2023
Annual Report
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.

nationale nederlanden

Annual Report contents

Composition of the Boards

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

Management Board
Composition as at 31 December 2023

M.M.N (Maurice) Koopman (1971), CEO and chair

J.E. (Sandra) van Eijk (1971), CFO

P. (Peter) Brewee (1972), CRO

Supervisory Board
Composition as at 31 December 2023

I.K. (Inga) Beale (1963), chair

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

T. (Tjeerd) Bosklopper (1975)

NN Group and NN Schade at a glance

NN Group profile

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

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

With all our employees, we provide retirement services, pensions, insurance, investments and banking products to approximately 19 million customers. We are a leading financial services provider in the Netherlands. We provide our products and services under the following brand names: Nationale-Nederlanden, OHRA, Movir, AZL and BeFrank, as well as via our joint venture, ABN AMRO Verzekeringen, and our partnerships with ING Insurance and the Volksbank.

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

Within NN Group's organisational structure, Nationale-Nederlanden Schadeverzekering Maatschappij N.V., referred to below as NN Schade, is part of the Netherlands Non-life reporting segment.

NN Schade

NN Schade offers a broad range of non-life insurance products – including motor, property, liability, transport, travel, pet, disability and accident insurance, to retail customers, self-employed people, SMEs (small and medium-sized enterprises) and corporate customers. NN Schade is active in The Netherlands and in Belgium. NN Schade does this by using multi-channel distribution via, for example, mandated and non-mandated brokers, banks and the Internet.

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

NN Schade legal structure

NN Schade is a fully-owned subsidiary of Nationale-Nederlanden Nederland B.V. which, in turn, is a fully-owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is owned entirely by NN Group.

The legal merger between NN Schade and NN Non-Life Insurance N.V. (NNNLI) and the subsequent establishment of the Belgium branch office of NN Schade have been effected as of 1 July 2023. As a result, NNNLI ceased to exist as a separate entity and all assets, liabilities, insurances policies and activities of NNNLI have been transferred to NN Schade. NN Schade and NN Insurance Services Belgium N.V. (NN ISB), also part of NN Group, have agreed that NN ISB will act as a service provider for the Belgium branche effective from the date of the merger.

Report of the Management Board

NN Group strategy

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

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

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

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

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

NN Schade strategy

NN Schade's strategy is based on three guiding principles and three strategic themes.

Guiding principles

Our guiding principles influence our strategic decision-making and guide us in our endeavour to maintain a future-proof business and value for our customers.

1. Simplicity - We focus on simplicity in all aspects of our organisation in order to make it easier for our customers to buy our products and services and to interact with our organisation whenever they need to. This is intended to result in greater effectiveness, lower cost ratios and a lower Customer Effort Score (CES).
2. Sustainability - We are committed to create sustainable long-term value, 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 of Climate Action and Good Health & Well-being. Addressing sustainability challenges 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.
3. Agility - We aim to make NN Schade more agile and that means an organisation with business lines that operate as independent enterprises. This, in turn, will result in greater flexibility and lower cost ratios. We will be able to respond faster and with a greater focus on our customers' needs and market trends, for instance when it comes to developing new insurance and service propositions and more frequent pricing adjustments.

Strategic themes

Our strategic themes will help us focus our efforts during the coming years and develop sound strategic initiatives to improve NN Schade for our customers and business partners.

1. Digitalisation - Our core activities are backed up by administrative processes. In order to be efficient and to provide an excellent service to our customers, processes need to be streamlined, automated and digitalised as much as possible. Consequently, one of our priorities is the digitalisation and standardisation of all administrative processes: from front end to back end.
2. Pricing & data - Pricing is the cornerstone of a profitable insurance business. Because pricing needs accessible and accurate data, our aim is to ensure that all the relevant data are regularly available in a structured, automated and controlled way, wherever possible via an automated development process. In addition to that we will continuously improve our pricing models and techniques in order to ensure optimal pricing.
3. Customer & intermediary journey - Customers and intermediary journeys are important in terms of attracting customers and retaining and serving current customers. We therefore want to offer an intuitive and flawless customer and intermediary journey, while improving and standardising our product offerings and complementing these with relevant services. We strive for digital customer journeys and at the same time ensure a personalised approach.

Delivering on our strategy

In 2023 we remained committed to delivering a solid financial performance and achieving our strategic objectives.

2023 business highlights

Offering support during extreme weather

2023 was a year of unpredictable weather, with increasing drought, high temperatures, forest fires, more extreme rainfall than normal and floods. Hundreds of our customers were affected by (summer) storms in the Netherlands, Belgium or severe weather in southern Europe (the Alpine countries). We support our customers with a proactive approach by providing tips on how to prevent damage to their properties. In the event of any damage, our focus is on responding rapidly and supporting their needs where possible. These days, a lot of our customers report their damage online and that means we are able to help them more quickly.

Combining forces of Group Income and HCS

In the autumn it was announced that Nationale-Nederlanden is going to combine its activities in the field of absenteeism, disability and services. With this in mind Group Income reinforced its partnership with HCS, Nationale-Nederlanden's occupational health provider and reintegration specialist. The need for services to support staff employability is growing significantly. This partnership will help us strengthen the existing synergy and enable both companies to make optimal use of each other's knowledge, expertise and capacity and to grow further.

Discontinuation of Hello Mobility

We are terminating the Hello Mobility brand and will continue to provide damage prevention control to businesses with a fleet of vehicles through our coaching programs via the brand Nationale-Nederlanden.

Implementation of IFRS 9 and 17 in 2023

As of 1 January 2023, NN Group and NN Schade implemented IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'. IFRS 9 and 17 were implemented as of 2023 retrospectively with amendment of the 2022 comparative figures. Therefore, all IFRS-based figures in this report are presented on the basis of IFRS 9 and 17 where relevant. The implementation resulted in significant changes to NN Schade's accounting policies and had significant impact on shareholders' equity, net result, presentation and disclosures. Shareholders' 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. However, with the increase of market interest rates during 2022, this difference largely reversed in 2022. NN Schade's accounting policies under IFRS 9 and 17, the main decisions/choices in the implementation and the key financial impact is disclosed in Note 1 to the NN Schade 2023 Annual Accounts. For further explanation reference is also made to the relating notes in particular note 10 ‘Insurance contracts’ and note 11 ‘Reinsurance contracts’.

Customer and distribution

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

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

NN Schade is a company that cares. We care for sick and disabled customers and we also care for entrepreneurs when the continuity of their business is at stake due to, for example, fire, damage, theft or liability. We also care about our customers' personal belongings when they are damaged, lost or stolen. All our activities are geared to helping to create a safer and stronger society. NN Schade continuously invests in the leadership capabilities, skills and knowledge of its employees and in a customer-driven culture. Our ambition is to truly matter in the lives of our stakeholders. Our leading market position enables us to improve our customer experience and drive efficiency, as well as continuously creating value for our stakeholders, in other words our customers, shareholders, employees, business partners and society as a whole.

NN Schade offers a broad range of non-life insurance products including motor, fire, liability, transport, travel, pet, disability and accident insurance, to the retail trade, self-employed people, SMEs (small and medium-sized enterprises) and corporate customers.

NN Schade does this by using multi-channel distribution in order to reach customers in their preferred way. This means that we distribute our products and services through:

- non-mandated brokers
- mandated brokers
- banks
- online
- and via platform Participation

Intermediary advisory

NN Schade strongly believes in the future of the intermediary advisory market and the added value that broker advice has for customers. The vast majority of non-life distribution takes place via the broker channel. The insurance market is changing rapidly, with new customer propositions, consolidation in distribution, digitalisation and the growing importance of mandated agents and service providers that offer a broad range of insurance services. Both Zicht and Heinenoord, two companies in the advisor, insurance broker and service providers business fully (Zicht) / partly (Heinenoord) owned by NN, play active roles in the value chain between customers, traditional brokers and insurance companies. We continue to invest in these companies, as they are important for our distribution capabilities and they reinforce our position in the Dutch non-life market.

Expanding solutions from our Climate Underwriting team

Throughout 2023, we continued to work pro-actively on insuring specific climate change related risks and net zero economy solutions via a team of senior underwriting employees, product managers and technical risk experts. They are the first point of contact for advisors. More specifically they examine risks that we do not typically insure. A few examples of insurance solutions they examined and approved this year include insuring wood constructions for residential and commercial buildings, energy storage systems for commercial use and recycling companies.

Increasing our (sustainable) repairs

Carrying out repairs is more sustainable than replacing and this helps us reduce our carbon footprint and work towards NN Group’s commitment as a member of the Net Zero Insurance Alliance (NZIA), to transition its underwriting portfolios to net-zero GHG emissions by 2050 . In 2022, NN Schade set up its own sustainable repair network, made up of carefully selected suppliers, for the repair of damage to home contents, fixtures and fittings and buildings. The network was extended in 2023 and became fully operational in all P&C business lines. Usage of the network increased by 50% when we compare December with the start of the year. In December, more than 45% of the eligible claims were repaired by the network.

Our OHRA label has even chosen to focus fully on sustainable repair. In 2023, the repair network processed more than 24,000 orders. This growth is largely due to the enthusiasm of our customers and claim handlers alike, who recognise the benefits of the network, such as the availability of providers, not having to make any advance payments and making a more carbon-efficient choice when it comes to settlement.

In addition to our NN labels, we have also opened the network for our 100+ mandated brokers, who can now use the benefits of the network for their customers to the same extent. The Impact Institute carried out a study that proved that, on a case-by-case basis, sustainable repairs significantly reduce carbon emissions. We are going to continue improving the relevant metrics and have teamed up with the sustainability foundation 'Stichting Duurzaam' and some of our network partners to verify and demonstrate the overall impact of the fully sustainable repair portfolio.

Report of the Management Board continued

Publishing absenteeism trends

NN Schade's Group Income published in June 2023 another trend report for our intermediary advisors. The main conclusion of this report is that the costs of the Dutch absenteeism due to illness was 27 billion euros in 2022. Another important conclusion is the identification of the main reason for absenteeism amongst employees up to the age of 35 being psychological absence. This group suffers the most when it comes to work-life balance. The absenteeism in this particular group was also the longest in terms of time. The purpose of the trend report is twofold: make insights from the market available to intermediary advisors so that they can take these into account when talking to customers, and, draw more attention to preventive measures by employers to avoid absenteeism.

Enabling 'Meldverzuim'

'Meldverzuim' is the ultimate tool for reporting illness and recovery for the 'Verzuimpakket Werkgever' insurance policy and is available via MijnNNZakelijk. In 2021, we started with the further development of 'Meldverzuim'. That means not only that all Group Income customers can report illness and recovery via this online reporting environment, irrespective of the type of product, but also and above all, that a customer only has to submit his reports once. These reports by the employer ensure that we can process the right claim files and follow-up reports in those files. It also means that customers have a better insight into ongoing and concluded reports of illness, the status of the claims and any action that has to be taken in order to become eligible for payment. Everything is now conveniently arranged in a single portal. By the end of 2023 we had provided 99% of all customers with access to 'Meldverzuim'.

Enhancing claim handling with Artificial Intelligence (AI)

We have implemented various AI applications within several of our claims departments. AI allows us to work more efficiently in terms of – for example – document classification, estimations of personal injury reserve and summaries of incoming emails and files. By creating a claim-handling advice based on AI, we have laid the foundation at Property & Casualty (P&C) Intermediary for further development towards automated claims handling. First results look promising and will eventually lead to less manual labour, faster turnaround times and quality improvements (e.g. increase in percentage first-time fix).

Boosting digital performance

OHRA has been focusing successfully on its digital performance: 84% of customer contact was via a digital customer service channel, which exceeded the target of 82.5%. Almost 100% of pet insurance claims were submitted via the online channel. Nearly 70% of these were processed in a completely digital way (via Optical Character Recognition), without any human intervention. While doing so OHRA equalled its previous year's customer satisfaction score of 8.5 and customer effort score of 1.5.

Improving customer experience

NN Schade wants to help people care for what matters most to them and deliver an excellent customer experience. We engage with our customers to meet their real needs and to offer solutions based on outstanding service and long-term relationships. We therefore create transparent, easy-to-understand products and services and empower our customers with knowledge and digital capabilities.

Because our customers are the starting point in everything we do, NN Schade is continuing to improve customer experience across all its labels. This has led to an overall aggregated Net Promoter Score (NPS-t) of 29.0 in 2023 (26.4 in 2022 and 23.8 in 2021). We are valued for our expertise and helpfulness, our ability to resolve claims and problems and for having our customers' best interests at heart.

Digital improvements (MijnNN portals, online services, automatic call logging, etc.), work flow management, better accessibility and reduced response times have had a positive effect on our Customer Effort Score (CES). On the other hand, transitions and migrations were also part of daily business within NN Schade. Together, we were able to improve our Customer Effort Score to 2.0 in 2023 (2.1 in 2022 and 2.1 in 2021), meaning that customers and brokers find using our products and services easier and more convenient.

We also perpetuated and strengthened our brokers' business relationship. As in previous years, the intermediary satisfaction for NN Schade improved. In 2023, there was an +0.2 improvement to an average of 7.7 (7.5 in 2022 and 7.3 in 2021), which is above market average. This was thanks to continuous improvements, which were mainly driven by digitalisation and automation, structured monitoring and usage of brokers' feedback combined with partnership sessions, as well as close cooperation with intermediaries on projects and new plans.

In order to keep improving our customer experience, we are continuing to analyse our customer journeys and needs and develop and deliver relevant products and services with high-performance, flawless, intuitive and digital experiences. Given the achievements in 2023 and initiatives in all sub-areas, we expect to be able to continue the positive trend in 2024.

Recognition in the form of awards

In order to keep improving our customer experience and our company, we are proud of the prizes mentioned below.

- In October 2023, approximately 3,500 independent brokers chose NN as the best performer in the P&C SME sub-market. According to DFO research, NN excelled in its ability to collaborate and provide customised solutions, which are crucial for this complex sub-market. Smaller niche insurers traditionally occupy the top spots in this benchmark. It is therefore an impressive achievement for NN, being a large, all-round insurer, to emerge as winner in this market.
- After winning first place in 2022, Nationale-Nederlanden was deemed to be the insurer with the 2nd best reputation in 2023 by commercial peer-to-peers in the insurance category in the annual MT500 survey by MT/Sprout. In this survey Nationale-Nederlanden achieved first place in the field of Product Leadership. Its second places in the field of Good Employment Practices and Sustainable Entrepreneurship are also worth a mention.
- In January 2023, IG&H declared us to be the best Mandated Broker insurer in the Netherlands based on wide-ranging research in the Netherlands. Highlights are the entrepreneurial spirit and expertise of NN employees and results in a higher appreciation of the

account management and backoffice and support team.

- In January 2024, we won first prize in the Adfiz performance research insurability category with our DataSmart initiative.
- In October 2023, one of our colleagues won the public award at the WFM awards, thereby ensuring that we retain this title for the coming year.
- OHRA's branding and marketing was awarded several prestigious prizes in 2023. For the second year in a row, OHRA won a Zilveren Effie Award, which is the industry award for the most effective marketing and communication cases.
- As recognition for its outstanding results, OHRA won a Zilveren Esprix 2023 and a Bronzen Esprix 2023 for its Kilometre Car Insurance campaign. OHRA also won a SAN Accent Award for its television commercial about the OHRA Kilometre Car Insurance, which was voted the winner by advertisers in terms of concept, media and resources in the Current Affairs category.
- Lastly, OHRA's data team reached the finals of the Dataiku Frontrunner Awards 2023 in the Best Approach for Building Trust in AI category.

Products and services

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

NN Schade offers a broad range of non-life insurance products and it is our aim is to create transparent, easy to understand products and services and empower our customers with knowledge and digital capabilities to make sound decisions on what matters most to them. The following are a few examples.

Offering upgrade during glazing repairs

Independent research performed by Ipsos showed that damage is one of the main reasons for people to be inclined to take action to make their home more sustainable. For our retail portfolio, we ran a pilot to see whether we could accelerate this by creating an additional offer. In the case of glazing repairs we offer customers a free upgrade to better insulated glazing so that they can save both on their energy consumption and on their household CO_2 emissions. In addition to that, we offer customers a digital analysis (Powerly) of their home to determine what additional measures could be taken to make their home more sustainable. The outcome of the pilot led us to set this offer as the new standard for our home insurance as from the beginning of 2024.

Fire prevention service

DataSmart is a solution which sounds an alarm before a fire starts at a customer’s business. Nationale-Nederlanden's DataSmart uses sensors to detect risky situations, for example due to behaviour or wear and tear, and sends an alert to the business owner, along with recommendations on which measures can be taken to prevent a fire risk. DataSmart also detects acute risk, for example a rapidly increasing temperature, and alerts the business owner so that action can be taken and help called in as necessary.

Expanding HalloSlaap

HalloSlaap is a Movir service and initiative. In 2023, HalloSlaap focused its services and expanded the market to include a wider working population of the Netherlands. This led to several successes in terms of partnerships and product development. HalloSlaap has proven to be a valuable partner for its customers by providing solutions that make a real difference. The programme offers insight, quick results and assistance with adjusting your behaviour. It was created as a response to increasing mental health problems. Via HalloSlaap we engaged in 18 new partnerships, performed 20,407 sleep scans, helped more than 3,000 customers with sleep problems and achieved a customer rating of 8.8.

Launching a new 'WW Aanvulling' product for employers

'WW Aanvulling' is for employers who want to give their employees an extension to the statutory unemployment benefit. 'WW Aanvulling' extends the statutory benefit term by a maximum of fourteen months. This gives employees more financial security in the event of long-term unemployment, and for employers it is a valuable addition to the fringe benefits. In Augustus 2023, we introduced this insurance policy with a commencement date of 1 January 2024.

Activating the working population of the Netherlands with the Absenteeism Campaign

As a Disability insurer we want to inspire and activate the entire working population of the Netherlands to prevent stress and consequently absenteeism from work. Absenteeism levels in the Netherlands continue to be high and that is why NN Schade's Group Income launched the 'less stress, less absenteeism' brand campaign in September 2023. Our trend report of June 2023 revealed that more and more absenteeism is caused by work-related stress issues. This Nationale-Nederlanden campaign focused on the SME absenteeism insurance with the prevention package. During the campaign period 20% more quotes were requested compared to 2022. The trend report of June 2023 also revealed that employers consider the task of increasing happiness at work to be a considerable challenge. There is scientific proof that a high degree of happiness at work contributes to a sense of purpose, satisfaction and enjoyment at work. As a Disability insurer we also fulfil the role of consultant for our customers, meaning that we want to inform and facilitate them when it comes to happiness at work. That is why we continued to develop the happiness at work proposition for our customers this year. This involved a happiness at work test (which could be taken via our website) and a happiness at work box full of handy tools and tips for employers which they can immediately start using.

Strengthening our health insurance

Every year we aim to continue improving our health insurances. This year our label NN Zorg is introducing two new supplementary insurance policies to the Zorg Vrij basic insurance policy, namely Instap and Jij & Compact. These have been developed for people who want that little bit extra security with reimbursements for, among other things, physiotherapy, emergency care abroad and a reimbursement for dental accidents. The two packages are intended to offer an alternative to people who want to save on their healthcare premium, but still want to have supplementary insurance.

Since 2023, all OHRA group policyholders can very easily improve their vitality via the Recharge360 well-being platform, which is part of the OHRA Gezond package. This platform is a smart and enjoyable way for them to work on their health.

In November 2023, OHRA also introduced the new Coach Assistant to help people work on their tension and stress. The new Coach Assistant is available to everyone, so also to non-policyholders.

Lastly, this year employers with a collective NN health insurance were able to offer their employees free access to Zorggenoot services. Zorggenoot offers support for informal carers through advice, workshops and support in finding the right support agencies.

Simplifying the Bancassurance product offering

In 2023, P&C Retail & Health switched the bancassurance labels (NN Verzekeren, ING Verzekeren and SNS Verzekeren) to a new product model and by doing so went from 300 different products to a handful of target products. At the beginning of 2023, the NN label started converting the existing portfolio to the new products. The SNS label followed several months later and the ING label is going to switch to the new products in phases. All these products offered by our bancassurance labels will be converted, or terminated, in order to simplify our product offering and reduce internal complexity. All customers are going to be offered new, modern products which are attractively priced. We will continue to develop these products and possibly expand the range.

Launching the Mental Vitality of Workers programme

Group Income launched a programme called 'Mental Vitality of Workers'. The programme was funded by a grant from the Netherlands Organisation for Health Research and Development (ZonMw) and was a collaboration between two external partners, Ehero and Lab of Life. Over a period of 12 months, 8 large organisations invested in their employees' mental vitality. The training consisted of five sessions, spread over ten weeks, and aligned very clearly and nicely with the purpose of NN Group: 'We help people care for what matters most to them.' Based on the idea of practising what you preach, 113 NN Non-life participants also took part in the training courses.

People and organisation

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

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

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

All our colleagues should feel welcome, valued and respected and that is why we take a zero-tolerance approach to discrimination and harassment and treat any allegations seriously, as outlined in our Code of Conduct. We consequently pay extra attention to ensuring a safe work environment. Besides this, we aim to improve understanding around sustainability and NN's role and have developed a sustainability game and a set of e-learning modules for all employees.

We have continued to help our people develop. Within NN Non-life, for example, we started working with Empowered Teams to accelerate the digitalisation of our processes. Together with our leaders we designed and implemented the ‘Lead the Change’ programme in two business lines to ensure this new way of working.

The NN Group-wide LEAD 4 programme was launched. This is a tailored leadership development programme for NN senior leaders. In 2022, we also rolled out a First Step to Leadership programme in which more than 100 non-life employees who have the ambition of fulfilling a management role participated. This year we took the next step and trained a group of participants in how to progress to a leadership role and increase their personal impact.

The bi-annual employee engagement survey showed an overall NN Non-life engagement score of 7.6. While this is a slight decrease of 0.2 compared with the 2022 results, we believe this shows that our colleagues are generally satisfied with working at NN Non-life.

Sickness rates increased slowly throughout the year to 4.9%. We continue to focus on preventing absenteeism and on helping our employees stay fit and healthy. For example, this year we participated in a new Group Income programme, together with Lab of Life with 113 NN Non-life colleagues.

We continued to onboard people who are distanced from the labour market (for neuro-physical reasons) and hired 3 new colleagues. In terms of gender diversity, the male/female ratio in the overall non-life workforce is 58% male and 42% female. The ratio in our non-life senior leadership team is 67% male and 33% female. For information on gender diversity within our Management and Supervisory Boards and management team, please refer to the Composition of the Boards memorandum.

We are proud to report that one of our talents was the NN Group's representative at the Young Captain Award 2023, and that one of our senior directors was in the MT Next Leadership 50 this year.

Financial strength

We maintain a strong balance sheet and create solid financial returns by using our financial strength, scale and international footprint, and by efficiently managing our customers' assets and our own insurance portfolios.

