios in a simple way using replicating portfolios
- The model allows NN Schade to proactively define its risk measurement and management approach rather than awaiting (generic) industry changes to the Standard Formula

The Partial Internal Model is used for different purposes. It is used to measure and manage the risks at all levels within the company, thus covering the entire loss distribution. This information is not only used to determine the SCR to cover tail risks. It is also used for, amongst others,

Capital management continued

wider risk management, capital management and business decisions such as product pricing, portfolio management and asset allocation.

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



The methods used in the Partial 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 where fewer data points are available, the Normal 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, goodness-of-fit tests and back testing are applied.

Reference is made to Note 42 'Capital management' in the 2022 Annual Report of NN Schade for more information on the risk measure and time period used in the Partial Internal Model.

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

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

E.6 Any other information

Reference is made to Note 42 'Capital management' in the 2022 Annual Report of NN Schade for any other material information regarding the capital management of NN Schade.

Appendix

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

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

Reference number	Title	Description
S.02.01.02	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 Group's Consolidated annual report
S.12.01.02	Life and Health SLT Technical Provisions	Information on Life and Health similar to life technical provisions by line of business
S.17.01.02	Non-Life Technical Provisions	Information on Non-life and Health similar to Non-life technical provisions by line of business
S.19.01.21	Non-Life insurance claims	Information on Non-life Gross Claims paid and Best Estimate provision
S.22.01.21	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.25.02.21	Solvency Capital Requirement	Information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity	Information on the Minimal Capital Requirement calculation.

All amounts in this appendix are recorded in EUR thousand.

Appendix continued

S.02.01.02 Balance sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	8,262
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,456,693
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	54,778
Equities	R0100	268,684
Equities - listed	R0110	253,656
Equities - unlisted	R0120	15,027
Bonds	R0130	4,061,110
Government Bonds	R0140	1,304,819
Corporate Bonds	R0150	2,639,809
Structured notes	R0160	
Collateralised securities	R0170	116,482
Collective Investments Undertakings	R0180	854,654
Derivatives	R0190	217,467
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	2,093,330
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	1,661,993
Other loans and mortgages	R0260	431,337
Reinsurance recoverables from:	R0270	281,305
Non-life and health similar to non-life	R0280	229,996
Non-life excluding health	R0290	230,068
Health similar to non-life	R0300	-72
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	51,309
Health similar to life	R0320	51,309
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	1,534
Insurance and intermediaries receivables	R0360	142,551
Reinsurance receivables	R0370	42,576
Receivables (trade, not insurance)	R0380	230,407
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	12,441
Any other assets, not elsewhere shown	R0420	127,121
Total assets	R0500	8,396,220

Appendix continued

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	R0510	2,457,942
Technical provisions – non-life (excluding health)	R0520	2,205,520
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	2,119,316
Risk margin	R0550	86,204
Technical provisions - health (similar to non-life)	R0560	252,422
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	238,454
Risk margin	R0590	13,968
Technical provisions - life (excluding index-linked and unit-linked)	R0600	3,149,767
Technical provisions - health (similar to life)	R0610	3,149,767
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	2,740,362
Risk margin	R0640	409,405
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	5,557
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	13,154
Deferred tax liabilities	R0780	127,623
Derivatives	R0790	328,206
Debts owed to credit institutions	R0800	3,081
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	182,434
Reinsurance payables	R0830	57,161
Payables (trade, not insurance)	R0840	39,568
Subordinated liabilities	R0850	274,496
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	274,496
Any other liabilities, not elsewhere shown	R0880	142,805
Total liabilities	R0900	6,781,792
Excess of assets over liabilities	R1000	1,614,428

Appendix continued

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

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)