Analysis of results

Operating result was stable at EUR 329 million from EUR 327 million in 2022. The combined ratio for 2023 was 93.0% and in line with the guidance of 91-93%. This mainly reflects the strong and persistent underlying business performance.

The insurance result in P&C reflects a lower negative impact from provisioning for the impact of higher inflation, higher bodily injury claims and lower claims relating to windstorms than in 2022. The combined ratio of P&C improved to 92.0% from 93.2% in 2022.

Combined ratio of Disability increased to 95.2% from 93.9% in 2022.

The Contractual Service Margin was EUR 495m in 2023 versus EUR 396m in 2022.

The result before tax increased to EUR 325 million from EUR 246 million in 2022, reflecting higher non-operating items and lower special items supported by a stable operating result. Special items mainly reflect project expenses.

Report of the Management Board continued

Key figures

amounts in millions of euros	2023	2022 (Restated)
Insurance revenue, net of reinsurance	3,466	3,363
Claims incurred, net of reinsurance	2,247	2,174
Commissions	622	624
Insurance expenses	237	228
Insurance and reinsurance result	**360**	**337**
Investment result	93	116
Other expenses not attributed to insurance result	116	117
Other result	-8	-9
Total operating result	**329**	**327**
Non-operating items:	2	-60
- of which gains/losses and impairments	-21	-18
- of which revaluations	27	-34
- of which market and other impacts	-4	-8
Special items	-6	-21
Result before tax	**325**	**246**
Taxation	74	52
Net result	**251**	**194**

amounts in millions of euros	2023	2022 (Restated)
Gross premiums written	3,615	3,502
Contractual Service Margin	495	396
Total administrative expenses	355	343
Combined ratio:	93.0%	93.4%
– of which Claims ratio	64.8%	64.6%
– of which Expense ratio	28.1%	28.8%

Society

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

At NN Schade, we aim to be a positive force in our customers' life. We believe this includes taking responsibility for the well-being of society as a whole and supporting local communities, for example by purchasing goods and services from local suppliers, as well as by managing our direct environmental footprint. Our values guide us in terms of fulfilling our role as a good corporate citizen. Adopting a sustainable role in society remains a key priority in NN Schade's core activities and processes and that implies, among other things, offering products and services that are suitable and transparent and contribute to the financial well-being of our customers, as well as to the well-being of people and planet. We care about the role we play in society and encourage all employees to spend one day a year on a social initiative.

Sustainability in our business

NN Group was the first Dutch insurance company to sign up to the Net-Zero Insurance Alliance's commitment (NZIA). NN is committing to transitioning all operational and attributable greenhouse gas emissions from its insurance and reinsurance underwriting portfolios to net-zero emissions by 2050, so that they are consistent with a maximum temperature rise of 1.5 °C above pre-industrial levels by the year 2100 in order to contribute to the implementation of the COP21 Paris Agreement.

Each business line is committed to developing (new) products and/or services supporting climate action or good health and well-being. Examples are centred around themes such as insuring (new) sustainable technologies, sustainable repairs (instead of replacing with new products), prevention and mental well-being. Throughout this annual report, these initiatives have been marked with this.

Movir as an educational institution

Movir is the disability insurer for self-employed people in the Netherlands. In order to be an attractive employer in the competitive labour market it is essential to play a leading role when it comes to training insurance physicians. To this end, an extensive training plan has been developed and Movir underwent an assessment to see if it can be certified as a training institution. In November 2023, Movir was certified by the Registration Committee for Medical Specialists as a training institution for insurance medicine specialists. Movir's focus is primarily on practical education.

Donations

In 2023, NN Non-life donated more than 160,000 euros to several charitable organisations to support the financial, physical and mental well-being of people in our communities. For example, OHRA Zorg provided financial support (30,000 euros) to the Mentality Foundation and donated specific products, such as a special twin bicycle and a swing for people with a disability, to local daytime activities centres.

Volunteering

In 2023, more than 500 NN colleagues volunteered. During working hours they contributed more than 2,000 volunteering hours to organisations like Stichting Jarige Job. Colleagues packed birthday boxes for children living in poverty, mostly during Your Community Matters Week. Another popular activity was volunteering with teams to help elderly people feel less lonely.

Remuneration policy

For information regarding remuneration policy reference is made to Note 34 ‘Key management personnel compensation'.

Risk management

For information regarding risk management reference is made to Note 36 'Risk management'.

Capital and liquidity management

For information on liquidity and financing, reference is made to Note 37 'Capital and liquidity management'.

Impact of inflation

The impact of higher inflation varies throughout our businesses, and is being absorbed through premium increases, additional reserving and improvements in data and underwriting capabilities. Approximately half of our P&C portfolio has limited sensitivity to short-term inflation. The impact of wage inflation on our Group Income claims is manageable, while the impact on our individual disability business is limited and largely hedged.

Non-financial statement

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

Key performance indicators

To monitor and measure progress we set concrete objectives for each of the strategic commitments, including non-financial KPIs and targets alongside our financial targets.

Conclusions with regard to 2023 and thoughts on the future

NN Schade made progress on all strategic priorities and continued to deliver a solid financial performance in 2023. We strengthened and improved our customer experience and NN Schade managed to increase its role in society by improving the products and services it offers in line with our sustainability ambitions.

The ambition for 2024 is to continue executing our strategic ambitions, whilst keeping a solid financial performance.

The management board thanks the employees and business partners for their dedication and continuous efforts that has resulted in realizing the strategic objectives of the company as explained above.

Corporate Governance

Composition of the boards; diversity and inclusion

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

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

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

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

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

Composition of NN Schade’s Management and Supervisory Boards and management team

NN Schade’s aim to have a gender balance of at least 40% women and 40% men for its boards, and the fact that its Management and Supervisory Boards both consist of only three members, require these boards to consist of at least one female and at least one male. In 2023 the composition of the Management Board met this target, as it consisted of one female and two males. The composition of the Supervisory Board also met the target, as it consisted of two females and one male.

NN Schade’s management team consists of its Management Board members and eight additional positions. Being composed of four females and seven males, 36% of NN Schade’s management team positions were held by women and 64% of such positions were held by men as at 31 December 2023. NN Schade aims to have a gender balance in management of at least 40% (wo)men in the management team. With a recent change in management positions, the percentage of women decreased slightly to 36%. Next to the retention of valuable knowledge and promotion of internal talent, diversity remains important to NN Schade in future appointments.

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

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

More information can be found in the Diversity and inclusion section on page [39-40] of the 2023 NN Group Annual Report and the NN Statement on Diversity and Inclusion.

Audit committee

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

Financial reporting process

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

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

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

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the annual accounts in accordance with generally accepted accounting principles (International Financial Reporting Standards as endorsed by the European Union and Part 9 of Book 2 of the Dutch Civil Code).

- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the annual accounts.

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

External auditor

On 19 May 2022, the general meeting of NN Group reappointed KPMG Accountants N.V. (KPMG) as the external auditor of NN Group for the financial years 2023 through 2025. On 23 May 2022, the general meeting of NN Schade (General Meeting) reappointed KPMG as external auditor of NN Schade for the financial years 2022 through 2025.

The external auditor attended the meetings of the Supervisory Board on 30 March 2023.

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

Code of Conduct for Insurers

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

Data privacy

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

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

Artificial Intelligence

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

In addition, we have been closely monitoring and anticipating for the development of the European AI Act, which draft was published in 2021 and which was discussed in the European Parliament in June 2023. In the course of 2023 NN took relevant steps by embedding its ethical guidelines in the NN Group governance. Furthermore, NN Group established an AI Working Group which validates all AI systems or models to be used within NN by using the yardstick of the NN AI Guidelines, thus focusing on the relevant aspects of trustworthy AI, such as lawful processing of personal data, preventing bias and discrimination and appropriate assessment of ethical dilemmas. The aforementioned also enables us to deploy AI in line with the Ethical Framework for data-driven applications of the Dutch Association of Insurers (Verbond van Verzekeraars) as well.

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

The Hague, 2nd April 2024

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

Balance sheet

Amounts in thousands of euros, unless stated otherwise

Balance sheet

	notes	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Assets				
Cash and cash equivalents	2	7,390	13,138	11,801
Investments at fair value through other comprehensive income (FVTOCI)	3	7,300,891	7,214,385	8,449,170
Investments at fair value through profit or loss	4	178,196	113,576	263,300
Investments in subsidiaries and associates	5	46,888	54,778	52,755
Derivatives	13	1,035	216,542	61,145
Assets		**7,534,400**	**7,612,419**	**8,838,171**
Reinsurance contracts	11	224,183	294,925	226,993
Reinsurance contracts		**224,183**	**294,925**	**226,993**
Property and equipment	6	7,620	8,262	7,236
Intangible assets	7	8,490	9,090	9,725
Other assets	8	456,806	509,345	160,999
Other		**472,916**	**526,697**	**177,960**
Total assets		**8,231,499**	**8,434,041**	**9,243,124**
Equity*				
Share capital		6,807	6,807	6,807
Share premium		25,834	209,834	345,834
Accumulated revaluation investments		-371,782	-543,432	442,289
Accumulated revaluations (re)insurance contracts		508,797	716,669	
Share of associates reserves		1,329	4,031	3,893
Other reserves		1,162,572	1,070,338	822,437
Unappropriated profit		250,819	194,161	253,197
Total shareholders' equity		**1,584,376**	**1,658,408**	**1,874,457**
Undated subordinated notes		130,000	130,000	130,000
Total equity	9	**1,714,376**	**1,788,408**	**2,004,457**
Liabilities				
Insurance contracts	10	6,168,420	5,864,449	6,668,633
Insurance contracts		**6,168,420**	**5,864,449**	**6,668,633**
Subordinated debt	12	156,104	159,002	161,797
Funding		**156,104**	**159,002**	**161,797**
Derivatives	13	59,134	326,838	48,538
Deferred tax liabilities	21	82,032	126,553	222,999
Other liabilities	14	51,433	168,791	136,700
Other		**192,599**	**622,182**	**408,237**
Total liabilities		**6,517,123**	**6,645,633**	**7,238,667**
Total equity and liabilities		**8,231,499**	**8,434,041**	**9,243,124**

References relate to the notes starting with Note 1 ‘Accounting policies’. These form an integral part of the Annual accounts. Reference is made to Note 1 ‘Accounting policies’ for the impact of the adoption of IFRS 9 and IFRS 17.

Comparative information was restated accordingly, as explained in Note 1 ‘Accounting policies’.

The comparative figures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

* The presentation of equity has been changed compared to previous years to be compliant with article 2:373.1 of the Dutch Civil Code, as explained on page 26.

Profit and loss account

Profit and loss account

For the year ended 31 December	notes	2023	2022 (Restated)
Release of contractual service margin		54,642	48,681
Release of risk adjustment		22,375	26,321
Expected claims and benefits		784,878	748,369
Expected attributable expenses		187,841	187,726
Recovery of acquisition costs		1,107	2,185
Experience adjustments for premiums		12,167	9,027
Insurance income Premium Allocation Approach		2,554,636	2,488,468
Insurance income	15	**3,617,646**	**3,510,777**
Incurred claims and benefits		771,340	721,264
Incurred attributable expenses		205,916	204,927
Amortisation of acquisition costs		1,107	2,185
Changes in incurred claims and benefits previous periods		1,843	-3,345
(Reversal of) losses on onerous contracts		1,907	5,440
Insurance expenses Premium Allocation Approach		2,113,642	2,251,260
Insurance expenses	16	**3,095,755**	**3,181,731**
Net insurance result		**521,891**	**329,046**
Net reinsurance result		-166,432	677
Insurance and reinsurance result		**355,459**	**329,723**
Interest income		152,923	144,152
Realised gains (losses) on Investments at cost and at fair value through OCI		-16,432	-16,664
Gains (losses) on investments at fair value through profit or loss		8,836	-41,581
Share of result of investments in subsidiaries and associates		-2,702	4,456
Impairments on investments		-3,994	-1,672
Other		49,333	33,088
Investment result	17	**187,964**	**121,779**
Finance result on (re)insurance contracts	18	76,056	48,620
Other		12,011	10,725
Finance result		**88,067**	**59,345**
Net investment result		**99,897**	**62,434**
Net fee and commission result	19	-5,531	-3,179
Non-attributable operating expenses	20	-121,690	-137,184
Other		-2,830	-5,890
Other result		**-130,051**	**-146,253**
Result before tax		**325,305**	**245,904**
Taxation	21	74,486	51,743
Net result		**250,819**	**194,161**

References relate to the notes starting with Note 1 ‘Accounting policies’. These form an integral part of the Annual accounts. Reference is made to Note 1 ‘Accounting policies’ for the impact of the adoption of IFRS 9 and IFRS 17.

Comparative information was restated accordingly, as explained in Note 1 ‘Accounting policies’.

The comparative figures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

Statement of comprehensive income

Statement of comprehensive income

For the year ended 31 December		2023		2022 (Restated)
Net result		**250,819**		**194,161**
– finance result on (re)insurance contracts, recognised in OCI	-207,872		716,669	
– revaluations on debt securities and loans at fair value through OCI	190,587		-894,118	
– realised gains (losses) transferred to the profit and loss account	10,315		12,206	
- changes in cash flow hedge reserve	838		-456	
– share of OCI of investments in subsidiaries and associates	-5,290			
– foreign currency exchange differences	2,203		-3,192	
Items that may be reclassified subsequently to the profit and loss account		**-9,219**		**-168,891**
– revaluations on equity securities at fair value through OCI	-26,927		-100,161	
– revaluations on property in own use	-76			
Items that will not be reclassified to the profit and loss account		**-27,003**		**-100,161**
Total other comprehensive income		**-36,222**		**-269,052**
Total comprehensive income		**214,597**		**-74,891**
Comprehensive income attributable to				
Shareholders of the parent		214,597		-74,891
Total comprehensive income		**214,597**		**-74,891**

References relate to the notes starting with Note 1 ‘Accounting policies’. These form an integral part of the Annual accounts. Reference is made to Note 1 ‘Accounting policies’ for the impact of the adoption of IFRS 9 and IFRS 17.

Comparative information was restated accordingly, as explained in Note 1 ‘Accounting policies’.

The comparative figures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

Reference is made to Note 21 ‘Taxation’ for the disclosure on the income tax effects on each component of comprehensive income.

Statement of cash flows

Statement of cash flows

For the year ended 31 December	2023	2022 (Restated)
Result before tax	**325,305**	**245,904**
Adjusted for		
– depreciation and amortisation	8,150	1,417
– changes in (re)insurance	-305,699	-335,718
– realised results and impairments on investments	7,365	59,113
– impairments on intangible assets	4,248	
– other	-11,709	8,372
Net premiums, claims, and attributable expenses on (re)insurance contracts	388,516	414,471
Tax paid (received)	-248,984	30,279
Changes in		
– derivatives	-6,292	79,921
– other assets	70,213	-349,142
– other liabilities	7,765	-71,366
Net cash flow from operating activities	**238,878**	**83,251**
Investments and advances		
– investments at fair value through OCI	-1,172,538	-1,578,712
– investments at fair value through profit or loss	-81,000	
– investments in subsidiaries and associates	-1,500	-2,500
– property and equipment		-1,410
– other investments		-368
Disposals and redemptions		
– divestments at fair value through OCI	1,276,477	1,536,191
– divestments at fair value through profit or loss	25,215	108,195
Net cash flow from investing activities	**46,654**	**61,366**
Dividend paid	-284,000	-136,000
Coupon on undated subordinated notes	-7,280	-7,280
Net cash flow from financing activities	**-291,280**	**-143,280**
Net cash flow	**-5,748**	**1,337**

Included in Net cash flow from operating activities

	2023	2022 (Restated)
Interest received	163,963	152,020
Interest paid	-14,739	-13,518
Dividend received	43,092	44,368

Cash and cash equivalents

	2023	2022 (Restated)
Cash and cash equivalents at the beginning of the year	13,138	11,801
Net cash flow	-5,748	1,337
Cash and cash equivalents at the end of the year	**7,390**	**13,138**

References relate to the notes starting with Note 1 ‘Accounting policies’. These form an integral part of the Annual accounts. Reference is made to Note 1 ‘Accounting policies’ for the impact of the adoption of IFRS 9 and IFRS 17.

Comparative information was restated accordingly, as explained in Note 1 ‘Accounting policies’.

The comparative figures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

Statement of changes in equity

Statement of changes in equity (2023)

	Share capital	Share premium	Revaluation reserves	Other reserves[1]	Total Shareholders' equity	Undated subordinated loan	Total equity
Balance at 1 January 2023 (Restated)	**6,807**	**209,834**	**173,237**	**1,268,530**	**1,658,408**	**130,000**	**1,788,408**
Finance result on (re)insurance contracts recognised in OCI			-207,872		-207,872		-207,872
Revaluations on debt securities and loans at fair value through OCI			190,587		190,587		190,587
Revaluations on equity securities at fair value through OCI			-26,927		-26,927		-26,927
Realised gains (losses) transferred to the profit and loss account			10,315		10,315		10,315
Changes in cash flow hedge reserve			838		838		838
Share of OCI of investments in subsidiaries and associates			-5,290		-5,290		-5,290
Foreign currency exchange differences			2,203		2,203		2,203
Revaluations property in own use			-76		-76		-76
Total amount recognised directly in equity (OCI)			**-36,222**		**-36,222**		**-36,222**
Net result for the period				250,819	250,819		250,819
Total comprehensive income			**-36,222**	**250,819**	**214,597**		**214,597**
Dividend		-184,000		-100,000	-284,000		-284,000
Coupon on undated subordinated notes				-5,402	-5,402		-5,402
Changes in the composition of the group and other changes				773	773		773
Balance at 31 December 2023	**6,807**	**25,834**	**137,015**	**1,414,720**	**1,584,376**	**130,000**	**1,714,376**

1. Other reserves includes retained earnings, share of associate reserve and unappropriated result.

Statement of changes in equity continued

Statement of changes in equity (2022) (Restated)

	Share capital	Share premium	Revaluation reserves	Other reserves[1]	Total Shareholders' equity	Undated subordinated loan	Total equity
Balance as reported at 31 December 2021	**6,807**	**345,834**	**440,731**	**813,366**	**1,606,738**	**130,000**	**1,736,738**
Impact (net of tax) of IFRS 9			1,558	61,365	62,923		62,923
Impact (net of tax) of IFRS 17				204,796	204,796		204,796
Balance at 1 January 2022 (Restated)	**6,807**	**345,834**	**442,289**	**1,079,527**	**1,874,457**	**130,000**	**2,004,457**
Finance result on (re)insurance contracts recognised in OCI			716,669		716,669		716,669
Revaluations on debt securities and loans at fair value through OCI			-894,118		-894,118		-894,118
Revaluations on equity securities at fair value through OCI			-100,161		-100,161		-100,161
Realised gains (losses) transferred to the profit and loss account			12,206		12,206		12,206
Changes in cash flow hedge reserve			-456		-456		-456
Foreign currency exchange differences			-3,192		-3,192		-3,192
Total amount recognised directly in equity (OCI)			**-269,052**		**-269,052**		**-269,052**
Net result for the period				194,161	194,161		194,161
Total comprehensive income			**-269,052**	**194,161**	**-74,891**		**-74,891**
Dividend		-136,000			-136,000		-136,000
Coupon on undated subordinated notes				-5,402	-5,402		-5,402
Changes in the composition of the group and other changes				244	244		244
Balance at 31 December 2022 (Restated)	**6,807**	**209,834**	**173,237**	**1,268,530**	**1,658,408**	**130,000**	**1,788,408**

1. Other reserves includes retained earnings, share of associate reserve and unappropriated result.

References relate to the notes starting with Note 1 ‘Accounting policies’. These form an integral part of the Annual accounts. Reference is made to Note 1 ‘Accounting policies’ for the impact of the adoption of IFRS 9 and IFRS 17.

Reference is made to Note 38 ‘Other IFRS 9 and IFRS 17 transition disclosures’ for the reconciliation of the restated statement of equity 2022.

The comparative figures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

Notes to the Annual accounts

1 Accounting policies

Basis of preparation

Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (NN Schade) is a public limited liability company (naamloze vennootschap) incorporated under Dutch law. NN Schade has its official seat in The Hague, the Netherlands and its office address in The Hague, the Netherlands. NN Schade is recorded in the Commercial Register under number 27023707. The principal activities of NN Schade are described in the section ‘Management Board Report’. Amounts in the annual accounts are in thousands of euros, unless stated otherwise.

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

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

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

The preparation of the Annual accounts requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

Consolidation

NN Schade uses the exemption of article 407 Part 9 Book 2 of the Dutch Civil Code and IFRS 10.4 'Consolidated Financial Statements' to present only the company financial statements. The financial figures which should be presented in the consolidated financial statements are presented in the annual accounts of NN Group and can be obtained under www.nn-group.com.

Changes in IFRS-EU effective in 2023

IFRS 9 ‘Financial Instruments’

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

Main features of IFRS 9

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

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

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

Effective date of IFRS 9 and comparative information

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

NN Schade's implementation of IFRS 9

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

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

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

IFRS 17 'Insurance Contracts'

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

Main features of IFRS 17

The main features of IFRS 17 are:

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

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

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

- IFRS 17 requires insurance liabilities to be measured using current best estimate assumptions and current market data for all actuarial and financial assumptions. IFRS 4 allowed the use of locked-in assumptions that are set at issue of the policies, in combination with a reserve adequacy test at current assumptions.
- The insurance liability under IFRS 17 includes an explicit risk adjustment for non-financial risk and an explicit contractual service margin, representing the unamortised part of the updated profit margin. These elements were not explicitly recognised under IFRS 4.
- IFRS 17 allows certain changes in assumptions to be absorbed in the contractual service margin or in other comprehensive income in equity. Under IFRS 4, changes in assumptions were, to the extent relevant, recognised in the profit and loss account.
- In applying IFRS 4, directly attributable acquisition costs (Deferred Acquisition Costs, DAC) and the Value Of Business Acquired (VOBA) were recognised as assets which were amortised in the profit and loss account over time. In applying IFRS 17, DAC and VOBA are (implicitly) accounted for as part of the insurance liability.

Key measurement differences between IFRS 17 and Solvency II

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

- In Solvency II, the initial margin in the premium over the insurance liability is recognised immediately in Own Funds. In IFRS 17, such an initial margin (when positive) is recognised as contractual service margin in the insurance liability and amortised and adjusted over time.
- In Solvency II, the discount rate is prescribed by the prudential regulator, whereas the discount rate under IFRS 17 is set by NN Schade taking into account the specific characteristics of NN Schade's portfolios.
- In Solvency II the Cost of Capital rate and the level of diversification in determining the risk adjustment is prescribed by the regulator, whereas under IFRS 17 these are set by NN Schade taking into account the specific characteristics of NN Schade's portfolios.
- In Property and Casualty (P&C) portfolio, NN Schade adopts the Premium Allocation Approach (PAA), aligning with an unearned premium approach. This stands in contrast to the Best Estimate and Risk Margin method under Solvency II framework.

NN Schade's implementation of IFRS 17

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

- NN Schade applies two of three **accounting models** in IFRS 17. The General Model is applied to Group/Individual income contracts. The Premium Allocation Approach is applied to the Property and Casualty (P&C) contracts in NN Schade. The Variable Fee Approach is not applicable to NN Schade.
- NN Schade determines per portfolio of insurance contracts whether changes in financial assumptions are reflected in other comprehensive income (**the 'OCI option'**) or directly in the profit and loss account. For contracts accounted for under the General Model and Premium Allocation Approach, in principle the OCI option is used, unless accounting for the impact of changes in financial assumptions directly in the profit and loss account resolves accounting mismatches or is otherwise preferred.
- For the **level of aggregation**, under the EU-endorsed version of IFRS 17 (IFRS-EU), certain specific insurance contracts may be aggregated on the level of a profitability group within a portfolio and do not need to be further disaggregated by the year in which these contracts were issued ('annual cohorts'). NN Schade does currently not apply this IFRS-EU exemption.
- **Estimates of future cash flows** for 'Income' business reflect morbidity assumptions based on NN Schade's own experience reflecting the characteristics of the relevant portfolio. Lapse rates and payment patterns are set based on NN Schade's own experience. Estimates of future cashflows include NN Schade's projection of future expenses to the extent that these relate to the fulfilment of contracts. The estimate of future cashflows for the liability for remaining coverage (LRC) is driven by: the expected future premiums based on policy data and the total expected outflows calculated by using disability rates, recovery rates, expected loss ratios and expense assumptions, as well as the outstanding claim reserve and IBN(E)R.
- **Estimates of future cash flows** for P&C regarding the LRC comprises a carrying amount and a loss component. The carrying amount is calculated in proportion to the unexpired periods of risk. The calculation of the loss component is driven by the expected future premiums based on policy data and the total expected outflows calculated by using expected loss ratios and expense ratios. Lapse rates are set based on NN Schade's own experience. Estimates of future cashflows include NN Schade's projection of future expenses to the extent that these relate to the fulfilment of contracts. The estimate of future cash flows for P&C for the liability for incurred claims is driven by the outstanding claim reserve and IBN(E)R. For both the outflows for liability for remaining coverage and incurred claims the cashflows are projected in the future by using payment patterns.
- **Discount rates** to discount the fulfilment cash flows are determined using a liquid risk-free curve to which an illiquidity premium is added. For the Euro currency, the risk-free curve is based on the swap rate and includes a last liquid point (LLP) of 30 years and a long-term forward rate (LTFR) of 3.35%. The illiquidity premium is derived from NN Schade's own asset portfolio, where the asset yield is adjusted for expected and unexpected credit losses.
- The **indexation** of premiums and claims is contractually linked to an external inflation index for some Income portfolio and is therefore subject to financial risk. As a result, variance in this external inflation index is accounted for in OCI.
- The **risk adjustment** for non-financial risk is determined using the Cost of Capital methodology based on the Solvency II Partial Internal Model. The risk adjustment reflects diversification with market risks within the entity and diversification with other entities within NN Group ('Group diversification'). The Cost of Capital rate represents NN Schade's view on the compensation required for bearing risk; the rate used in the fulfilment value of insurance liabilities is and reinsurance contracts held is 4%.
- NN Schade used the fair value **transition approach** for almost all 'Income' business. In the fair value, the Cost of Capital rate in the risk adjustment is set at 6%, expenses also include non-directly attributable expenses and no Group diversification is considered. For P&C, the modified retrospective transition approach has mostly been used. In the modified retrospective transition approach, NN Schade used mainly the modifications for historical cash flows, the historical release of the risk adjustment and determining groups of contracts. For the remainder, the full retrospective approach has been used.

Reference is made to Note 10 'Insurance contracts' for more information on the accounting policies used under IFRS 17.

Notes to the Annual accounts continued

Impact of IFRS 9 and IFRS 17 on NN Schade

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

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

Impact of IFRS 9 and IFRS 17 on Shareholders' Equity

The increase in equity at the transition date mainly reflects the remeasurement of insurance liabilities by applying a risk adjustment under IFRS 17 and by applying a longer contract boundary for Individual income. Under the IFRS accounting applied by NN Schade to-date, only the revaluation of assets is recognised in equity, whilst the offsetting effect of revaluation on insurance liabilities is not recognised. Under IFRS 9 and IFRS 17 the revaluation on both assets and liabilities will be recognised in equity.

31 December 2021/ 1 January 2022 (amounts in EUR '000)	Share capital and premium	Revaluation reserves	Other reserves	Undated subordinated notes	Total equity
Total equity as reported at 31 December 2021	**352,641**	**440,731**	**813,366**	**130,000**	**1,736,738**
Impact (net of tax) of IFRS 9:					
- Loans to fair value through OCI		55,979	6,597		62,576
- Available-for-sale to fair value through profit or loss		20,363	-20,363		
- Impairments		-74,784	75,131		347
Impact (net of tax) of IFRS 17:					
- Remeasurement of (re) insurance contracts			204,796		204,796
Restated total equity at 1 January 2022	**352,641**	**442,289**	**1,079,527**	**130,000**	**2,004,457**

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

Notes to the Annual accounts continued

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

Balance sheet item (amounts in EUR '000) - IAS 39 and IFRS 4	NN Schade Reported amount	IFRS 9 1. Remeasurement	IFRS 9 2. Reclassification	IFRS 17 3. Reclassification	IFRS 17 4. Remeasurement	NN Schade Adjusted amount	NN NLI Adjusted amount	Total adjusted amount	Restated balance sheet item - with IFRS 9 and IFRS 17
Cash and cash equivalents	10,520					10,520	1,281	11,801	Cash and cash equivalents
Available-for-sale investments	6,280,075	2,306,892	-244,869			8,342,098	107,072	8,449,170	Investments at fair value through OCI
Loans	2,232,349	-2,232,349							Investments at cost
Financial assets designated at fair value through profit or loss	61,145		183,724			244,869	18,431	263,300	Investments at fair value through profit or loss
Subsidiaries and associates	52,755					52,755		52,755	Investments in subsidiaries and associates
Reinsurance contracts	278,705			-51,173	-13,018	214,514	12,479	226,993	Reinsurance contracts
Non-trading derivatives			61,145			61,145		61,145	Derivatives
Property and equipment	7,236					7,236		7,236	Property and equipment
Intangible assets	101,268				-91,543	9,725		9,725	Intangible assets
Deferred acquisition costs	62,747				-62,747				
Other assets	233,485			-160,584	63,255	136,156	24,843	160,999	Other assets
Total assets	**9,320,285**	**74,543**		**-211,757**	**-104,053**	**9,079,018**	**164,106**	**9,243,124**	**Total assets**
Insurance contracts	6,911,576			24,775	-377,607	6,558,744	109,889	6,668,633	Insurance contracts
Subordinated debt	161,797					161,797		161,797	Subordinated debt
Non-trading derivatives	48,538					48,538		48,538	Derivatives
Deferred tax liabilities	130,694	13,208			77,069	220,971	2,028	222,999	Deferred tax liabilities
Other liabilities	373,770	-1,588		-236,532		135,650	1,050	136,700	Other liabilities
Total liabilities	**7,626,375**	**11,620**		**-211,757**	**-300,538**	**7,125,700**	**164,106**	**7,238,667**	**Total liabilities**
Total equity	**1,693,910**	**62,923**			**196,485**	**1,953,318**	**51,139**	**2,004,457**	**Total equity**

Notes to the Annual accounts continued

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

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

Insurance contracts (IFRS 17) by component (amounts in EUR '000)	**1 January 2022 (Restated)**
Premium Allocation Approach	2,577,821
General Model:	
- estimates of the present value of future cash flows	3,537,997
- risk adjustment	212,309
- contractual service margin	
- determined retrospectively	
- determined under the modified retrospective approach	
- determined under the fair value approach	340,506
Total Insurance contracts	**6,668,633**
Insurance contracts, presented as assets	
Insurance contracts, presented as liabilities	6,668,633
Total Insurance contracts	**6,668,633**

Approximately 61% of the Total insurance contracts was determined using the fair value transition approach. Insurance contracts by components have been adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

On 30 June 2023, NN Schade entered into a legal merger with NN Non-Life Insurance N.V. (NN NLI). On 1 July 2023, the legal merger between NN Schade and NN NLI became effective. As a result of this legal merger, NN NLI ceased to exist as a separate legal entity from this date. NN Schade has brought the former NN NLI portfolios under a foreign branch from that date. In accordance with the common control accounting, NN NLI’s financial data have been included in the comparative figures of NN Schade’s annual accounts as from 1 January 2022. Reference is made to Note 32 ‘Companies and businesses acquired and divested’.

The implementation of IFRS 9 and IFRS 17 did not impact NN Schade’s Own Funds and the Solvency Capital Requirement under Solvency II, nor its Operating Capital Generation (OCG).

Reference is made to Note 10 ‘Insurance contracts’ and Note 38 ‘Other IFRS 9 and IFRS 17 transition disclosures’ for further details.

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

IAS 12 ‘Income Taxes’

In May 2023, ‘International Tax Reform – Pillar Two Model Rules’ was issued, which amends IAS 12 ‘Income Taxes’. NN Schade applies this amendment as of 2023. Related disclosures are included in Note 21 ‘Taxation’.

Other changes in accounting standards that became effective

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

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

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

Upcoming changes in IFRS-EU
The following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective:

- IAS 1, Classification of Liabilities as Current or Non-current
- IAS 1, Non-current Liabilities with Covenants
- IFRS 16, Lease Liability in a Sale and Leaseback
- IAS 7 and IFRS 7, Supplier Finance Arrangements
- IAS 21, Lack of exchangeability

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

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

Error correction
Shareholder's equity was presented as a single line item in the balance sheet. In accordance with article 2:373 paragraph 1 of the Dutch Civil Code the Shareholder's equity has been split into the legal elements of equity, including the comparative figures.

Previous presentation of Equity in the balance sheet

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Equity			
Shareholders' equity	**1,584,376**	**1,658,408**	**1,874,457**
Undated subordinated notes	130,000	130,000	130,000
Total equity	**1,714,376**	**1,788,408**	**2,004,457**

New presentation of Equity in the balance sheet

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Equity			
Share capital	6,807	6,807	6,807
Share premium	25,834	209,834	345,834
Accumulated revaluation investments	-371,782	-543,432	442,289
Accumulated revaluations (re)insurance contracts	508,797	716,669	
Share of associates reserves	1,329	4,031	3,893
Other reserves	1,162,572	1,070,338	822,437
Unappropriated profit	250,819	194,161	253,197
Total shareholders' equity	**1,584,376**	**1,658,408**	**1,874,457**
Undated subordinated notes	130,000	130,000	130,000
Total equity	**1,714,376**	**1,788,408**	**2,004,457**

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

General accounting policies
Foreign currency translation
Functional and presentation currency
Items included in the annual accounts of each NN Schade entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Annual accounts are presented in euros, which is NN Schade's functional and presentation currency.

Transactions and balances

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

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

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

Recognition and derecognition of financial instruments

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

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

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

Maximum credit risk exposure

The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items, the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 30 'Contingent liabilities and commitments' for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure. The manner in which NN Schade manages credit risk and determines credit risk exposures is explained in Note 36 'Risk management'.

Statement of cash flows

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

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

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

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

Cash flows arising from the issue of mortgage loans held in the banking operations are recognised under Net cash flows from operating activities, whereas cash flows related to mortgage loans held as investment in the insurance operations are recognised under Net cash flow from investing activities.

2 Cash and cash equivalents

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

Cash and cash equivalents

	2023	2022 (Restated)
Cash and bank balances	7,390	13,138
Cash and cash equivalents	**7,390**	**13,138**

3 Investments at fair value through other comprehensive income

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

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

Impairments

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

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

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

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

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

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

Reference is made to Note 36 ‘Risk management’ for more information on credit risk.

Notes to the Annual accounts continued

Investments at fair value through other comprehensive income

	2023	2022 (Restated)
Debt securities	4,018,735	4,094,181
Equity securities	1,156,024	1,031,441
Loans	2,126,132	2,088,763
Investments at fair value through other comprehensive income	**7,300,891**	**7,214,385**

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

2023	Debt securities	Equity securities	Loans	Total
Opening balance	4,094,181	1,031,441	2,088,763	7,214,385
Additions	788,154	209,442	174,942	1,172,538
Disposals and redemptions	-1,026,786	-63,018	-186,673	-1,276,477
Revaluations	200,121	-24,044	57,283	233,360
Impairments	-3,684		-310	-3,994
Amortisation	-6,150		-3,759	-9,909
Transfers and reclassifications			-4,144	-4,144
Foreign currency exchange differences	-27,101	2,203	30	-24,868
Closing balance	**4,018,735**	**1,156,024**	**2,126,132**	**7,300,891**

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

2022 (Restated)	Debt securities	Equity securities	Loans	Total
Opening balance	5,052,705	1,094,376	2,302,089	8,449,170
Additions	937,118	98,299	543,295	1,578,712
Disposals and redemptions	-1,136,431	-48,619	-320,754	-1,505,804
Revaluations	-795,072	-99,837	-433,391	-1,328,300
Impairments	-1,324		-348	-1,672
Amortisation	-7,375		-5,157	-12,532
Transfers and reclassifications	-30,387			-30,387
Other changes	17,699	-9,585	3,140	11,254
Foreign currency exchange differences	57,248	-3,193	-111	53,944
Closing balance	**4,094,181**	**1,031,441**	**2,088,763**	**7,214,385**

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

2023	Stage 1 12 month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	-2,204	115	-88	-2,177
Transfers between stage 1,2 and 3	5	-5		
Additions	-4,714	71	26	-4,617
Disposals	577	63	-14	626
Closing balance	**-6,336**	**244**	**-76**	**-6,168**

The loss allowance for investments at fair value through other comprehensive income of EUR 3,994 (2022: EUR 1,672) does not reduce the carrying amount of these investments (which are measured at fair value) but gives rise to an equal and opposite gain in other comprehensive income and is included in the line 'Revaluations' in the table of Changes in investments at fair value through other comprehensive income.

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

2022 (Restated)	Stage 1 12 month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Opening balance	-1,122	169	-11	-964
Transfers between stage 1,2 and 3	63	-2	-61	
Additions	-1,648	-52	-16	-1,716
Disposals	503			503
Closing balance	**-2,204**	**115**	**-88**	**-2,177**

4 Investments at fair value through profit or loss

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

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

Investments at fair value through profit or loss

	2023	2022 (Restated)
Debt securities	5,863	9,054
Equity securities and investment funds	172,333	104,522
Investments at fair value through profit or loss	**178,196**	**113,576**

5 Investments in subsidiaries and associates

Subsidiaries

Subsidiaries are companies in which NN Schade has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by NN Schade. Subsidiaries are recognised using the equity method of accounting.

Changes in balance sheet values due to changes in the revaluation reserves of subsidiaries are reflected in the 'Share of subsidiaries and associates reserve', which forms part of 'Shareholder's equity'. Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with NN Schade accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these subsidiaries, other than those due to changes in share capital, are included in the 'Share of subsidiaries and associates reserve'.

Associates

Associates are all entities over which NN Schade has significant influence but not control. Significant influence generally results from a shareholding of 20% or more of the voting rights, but also the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:

- Representation on the board of directors
- Participation in the policy making process
- Interchange of managerial personnel.

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

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

Investments in subsidiaries and associates (2023)

2023	Statutory seat	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
de Vereende N.V.	Rijswijk	35.73%	10,845	91,276	60,923	37,029	31,275
DAS Holding N.V.	Amsterdam	30.86%	35,073	311,858	198,205	219,579	232,830
Bemiddelingskantoor Nederland B.V.	Amstelveen	100.00%	970	970		375	2,259
Investments in subsidiaries and associates			**46,888**				

Associates include interests in the non-life insurance companies de Vereende N.V. (de Vereende) and DAS Holding N.V. (DAS Holding).

The subsidiaries and associates of NN Schade are subject to legal and regulatory restrictions regarding the amount of dividends that can be paid to NN Schade. These restrictions are, for example, dependent on the Dutch laws for declaring dividends or as a result of minimum capital requirements imposed by Dutch regulators. In addition, the subsidiaries and associates also consider other factors in determining the appropriate levels of equity needed.

Notes to the Annual accounts continued

Investments in subsidiaries and associates (2022)

2022	Statutory seat	Interest held	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
de Vereende N.V.	Rijswijk	35.73%	10,712	91,156	61,171	37,419	33,276
DAS Holding N.V.	Amsterdam	30.86%	43,198	360,909	220,929	253,106	239,548
Bemiddelingskantoor Nederland B.V.	Amstelveen	100.00%	868	880	12	464	2,591
Investments in subsidiaries and associates			**54,778**				

Changes in investments in subsidiaries and associates

	2023	2022
Investments in subsidiaries and associates – opening balance	54,778	52,755
Additions	1,500	2,500
Share in changes in equity (revaluations)	-5,290	964
Share of result	-4,100	2,877
Dividends received		-4,318
Investments in subsidiaries and associates – closing balance	**46,888**	**54,778**

6 Property and equipment

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

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

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

Methods of depreciation

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

Property and equipment

	2023	2022 (Restated)
Property in own use	6,410	6,612
Equipment	1,210	1,650
Property and equipment owned	**7,620**	**8,262**

Changes in Property in own use

	2023	2022 (Restated)
Property in own use – opening balance	6,612	6,720
Revaluations	-102	
Depreciation	-100	-108
Property in own use – closing balance	**6,410**	**6,612**
Gross carrying value	8,791	8,791
Accumulated depreciation, revaluations and impairments	2,381	2,179
Net carrying value	**6,410**	**6,612**
Revaluation surplus / deficit – opening balance	**36**	**36**
Revaluation during the year	-102	
Revaluation surplus / deficit – closing balance	**-66**	**36**
Accumulated impairments	**5**	**5**

Changes in Equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
Equipment – opening balance	130	313	1,520	203	1,650	516
Additions				1,410	0	1,410
Depreciation	-40	-183	-400	-93	-440	-276
Equipment – closing balance	**90**	**130**	**1,120**	**1,520**	**1,210**	**1,650**
Gross carrying value	2,041	2,041	3,142	3,142	5,183	5,183
Accumulated depreciation	-1,951	-1,911	-2,022	-1,622	-3,973	-3,533
Net carrying value	**90**	**130**	**1,120**	**1,520**	**1,210**	**1,650**

7 Intangible assets

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. The expected useful life of computer software will generally not exceed three years.

Other intangible assets

Other intangible assets include brand names, client relationships and distribution channels. These assets are stated at cost less amortisation and any impairment losses. The estimated useful life is generally between 2 and 17 years.

Methods of amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives. Methods of amortisation, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Amortisation is included in ‘Other operating expenses’.

Impairment of intangible assets

Impairment reviews with respect to intangible assets are performed at least annually and more frequently if events indicate that impairments may have occurred. The identification of impairment is an inherently uncertain process involving various assumptions and factors. Estimates and assumptions (including unobservable Level 3 inputs) are based on management’s judgement and other information available.

Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount of the individual intangible asset.

Intangible assets (2023)

2023	Software	Other	Total
Intangible assets – opening balance	340	8,750	9,090
Amortisation	-100	-500	-600
Intangible assets – closing balance	**240**	**8,250**	**8,490**
Gross carrying value	5,448	12,450	17,898
Accumulated amortisation	-5,208	-4,200	-9,408
Net carrying value	**240**	**8,250**	**8,490**

Intangible assets (2022) (Restated)

2022 (Restated)	Software	Other	Total
Intangible assets – opening balance		9,725	9,725
Additions	398		398
Amortisation	-58	-975	-1,033
Intangible assets – closing balance	**340**	**8,750**	**9,090**
Gross carrying value	5,448	12,450	17,898
Accumulated amortisation	-5,108	-3,700	-8,808
Net carrying value	**340**	**8,750**	**9,090**

Amortisation of software and other intangible assets is included in the profit and loss account in ‘Other operating expenses’ and ‘Intangible amortisation and other impairments’ respectively.

Notes to the Annual accounts continued

8 Other assets

The other assets mainly comprises receivables. The other assets are valued at amortised cost.

Other assets

	2023	2022 (Restated)
Income tax receivable	18,245	477
Accrued interest and rents	53,364	65,914
Other accrued assets	66,088	63,085
Cash collateral amounts paid	75,023	120,000
Other[1]	244,086	259,869
Other assets	**456,806**	**509,345**

1. Other includes the current account with NN Group entities of EUR 203 thousand (2022: EUR 185 thousand). These amounts relate to ordinary activities between NN Group entities and NN Schade. Other also includes an asset for insurance acquisition expenses.

9 Equity

Total equity

	2023	2022 (Restated)
Share capital	6,807	6,807
Share premium	25,834	209,834
Accumulated revaluations investments	-371,782	-543,432
Accumulated revaluations (re)insurance contracts	508,797	716,669
Share of associates reserves	1,329	4,031
Other reserves	1,162,572	1,070,338
Unappropriated profit	250,819	194,161
Shareholders' equity	**1,584,376**	**1,658,408**
Undated subordinated notes	130,000	130,000
Total equity	**1,714,376**	**1,788,408**

The legal reserves consist of the following: Accumulated revaluation investments and Share of associates reserves.

Share Capital

	Ordinary shares (in number)		Ordinary shares (Amounts in thousands of euros)	
	2023	2022 (Restated)	2023	2022 (Restated)
Authorised share capital	4,550,000	4,550,000	22,750	22,750
Unissued share capital	3,188,659	3,188,659	15,943	15,943
Issued share capital	**1,361,341**	**1,361,341**	**6,807**	**6,807**

Ordinary shares

All shares are in registered form. Shares may be transferred by means of a deed of transfer, subject to the approval of the General Meeting. The issued and fully paid ordinary share capital consists of 1,361,341 ordinary shares with a par value of EUR 5.00 per share.