		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0020	C0040	C0050	C0060	C0070	C0080	C0100	C0110	C0120
Premiums written										
Gross - Direct Business	R0110	459,569	427,883	325,021	103,194	965,054	263,537	91,957	28,799	62,153
Gross - Proportional reinsurance accepted	R0120					977	589			
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	422	3,419	19	3,008	55,038	1,195	91,999		
Net	R0200	459,147	424,464	325,002	100,186	910,993	262,931	-42	28,799	62,153
Premiums earned										
Gross - Direct Business	R0210	466,618	429,270	326,872	103,927	965,878	263,306	91,934	28,960	62,173
Gross - Proportional reinsurance accepted	R0220					1,042	589			
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	422	3,414	19	3,037	59,060	1,195	92,014		
Net	R0300	466,196	425,856	326,853	100,890	907,860	262,700	-80	28,960	62,173
Claims incurred										
Gross - Direct Business	R0310	271,475	348,153	178,919	69,829	540,761	127,546	50,034	10,673	44,308
Gross - Proportional reinsurance accepted	R0320		49		-36	131	-3,613			
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	6	4,053	2,996	-564	87,143	-6,780	50,032		
Net	R0400	271,469	344,149	175,923	70,356	453,749	130,713	2	10,673	44,308
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500									
Expenses incurred	R0550	119,768	150,527	116,353	35,348	376,787	111,945	-1,310	9,246	10,382
Other expenses	R1200									
Total expenses	R1300									

Appendix continued

		Line of Business for: accepted non-proportional reinsurance			Total
		Casualty	Marine, aviation, transport	Property	
Premiums written					
Gross - Direct Business	R0110				2,727,166
Gross - Proportional reinsurance accepted	R0120				1,566
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140				155,099
Net	R0200				2,573,633
Premiums earned					
Gross - Direct Business	R0210				2,738,938
Gross - Proportional reinsurance accepted	R0220				1,632
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240				159,161
Net	R0300				2,581,408
Claims incurred					
Gross - Direct Business	R0310				1,641,699
Gross - Proportional reinsurance accepted	R0320				-3,469
Gross - Non-proportional reinsurance accepted	R0330	-232		2	-231
Reinsurers' share	R0340				136,886
Net	R0400	-232		2	1,501,113
Changes in other technical provisions					
Gross - Direct Business	R0410				
Gross - Proportional reinsurance accepted	R0420				
Gross - Non- proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500				
Expenses incurred	R0550	-122		-1	928,922
Other expenses	R1200				
Total expenses	R1300				928,922

Appendix continued

		Line of Business for: life insurance obligations		Total
		Health insurance	Health reinsurance	
		C0210	C0270	
Premiums written				
Gross	R1410	666,534		666,534
Reinsurers' share	R1420	7,309		7,309
Net	R1500	659,225		659,225
Premiums earned				
Gross	R1510	670,430		670,430
Reinsurers' share	R1520	7,309		7,309
Net	R1600	663,121		663,121
Claims incurred				
Gross	R1610	605,019		605,019
Reinsurers' share	R1620	4,934		4,934
Net	R1700	600,085		600,085
Changes in other technical provisions				
Gross	R1710			
Reinsurers' share	R1720			
Net	R1800			
Expenses incurred	R1900	162,579	29	162,609
Other expenses	R2500			
Total expenses	R2600			162,609

Appendix continued

S.12.01.02 Life and Health SLT Technical Provisions

		Health insurance (direct business)		Total (Health similar to life insurance)	
		Contracts without options and guarantees	Contracts with options or guarantees		
		C0160	C0170	C0180	C0210
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		2,720,402	19,960	2,740,362
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		51,309		51,309
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		2,669,093	19,960	2,689,053
Risk Margin	R0100	409,405			409,405
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best estimate	R0120				
Risk margin	R0130				
Technical provisions - total	R0200	3,149,767			3,149,767

Appendix continued

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0030	C0050	C0060	C0070	C0080	C0090	C0110	C0120	C0130
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	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	-29,992	2,459	9,825	715	18,784	-5,707	-3,676	-1,294	-1,309
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-182	-1,741	-579	-1,297	-23,599	-297	-2,952	-57	
Net Best Estimate of Premium Provisions	R0150	-29,810	4,199	10,403	2,012	42,383	-5,410	-724	-1,237	-1,309
Claims provisions										
Gross	R0160	268,446	829,100	136,474	92,903	400,329	497,433	130,056	2,901	5,611
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	111	26,795	4,600	5,409	78,822	14,634	129,690		
Net Best Estimate of Claims Provisions	R0250	268,335	802,305	131,874	87,494	321,506	482,799	366	2,901	5,611
Total Best estimate - gross	R0260	238,454	831,559	146,298	93,618	419,113	491,726	126,380	1,607	4,303
Total Best estimate - net	R0270	238,525	806,504	142,277	89,506	363,890	477,389	-359	1,664	4,303
Risk margin	R0280	13,968	21,920	6,886	4,802	28,860	20,665	723	519	1,721
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions - total	R0320	252,422	853,479	153,184	98,420	447,973	512,391	127,103	2,126	6,023
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-72	25,054	4,021	4,112	55,223	14,337	126,738	-57	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	252,493	828,425	149,163	94,308	392,750	498,054	365	2,182	6,023