Distributable reserves

NN Schade is subject to legal restrictions regarding the amount of dividends it can pay to its shareholder. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholder's equity less the issued and outstanding capital and less the reserves required by law. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

Notes to the Annual accounts continued

Changes in Shareholders' equity (2023)

2023	Share capital	Share premium	Reserves	Total shareholders' equity
Shareholders' equity – opening balance	6,807	209,834	1,441,767	1,658,408
Total amount recognised directly in equity (other comprehensive income)			-36,222	-36,222
Net result for the period			250,819	250,819
Dividend		-184,000	-100,000	-284,000
Coupon on undated subordinated notes			-5,402	-5,402
Changes in the composition of the group and other changes			773	773
Shareholders' equity – closing balance	**6,807**	**25,834**	**1,551,735**	**1,584,376**

Changes in Shareholders' equity (2022) (Restated)

2022 (Restated)	Share capital	Share premium	Reserves	Total shareholders' equity
Shareholders' equity – opening balance	6,807	345,834	1,521,816	1,874,457
Total amount recognised directly in equity (other comprehensive income)			-269,052	-269,052
Net result for the period			194,161	194,161
Dividend		-136,000		-136,000
Coupon on undated subordinated notes			-5,402	-5,402
Changes in the composition of the group and other changes			244	244
Shareholders' equity – closing balance	**6,807**	**209,834**	**1,441,767**	**1,658,408**

Changes in Share premium

	2023	2022 (Restated)
Share premium – opening balance	209,834	345,834
Dividend	-184,000	-136,000
Share premium – closing balance	**25,834**	**209,834**

NN Schade distributed EUR 184 million interim dividend out of the share premium during 2023 (2022: EUR 136 million).

Changes in Accumulated revaluations investments (2023)

2023	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	27	-542,024	-1,435	-543,432
Revaluations	-76	163,660		163,584
Realised gains (losses) transferred to the profit and loss account		10,315		10,315
Changes in cash flow hedge reserve			838	838
Other revaluations		-3,087		-3,087
Revaluation reserve – closing balance	**-49**	**-371,136**	**-597**	**-371,782**

Changes in Accumulated revaluations investments (2022) (Restated)

2022 (Restated)	Property revaluation reserve	Investment revaluation reserve	Cash flow hedge reserve	Total
Revaluation reserve – opening balance	27	443,241	-979	442,289
Revaluations		-994,279	-456	-994,735
Realised gains (losses) transferred to the profit and loss account		12,206		12,206
Other revaluations		-3,192		-3,192
Revaluation reserve – closing balance	**27**	**-542,024**	**-1,435**	**-543,432**

Changes in Accumulated revaluations (re)insurance contracts

	2023	2022 (Restated)
Revaluation reserve – opening balance	716,669	
Changes in insurance contracts	-215,692	736,634
Changes in reinsurance contracts	7,820	-19,965
Revaluation reserve – closing balance	**508,797**	**716,669**

Notes to the Annual accounts continued

Changes in Other reserves (2023)

2023	Retained earnings	Share of associates reserve	Unappropriated profits	Total
Other reserves – opening balance	1,070,338	4,031	194,161	1,268,530
Net result for the period			250,819	250,819
Transfers from (to) share of associates reserve	2,702	-2,702		
Transfers from (to) retained earnings	194,161		-194,161	
Dividend	-100,000			-100,000
Coupon on subordinated notes	-5,402			-5,402
Changes in the composition of the group and other changes	773			773
Other reserves – closing balance	**1,162,572**	**1,329**	**250,819**	**1,414,720**

NN Schade distributed EUR 100 million interim dividend out of the other reserves during 2023 (2022: Nil).

Changes in Other reserves (2022) (Restated)

2022 (Restated)	Retained earnings	Share of associates reserve	Unappropriated profits	Total
Other reserves – opening balance	822,437	3,893	253,197	1,079,527
Net result for the period			194,161	194,161
Transfers from (to) share of associates reserve	-138	138		
Transfers from (to) retained earnings	253,197		-253,197	
Coupon on subordinated notes	-5,402			-5,402
Changes in the composition of the group and other changes	244			244
Other reserves – closing balance	**1,070,338**	**4,031**	**194,161**	**1,268,530**

Appropriation of result

The result is appropriated pursuant to Article 34 of the Articles of Association of NN Schade, of which the relevant provisions state that the appropriation of result shall be determined by the General Meeting, on the proposal of the Executive Board, as approved by the Supervisory Board. It is proposed to add the net result of EUR 250,819 thousands for the year to the retained earnings.

Undated subordinated loan

Interest rate	Year of issue	Due date	First call date	Notional amount		Balance sheet value	
				2023	2022	2023	2022
5.600%	2014	Perpetual	24 June 2024	130,000	130,000	130,000	130,000

In June 2014, Delta Lloyd Schadeverzekering N.V. (DL Schade) issued a subordinated debt with a nominal value of EUR 130 million with Delta Lloyd N.V. (Delta Lloyd Group). As a result of the merger between NN Schade (NN Schade) and Delta Lloyd Group during 2017 the subordinated undated loan is now owned by NN Schade. The coupon is fixed at 5.6% (fixed-to-float rate) per annum until the first call date and will be floating thereafter. The subordinated undated loan may only be redeemed at the option of NN Schade (first call date on 27 June 2024). As this loan is undated and includes optional deferral of interest at the discretion of NN Schade, this is classified under IFRS-EU as equity. Coupon payments are distributed out of equity if and when paid or contractually due.

The subordinated loan is classified as Restricted Tier 1 capital based on the transitional provisions (grandfathering). This loan is grandfathered for a maximum period of 10 years until 1 January 2026.

In 2023, coupon payments on the undated subordinated notes of EUR 5,402 thousand after tax (2022: EUR 5,402 thousand after tax) have been distributed out of the retained earnings.

10 Insurance contracts

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

Key accounting policies

Accounting models

NN Schade applies two out of three accounting models in IFRS 17. The General Model is applied to Group/Individual income contracts. The Premium Allocation Approach is applied to the P&C contracts in NN Schade. The Variable Fee Approach is not applicable to NN Schade.

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

NN Schade determines per portfolio of insurance contracts whether the effect of changes in discount rates and other financial assumptions on the estimated cash flows and the risk adjustment is accounted for in other comprehensive income when using the OCI-option; if the OCI option is not used, it is accounted for in profit or loss. Amounts recognised in other comprehensive income are recycled through profit or loss so that the amount in other comprehensive income will be nil at the end of the term of the portfolio of insurance contracts. This recycling is done by accreting interest on the insurance liability through profit or loss using a locked-in discount rate at initial recognition of the contract, which is unlocked for financial assumption changes after initial recognition, if any. This interest accretion is presented in 'Finance result on (re)insurance contracts'.

For contracts accounted for under the General Model and Premium Allocation Approach, in principle the OCI option is used, unless accounting for the impact of changes in financial assumptions directly in the profit and loss account resolves accounting mismatches or is otherwise preferred.

Level of aggregation

Insurance contracts are aggregated per 'CSM group' under IFRS 17. A CSM group consists of contracts within the same portfolio, the same profitability bucket and issued in the same annual period. Contracts are in the same portfolio if these are managed together and have similar risks. Groups of contracts issued in the same annual period are referred to as an annual cohort. Additional disaggregation in further groups is applied, if the circumstances allow.

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

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

Uncertainty on the settlement of the claim amount

NN Schade accounts uncertainty on the settlement of the claim amount as part of the liability for incurred claims (for P&C contracts) or as part of the liability for remaining coverage (for Income contracts).

Generic assumptions

NN Schade applies a year-to-date approach, i.e. NN Schade changes the treatment of previous accounting estimates made when reporting over the year. Insurance-related receivables and payables are presented as part of the insurance contracts.

Acquisition costs

NN Schade recognises an asset for any directly attributable insurance acquisition costs incurred relating to groups of to be recognised insurance contracts or their renewals (with the exception of contracts measured under the Premium Allocation Approach with a coverage period of one year or less, where the acquisition costs are expensed immediately in the profit and loss account). The asset for incurred acquisition costs to be attributed to insurance contracts is derecognised when groups of insurance contracts to which the insurance acquisition costs are allocated, are recognised.

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

Transition approach

NN Schade has used the fair value transition approach for almost all Income business. In the fair value, the Cost of Capital rate in the risk adjustment is set at 6%, expenses also include non-directly attributable expenses and no Group diversification is considered. For P&C contracts, the modified retrospective transition approach has mostly been used. In the modified retrospective transition approach, NN Schade used mainly the modifications for historical cash flows, the historical release of the risk adjustment and determining groups of contracts. For the remainder, the full retrospective approach has been used.

NN Schade uses the OCI option as described above, but sets the amount in other comprehensive income at transition date (1-1-2022) to nil under the modified and fair value transition approaches.

Notes to the Annual accounts continued

Coverage units

Coverage units are determined based on the expected insurance contract services. The insurance contract services are determined considering the (weighted) quantity of the benefits provided from insurance services. For insurance services, the quantity of benefits can, amongst others, be based on the insurance liability using assumptions set at initial recognition or the maximum amount a policyholder might validly claim during a certain period. The total amount of coverage units for a group of insurance contracts is the probability weighted present value of the insurance contract services. Expected policies in force are used to determine the expected duration.

Premium Allocation Approach

NN Schade measures and reports the P&C contracts under the Premium Allocation Approach. When using the Premium Allocation Approach, future cash flows related to the Liability for Remaining Coverage (i.e. the unearned premium reserve) are not adjusted for the time value of money and the effect of financial risk as at initial recognition, it is expected that the time between providing each part of the coverage and the related premium due date is no more than one year. NN Schade adjusts future cash flows related to the liability for incurred claims for the time value of money and the effect of financial risk. Under PAA, NN Schade accounts for the acquisition costs directly in the profit and loss account when incurred, if the coverage period is no more than one year.

Key assumptions

Morbidity

Assumptions for reinstatement rates and incidence rates are most material for Income business. These assumptions are calibrated based on own experience reflecting the characteristics of the relevant portfolio. Where possible, these assumptions are age, gender and portfolio specific and in case of reinstatement rates also dependent on the duration of disability. Other assumptions can be relevant such as transition rates from partially to fully disabled, average disability percentages, use of remaining work capacity etcetera.

Loss ratios

The loss ratios are used to determine expected future claim payments resulting from unearned and future premiums. These claim ratios also form the basis for the IBN(E)R for event year for P&C contracts. For Income, claim ratios are also used for IBN(E)R of the event year and some of the prior years, especially the years still within the waiting period.

Expense assumptions

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

Other assumptions

Lapse assumptions are non-economic assumptions and reflect the expected policyholder behaviour. Payment patterns are calibrated in order to account for the timing of future claim payments. These assumptions are calibrated based on NN Schade's own experience.

Indexation

For some Income portfolios the indexation of premiums and claims are contractually linked to an external inflation index and is therefore subject to financial risk. As a result, variance in this external inflation index is accounted for in OCI.

Discount rates

Discount rates are determined using a liquid risk-free curve to which an illiquidity premium is added. The liquid risk-free curve is set per currency. The illiquidity premium is derived from NN Schade's own asset portfolio, where the asset yield is adjusted for expected and unexpected credit losses.

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

Notes to the Annual accounts continued

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

Range of yield curves

	Insurance contracts under General Model	
	2023	2022 (Restated)
1 year	3.98%	3.73%
5 years	2.95%	3.65%
10 years	3.01%	3.61%
20 years	3.02%	3.30%
30 years	2.80%	2.83%
40 years	2.77%	2.74%

Risk adjustment

The risk adjustment for non-financial risk is determined using the Cost of Capital methodology based on the Solvency II Partial Internal Model. The risk adjustment reflects diversification among non-market risks, with market risks within NN Schade and with other business units within NN Group. The Cost of Capital rate represents NN Schade’s view on the compensation required for bearing non-financial risk; the Cost of Capital rate used in the fulfilment value of insurance liabilities is 4%. Changes in the risk adjustment related to changes in estimates of financial risk are disaggregated to other comprehensive income if the OCI option is applied to the specific portfolio. The risk adjustment used by NN Schade corresponds with a range of confidence levels as set out below. In this, the implied confidence levels are determined both for a one-year and an ultimate view, gross of reinsurance, using a normal distribution to translate economic capital to confidence level.

Corresponding confidence levels risk adjustment

	2023		2022 (Restated)	
	1 year view	Ultimate view	1 year view	Ultimate view
Non-life	65%-75%	60%-70%	70%-80%	60%-70%

Insurance contracts (2023)

2023	General Model	Premium Allocation Approach	Total
Non-life contracts for remaining coverage	3,660,690	205,896	3,866,586
Non-life contracts for incurred claims and benefits	130,091	2,171,743	2,301,834
Non-life insurance contracts	**3,790,781**	**2,377,639**	**6,168,420**
Total insurance contracts	**3,790,781**	**2,377,639**	**6,168,420**
- of which presented as assets			
- of which presented as liabilities	3,790,781	2,377,639	6,168,420
Total insurance contracts	**3,790,781**	**2,377,639**	**6,168,420**

Insurance contracts (2022) (Restated)

2022 (Restated)	General Model	Premium Allocation Approach	Total
Non-life contracts for remaining coverage	3,387,897	177,509	3,565,406
Non-life contracts for incurred claims and benefits	69,652	2,229,391	2,299,043
Non-life insurance contracts	**3,457,549**	**2,406,900**	**5,864,449**
Total insurance contracts	**3,457,549**	**2,406,900**	**5,864,449**
- of which presented as assets			
- of which presented as liabilities	3,457,549	2,406,900	5,864,449
Total insurance contracts	**3,457,549**	**2,406,900**	**5,864,449**

Notes to the Annual accounts continued

General Model

Insurance contracts under General Model (2023)

2023	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total General Model
- opening balance presented as assets				
- opening balance presented as liabilities	2,911,645	149,956	395,948	3,457,549
Net opening balance	**2,911,645**	**149,956**	**395,948**	**3,457,549**
- insurance contracts initially recognised in the period	-160,172	13,681	146,766	275
- changes in estimates that adjust the contractual service margin	28,331	-29,358	1,027	
- changes in estimates that do not adjust the contractual service margin	4,991	118		5,109
Changes that relate to future service	**-126,850**	**-15,559**	**147,793**	**5,384**
- release to profit or loss		-22,375	-54,642	-77,017
- experience adjustments not adjusting the contractual service margin	-11,085			-11,085
Changes that relate to current service	**-11,085**	**-22,375**	**-54,642**	**-88,102**
- changes in incurred claims and benefits previous periods	1,843			1,843
Changes that relate to past service	**1,843**			**1,843**
- finance result through profit or loss	53,091	2,698	6,397	62,186
- finance result recognised in OCI	205,234	15,093		220,327
Finance result on insurance contracts	**258,325**	**17,791**	**6,397**	**282,513**
- premiums received	1,053,160			1,053,160
- acquisition costs paid	-2,851			-2,851
- claims, benefits and attributable expenses paid	-918,668			-918,668
Cash flows[1]	**131,641**			**131,641**
Other movements	-76	30	-1	-47
Net closing balance	**3,165,443**	**129,843**	**495,495**	**3,790,781**
- closing balance presented as assets				
- closing balance presented as liabilities	3,165,443	129,843	495,495	3,790,781
Net closing balance	**3,165,443**	**129,843**	**495,495**	**3,790,781**

1. 'Cash flows' also include non-cash items. This relates mainly to directly attributable costs for amortisation and depreciation.

Notes to the Annual accounts continued

Insurance contracts under General Model (2022) (Restated)

2022 (Restated)	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total General Model
- opening balance presented as assets				
- opening balance presented as liabilities	3,537,997	212,309	340,506	4,090,812
Net opening balance	**3,537,997**	**212,309**	**340,506**	**4,090,812**
- insurance contracts initially recognised in the period	-74,870	18,195	56,828	153
- changes in estimates that adjust the contractual service margin	-47,129	1,954	45,175	
- changes in estimates that do not adjust the contractual service margin	6,852	85		6,937
Changes that relate to future service	**-115,147**	**20,234**	**102,003**	**7,090**
- release to profit or loss	2	-26,319	-48,681	-74,998
- experience adjustments not adjusting the contractual service margin	-20,570			-20,570
Changes that relate to current service	**-20,568**	**-26,319**	**-48,681**	**-95,568**
- changes in incurred claims and benefits previous periods	-3,314	-30	-1	-3,345
Changes that relate to past service	**-3,314**	**-30**	**-1**	**-3,345**
- finance result through profit or loss	39,940	1,748	2,121	43,809
- finance result recognised in OCI	-747,661	-57,986		-805,647
Finance result on insurance contracts	**-707,721**	**-56,238**	**2,121**	**-761,838**
- premiums received	1,145,824			1,145,824
- acquisition costs paid	-4,414			-4,414
- claims, benefits and attributable expenses paid	-919,409			-919,409
Cash flows[1]	**222,001**			**222,001**
Other movements	-1,603			-1,603
Net closing balance	**2,911,645**	**149,956**	**395,948**	**3,457,549**
- closing balance presented as assets				
- closing balance presented as liabilities	2,911,645	149,956	395,948	3,457,549
Net closing balance	**2,911,645**	**149,956**	**395,948**	**3,457,549**

1. 'Cash flows' also include non-cash items. This relates mainly to directly attributable costs for amortisation and depreciation.

Notes to the Annual accounts continued

Insurance contracts recognised in the period (2023)

2023	Onerous Insurance contracts issued	Other Insurance contracts issued	Total Insurance contracts initially recognised
Estimates of the present value of future cash inflows	**-1,864**	**-780,246**	**-782,110**
- acquisition costs		1,364	1,364
- claims, benefits and attributable expenses	2,034	618,540	620,574
Estimates of the present value of future cash outflows	**2,034**	**619,904**	**621,938**
Risk adjustment	105	13,576	13,681
Contractual service margin		146,766	146,766
Total insurance contracts initially recognised in the period	**275**		**275**

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

2022 (Restated)	Onerous Insurance contracts issued	Other Insurance contracts issued	Total Insurance contracts initially recognised
Estimates of the present value of future cash inflows	**-1,370**	**-664,962**	**-666,332**
- acquisition costs		4,782	4,782
- claims, benefits and attributable expenses	1,338	585,342	586,680
Estimates of the present value of future cash outflows	**1,338**	**590,124**	**591,462**
Risk adjustment	185	18,010	18,195
Contractual service margin		56,828	56,828
Total insurance contracts initially recognised in the period	**153**		**153**

Notes to the Annual accounts continued

Contractual service margin

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

2023	Contract issued after transition and retrospective approach	Fair value approach	Total General Model
Opening balance	63,306	332,642	395,948
- insurance contracts initially recognised in the period	146,766		146,766
- changes in estimates that adjust the contractual service margin	-46,380	47,407	1,027
Changes that relate to future service	**100,386**	**47,407**	**147,793**
- release to profit or loss	-14,380	-40,262	-54,642
Changes that relate to current service	**-14,380**	**-40,262**	**-54,642**
Finance result through profit or loss	**4,926**	**1,471**	**6,397**
Other movements		-1	-1
Closing balance	**154,238**	**341,257**	**495,495**

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

2022 (Restated)	Contract issued after transition and retrospective approach	Fair value approach	Total General Model
Opening balance		340,506	340,506
- insurance contracts initially recognised in the period	56,828		56,828
- changes in estimates that adjust the contractual service margin	12,148	33,027	45,175
Changes that relate to future service	**68,976**	**33,027**	**102,003**
- release to profit or loss	-5,927	-42,754	-48,681
Changes that relate to current service	**-5,927**	**-42,754**	**-48,681**
Finance result through profit or loss	**257**	**1,864**	**2,121**
Other movements		-1	-1
Closing balance	**63,306**	**332,642**	**395,948**

Contractual service margin by remaining term

	2023	2022 (Restated)
Less than 1 year	53,966	67,511
1-2 years	45,151	51,304
2-3 years	40,511	24,838
3-4 years	38,099	21,480
4-5 years	35,778	19,222
5-9 years	105,020	59,580
Over 9 years	176,970	152,013
Total	**495,495**	**395,948**

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

Notes to the Annual accounts continued

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

2023	Liability for remaining coverage		Liability for incurred claims and benefits	
	Remaining coverage	Loss component	Estimates of the present value of future cash flows	Total General Model
- opening balance presented as assets				
- opening balance presented as liabilities	3,382,451	5,446	69,652	3,457,549
Net opening balance	**3,382,451**	**5,446**	**69,652**	**3,457,549**
- release of contractual service margin	-54,642			-54,642
- release of risk adjustment	-22,375			-22,375
- expected claims and benefits	-784,878			-784,878
- expected attributable expenses	-187,841			-187,841
- recovery of acquisition costs	-1,107			-1,107
- experience adjustments for premiums relating to current or past service	-12,167			-12,167
Insurance income	**-1,063,010**			**-1,063,010**
- incurred claims and benefits			771,340	771,340
- incurred attributable expenses			205,916	205,916
- amortisation of acquisition costs	1,107			1,107
- changes in incurred claims and benefits previous periods			1,843	1,843
- (reversal of) losses on onerous contracts		1,907		1,907
Insurance expenses	**1,107**	**1,907**	**979,099**	**982,113**
- finance result through profit or loss	62,109	67	10	62,186
- finance result recognised in OCI	220,327			220,327
Finance result on insurance contracts	**282,436**	**67**	**10**	**282,513**
- premiums received	1,053,160			1,053,160
- acquisition costs paid	-2,851			-2,851
- claims, benefits and attributable expenses paid			-918,668	-918,668
Cash flows[1]	**1,050,309**		**-918,668**	**131,641**
Other movements	-474	451	-2	-25
Net closing balance	**3,652,819**	**7,871**	**130,091**	**3,790,781**
- closing balance presented as assets				
- closing balance presented as liabilities	3,652,819	7,871	130,091	3,790,781
Net closing balance	**3,652,819**	**7,871**	**130,091**	**3,790,781**

1. ‘Cash flows’ also include non-cash items. This relates mainly to directly attributable costs for amortisation and depreciation.

Notes to the Annual accounts continued

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

2022 (Restated)	Liability for remaining coverage		Liability for incurred claims and benefits	
	Remaining coverage	Loss component	Estimates of the present value of future cash flows	Total General Model
- opening balance presented as assets				
- opening balance presented as liabilities	4,029,671	5	61,136	4,090,812
Net opening balance	**4,029,671**	**5**	**61,136**	**4,090,812**
- release of contractual service margin	-48,681			-48,681
- release of risk adjustment	-26,321			-26,321
- expected claims and benefits	-748,369			-748,369
- expected attributable expenses	-187,726			-187,726
- recovery of acquisition costs	-2,185			-2,185
- experience adjustments for premiums relating to current or past service	-9,027			-9,027
Insurance income	**-1,022,309**			**-1,022,309**
- incurred claims and benefits			721,264	721,264
- incurred attributable expenses			204,927	204,927
- amortisation of acquisition costs	2,185			2,185
- changes in incurred claims and benefits previous periods	-5,096		1,751	-3,345
- (reversal of) losses on onerous contracts		5,440		5,440
Insurance expenses	**-2,911**	**5,440**	**927,942**	**930,471**
- finance result through profit or loss	43,806	1	2	43,809
- finance result recognised in OCI	-805,628		-19	-805,647
Finance result on insurance contracts	**-761,822**	**1**	**-17**	**-761,838**
- premiums received	1,145,824			1,145,824
- acquisition costs paid	-4,414			-4,414
- claims, benefits and attributable expenses paid			-919,409	-919,409
Cash flows[1]	**1,141,410**		**-919,409**	**222,001**
Other movements	-1,588			-1,588
Net closing balance	**3,382,451**	**5,446**	**69,652**	**3,457,549**
- closing balance presented as assets				
- closing balance presented as liabilities	3,382,451	5,446	69,652	3,457,549
Net closing balance	**3,382,451**	**5,446**	**69,652**	**3,457,549**

1. 'Cash flows' also include non-cash items. This relates mainly to directly attributable costs for amortisation and depreciation.

Notes to the Annual accounts continued

Premium Allocation Approach

Liabilities for remaining coverage and incurred claims and benefits Premium Allocation Approach (2023)

	Liability for remaining coverage		Liability for incurred claims and benefits		
2023	**Remaining coverage**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total Premium Allocation Approach**
- opening balance presented as assets					
- opening balance presented as liabilities	169,292	8,217	2,218,500	10,891	2,406,900
Net opening balance	**169,292**	**8,217**	**2,218,500**	**10,891**	**2,406,900**
Insurance income	**-2,554,636**				**-2,554,636**
- incurred claims and benefits			1,254,334	2,223	1,256,557
- incurred attributable expenses			838,010	2	838,012
- changes in incurred claims and benefits previous periods			12,184	-2,449	9,735
- (reversal of) losses on onerous contracts		-8,506			-8,506
Insurance expenses		**-8,506**	**2,104,528**	**-224**	**2,095,798**
- finance result through profit or loss		298	16,619	64	16,981
- finance result recognised in OCI			72,708	650	73,358
Finance result on insurance contracts		**298**	**89,327**	**714**	**90,339**
- premiums received	2,588,686				2,588,686
- claims, benefits and attributable expenses paid			-2,248,685		-2,248,685
Cash flows[1]	**2,588,686**		**-2,248,685**		**340,001**
Other movements	2,545		-3,308		-763
Net closing balance	**205,887**	**9**	**2,160,362**	**11,381**	**2,377,639**
- closing balance presented as assets					
- closing balance presented as liabilities	205,887	9	2,160,362	11,381	2,377,639
Net closing balance	**205,887**	**9**	**2,160,362**	**11,381**	**2,377,639**

1. ‘Cash flows’ also include non-cash items. This relates mainly to directly attributable costs for amortisation and depreciation.

Notes to the Annual accounts continued

Liabilities for remaining coverage and incurred claims and benefits Premium Allocation Approach (2022) (Restated)

	Liability for remaining coverage		Liability for incurred claims and benefits		
2022 (Restated)	**Remaining coverage**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total Premium Allocation Approach**
- opening balance presented as assets					
- opening balance presented as liabilities	129,731	615	2,436,438	11,037	2,577,821
Net opening balance	**129,731**	**615**	**2,436,438**	**11,037**	**2,577,821**
Insurance income	**-2,488,468**				**-2,488,468**
- incurred claims and benefits			1,355,715	2,329	1,358,044
- incurred attributable expenses			808,433		808,433
- changes in incurred claims and benefits previous periods			45,139	-499	44,640
- (reversal of) losses on onerous contracts		7,734			7,734
- other insurance expenses			23	-28	-5
Insurance expenses		**7,734**	**2,209,310**	**1,802**	**2,218,846**
- finance result through profit or loss		-132	5,276	36	5,180
- finance result recognised in OCI			-191,171	-1,984	-193,155
Finance result on insurance contracts		**-132**	**-185,895**	**-1,948**	**-187,975**
- premiums received	2,528,028				2,528,028
- claims, benefits and attributable expenses paid			-2,241,353		-2,241,353
Cash flows[1]	**2,528,028**		**-2,241,353**		**286,675**
- other movement	1				1
Net closing balance	**169,292**	**8,217**	**2,218,500**	**10,891**	**2,406,900**
- closing balance presented as assets					
- closing balance presented as liabilities	169,292	8,217	2,218,500	10,891	2,406,900
Net closing balance	**169,292**	**8,217**	**2,218,500**	**10,891**	**2,406,900**

1. 'Cash flows' also include non-cash items. This relates mainly to directly attributable costs for amortisation and depreciation.

Notes to the Annual accounts continued

Gross claims development table

	2018	2019	2020	2021	2022	2023	Accident year Total
Estimate of cumulative claims							
At the end of accident year	1,250,694	1,123,483	1,443,697	1,336,691	1,468,898	1,323,772	7,947,235
1 year later	1,245,992	1,231,724	1,348,900	1,326,299	1,424,397		6,577,312
2 years later	1,302,394	1,240,313	1,355,144	1,267,504			5,165,355
3 years later	1,336,166	1,249,196	1,293,257				3,878,619
4 years later	1,299,767	1,228,969					2,528,736
5 years later	1,268,437						1,268,437
Estimate of cumulative claims	**1,268,437**	**1,228,969**	**1,293,257**	**1,267,504**	**1,424,397**	**1,323,772**	**7,806,336**
Cumulative payments	-1,155,668	-1,069,026	-1,106,858	-1,037,404	-1,048,238	-634,659	-6,051,853
	112,769	**159,943**	**186,399**	**230,100**	**376,159**	**689,113**	**1,754,483**
Effect of discounting	-11,805	-16,834	-19,347	-22,918	-34,699	-44,785	-150,388
Liabilities recognised	**100,964**	**143,109**	**167,052**	**207,182**	**341,460**	**644,328**	**1,604,095**
Liabilities relating to accident years prior to 2018							556,267
Risk adjustment							11,381
Total liability for incurred claims and benefits (Premium Allocation Approach)							**2,171,743**

1. Uncertainty about the amount and timing of the incurred claims for contracts accounted for under the General Model is typically resolved within one year, thus these have not been included in this table.

2. The claims development for years prior to 2018 is not disclosed as the required information was unavailable.

11 Reinsurance contracts

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

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

Reinsurance contracts held (2023)

2023	General Model	Premium Allocation Approach	Total
Non-life reinsurance contracts	14,245	209,938	224,183
Total non-life reinsurance contracts	**14,245**	**209,938**	**224,183**
-of which presented as assets	14,245	209,938	224,183
-of which presented as liabilities			
Total non-life reinsurance contracts	**14,245**	**209,938**	**224,183**

Reinsurance contracts held (2022) (Restated)

2022 (Restated)	General Model	Premium Allocation Approach	Total
Non-life reinsurance contracts	50,838	244,087	294,925
Total non-life reinsurance contracts	**50,838**	**244,087**	**294,925**
-of which presented as assets	50,838	244,087	294,925
-of which presented as liabilities			
Total non-life reinsurance contracts	**50,838**	**244,087**	**294,925**

Notes to the Annual accounts continued

Reinsurance contracts held under General Model (2023)

2023	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model
- opening balance presented as assets	50,056	1,810	-1,028	50,838
- opening balance presented as liabilities				
Net opening balance	**50,056**	**1,810**	**-1,028**	**50,838**
- reinsurance contracts initially recognised in the period				
- changes in estimates that adjust the contractual service margin	475	901	-1,376	
- changes in estimates that do not adjust the contractual service margin	501			501
Changes that relate to future service	**976**	**901**	**-1,376**	**501**
- release of contractual service margin not attributed to loss recovery component			2,756	2,756
- release of contractual service margin attributed to loss recovery component			-28	-28
- release to profit or loss		-2,225		-2,225
- experience adjustments not adjusting the contractual service margin	-949			-949
Changes that relate to current service	**-949**	**-2,225**	**2,728**	**-446**
- finance result through profit or loss	705	41		746
- finance result recognised in OCI	1,479	408		1,887
Finance result from reinsurance contracts	**2,184**	**449**		**2,633**
- reinsurance recoveries received	-8,930			-8,930
- reinsurance premiums paid	-30,655			-30,655
- changes in non-performance risk of reinsurer	-18			-18
Cash flows	**-39,603**			**-39,603**
Other movements	322			322
Net closing balance	**12,986**	**935**	**324**	**14,245**
- closing balance presented as assets	12,986	935	324	14,245
- closing balance presented as liabilities				
Net closing balance	**12,986**	**935**	**324**	**14,245**

Notes to the Annual accounts continued

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

2022 (Restated)	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model
- opening balance presented as assets	67,551	630	366	68,547
- opening balance presented as liabilities				
Net opening balance	**67,551**	**630**	**366**	**68,547**
- reinsurance contracts initially recognised in the period	-927	885	43	1
- changes in estimates that adjust the contractual service margin	-1,448	-6	1,454	
- changes in estimates that do not adjust the contractual service margin	-149			-149
Changes that relate to future service	**-2,524**	**879**	**1,497**	**-148**
- release to profit or loss		-455	-2,891	-3,346
- experience adjustments not adjusting the contractual service margin	-119			-119
Changes that relate to current service	**-119**	**-455**	**-2,891**	**-3,465**
- finance result through profit or loss	400	-87		313
- finance result recognised in OCI	-10,828	843		-9,985
Finance result from reinsurance contracts	**-10,428**	**756**		**-9,672**
- reinsurance recoveries received	-11,732			-11,732
- reinsurance premiums paid	7,309			7,309
Cash flows	**-4,423**			**-4,423**
Other movements	-1			-1
Net closing balance	**50,056**	**1,810**	**-1,028**	**50,838**
- closing balance presented as assets	50,056	1,810	-1,028	50,838
- closing balance presented as liabilities				
Net closing balance	**50,056**	**1,810**	**-1,028**	**50,838**

Notes to the Annual accounts continued

Assets for remaining coverage and incurred recoveries of claims (2023)

2023	Remaining coverage before loss component	Loss recovery component	Estimates of the present value of future cash flows	Total General Model
- opening balance presented as assets	50,986	-148		50,838
- opening balance presented as liabilities				
Net opening balance	**50,986**	**-148**		**50,838**
- release of contractual service margin to profit or loss not attributed to the loss recovery component	2,756			2,756
- release of contractual service margin to profit or loss attributed to the loss recovery component		-28		-28
- release of risk adjustment to profit or loss	-2,225			-2,225
- expected reinsurance recoveries	-9,879			-9,879
- incurred reinsurance recoveries			8,930	8,930
- recognition of and changes in loss recovery component		501		501
- changes in non-performance risk of reinsurer	-18			-18
Net reinsurance result	**-9,366**	**473**	**8,930**	**37**
- finance income from reinsurance contracts P&L	746			746
- finance income from reinsurance contracts OCI	1,887			1,887
Finance result on reinsurance contracts	**2,633**			**2,633**
- reinsurance recoveries received			-8,930	-8,930
- reinsurance premiums paid	-30,655			-30,655
Cash flows	**-30,655**		**-8,930**	**-39,585**
Other movements	322			322
Net closing balance	**13,920**	**325**		**14,245**
- closing balance presented as assets	13,920	325		14,245
- closing balance presented as liabilities				
Net closing balance	**13,920**	**325**		**14,245**

Notes to the Annual accounts continued

Assets for remaining coverage and incurred recoveries of claims (2022) (Restated)

2022 (Restated)	Remaining coverage before loss component	Loss recovery component	Estimates of the present value of future cash flows	Total General Model
- opening balance presented as assets	68,547			68,547
- opening balance presented as liabilities				
Net opening balance	**68,547**			**68,547**
- release of contractual service margin to profit or loss not attributed to the loss recovery component	-2,890			-2,890
- release of risk adjustment to profit or loss	-455			-455
- expected reinsurance recoveries	-11,851			-11,851
- incurred reinsurance recoveries			11,732	11,732
- recognition of and changes in loss recovery component		-148		-148
Net reinsurance result	**-15,196**	**-148**	**11,732**	**-3,612**
- finance income from reinsurance contracts P&L	313			313
- finance income from reinsurance contracts OCI	-9,986			-9,986
Finance result on reinsurance contracts	**-9,673**			**-9,673**
- reinsurance recoveries received			-11,732	-11,732
- reinsurance premiums paid	7,309			7,309
Cash flows	**7,309**		**-11,732**	**-4,423**
Other movements	-1			-1
Net closing balance	**50,986**	**-148**		**50,838**
- closing balance presented as assets	50,986	-148		50,838
- closing balance presented as liabilities				
Net closing balance	**50,986**	**-148**		**50,838**

Notes to the Annual accounts continued

Assets for remaining coverage and incurred recoveries of claims under Premium Allocation Approach (2023)

2023		Liability for incurred claims and benefits		
	Remaining coverage	PV future cash flows	Risk adjustment	Total Premium Allocation Approach
- opening balance presented as assets	-16,080	259,780	387	244,087
- opening balance presented as liabilities				
Net opening balance	**-16,080**	**259,780**	**387**	**244,087**
- allocation of reinsurance premiums	-142,758			-142,758
- incurred reinsurance recoveries		54,430	-225	54,205
- changes in incurred reinsurance recoveries previous periods		-77,411	-381	-77,792
- changes in non-performance risk of reinsurer		-126		-126
Net reinsurance result	**-142,758**	**-23,107**	**-606**	**-166,471**
- finance income from reinsurance contracts P&L		2,370	-3	2,367
- finance income from reinsurance contracts OCI		8,440	215	8,655
Finance result on reinsurance contracts		**10,810**	**212**	**11,022**
- reinsurance recoveries received		-36,434		-36,434
- changes in the composition of the group - contracts acquired		7,420	84	7,504
- changes in the composition of the group - contracts divested	852	-8,273	-84	-7,505
- reinsurance premiums paid	154,608	3,110		157,718
Cash flows	**155,460**	**-34,177**		**121,283**
Other movements	0	17		17
Net closing balance	**-3,378**	**213,323**	**-7**	**209,938**
- closing balance presented as assets	-3,378	213,323	-7	209,938
- closing balance presented as liabilities				
Net closing balance	**-3,378**	**213,323**	**-7**	**209,938**

Notes to the Annual accounts continued

Assets for remaining coverage and incurred recoveries of claims under Premium Allocation Approach (2022) (Restated)

2022 (Restated)		Liability for incurred claims and benefits		
	Remaining coverage	PV future cash flows	Risk adjustment	Total Premium Allocation Approach
- opening balance presented as assets	-45,931	203,932	445	158,446
- opening balance presented as liabilities				
Net opening balance	**-45,931**	**203,932**	**445**	**158,446**
- allocation of reinsurance premiums	-132,367			-132,367
- incurred reinsurance recoveries		132,942	105	133,047
- changes in incurred reinsurance recoveries previous periods		3,764	-154	3,610
- changes in non-performance risk of reinsurer		-1	3	2
Net reinsurance result	**-132,367**	**136,705**	**-46**	**4,292**
- finance income from reinsurance contracts P&L		56		56
- finance income from reinsurance contracts OCI		-17,325	-12	-17,337
Finance result on reinsurance contracts		**-17,269**	**-12**	**-17,281**
- reinsurance recoveries received	162,218			162,218
- reinsurance premiums paid		-63,588		-63,588
Cash flows	**162,218**	**-63,588**		**98,630**
Net closing balance	**-16,080**	**259,780**	**387**	**244,087**
- closing balance presented as assets	-16,080	259,780	387	244,087
- closing balance presented as liabilities				
Net closing balance	**-16,080**	**259,780**	**387**	**244,087**

12 Subordinated debt

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

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

Subordinated debt

Interest rate	Year of Issue	Due date	First call date	Notional amount		Balance sheet value	
				2023	2022 (Restated)	2023	2022 (Restated)
7.750%	2015	29 December 2025	N/A	80,000	80,000	86,104	89,002
EURIBOR plus 5.545%	2016	29 December 2026	N/A	70,000	70,000	70,000	70,000
Subordinated debt				**150,000**	**150,000**	**156,104**	**159,002**

The amortisation of the subordinated debt of EUR 2,898 thousand (2022: EUR 2,795 thousand) is included in the profit and loss account under interest expenses.

The loan with a notional amount of EUR 80 million is owed to NN Group. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears an interest rate of 7.750% annually. The loan with a notional amount of EUR 70 million is owed to NN Group. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears an interest rate of 6-months EURIBOR plus 5.545% annually.

13 Derivatives

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

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

Reference is made to Note 24 'Hedge accounting' for further information on hedge accounting.

Derivatives (assets)

	2023	2022 (Restated)
Other non-trading derivatives	1,035	216,542
Derivatives (assets)	**1,035**	**216,542**

Derivatives (liabilities)

	2023	2022 (Restated)
Derivatives used in		
– cash flow hedges	2,440	5,843
Other non-trading derivatives	56,694	320,995
Derivatives (liabilities)	**59,134**	**326,838**

Other non-trading derivatives includes derivatives for which no hedge accounting is applied.

14 Other liabilities

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

Other liabilities

	2023	2022 (Restated)
Income tax payable		117,834
Accrued interest	10,477	15,475
Costs payable	29,830	24,854
Provisions	5,206	5,558
Amounts to be settled	3,191	3,031
Other	2,729	2,039
Other liabilities	**51,433**	**168,791**

Changes in Provisions

	2023	2022 (Restated)
Provisions – opening balance	5,558	6,184
Additions		1
Releases	-352	-613
Charges		-14
Provisions – closing balance	**5,206**	**5,558**

Provisions relate to reorganisation provisions, litigation provisions and other provisions. Reorganisation provisions were recognised on NN Group level for the cost of workforce reductions and the integration of NN Schade. The costs were charged to NN Schade, reference is made to Note 20 'Non-attributable operating expenses'.

The total provision accounted for on NN Group level for NN Schade as at 31 December 2023 is EUR 5,319 thousand (2022: EUR 3,340 thousand).

15 Insurance income

Insurance income (2023)

2023	Contracts issued after transition and retrospective approach	Fair value approach	Total
Release of contractual service margin	14,380	40,262	54,642
Release of risk adjustment	3,934	18,441	22,375
Expected claims and benefits	175,172	609,706	784,878
Expected attributable expenses	86,148	101,693	187,841
Recovery of acquisition costs	1,107		1,107
Experience adjustments for premiums that relate to current or past service	9,680	2,487	12,167
Insurance income General Model	**290,421**	**772,589**	**1,063,010**
Insurance income Premium Allocation Approach			2,554,636
Total insurance income			**3,617,646**

Notes to the Annual accounts continued

Insurance income (2022) (Restated)

2022 (Restated)	Contracts issued after transition and retrospective approach	Fair value approach	Total
Release of contractual service margin	14,017	34,664	48,681
Release of risk adjustment	405	25,916	26,321
Expected claims and benefits	45,671	702,698	748,369
Expected attributable expenses	48,900	138,826	187,726
Recovery of acquisition costs	2,254	-69	2,185
Experience adjustments for premiums that relate to current or past service		9,027	9,027
Insurance income General Model	**111,247**	**911,062**	**1,022,309**
Insurance income Premium Allocation Approach			2,488,468
Total insurance income			**3,510,777**

16 Insurance expenses

Insurance expenses

	2023	2022 (Restated)
Incurred claims and benefits	771,340	721,264
Incurred attributable expenses	205,916	204,927
Amortisation of acquisition costs	1,107	2,185
Changes in incurred claims and benefits previous periods	1,843	-3,345
(Reversal of) losses on onerous contracts	1,907	5,440
Insurance expenses General Model	**982,113**	**930,471**
Insurance expenses Premium Allocation Approach	2,113,642	2,251,260
Total insurance expenses	**3,095,755**	**3,181,731**

(Reversal of) losses on onerous contracts General Model

	2023	2022 (Restated)
Losses on onerous contracts initially recognised in the period	275	153
Changes in estimates not adjusting the contractual service margin	5,109	6,939
Release of risk adjustment attributed to the loss component	-21	-14
Expected claims and benefits attributed to the loss component	-2,888	-1,425
Expected attributable insurance expenses attributed to the loss component	-568	-213
(Reversal of) losses on onerous contracts General Model	**1,907**	**5,440**

Insurance expenses Premium Allocation Approach

	2023	2022 (Restated)
Incurred claims and benefits	1,256,557	1,358,044
Incurred attributable expenses	838,012	808,433
Changes in incurred claims and benefits previous periods	9,735	44,640
(Reversal of) losses on onerous contracts	-8,506	7,734
Other	17,844	32,409
Insurance expenses Premium Allocation Approach	**2,113,642**	**2,251,260**

(Reversal of) losses on onerous contracts Premium Allocation Approach

	2023	2022 (Restated)
Losses on onerous contracts initially recognised in the period	866	3,029
Changes in estimates regarding onerous contracts	-4,679	6,201
Reversal of the loss component	-4,693	-1,496
(Reversal of) losses on onerous contracts Premium Allocation Approach	**-8,506**	**7,734**

Notes to the Annual accounts continued

17 Investment result

Investment result

	2023	2022 (Restated)
Interest income from investments in debt securities	93,820	100,561
Interest income from mortgage loans	39,131	33,285
Interest income from other loans	13,249	9,489
Interest income on (hedging) derivatives	1,026	1,023
Other interest income	5,697	-206
Interest income	**152,923**	**144,152**
Realised gains (losses) on Investments at cost and at fair value through other comprehensive income	-16,432	-16,664
Gains (losses) on investments at fair value through profit or loss	8,836	-41,581
Gains (losses) on Investments at cost, at fair value through OCI and at fair value through profit and loss	**-7,596**	**-58,245**
Share of result of investments in subsidiaries and associates	**-2,702**	**4,456**
Impairments	-6,179	-2,866
Reversal of impairments	2,185	1,194
Impairments on investments	**-3,994**	**-1,672**
Result on derivatives and hedging	32,296	-56,649
Foreign currency exchange result	-26,861	49,307
Dividend income on equity securities	43,177	40,049
Other investment income	721	381
Other	**49,333**	**33,088**
Total Investment result	**187,964**	**121,779**

Interest income and expenses

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

Dividend income

Dividend income on equity securities includes EUR 33,937 thousand of dividend relating to equity securities at fair value through OCI held at 31 December 2023 (31 December 2022: EUR 34,478 thousand) and EUR 1,169 thousand of dividend relating to equity securities at fair value through OCI derecognised during 2023 (2022: EUR 773 thousand).

Result on derivatives and hedging

	2023	2022 (Restated)
Change in fair value of derivatives relating to		
– other non-trading derivatives	32,296	-56,649
Net result on non-trading derivatives	**32,296**	**-56,649**
Result on derivatives and hedging	**32,296**	**-56,649**

Included in ‘Results on derivatives and hedging’ are the fair value movements on derivatives and other assets accounted for at fair value through profit or loss used to economically hedge exposures, but for which no hedge accounting is applied. These financial assets hedge exposures in insurance contracts. The fair value movements on the financial assets are influenced by changes in the market conditions, such as share prices, interest rates and currency exchange rates. The change in fair value of the financial assets is largely offset by changes in insurance contracts, which are included in ’finance result’ in the profit or loss account (when using the risk mitigation option) or in other comprehensive income (for contracts accounted for under the General Model when using the OCI option). Reference is made to Note 10 ‘Insurance contracts’, Note 9 ‘Equity’ and Note 18 ‘Finance result on (re)insurance’.

Valuation results on derivatives are reflected in the Statement of cash flows in the section ‘Result before tax’, in the line item ‘Adjusted for: other’. Reference is made to Note 24 ‘Hedge accounting’.