Appendix continued

		accepted non-proportional reinsurance			Total Non-Life obligation
		Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	C0180
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	R0050				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	R0060	0	0	0	-10,195
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	0	-30,703
Net Best Estimate of Premium Provisions	R0150	0	0	0	20,508
Claims provisions					
Gross	R0160	4,409	1	302	2,367,965
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	239	0	400	260,699
Net Best Estimate of Claims Provisions	R0250	4,171	1	-98	2,107,265
Total Best estimate - gross	R0260	4,409	1	302	2,357,769
Total Best estimate - net	R0270	4,171	1	-98	2,127,774
Risk margin	R0280	109	0	0	100,172
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0290				
Best estimate	R0300				
Risk margin	R0310				
Technical provisions - total					
Technical provisions - total	R0320	4,518	2	302	2,457,942
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	239	0	400	229,996
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	4,280	2	-98	2,227,946

Appendix continued

S.19.01.21 Non-Life insurance claims (Gross claims paid)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											53,627
N-9	R0160	791,848	573,610	155,218	77,778	43,525	30,281	29,325	22,563	17,614	14,412	
N-8	R0170	769,230	501,597	149,015	60,151	38,782	37,412	29,572	22,107	22,313		
N-7	R0180	749,619	466,088	120,999	61,112	40,718	37,475	28,301	16,667			
N-6	R0190	830,446	519,216	131,494	78,759	47,110	38,946	20,659				
N-5	R0200	749,434	450,260	124,758	62,763	42,992	36,951					
N-4	R0210	846,944	497,275	130,992	60,746	42,780						
N-3	R0220	718,392	497,129	147,524	64,678							
N-2	R0230	698,034	432,888	103,551								
N-1	R0240	622,013	413,992									
N	R0250	700,535										

		Sum of years (cumulative)	
		In Current year	
		C0170	C0180
Prior	R0100	53,627	53,627
N-9	R0160	14,412	1,756,174
N-8	R0170	22,313	1,630,180
N-7	R0180	16,667	1,520,979
N-6	R0190	20,659	1,666,629
N-5	R0200	36,951	1,467,158
N-4	R0210	42,780	1,578,737
N-3	R0220	64,678	1,427,723
N-2	R0230	103,551	1,234,474
N-1	R0240	413,992	1,036,005
N	R0250	700,535	700,535
Total	R0260	1,490,165	14,072,223

Appendix continued

S.19.01.21 Non-Life insurance claims (Gross undiscounted best estimate claims provisions)

		Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											252,125
N-9	R0160				200,964	144,856	125,359	87,733	83,355	75,004	60,985	
N-8	R0170			274,504	214,415	183,221	141,194	139,630	84,873	68,806		
N-7	R0180		395,869	255,417	200,916	135,469	100,438	92,170	74,745			
N-6	R0190	782,822	408,615	290,281	174,879	102,692	116,512	99,949				
N-5	R0200	795,334	423,210	255,430	186,469	149,725	129,994					
N-4	R0210	821,384	409,368	261,345	232,981	158,001						
N-3	R0220	880,860	389,178	257,870	199,307							
N-2	R0230	880,411	372,522	267,979								
N-1	R0240	794,799	372,304									
N	R0250	895,639										

		Year end (discounted data)	
		C0360	
Prior	R0100		225,488
N-9	R0160		54,639
N-8	R0170		61,453
N-7	R0180		66,955
N-6	R0190		89,428
N-5	R0200		117,405
N-4	R0210		142,269
N-3	R0220		179,809
N-2	R0230		245,034
N-1	R0240		344,446
N	R0250		841,039
Total	R0260		2,367,965