18 Finance result on (re)insurance

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

Finance result on (re)insurance contracts

	2023	2022 (Restated)
Change in fair value of underlying items		
Interest accreted	76,056	48,620
Finance result on (re)insurance contracts	**76,056**	**48,620**

Other interest expenses

	2023	2022 (Restated)
Interest expenses on derivatives	2,236	2,363
Other interest expenses	9,775	8,362
Other interest expenses	**12,011**	**10,725**

Total interest income and expenses

	2023	2022 (Restated)
Interest income	152,923	144,152
Interest expenses on insurance contracts	-76,056	-48,620
Other interest expenses	-12,011	-10,725
Total Interest income and expenses	**64,856**	**84,807**

In 2023, total interest income and total interest expenses for items not valued at fair value through profit or loss were EUR 153 million (2022: EUR 144.15 million) and EUR 88 million (2022: EUR 59.34 million) respectively.

19 Fee and commission result

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

Fee and commission result

	2023	2022 (Restated)
Asset management fees	83	446
Insurance brokerage and advisory fees	1,141	-1
Other	41	18
Fee and commission income	**1,265**	**463**
Asset management fees	16,717	9,516
Commission expenses and other	-9,921	-5,874
Fee and commission expenses	**6,796**	**3,642**
Net fee and commission result	**-5,531**	**-3,179**

20 Non-attributable operating expenses

Non-attributable operating expenses

	2023	2022 (Restated)
Staff expenses	313,684	324,843
Other operating expenses	861,694	859,745
Of which attributed to		
- incurred acquisition costs	-9,760	-1,635
- incurred insurance expenses	-1,043,928	-1,045,769
Non-attributable operating expenses	**121,690**	**137,184**

Notes to the Annual accounts continued

Staff expenses

	2023	2022 (Restated)
Salaries	189,518	175,266
Variable salaries	7	472
Pension costs	36,459	34,424
Social security costs	24,943	23,482
Share-based compensation arrangements	201	233
External staff costs	52,300	81,966
Education	2,924	3,525
Other staff costs	7,332	5,475
Staff expenses	**313,684**	**324,843**

NN Schade staff are 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 staff expenses by NN Schade, they have the characteristics of staff expenses, and they are therefore recognised as such. A provision for holiday entitlement and bonuses is recognised by NN Personeel B.V. Actual costs are charged to NN Schade when accrued by NN Personeel B.V..

Other operating expenses

	2023	2022 (Restated)
Depreciation of property and equipment	540	384
Amortisation of software	100	58
Computer costs	44,032	31,077
Office expenses	11,600	12,641
Travel and accommodation expenses	1,398	1,019
Advertising and public relations	14,691	15,172
External advisory fees	12,577	32,874
Claims handling expenses	194,924	197,971
Insurance based commissions and fees	625,451	618,968
Insurance based related Investment fees	5,169	5,956
Internal claim settlement costs reclassification	-48,788	-56,375
Other operating expenses	**861,694**	**859,745**

Fees of auditors

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

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

Defined contribution plans

NN Schade is one of the sponsors of the NN Group defined contribution pension plan. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in 'Other assets' or 'Other liabilities'. The expenses recognised in staff expenses by NN Schade for defined contribution plans amounts to EUR 36,459 thousand (2022: EUR 34,424 thousand).

Number of employees

	2023	2022 (Restated)
Average number of employees on full time equivalent basis	2,577	2,450
Number of employees	**2,577**	**2,450**

Remuneration of Executive Board, Management Board and Supervisory Board

Reference is made to Note 34 'Key management personnel compensation'.

Share plans

NN Group has granted shares to a number of senior executives (members of the Management Board, general managers and other officers nominated by the Management Board). The purpose of the share schemes is to attract, retain and motivate senior executives and staff.

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

Share awards

Changes in Share awards outstanding on NN Group shares for NN Schade (excluding ABN AMRO)

	Share awards (in number)		Weighted average grant date fair value (in euros)	
	2023	2022 (Restated)	2023	2022 (Restated)
Share awards outstanding – opening balance	6,551	7,479	37.03	32.48
Granted	5,466	5,360	35.43	42.90
Vested	-6,170	-6,288	33.75	36.62
Forfeited	-310		37.03	
Share awards outstanding – closing balance	**5,537**	**6,551**	**38.75**	**37.03**

In 2023, 1,750 share awards on NN Group shares (2022: 5,360) were granted to the members of the Management Board of NN Non-Life. To other employees of NN Non-Life 3,716 share awards on NN Group shares (2022: 0) were granted.

As at 31 December 2023 the share awards on NN Group shares consist of 5,537 (2022: 6,551) share awards relating to equity-settled share based payment arrangements and no share awards relating to cash-settled share-based payment arrangements.

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

As at 31 December 2023 total unrecognised compensation costs related to share awards amount to EUR 67 thousand (2022: EUR 87 thousand). These costs are expected to be recognised over a weighted average period of 1.3 years (2022: 1.4 years).

21 Taxation

NN Schade is part of the Dutch fiscal unity for corporate income tax and VAT of NN Group making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables from and payables to NN Group. Income tax on the result for the year comprises current and deferred tax. Income tax is generally recognised in the profit and loss account, but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

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

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

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses carried forward where it is probable that future taxable profits will be available against which the temporary differences can be used. Unrecognised deferred tax assets are reassessed periodically and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

Notes to the Annual accounts continued

Deferred tax (2023)

	Net liability 2022 (Restated)	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Net liability 2023
Investments	-184,655	70,081	-6,072	122	-120,524
Fiscal reserves			10,320		10,320
Insurance contracts	235,294	-73,080	17,912	-141	179,985
Cash flow hedges	-499	292			-207
Other	76,413	-1,905	-61,946	-104	12,458
Deferred tax	**126,553**	**-4,612**	**-39,786**	**-123**	**82,032**
Presented in the balance sheet as					
Deferred tax liabilities	126,553				82,032
Deferred tax assets					
Deferred tax	**126,553**				**82,032**

Deferred tax (2022) (Restated)

	Net liability 2021 (Restated)	Changes through equity	Changes through net result	Changes in the composition of the group and other changes	Net liability 2022 (Restated)
Investments	127,779	-315,264	2,830		-184,655
Fiscal reserves	22,935		-22,935		
Insurance contracts		248,719	-13,425		235,294
Cash flow hedges	-341	-158			-499
Other	72,626	90	3,697		76,413
Deferred tax	**222,999**	**-66,613**	**-29,833**		**126,553**
Presented in the balance sheet as					
Deferred tax liabilities	222,999				126,553
Deferred tax assets					
Deferred tax	**222,999**				**126,553**

Taxation on result

	2023	2022 (Restated)
Current tax	114,272	81,576
Deferred tax	-39,786	-29,833
Taxation on result	**74,486**	**51,743**

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

	2023	2022 (Restated)
Result before tax	325,305	245,904
Weighted average statutory tax rate	25.80%	25.80%
Weighted average statutory tax amount	**83,929**	**63,443**
Participation exemption	-7,918	-9,774
Other income not subject to tax	-4,203	-594
Expenses not deductible for tax purposes	52	60
Adjustments to prior periods	2,626	-1,392
Effective tax amount	**74,486**	**51,743**
Effective tax rate	**22.90%**	**21.04%**

In 2023, the effective tax rate of 22.90% was lower than the weighted average statutory tax rate of 25.8%. This was mainly a result of tax exempt results of associates and participations.

In 2022, the effective tax rate of 21.04% was lower than the weighted average statutory tax rate of 25.8%. This was mainly a result of tax exempt results of associates and participations. This was partly offset by a tax expense following a reassessment of prior year tax liabilities.

Taxation on components of other comprehensive income

	2023	2022 (Restated)
Finance result on (re)insurance contracts recognised in OCI	73,080	-248,719
Revaluations on property in own use	26	
Revaluations debt securities and loans at fair value through OCI	-70,781	312,851
Revaluations equity securities at fair value through OCI	700	2,413
Changes in cash flow hedge reserve	-292	158
Other changes	1,879	-90
Income tax	**4,612**	**66,613**

22 Fair value of financial assets and liabilities

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

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2023	2022 (Restated)	2023	2022 (Restated)
Financial assets				
Cash and cash equivalents	7,390	13,138	7,390	13,138
Investments at fair value through other comprehensive income	7,300,891	7,226,907	7,300,891	7,214,385
Investments at fair value through profit or loss	178,196	113,576	178,196	113,576
Derivatives	1,035	216,542	1,035	216,542
Financial assets	**7,487,512**	**7,570,163**	**7,487,512**	**7,557,641**
Financial liabilities				
Subordinated debt	146,804	144,514	156,104	159,002
Derivatives	59,134	326,838	59,134	326,838
Financial liabilities	**205,938**	**471,352**	**215,238**	**485,840**

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

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

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

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

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

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

Cash and cash equivalents

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

Derivatives

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

Investments at fair value through other comprehensive income and profit or loss

Equity securities

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

Debt securities

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

Loans

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

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

Loans with similar characteristics are aggregated for calculation purposes.

Subordinated debt

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

Financial assets and liabilities at fair value

The fair value of the financial instruments carried at fair value was determined as follows:

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

2023	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives		1,035		1,035
Investments at fair value through OCI	1,864,702	2,564,843	2,871,346	7,300,891
Investments at fair value through profit or loss	176,598	1,598		178,196
Financial assets	**2,041,300**	**2,567,476**	**2,871,346**	**7,480,122**
Financial liabilities				
Derivatives		59,134		59,134
Financial liabilities		**59,134**		**59,134**

Notes to the Annual accounts continued

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

2022 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives		216,542		216,542
Investments at fair value through OCI	1,881,072	2,634,376	2,711,459	7,226,907
Investments at fair value through profit or loss	111,628	1,948		113,576
Financial assets	**1,992,700**	**2,852,866**	**2,711,459**	**7,557,025**
Financial liabilities				
Derivatives		326,838		326,838
Financial liabilities		**326,838**		**326,838**

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

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

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

Level 1 – (Unadjusted) Quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Schade can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Notes to the Annual accounts continued

Changes in Level 3 financial assets (2023)

	Investments at fair value through other comprehensive income	
	2023	2022 (Restated)
Level 3 Financial assets – opening balance	2,711,459	2,894,931
Amounts recognised in the profit and loss account	16,510	-8,870
Revaluations recognised in other comprehensive income (equity)	136,884	-406,778
Purchase	135,241	426,703
Sale	-227	
Maturity/settlement	-127,485	-175,296
Other transfers and reclassifications	30	
Changes in the composition of the group	-1,095	-19,120
Foreign currency exchange differences	29	-111
Level 3 Financial assets – closing balance	**2,871,346**	**2,711,459**

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

2023	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments at fair value through other comprehensive income	16,510		16,510
Financial assets	**16,510**		**16,510**

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

2022 (Restated)	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments at fair value through other comprehensive income	-8,870		-8,870
Financial assets	**-8,870**		**-8,870**

Level 3 Financial assets at fair value

Financial assets measured at fair value in the balance sheet as at 31 December 2023 of EUR 7,479 million (2022: EUR 7,328 million) include an amount of EUR 2,871 million (38%) that is classified as Level 3 (2022: EUR 2,711 million (37%)). Changes in Level 3 are disclosed above in the table ‘Level 3 Financial assets’.

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

Unrealised gains and losses that relate to ‘Level 3 Financial assets’ are included in the profit and loss account as follows:

- Those relating to Investments at fair value through profit or loss are included in ‘Gains (losses) on Investments at fair value through profit or loss’
- Those relating to derivatives are included in ‘Result on derivatives and hedging’

Investments at fair value through other comprehensive income

The investments at fair value through other comprehensive income classified as ‘Level 3 Financial assets’ amounted EUR 2,871 million as at 31 December 2023 (2022: EUR 2,711 million) mainly consists of investments in debt securities and shares in real estate investment funds and private equity investment funds of which the fair value is determined using (unadjusted) quoted prices in inactive markets for the instruments or quoted prices obtained from the asset managers of the funds. It is estimated that a 10% change in valuation of these investments would have no significant impact on net result but would increase or reduce shareholders’ equity by EUR 287 million (2022: EUR 271 million), being approximately 16.05% (before tax) (2022: 14.73% (before tax)), of total equity.

Level 3 Financial liabilities at fair value

Derivatives

The total amount of financial liabilities classified as Level 2 at 31 December 2023 of EUR 59.13 million (2022: EUR 327 million) relates to derivative positions.

Notes to the Annual accounts continued

Financial assets and liabilities at cost

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

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

2023	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	7,390			7,390
Financial assets	**7,390**			**7,390**
Financial liabilities				
Subordinated debt		146,804		146,804
Financial liabilities		**146,804**		**146,804**

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

2022 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	13,138			13,138
Financial assets	**13,138**			**13,138**
Financial liabilities				
Subordinated debt		144,514		144,514
Financial liabilities		**144,514**		**144,514**

23 Fair value of non-financial assets

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

Fair value of non-financial assets

	Estimated fair value		Balance sheet value	
	2023	2022 (Restated)	2023	2022 (Restated)
Property in own use	6,410	6,612	6,410	6,612
Fair value of non-financial assets	**6,410**	**6,612**	**6,410**	**6,612**

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

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

2023	Level 1	Level 2	Level 3	Total
Property in own use			6,410	6,410
Non-financial assets			**6,410**	**6,410**

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

2022 (Restated)	Level 1	Level 2	Level 3	Total
Property in own use			6,612	6,612
Non-financial assets			**6,612**	**6,612**

Changes in Level 3 non-financial assets (2023)

	Property in own use	
	2023	2022 (Restated)
Level 3 non-financial assets – opening balance	6,612	6,720
Amounts recognised in the profit and loss account during the year	-100	-108
Revaluation recognised in equity during the year	-102	
Level 3 non-financial assets – closing balance	**6,410**	**6,612**

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

2023	Held at balance sheet date	Derecognised during the year	Total
Property in own use	-100		-100
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	**-100**		**-100**

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

2022 (Restated)	Held at balance sheet date	Derecognised during the year	Total
Property in own use	-108		-108
Level 3 Amounts recognised in the profit and loss account during the year on non-financial assets	**-108**		**-108**

24 Hedge accounting

Use of derivatives and hedge accounting

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

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

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

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

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

Cash flow hedge accounting

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

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

For the year ended 31 December 2023, NN Schade recognised EUR 1,129 thousand (2022: EUR 614 thousand negative) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2023 is EUR 804 million negative (2022: EUR 1933 thousand negative) gross and EUR 597 million negative (2022: EUR 1,435 thousand negative) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expenses over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a number of derivatives and hedged items with varying maturities up to 48 years with the largest concentrations in the range 1 year to 13 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR nil income/loss (2022: EUR nil income/loss) which was recognised in the profit and loss account.

Notes to the Annual accounts continued

As at 31 December 2023, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR nil (2022: nil), presented in the balance sheet as EUR 1.035 thousand (2022: EUR 216.54 million) positive fair value under assets and EUR 59.13 million (2022: EUR 326.84 million) negative fair value under liabilities.

As at 31 December 2023 and 2022, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes. Included in 'Interest income and Interest expenses on non-trading derivatives' is EUR 1,026 thousand (2022: EUR 1,023 thousand) and EUR 2,236 thousand (2022: EUR 2,363 thousand), respectively, relating to derivatives used in cash flow hedges.

25 Assets by contractual maturity

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

Assets by contractual maturity (2023)

2023	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustments	Total
Cash and cash equivalents	7,390							7,390
Investments at fair value through OCI	351,749	106,978	290,330	1,647,931	4,903,903			7,300,891
Investments at fair value through profit or loss	172,333		1,090	4,773				178,196
Derivatives		1,035						1,035
Reinsurance contracts	10,789	33,043	42,149	99,527	64,810		-26,135	224,183
Intangible assets	8	142	450	2,141	5,749			8,490
Other assets	2,818	76,924	307,283	34,193	35,588			456,806
Remaining assets (for which maturities are not applicable)[2]						54,508		54,508
Total assets	**545,087**	**218,122**	**641,302**	**1,788,565**	**5,010,050**	**54,508**	**-26,135**	**8,231,499**

1. Includes assets on demand.
2. Included in remaining assets for which maturities are not applicable. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity (2022) (Restated)

2022 (Restated)	Less than 1 month[1]	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustments	Total
Cash and cash equivalents	13,138							13,138
Investments at fair value through OCI	318,229	68,723	297,680	1,768,410	4,761,344			7,214,385
Investments at fair value through profit or loss	104,522		3,345	2,730	2,979			113,576
Derivatives				12,758	203,784			216,542
Reinsurance contracts	18,582	7,877	71,947	162,358	72,481		-38,320	294,925
Intangible assets	175	100	450	2,241	6,125			9,090
Other assets	15,320	71,510	397,309	9,481	15,725			509,345
Remaining assets (for which maturities are not applicable)[2]						63,040		63,040
Total assets	**469,966**	**148,210**	**770,731**	**1,957,978**	**5,062,437**	**63,040**	**-38,320**	**8,434,041**

1. Includes assets on demand.
2. Included in remaining assets for which maturities are not applicable. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Notes to the Annual accounts continued

Expected maturity of reinsurance contracts

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

Expected maturity of reinsurance contracts (2023)

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model	Total Premium Allocation Approach	Total reinsurance assets
Less than 1 month	-2,502	-150	690	-1,962	12,751	10,789
1-3 months	-34,401	137	-5	-34,269	67,312	33,043
3-12 months	5,859	972	-22	6,809	35,340	42,149
1-2 years	7,612			7,612	31,566	39,178
2-3 years	5,553			5,553	21,432	26,985
3-4 years	4,671			4,671	14,538	19,209
4-5 years	3,989			3,989	10,166	14,155
5-9 years	12,128			12,128	19,961	32,089
Over 9 years	22,061	1		22,062	10,659	32,721
Adjustments[1]	-11,984	-25	-339	-12,348	-13,787	-26,135
Total	**12,986**	**935**	**324**	**14,245**	**209,938**	**224,183**

1. The adjustments reconciles the contractual undiscounted cash flow on reinsurance contracts to the balance sheet values. The adjustments mainly relate to the impact of discounting and other adjustments not include in cash flow models (i.e. receivables/payables, immaterial out of model adjustments/ unmodelled portfolios).

Expected maturity of reinsurance contracts (2022) (Restated)

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model	Total Premium Allocation Approach	Total reinsurance assets
Less than 1 month	-2,660	3,022	-993	-631	19,213	18,582
1-3 months	1,630	84		1,714	6,163	7,877
3-12 months	5,582	364		5,946	66,001	71,947
1-2 years	6,941	-598		6,343	54,234	60,577
2-3 years	6,187	-225		5,962	42,414	48,376
3-4 years	5,099	-202		4,897	27,366	32,263
4-5 years	4,589	-180		4,409	16,733	21,142
5-9 years	13,545	-499		13,046	25,415	38,461
Over 9 years	24,745	-264		24,481	9,539	34,020
Adjustments[1]	-15,636	307		-15,329	-22,991	-38,320
Total	**50,022**	**1,809**	**-993**	**50,838**	**244,087**	**294,925**

1. The adjustments reconciles the contractual undiscounted cash flow on reinsurance contracts to the balance sheet values. The adjustments mainly relate to the impact of discounting and other adjustments not include in cash flow models (i.e. receivables/payables, immaterial out of model adjustments/ unmodelled portfolios).

26 Liabilities by maturity

The tables below include all financial liabilities and insurance contracts by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included. Reference is made to Note 10 'Insurance contracts' for a further breakdown of the maturity of insurance contracts.

Reference is made to the Liquidity Risk paragraph in Note 36 'Risk management' for a description on how liquidity risk is managed.

Liabilities by maturity (2023)

2023	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Insurance contracts	-182,722	505,989	1,023,207	2,271,757	3,895,150		-1,344,961	6,168,420
Subordinated debt[2]				156,104				156,104
Derivatives	2,711	4,233	22,008	328,093	570,231		-868,142	59,134
Deferred tax liabilities		10,377	20,787	30,817		35,725	-15,674	82,032
Other liabilities	982	354	1,003	4,903	14,605	29,586		51,433
Total liabilities	**-179,029**	**520,953**	**1,067,005**	**2,791,674**	**4,479,986**	**65,311**	**-2,228,777**	**6,517,123**

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to valuation differences, the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 12 'Subordinated debt'.

Liabilities by maturity (2022) (Restated)

2022 (Restated)	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Insurance contracts	-10,050	463,461	1,060,288	2,211,498	3,829,516		-1,690,264	5,864,449
Subordinated debt[2]				159,002				159,002
Derivatives	3,128	5,143	52,125	426,807	805,727	-966,092		326,838
Deferred tax liabilities	51,769	9,917	23,462	28,349	263	31,603	-18,810	126,553
Other liabilities	1,393	119,540	2,652	5,254	15,046	24,906		168,791
Total liabilities	**46,240**	**598,061**	**1,138,527**	**2,830,910**	**4,650,552**	**-909,583**	**-1,709,074**	**6,645,633**

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to valuation differences, the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented on a gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on the first call date. For the legal date of maturity reference is made to Note 12 'Subordinated debt'.

Expected maturity of insurance contracts

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

Expected maturity of insurance contracts (2023)

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model	Total Premium Allocation Approach	Total insurance liabilities
Less than 1 month	-371,292	1,442	5,041	-364,809	182,087	-182,722
1-3 months	288,572	3,379	9,475	301,426	204,563	505,989
3-12 months	390,429	14,597	39,450	444,476	578,731	1,023,207
1-2 years	227,299	17,458	45,151	289,908	388,067	677,975
2-3 years	292,515	15,333	40,511	348,359	280,625	628,984
3-4 years	268,241	13,091	38,099	319,431	205,243	524,674
4-5 years	242,678	11,240	35,778	289,696	150,428	440,124
5-9 years	738,496	33,474	105,020	876,990	316,971	1,193,961
Over 9 years	2,290,378	50,054	176,970	2,517,402	183,787	2,701,189
Adjustments[1]	-1,201,873	-30,225		-1,232,098	-112,863	-1,344,961
Total	**3,165,443**	**129,843**	**495,495**	**3,790,781**	**2,377,639**	**6,168,420**

1. The adjustments reconciles the contractual undiscounted cash flow on insurance contracts to the balance sheet values. The adjustments mainly relate to the impact of discounting and other adjustments not include in cash flow models (immaterial out of model adjustments/ unmodelled portfolios).

Notes to the Annual accounts continued

Expected maturity of insurance contracts (2022) (Restated)

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total General Model	Total Premium Allocation Approach	Total insurance liabilities
Less than 1 month	-225,600	4,714	6,752	-214,134	204,084	-10,050
1-3 months	240,466	3,510	11,983	255,959	207,502	463,461
3-12 months	342,741	14,834	48,776	406,351	653,937	1,060,288
1-2 years	204,117	17,581	51,304	273,002	420,145	693,147
2-3 years	294,193	14,641	24,838	333,672	296,875	630,547
3-4 years	244,937	13,150	21,480	279,567	213,975	493,542
4-5 years	209,066	11,992	19,222	240,280	153,982	394,262
5-9 years	664,947	39,352	59,580	763,879	311,877	1,075,756
Over 9 years	2,393,387	77,267	110,731	2,581,385	172,375	2,753,760
Adjustments[1]	-1,456,609	-47,085	41,282	-1,462,412	-227,852	-1,690,264
Total	**2,911,645**	**149,956**	**395,948**	**3,457,549**	**2,406,900**	**5,864,449**

1. The adjustments reconciles the contractual undiscounted cash flow on insurance contracts to the balance sheet values. The adjustments mainly relate to the impact of discounting and other adjustments not include in cash flow models (immaterial out of model adjustments/ unmodelled portfolios).

27 Assets not freely disposable

There are no assets which are not freely disposable, other than assets used in securities lending.

28 Transferred, but not derecognised financial assets

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

Transfer of financial assets not qualifying for derecognition

	2023	2022 (Restated)
Transferred assets at carrying value		
Investments at fair value through other comprehensive income	367,516	203,219
Investments at fair value through profit or loss	2,416	

29 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when NN Schade has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability at the same time.

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

Notes to the Annual accounts continued

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

Balance sheet line item	Financial instrument	Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	1,035		1,035	-1,035		
Financial assets at fair value through profit or loss		**1,035**		**1,035**	**-1,035**		
Other items where offsetting is applied in the balance sheet		**6,749**		**6,749**	**-6,687**	**-62**	
Total financial assets		**7,784**		**7,784**	**-7,722**	**-62**	

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

Balance sheet line item	Financial instrument	Gross financial assets	Gross financial liabilities offset in the balance sheet	Net financial assets in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	215,821		215,821	-215,821		
Financial assets at fair value through profit or loss		**215,821**		**215,821**	**-215,821**		
Other items where offsetting is applied in the balance sheet		**4,271**		**4,271**	**-4,207**	**-64**	
Total financial assets		**220,092**		**220,092**	**-220,028**	**-64**	

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

Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	59,134		59,134	-1,035	-57,232	867
Financial liabilities at fair value through profit or loss		**59,134**		**59,134**	**-1,035**	**-57,232**	**867**
Other items where offsetting is applied in the balance sheet		**6,687**		**6,687**	**-6,687**		
Total financial liabilities		**65,821**		**65,821**	**-7,722**	**-57,254**	**1,735**

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

Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	215,830		215,830	-215,821	-9	
Financial liabilities at fair value through profit or loss		**215,830**		**215,830**	**-215,821**	**-9**	
Other items where offsetting is applied in the balance sheet		**4,274**		**4,274**	**-4,207**	**-67**	
Total financial liabilities		**220,104**		**220,104**	**-220,028**	**-76**	

30 Contingent liabilities and commitments

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

Contingent liabilities and commitments (2023)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	7,006	7,947	37,886	3,026		67,847	123,712
Contingent liabilities and commitments	**7,006**	**7,947**	**37,886**	**3,026**		**67,847**	**123,712**

Contingent liabilities and commitments (2022)

	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity not applicable	Total
Commitments	22,183	37,314	117,158	33,159		39,694	249,508
Contingent liabilities and commitments	**22,183**	**37,314**	**117,158**	**33,159**		**39,694**	**249,508**

NN Schade participates for EUR 11,213 thousand (2022: EUR 11,980 thousand) in collective arrangements of national industry bodies and in government required collective guarantee schemes which apply in different countries.

NN Schade has guarantees regarding DAS Holding N.V. that amount to EUR 6,235 thousand (2022: EUR 6,235 thousand).

NN Schade has commitments with Nationale-Nederlanden Bank N.V. regarding Dutch mortgages. Related construction deposits that amount to EUR 44,651 thousand (2022: EUR 173,867 thousand) are included as commitments.

NN Schade has commitments with REI Investment I B.V. regarding a loan facility that amounts to EUR 23,007 thousand (2022: EUR 23,007 thousand), with REI Diaphane Fund F.G.R. regarding a loan facility that amounts to EUR 14,875 thousand (2022: 10,452) and with Private Equity Investments II B.V. regarding a funding commitment that amounts to EUR 23,730 thousand (2022: EUR 23,967 thousand).

ING Bank N.V. has provided no credit facility during 2023 (2022: EUR 5 million).

Tax liabilities

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

31 Legal proceedings

General

NN Schade is involved in all kinds of legal proceedings involving claims by and against NN Schade which arise in the ordinary course of its business, including in connection with its activities as insurer, investor and its position as employer and taxpayer. In certain of such proceedings, very large or indetermined amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, NN Schade is not aware of any proceedings (including any such proceedings which are pending or threatened of which NN Schade is aware) which may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of NN Schade.

32 Companies and businesses acquired and divested

Legal merger with NN NLI

On 30 June 2023, NN Schade entered into a legal merger with NN NLI. On 1 July 2023, the legal merger between NN Schade and NN NLI became effective. This merger was between subsidiaries under the same parent ('under common control'). IFRS 3 Business combinations is not applicable for common control transactions. As a result of this merger, NN NLI ceased to exist as a separate legal entity and NN Schade acquired all assets and liabilities of NN NLI under universal title of succession. In accordance with the common control accounting, NN NLI's financial data have been included in the comparative figures of NN Schade's annual accounts as from 1 January 2022. NN NLI assets and liabilities were transferred but no adjustment for the NN Schade accounting policies was needed, as both companies applied the same NN accounting principles. The intercompany positions of NN NLI with NN Schade from the other assets and liabilities of NN Schade.

The merger is accounted for at the book values of assets and liabilities as included in NN NLI's 2022 statutory accounts and the impact of IFRS 17 and 9. As the merger is accounted for at existing book values, no goodwill or new intangible assets are recognised.

Notes to the Annual accounts continued

Reconciliation of balance sheet 31 December 2022 to 1 January 2023 (including NN NLI)

As at 31 December	NN Schade	NN NLI	Adjustments	Total
Assets				
Cash and cash equivalents	12,441	697		13,138
Investments at fair value through other comprehensive income (FVTOCI)	7,117,095	97,290		7,214,385
Investments at fair value through profit or loss	107,787	5,789		113,576
Investments in subsidiaries and associates	54,778			54,778
Derivatives	216,542			216,542
Assets	**7,508,643**	**103,776**		**7,612,419**
Reinsurance contracts	278,645	16,280		294,925
Reinsurance contracts	**278,645**	**16,280**		**294,925**
Property and equipment	8,262			8,262
Intangible assets	9,090			9,090
Other assets	475,905	33,734	-294	509,345
Other	**493,257**	**33,734**	**-294**	**526,697**
Total assets	**8,280,545**	**153,790**	**-294**	**8,434,041**
Equity				
Share capital	6,807	51	-51	6,807
Share premium	209,834	53,773	-53,773	209,834
Share of subsidiaries and associates reserve	4,031			4,031
Revaluation reserve	173,237			173,237
Retained earnings	1,018,141	-4,175	56,372	1,070,338
Unappropriated result	194,161	2,548	-2,548	194,161
Shareholder's equity	**1,606,211**	**52,197**		**1,658,408**
Undated subordinated loan	130,000			130,000
Total equity	**1,736,211**	**52,197**		**1,788,408**
Liabilities				
Insurance contracts	5,766,974	97,475		5,864,449
Insurance contracts	**5,766,974**	**97,475**		**5,864,449**
Subordinated debt	159,002			159,002
Funding	**159,002**			**159,002**
Derivatives	326,838			326,838
Deferred tax liabilities	124,803	1,750		126,553
Other liabilities	166,717	2,368	-294	168,791
Other	**618,358**	**4,118**	**-294**	**622,182**
Total liabilities	**6,544,334**	**101,593**	**-294**	**6,645,633**
Total equity and liabilities	**8,280,545**	**153,790**	**-294**	**8,434,041**

Notes to the Annual accounts continued

Reconciliation of balance sheet 31 December 2021 to 1 January 2022 (including NN NLI)

As at 31 December	NN Schade	NN NLI	Adjustments	Total
Assets				
Cash and cash equivalents	10,520	1,281		11,801
Investments at fair value through other comprehensive income (FVTOCI)	8,342,098	107,072		8,449,170
Investments at fair value through profit or loss	244,869	18,431		263,300
Investments in subsidiaries and associates	52,755			52,755
Derivatives	61,145			61,145
Assets	**8,711,387**	**126,784**		**8,838,171**
Reinsurance contracts	214,514	12,479		226,993
Reinsurance contracts	**214,514**	**12,479**		**226,993**
Property and equipment	7,236			7,236
Intangible assets	9,725			9,725
Other assets	136,156	24,843		160,999
Other	**153,117**	**24,843**		**177,960**
Total assets	**9,079,018**	**164,106**		**9,243,124**
Equity				
Share capital	6,807	51	-51	6,807
Share premium	345,834	53,773	-53,773	345,834
Share of subsidiaries and associates reserve	3,893			3,893
Revaluation reserve	442,289	2,230	-2,230	442,289
Retained earnings	771,298	-5,336	56,475	822,437
Unappropriated result	253,197	421	-421	253,197
Shareholder's equity	**1,823,318**	**51,139**		**1,874,457**
Undated subordinated loan	130,000			130,000
Total equity	**1,953,318**	**51,139**		**2,004,457**
Liabilities				
Insurance contracts	6,558,744	109,889		6,668,633
Insurance contracts	**6,558,744**	**109,889**		**6,668,633**
Subordinated debt	161,797			161,797
Funding	**161,797**			**161,797**
Derivatives	48,538			48,538
Deferred tax liabilities	220,971	2,028		222,999
Other liabilities	135,650	1,050		136,700
Other	**405,159**	**3,078**		**408,237**
Total liabilities	**7,125,700**	**112,967**		**7,238,667**
Total equity and liabilities	**9,079,018**	**164,106**		**9,243,124**

Notes to the Annual accounts continued

Reconciliation of the profit and loss account 2022 (including NN NLI)

For the year ended 31 December	NN Schade	NN NLI	Adjustments	Total
Release of contractual service margin	48,681			48,681
Release of risk adjustment	26,321			26,321
Expected claims and benefits	748,369			748,369
Expected attributable expenses	187,726			187,726
Recovery of acquisition costs	2,185			2,185
Experience adjustments for premiums	9,027			9,027
Insurance income Premium Allocation Approach	2,381,171	107,297		2,488,468
Insurance income	**3,403,480**	**107,297**		**3,510,777**
Incurred claims and benefits	721,264			721,264
Incurred attributable expenses	204,927			204,927
Amortisation of acquisition costs	2,185			2,185
Changes in incurred claims and benefits previous periods	-3,345			-3,345
(Reversal of) losses on onerous contracts	5,440			5,440
Insurance expenses Premium Allocation Approach	2,151,699	99,561		2,251,260
Insurance expenses	**3,082,170**	**99,561**		**3,181,731**
Net insurance result	**321,310**	**7,736**		**329,046**
Net reinsurance result	2,466	-1,789		677
Insurance and reinsurance result	**323,776**	**5,947**		**329,723**
Interest income	143,075	1,077		144,152
Realised gains (losses) on Investments at cost and at fair value through OCI	-17,337	673		-16,664
Gains (losses) on investments at fair value through profit or loss	-39,948	-1,633		-41,581
Share of result of investments in subsidiaries and associates	4,456	0		4,456
Impairments on investments	-1,660	-12		-1,672
Other	32,820	268		33,088
Investment result	**121,406**	**373**		**121,779**
Finance result on (re)insurance contracts	48,585	35		48,620
Other	10,479	246		10,725
Finance result	**59,064**	**281**		**59,345**
Net investment result	**62,342**	**92**		**62,434**
Net fee and commission result	-3,222	43		-3,179
Non-attributable operating expenses	-135,059	-2,125		-137,184
Other	-5,375	-515		-5,890
Other result	**-143,656**	**-2,597**		**-146,253**
Result before tax	**242,462**	**3,442**		**245,904**
Taxation	50,849	894		51,743
Net result	**191,613**	**2,548**		**194,161**

33 Related parties

In the normal course of business, NN Schade enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NN Schade include, among others, associates, joint ventures, key management personnel and the defined benefit and defined contribution plans. Transactions between related parties have taken place on an arm's length basis and include distribution agreements, sourcing and procurement agreements, human resources-related arrangements, and rendering and receiving of services.

There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

NN Schade identifies the following (groups of) related party transactions:

- Transactions with NN Group concerning the payment of tax as NN Group heads the fiscal unity. Reference is made to Note 30 'Contingent liabilities and commitments'.
- Reinsurance activities through NN Re (Netherlands) N.V.
- Services carried out by group companies.
- NN Schade staff members are employed by NN Personeel B.V.
- Zicht B.V. acts as mandated broker.
- Bemiddelingskantoor Nederland B.V. and Nationale-Nederlanden Bank N.V. are regular intermediaries.
- Heinenoord Invest B.V. is a holding company with entities that are mandated brokers or regular intermediaries.
- HCS Groep B.V. is a holding company which executes human capital services.
- The expenses recharged by/to NN Schade include charged expenses to/by Nationale-Nederlanden Bank N.V., Nationale-Nederlanden Levensverzekering Maatschappij N.V., Distributie Zorgverzekeringen B.V., NN Group and Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.
- Transactions relating to the remuneration of Board members.

Income and expenses from NN Schade recharged to NN Group companies

	Parent companies		Other group companies		Total	
	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
Expenses			45,570	138,785	45,570	138,785
Income	3,441		38,341	1,664	41,782	1,664
Income and expenses from NN Schade recharged to NN Group companies	**3,441**		**83,911**	**140,449**	**87,352**	**140,449**

Income and expenses from NN Group companies recharged to NN Schade

	Parent companies		Other group companies		Total	
	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
Expenses	24,656	19,684	109,707	98,901	134,363	118,585
Income		3		149,000		149,003
Income and expenses from NN Group companies recharged to NN Schade	**24,656**	**19,687**	**181,896**	**247,901**	**206,552**	**267,588**

Assets and liabilities with related parties

	Parent companies		Other group companies		Total	
	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
Financial assets						
Investments at fair value through OCI			862,604	761,621	862,604	761,621
Reinsurance contracts			77,697	109,332	77,697	109,332
Derivatives			1,035	721	1,035	721
Subsidiaries and associates			970	868	970	868
Other assets	201,024	184,305	83,789	127,745	284,813	312,050
Total assets	**201,024**	**184,305**	**1,026,095**	**1,000,287**	**1,227,119**	**1,184,592**
Financial liabilities						
Subordinated debt	156,104	159,002			156,104	159,002
Derivatives			58,244	111,009	58,244	111,009
Other liabilities	3,790	3,795	10,520	10,956	14,310	14,751
Total liabilities	**159,894**	**162,797**	**68,764**	**121,965**	**228,658**	**284,762**

All entities within NN Group are considered to be related party.

Transactions with key management personnel

Transactions with members of NN Schade's Management Board and Supervisory Board are considered to be transactions with key management personnel. Reference is made to Note 34 'Key management personnel compensation' for more information on these transactions.

Transactions with associates

Associates of NN Schade are related parties of NN Schade. For more information, reference is made to Note 5 'Investments in subsidiaries and associates'.

Transactions with post-employment benefit plans

Entities administering or executing post-employment benefit plans of the employees of NN Schade are considered to be related parties of NN Schade. This relates to NN Schade's pensions funds, i.e. the ING Group DB pension fund (joint with ING Bank), the Stichting Pensioensfonds Delta Lloyd, the NN CDC pension fund and BeFrank in the Netherlands. For more information on the post-employment benefit plans, reference is made to Note 20 'Non-attributable operating expenses'.

Transactions with other related parties

Reinsurance

NN Re (Netherlands) N.V. carries out the reinsurance activities of NN Schade. The overall balance of outstanding reinsurance receivables from NN Re (Netherlands) N.V. amounts to EUR 77.7 million (2022: EUR 109.3 million).

34 Key management personnel compensation

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

Management Board

Amounts in thousands of euros	**2023**	**2022**
Fixed compensation[2]		
– base salary (cash)	850	811
– pension costs[1]	81	74
– individual saving allowance[1]	108	109
Variable compensation[2]		
– upfront cash	36	35
– upfront shares	36	35
– deferred cash	36	35
– deferred shares	36	36
Fixed and variable compensation	**1,183**	**1,135**
Other benefits	202	212
Total compensation	**1,385**	**1,347**

1 The pension costs consist of an amount of employer contribution (EUR 81 thousand) and an individual savings allowance (EUR 108 thousand, which is 23,3% of the amount of base salary above EUR 128,810 for the year.

2 The fixed and variable compensation covers all compensation for the Management Board members.

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

Remuneration of the members of the Management Board is recognised in the profit and loss account in 'Staff expenses' as part of 'Total expenses'. The NN Schade Supervisory Board members do not receive compensation for their activities, except for one Supervisory Board member who is not an employee of NN Group (2022: one external Supervisory Board member). The remuneration of EUR 36 thousand (2022: EUR 34 thousand) is recognised in the profit and loss account in 'Total expenses'. Some Supervisory Board members hold remunerated (Board) positions within NN Group, but not within NN Schade. Their remuneration is part of the allocation of headquarter expenses and they do not receive any (additional) allowances for their role as Supervisory Board members. NN Schade does not provide the Supervisory Board with a pension arrangement, termination arrangements (including termination of retirement benefits) or variable remuneration in cash or in shares.

The total remuneration, as disclosed in the table above of EUR 1,385 thousand (2022: EUR 1,347 thousand), includes all variable remuneration related to the performance year 2023. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly but are allocated over the vesting period of the award. The comparable amount recognised in 'Staff expenses' in 2023 and therefore included in 'Total expenses' in 2023, relating to the fixed expenses of 2023 and the vesting of variable remuneration of 2023 and earlier performance years, is EUR 1,353 thousand (2022: EUR 1,336 thousand).

Notes to the Annual accounts continued

With respect to performance year 2023, the total number of staff eligible for variable remuneration is 14. The total approved variable remuneration budget is EUR 660 thousand, which will be paid in April 2024. In 2023, 0 persons received a total remuneration of more than EUR 1 million. For this calculation, the individual base salary, awarded variable remuneration and, where applicable, individual saving allowances and pension contributions were included.

As at 31 December 2023, members of the Management Board held no NN Schade shares. In 2023, 0 share awards on NN Schade (both deferred and upfront) were granted to the Management Board.

Remuneration policy

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

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

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

Loans and advances to members of the Management Board and Supervisory Board

As at 31 December 2023, no loans and advances were provided to members of the Management Board and Supervisory Board.

35 Subsequent events

Dividend distribution

In March 2024, NN Schade made a dividend distribution of EUR 103 million from the Other reserves to its shareholder NN Nederland. The solvency ratio per year end 2023 has not been adjusted for this dividend.

36 Risk Management

Introduction

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

The Risk Management paragraph has the following structure:

Risk Management System, consisting of:

1. System of Governance / Risk Governance
2. Risk Control Cyle

Risk Profile, categorised into:

3. Strategic and emerging risks, including climate change -
4. Financial risks (based on the structure of our internal model)
5. Non-financial risks

Notes to the Annual accounts continued

1. System of Governance / Risk Governance

NN Schade's System of Governance comprises amongst others the following elements:

- General governance elements, including amongst others reporting lines, decision structures, company policies, and segregation of duties,
- Remuneration,
- Persons who effectively run NN Schade or have other key functions, who should be 'Fit and Proper',
- Key Functions: the Risk Management, Compliance, Actuarial and Internal Audit Functions,
- System of Risk Management and Internal Control,
- Investment activities,
- Capital and liquidity management, and
- Managing and overseeing outsourcing critical or important operational functions and activities.

The prudent person principle stipulates that insurers may only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report and appropriately take into account in the assessment of its overall solvency needs.

Three lines of defence[1]

NN Schade follows NN Group's risk governance based on the three lines of defence concept, which outlines the decision-making, execution and oversight responsibilities for NN Schade's risk management.

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

1 First line of defence

Executive Board management boards other managers
- Make business decisions
- Accountable for financial performance, sales, operations, investments, underwriting
- Sell products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN Group's best interest
- Accountable for risk taking

2 Second line of defence

Risk, Actuarial, Legal and Compliance teams
- Support management in their decision-making and risk/return trade-offs
- Countervailing power to prevent risk concentrations and unwanted/ excessive risk taking
- Developing policies for their specific risk and control areas
- Encouraging, challenging, and monitoring sound risk management throughout NN
- Escalation power in relation to business activities that are judged to present unacceptable risks to NN Group

3 Third line of defence

Corporate Audit Services
- Provides independent assurance on the effectiveness of NN Group's business and support processes, including governance, quality of risk management and quality of internal controls
- Assesses first line of defence activities as well as second line of defence activities

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

First line of defence: Executive management

Management Board

The Management Board is 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 a Chief Risk Officer (the CRO) has been designated and is entrusted with the day-to-day execution of these tasks. The CRO of NN Schade reports functionally to the CRO of NN Group.

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.

Notes to the Annual accounts continued

Risk Policy framework

NN Schade's risk policy framework ensures consistent risk management and adherence to set risk appetite and limits across NN Group. Policies and minimum standards cover risk measurement, management, and governance, approved by the Management Board of NN Group, with local policies approved by the Management Board of NN Schade. Any potential waivers to Group policies or standards require approval from the Management Board of NN Group or its delegate. NN Schade may perform activities consistent with NN Group strategy and the approved Business Plan as long as they comply with internal risk management and control frameworks, laws and regulations, collective agreements, and NN Group values, and are not under the decision-making authority of the Management Board of NN Group. NN Schade operates transparently, providing relevant information to the relevant Management Board members and Support Function Head(s) at the Head Office, particularly when deviating from policies or standards, its Business Plan, or when impacting NN Group's financial position and/or reputation.

The CEO of NN Schade is responsible for executing the strategy and financial performance of the business, ensuring compliance with laws and regulations, and operating a sound internal risk and control system in line with NN Group's values. The CEO must also ensure the long-term viability of NN Schade.

NN Schade Risk Management regularly interacts with Head Office regarding product and mandate approval, risk limit setting, risk reporting, ORSA, policy setting and implementation monitoring, and model and assumption review and validation, covering all types of risks. Ad-hoc interactions occur when proposing a material business initiative or investigating a significant incident or adverse business performance, leading to a risk review and risk opinion and advice when relevant.

Second line of defence Solvency II Key Functions: Risk Management Function, Compliance Function and Actuarial Function

Risk Management Function

The NN Schade CRO is a member of the Management Board and steers an independent risk organization that supports decision-making and prevents excessive risk-taking. The Head of Risk Management, who is the Solvency II key function holder, reports to the NN Schade CRO and is responsible for setting and monitoring compliance with risk policies, formulating risk management strategy, supervising risk management and business control systems, reporting risks and processes, making risk management decisions, sharing best practices across NN Group, and developing the Partial Internal Model. The CRO department has multi-disciplinary teams focused on strategic, operational, financial, product, and business risk across NN Schade.