Appendix continued

S.22.01.21 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	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	5,607,709			72,596	
Basic own funds	R0020	1,885,128			-53,866	
Eligible own funds to meet SCR	R0050	1,885,128			-53,866	
SCR	R0090	1,240,265			347,842	
Eligible own funds to meet MCR	R0100	1,848,218			-53,045	
Minimum Capital Requirement	R0110	538,349			4,107	

Reference is made to Section D.2 for more information on the impact of long term guarantees and transitional measures.

Appendix continued

S.23.01.01 Own Funds

		Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 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	6,807	6,807			
Share premium account related to ordinary share capital	R0030	209,834	209,834			
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	1,393,992	1,393,992			
Subordinated liabilities	R0140	274,496		129,916	144,580	
An amount equal to the value of net deferred tax assets	R0160					
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	1,885,128	1,610,633	129,916	144,580	
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	1,885,128	1,610,633	129,916	144,580	
Total available own funds to meet the MCR	R0510	1,885,128	1,610,633	129,916	144,580	
Total eligible own funds to meet the SCR	R0540	1,885,128	1,610,633	129,916	144,580	
Total eligible own funds to meet the MCR	R0550	1,848,218	1,610,633	129,916	107,670	
SCR	R0580	1,240,265				
MCR	R0600	538,349				
Ratio of Eligible own funds to SCR	R0620	1.52				
Ratio of Eligible own funds to MCR	R0640	3.43				

Appendix continued

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1,614,428
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	3,796
Other basic own fund items	R0730	216,640
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	1,393,992
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	693,995
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	144,065
Total Expected profits included in future premiums (EPIFP)	R0790	838,060

Appendix continued

S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component C0010	Components description C0020	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
		C0030	C0070	C0090	C0120
1001	Total capital requirement for market risk	442,361	442,361		
1003	Total capital requirement for counterparty default risk	15,059	15,059		
1004	Overall Insurance Risk	1,242,677	1,242,677		
1005	Overall Business Risk	503,676	503,676		
1006	Operational risk	109,854	109,854		
1015	Transitional Capital Lock-In				
9	Loss absorbing capacity for deferred taxes if not modelled within components	-392,103	-392,103		

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	1,921,525
Diversification	R0060	-681,259
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	1,240,265
Capital add-ons already set	R0210	
Solvency capital requirement	R0220	1,240,265
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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

		LAC DT C0130
Calculation of the adjustment for the loss-absorbing capacity of deferred taxes		
LAC DT	R0640	-392,103
LAC DT justified by reversion of deferred tax liabilities	R0650	-127,623
LAC DT justified by reference to probable future taxable economic profit	R0660	-264,480
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	-392,103

Appendix continued

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

		C0010
MCR _{NL} Result	R0010	435,106

		Net (of reinsurance/SP V) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	238,525	459,147
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	806,504	424,464
Other motor insurance and proportional reinsurance	R0060	142,277	325,002
Marine, aviation and transport insurance and proportional reinsurance	R0070	89,506	100,186
Fire and other damage to property insurance and proportional reinsurance	R0080	363,890	910,514
General liability insurance and proportional reinsurance	R0090	477,389	263,411
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	1,664	28,799
Miscellaneous financial loss insurance and proportional reinsurance	R0130	4,303	62,153
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150	4,171	
Non-proportional marine, aviation and transport reinsurance	R0160	1	
Non-proportional property reinsurance	R0170		

		C0040
MCR _L Result	R0200	103,243

		Net (of reinsurance/SP V) best estimate and TP calculated as a whole	Net (of reinsurance/SP V) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	2,689,053	
Total capital at risk for all life (re)insurance obligations	R0250		66,818,000

		C0070
Linear MCR	R0300	538,349
SCR	R0310	1,240,265
MCR cap	R0320	558,119
MCR floor	R0330	310,066
Combined MCR	R0340	538,349
Absolute floor of the MCR	R0350	4,000
		C0070
Minimum Capital Requirement	R0400	538,349

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