Model Validation

NN Schade has outsourced its Model Validation to NN Group to ensure the models are fit for their intended use, particularly for Solvency II. Model Validation validates risk and valuation models at various stages of their lifecycle, covering developmental evidence assessment, process verification, and outcome analysis. The maximum period between two model validations is up to five years, with validation frequency based on materiality, determined by quantitative and qualitative criteria, such as the Market Value of Liabilities/Assets and Solvency Capital Requirement. Model Validation can also start validating before the due date based on portfolio/market developments or regulatory changes. The severity of findings resulting from a model validation, as well as the materiality of the model, determine the validation opinion. Changes to models with an impact above certain pre-set materiality thresholds require approval from the Group CRO, Group CFO, or NN Group Management Board.

Compliance Function

To manage business conduct risk, NN Schade has established a Compliance Function and a Legal Function, each with its own head who report hierarchically to the Head of Legal & Compliance, a member of the management team. The Head of Compliance is responsible for day-to-day management of the NN Schade compliance function and preparing and executing the Compliance Year Plan as approved by the NN Schade Management Board. The Compliance Function is independent of the business it supervises, with a functional reporting line to the Chief Compliance Officer of NN Group. The Head of Compliance has a direct and unfiltered reporting line to the CEO of NN Schade and the Supervisory Board. The Compliance Function's purpose is to understand and advocate rules, regulations, and laws for effective risk management, work proactively with the business to manage conduct and product suitability risk, develop tools to strengthen risk management, align business outcomes with risk appetite, deepen the culture of compliance, and monitor compliance with policies, standards, and relevant laws and regulations.

Actuarial Function

The Actuarial Function at NN Schade reports hierarchically to the CRO and functionally to the Actuarial Function Holder of NN Group. Its primary objective is to ensure reliable and adequate technical provisions under Solvency II and IFRS to protect NN Schade from loss or reputational damage. The Actuarial Function understands and advocates effective management of the calculation process of technical provisions, advises the business on managing risks, informs management and the supervisory board on the adequacy and reliability of technical provisions, develops tools to strengthen risk management, supports the NN Schade strategy, and strengthens the culture of professional risk management. It also provides a second line opinion on first line business initiatives that can materially impact NN Schade's or NN Group's risk profile or provides additional assurance for presented key first line risk-related information.

Notes to the Annual accounts continued

Third line of defence: Corporate Audit Services (CAS)

Internal Audit Function

NN Schade has outsourced its internal audit to CAS, the internal audit department within NN Group, which provides independent assurance on the effectiveness of NN Group's business and support processes. CAS keeps in close contact with home and local supervisors and regulators, as well as the external auditor, providing information such as risk assessments and relevant reports. CAS has authority to obtain information from NN Schade, access all departments and offices, require staff and business management to supply information and explanations, allocate resources, and obtain necessary assistance. The Executive Board of NN Group is responsible for the role and functioning of CAS, supervised by the Supervisory Board and supported by the Audit Committee. The General Manager of CAS is accountable to the CEO of NN Group and functionally to the chair of the Audit Committee.

2. Risk Control Cycle

NN Schade manages risks inherent to its business model and operating environment within its risk appetite and framework. Every employee has a role in identifying and managing risk proactively. A risk control cycle ensures that NN Schade operates within its risk appetite, consisting of setting business and risk objectives, identifying and assessing risks, effective mitigation through controls, and continuously monitoring the effectiveness of controls. The cycle is supported by a sound risk culture and enables NN Schade to meet its business objectives and support the NN Group strategy, Business Plan, and performance management.

Risk Strategy

NN Schade's risk appetite is the link between its strategy, capital plan, and regular risk management as part of business plan execution. The Risk Appetite Statements define the amount of risk NN Schade is willing to take for each type of risk, while also describing how NN Schade aims to avoid unwanted or excessive risk taking and optimize the use of capital. The statements are translated into more detailed risk limits, tolerances, policies, and standards.

NN Schade's key Risk Appetite Statements are:

Risk Appetite Statement	Description	Risk appetite
Managing Strategy	We create long-term value for all our stakeholders and contribute to the well-being of people and planet, so we continuously evaluate and adapt our business model (such as product portfolio, distribution channels, and organization) to the external environment to meet evolving customer needs. When doing so, we moderately accept risks from the same, including in attracting and retaining business leaders and (world class) talents	Moderate
Solvency Risks	We accept financial risks on our balance sheet so we can offer financial security through products for our customers as well as predictable and attractive returns for our investors. We: • aim to limit our losses to own funds after a 1-in-20 year event and do not want to be a forced seller of assets when markets are distressed, • only accept risks that we understand and can effectively manage, • design and price our products in a responsible manner, and • limit exposure to non-rewarding risks (in particular concentration, interest rate, currency and inflation risk) or risks to which we have already a high exposure	Limited
Liquidity Risks	We want to meet our payment and collateral obligations, even under severe liquidity stress scenarios, while actively pursuing illiquid assets to back illiquid liabilities on our balance sheet	Limited
Sound Business Conduct	We have no appetite for material breaches of business integrity related Policies and Standards.	Avoid
People Conduct Culture	We nurture a culture aligned with our purpose, values and ambitions, which supports continuous learning, collaboration, and diversity of thinking, and limit risks to the same.	Limited
Product Suitability	We only market products and services that add value to our customers over their expected lifetime in line with their preferences, and can be explained in a simple, transparent manner	Avoid
Operational Risks	We moderately accept human errors and as such failures in processes, and therefore manage to agreed tolerances	Moderate
Technology Risks	We limit losses arising from technology risks, and therefore we ensure our technology assets are sufficiently resilient and responsibly used	Limited
Reliable Reporting	We have no appetite for material errors in external financial and non-financial reporting, and internal reports used for managerial decision making	Avoid
Business Continuity	We avoid, to the extent possible and even under severe circum-stances, sustained discontinuation of business (people, offices, IT)	Limited

Notes to the Annual accounts continued

In 2023, NN Schade combined the risk appetite statements for Managing Strategy and Human Capital Risks, and adjusted the wording to better reflect our strategic commitments. In addition, we made the wording of the risk appetite statements Sound Business Conduct and People Conduct Culture clearer and more concise. We also adjusted the wording of the risk appetite statements for Technology risks to incorporate the latest internal and external developments in technology and artificial intelligence; and renamed the risk appetite statement Operational Risks to Operational Risks & Losses.

Risk Taxonomy

NN Schade has defined and categorised it's the different risk types into a risk taxonomy as outlined below:

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

Sustainability risks are risks related to environmental, social and governance (ESG) factors (including climate change) that can cause material negative impact on NN Schade's long-term performance, reputation, value, balance sheet or operations. ESG factors cannot be seen in isolation but may have impact on strategic, financial and non-financial risks and is therefore integrated in several areas of our taxonomy.

The following paragraphs explain in detail how we mitigate or manage these risks.

Risk Metrics

Risk monitoring is a regular process to assess and evaluate developments in the risk profile. It determines whether risks are within the risk appetite and in line with policies and standards. Monitoring activities are performed following developments qualitative and quantitative boundaries (risk metrics) around risk taking, such as:

- *Risk limit* - the maximum exposure to a risk management is willing to accept, and should not be breached
- *Risk tolerance* - the level of exposure to a risk at which management wants to be actively informed – it serves as a trigger to review the exposure regularly and reflects an ambition level within which management wants to act in the medium term
- *Key Risk Indicators (KRIs)* - assists management in determining whether specific areas or business objectives are at risk of moving beyond the risk appetite. The KRIs indicate when specific actions might be necessary to stop or reduce increasing risk levels
- *Policies and standards* - define objectives and requirements to ensure that processes and risks are managed consistently throughout NN Group

Key Risk Limits and Tolerances

Risk appetite statements are implemented within the business through the use of risk tolerances and limits, as prescribed in specific policies for relevant risk categories.

Risk class	Risk appetite monitored through:
Strategic & Emerging risks	Various metrics related to the Business Plan, such as progress on main strategic initiatives and deviation between actual and planned strategic targets.
Solvency Risks	**Solvency II ratio**: the ratio of Eligible Own Funds (EOF) to Solvency Capital Requirement (SCR). NN Schade aims to be capitalised adequately at all times. To ensure adequate capitalisation, NN Schade is managed to its commercial capital levels (based on the Solvency II ratio) in accordance with the risk associated with the business activities. **Solvency II ratio sensitivities**: assess the changes for both EOF and SCR under various market scenarios as decided by NN Group Management Board (for example changes in interest rates or other financial market factors). **Own Funds at Risk limits**: NN Schade has implemented limits to monitor the impact of moderate stress events and is monitoring the level of capital and financial flexibility this requires at the holding level. **Operating Capital Generation:** Operating Capital Generation is an indicator for 1) Recovery capacity of the Solvency II ratio in case of stress and 2) Dividend capacity **Reinsurance treaty**: This indicator measures exposure of insured objects outside reinsurance treaty. **Interest Rate Risk limits**: NN Schade has implemented limits and tolerances for interest rate risk exposures. **Product and underwriting limits**: limits designed to manage deviations between expected and realised claims and payments, longevity risks, etc. **Policies and standards** on investment management, mandates and asset allocation, responsible investments, reinsurance and products and underwriting.
Liquidity Risks	**Required sales ratio**: liquidity risks are monitored by assessing the required sales ratio between liquid assets and liquidity requirements for severe stress scenarios and different time horizons. **A minimum buffer** of immediately available liquidity (cash and committed facilities) in order to be able to meet collateral calls from derivative exposures.
Counterparty Default Risks	**Concentration Risk limits**: to prevent excessive concentration risk, NN Group has concentration risk limits on corporate and sovereign issuers, asset type and country of risk.
Non-financial Risks	**Annual Loss Tolerance and materiality**: tolerances on potential yearly loss, reputation impact and financial reporting accuracy. **Restricted List**: designed to prevent investments in securities that are not in line with NN Group's values and/or applicable laws and regulations, as established in NN's Responsible Investment Framework. **Various KRIs** to measure whether processes are executed according to target (e.g. number of incidents, customer complaints, outage of primary systems, etc.). **Policies and standards** that define objectives and requirements around compliance, IT, anti-fraud, operations, security and business continuity.

Risk Assessment

Risk assessments are regularly performed throughout NN Schade, to identify which risks we are exposed to and how relevant they are. For market, counterparty default and non-market risks, the Partial Internal Model (PIM) of NN Schade is leading in risk assessments/measurement. Risks that do not directly impact the balance sheet generally require professional judgement in identification and quantification: qualitative risk assessments (non-financial risks) and scenario analysis (strategic/emerging risks) are used to assess identified risks and set up adequate controls.

Risk Class	Risk Assessment via:
Strategic & Emerging Risks	Business planning; Strategic Risk Assessment (SRA) and scenario analysis, including Own Risk and Solvency Assessment (ORSA).
Market Risks	Asset Liability Management (ALM) studies, Strategic Asset Allocation (SAA) and New Asset Class Assessment (NACA).
Liquidity Risks	SAA, NACA.
Counterparty Default Risks	NN PIM; Limit structure.
Non-Market Risks	NN PIM; Product approval and review process (PARP), Limit structure, reinsurance.
Non-Financial Risks	Detailed risk assessments on processes and projects (including aspects of IT, financial economic crime, fraud, etc.); Systematic Integrity Risk Assessment (SIRA), looking at behavioural and integrity risks, as well as the ECF Maturity Reflection, looking at risk maturity and culture).

In the remainder of the paragraph we describe some of the assessments as described above in more detail. Main mitigation techniques, such as our limit structure for financial risks, are discussed in more detail in the Risk profile paragraph, where we discuss all our main risk types and how we measure and manage them.

Own Risk and Solvency Assessment (ORSA)

NN Schade conducts risk assessments as part of regular risk management activities to identify significant risks that may threaten its strategic and capital imperatives. A strategic risk assessment was performed mid 2023, and the key risks were addressed in the 2023 ORSA report. The ORSA is prepared at least once a year and articulates NN Schade's strategy and risk appetite, describes key risks and how they are managed, and evaluates the capital position through stress and scenario testing. Emerging risks, including sustainability risks, are also covered in the ORSA. Stress testing can also be initiated externally by parties such as De Nederlandsche Bank and European Insurance and Occupational Pensions Authority.

Strategic Asset Allocation (SAA)

Regulated (re)insurance entities of NN Group execute a SAA study once every three years, in which the target allocation and bandwidth are set for each asset class. The SAA study is reviewed annually, using updates for the assumptions on return, risk and feasibility, and a review of constraints and objectives.

Product approval and review process (PARP)

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

New asset class assessment (NACA) and investment mandate process

NN Schade maintains a NACA for approving investments in new asset classes. NN Group establishes a global list of asset classes in which NN Schade may invest. Investments in these asset classes are governed through investment mandates given to the asset manager(s).

Process Risk Assessments

Process Risk Assessments are performed periodically on all (sub-) processes by the relevant process owners, with particular attention to risks in process hand-over points, where activities change between departments and/or responsible managers. Owners assess on an annual basis what the most important non-financial risks are within their process, looking for example at aspects of IT, data quality, human error, changes to systems and processes, etc.

Risk Control

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

Risk Class	Risks are mitigated/controlled through:
Emerging Risks	• Scenario analysis and contingency/recovering planning
Strategic Risks	• Adjusting the strategic targets/business model to meet the changing environment, implemented through strategic initiatives/programmes • Business planning, monitoring of strategic execution and scenario analysis
Market Risks	• Monitoring based on limits and tolerances, and adjusting asset positions if necessary • Hedging/use of derivatives • Monitoring investment mandates for external investment managers
Counterparty Default Risks	• Monitoring based on limits and tolerances and adjusting asset positions if necessary
Underwriting and Pricing Risks	• Monitoring based on limits and tolerances, and adjusting asset positions if necessary • PARP • (external) (re-) insurance
Liquidity Risks	• Monitoring based on limits and tolerances and adjusting asset positions if necessary • Cash management/treasury techniques
Non-Financial Risks	• Business and key controls and control testing • Incident management and external insurance • Risk culture awareness and training • Project risk logs and monitoring • Business continuity management

NN Schade is actively managing its solvency position in order to detect and anticipate on a crisis. Through its Preparatory Crisis Plan NN Schade has determined a set of measures for potential response to a crisis, should it occur. The aim of this Preparatory Crisis Plan is to ensure that tools, measures and processes are in place that would enable NN Schade to quickly recover to an acceptable minimum solvency (and liquidity) level when faced with financial distress and/or recovery.

In the Risk Profile section, we describe mitigating activities per risk type in more detail.

Notes to the Annual accounts continued

Risk Monitoring & Reporting

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

Risk Reporting

On a quarterly basis, the Management Board and Supervisory Board of NN Schade are presented with an Own Funds and Solvency Capital Requirement report, an Effective Control Framework (ECF) report and a Financial Risk Dashboard (FRD) report. The first report aims to provide an overview of the quarterly Solvency II capital position and development. The ECF report provides one consistent, holistic overview of the risks of NN Schade. It focuses on comparing current risk levels to our risk appetite, provides action points from a second-line perspective, and aims to encourage forward looking risk management.

The FRD is a second line report, monitoring risk metrics related to a strong balance sheet. The FRD includes several metrics: Solvency II ratio, Solvency II sensitivities, interest rate risk, liquidity risk and concentrations via asset mandates. The Solvency II ratio Sensitivities assesses the changes in various scenarios for both Eligible Own Funds and SCR at NN Schade level.

The 2023 Strategic Risk Assessment identified six key risks:

Rank	Key Risk	Risk Class
1	Interest rates & Inflation	Market & Non-Market Risks
2	Insurance market distribution consolidation	Strategic Risks
3	Sustainable cost levels	Strategic & Non-Market Risks
4	Climate change	Emerging Risks
5	Cyber Risk	Technology Risks
6	Data Quality	Non-Financial Risks

Risk Control Cycle: Risk Culture

Management plays a crucial role in creating a sound risk culture by demonstrating a solid risk management focus, fostering diversity of thoughts, promoting transparency, ensuring operational management takes proper responsibility, addressing dysfunctional behaviour, ensuring adequate staffing and training, actively managing risks throughout the product lifetime, and taking full responsibility for sign-off. Regular assessments are performed to assess and improve risk culture and maturity, providing the CEO with timely information and fostering internal discussions on what a good risk culture entails.

NN Schade performs regular assessments of risk culture and maturity within its risk management cycle to ensure effective functioning of the risk control cycle. The Maturity and Risk Culture assessment provides the CEO with periodic confirmation that the framework is complete and operated as intended by the first and second line, ensuring timely communication of necessary information from a risk perspective. The assessment also fosters awareness and internal discussions on what constitutes a good risk culture.

3. Strategic and emerging risks

- **Strategic Risks**: Risks, arising in shaping NN's business, related to making incorrect business decisions, implementing decisions poorly, or being unable to adapt effectively to changes in NN's operating environment
- **Emerging Risks**: External risks that cannot yet be fully assessed or quantified but that could in the future affect the viability of NN Group’s strategy

Strategic risks

Risk profile

Economic, technological, ecological and demographic developments are impacting the strategic context in which we operate. To remain relevant to our customers in the long run, we need to timely anticipate these developments. Strategic risks are risks arising from making incorrect business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. NN Schade manages business on a risk-return basis to meet strategic objectives whilst considering the interests of all stakeholders.

In the annual Strategic Risk Assessment the Risk Board of NN Schade identified the following strategic risks: Insurance market distribution consolidation and sustainable cost levels.

Risk mitigation

Strategic risks are mainly managed by undertaking strategic initiatives to adjust our organisation, products or businesses to address new regulatory, technological or demographic developments. We realise organic growth in the markets we are active by developing new ecosystems or products. Further, we undertake targeted acquisitions or sale of businesses in markets where we feel we can grow/withdraw. The Risk function is involved in these M&A activities through providing a Risk Opinion that supports decision making, or involvement in the integration/separation programs. We also undertake scenario analysis to analyse potential future events that can impact our strategy and/or capital position, e.g. in the ORSA.

Risk measurement
Strategic risks are not fully quantified, instead several metrics are reported, such as (externally) progress versus our strategic commitments and (internally) progress on strategic initiatives.

Emerging risks (including climate change)
Risk profile
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.

A specific emerging risk that receives significant attention is Climate change. We distinguish physical and transition climate risks. Physical risk is most prominent on the short term, caused by weather events such as windstorms or hail, resulting in higher expenditures, influencing the margins of our property & casualty insurance products. Transition risk, meaning risks related to transition to lower carbon economies which may adversely affect individual businesses, sectors and the broader economy, thereby also having an impact on the asset side of our balance sheet through our investment portfolio. Besides public policy, the pricing of financial assets could be influenced by factors such as technological developments and changing consumer preferences.

Risk mitigation
NN Schade manages emerging risks by conducting regular risk assessments to understand how they evolve and how a combination of events can impact the company. Scenario analysis is used to understand how the risk profile would be affected under certain circumstances and to create backup and contingency plans. Mitigating activities around climate change include helping customers take precautionary measures, monitoring claims experience and adjusting contract conditions if necessary, using catastrophe models for underwriting, deploying a groupwide catastrophe reinsurance program, and using qualitative and quantitative scenario-based analysis to understand the impact of physical and transitional risks in the medium and long term. Insights gained are used to formulate the investment strategy and integrate climate change aspects into risk management practices

Risk measurement
NN Schade implements a forward-looking physical climate risk tool, that enables them to qualify and quantify the physical impact of climate change. The company deploys qualitative and quantitative scenarios and stress testing to understand the impact of both physical and transitional risks, both during the business plan period as well as beyond, including EIOPA and DNB climate-related scenarios.

4. Financial risks
Partial Internal Model (PIM)
The Solvency Capital Requirement (SCR) is calculated based on NN Schade's actual risk exposure. According to Solvency II regulations, the SCR represents the capital required to ensure that the (re)insurance company can meet its obligations over the next 12 months with a probability of at least 99.5%. The risk-based framework for calculating solvency capital requirements is a combination of Internal Model (IM) and Standard Formula (SF) components, known as the Partial Internal Model (PIM). The largest component uses internally developed methodologies to model market, business and insurance risks to determine the solvency position. Furthermore, the capital requirement for operational risk is determined using the Standard Formula approach.

As of June 30^{th} 2023, NN Non-life Insurance (NN NLI) merged with NN Schade, and since then, the Integration Technique (IT3) has been used to aggregate the PIM SCR of NN Schade and the SF SCR of former legal entity NN NLI until the NN NLI portfolio is fully integrated into the NN Schade PIM. This approach was approved by DNB in July 2023.

The decision to use a PIM is based on the belief that an internal model generally better reflects the risk profile of NN Schade and offers additional benefits for risk management purposes:

- A PIM approach can more accurately reflect the specific assets in the portfolio and, therefore, the market risk, such as sovereign bonds and other credit spread risks
- A PIM approach is better suited to reflect the insurance risks of NN Schade's portfolio
- In the case of disability/morbidity risks, the product features and experience in the Dutch market differ from those in the wider European market, for example greater emphasis is placed on claimants returning to work in the Netherlands
- Risk-based strategic portfolio management that may increase our ability to generate capital

Assumptions and limitations
Risk-free rate and volatility adjustment:
The assumptions regarding the underlying risk-free curve are critical, as this curve is used to discount future cash flows and calculate the market values of assets and liabilities. For liabilities, NN Schade uses the methodology prescribed by EIOPA for the risk-free rate, including the credit risk adjustment (CRA) and the ultimate forwards rate (UFR). Where deemed necessary, the risk-free rate is adjusted with the volatility adjustment for the calculation of Own Funds.

Notes to the Annual accounts continued

Valuation assumptions – replicating portfolios:
NN Schade uses replicating portfolio techniques that rely on financial instruments to represent the insurance product-related cash flows, options and guarantees. These replications are then used to determine and revalue insurance liabilities and mortgages under a large number of Monte Carlo scenarios.

Diversification and correlation assumptions:
As an integrated financial services provider offering various products across different business segments and geographic regions, and investing into a wide range of assets, diversification is key to NN Schade's business model. The diversification accounts for the fact that not all potential worst-case losses are likely to materialise at the same time. The PIM takes diversification effects into account when aggregating results.

Where possible, correlation parameters are derived through statistical analysis based on historical data. In cases where historical data or other portfolio-specific observations are insufficient or unavailable, correlations are set by expert judgement in a well-defined and controlled process. Similar to other risk models, correlations and expert judgements are monitored for appropriateness given availability or more historical data and are subject to regular development, validation, and regulatory oversight. Based on these correlations, industry-standard approaches such as Gaussian copula and VaR–CoVaR approach are used to determine the dependency structure of quantifiable risks.

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

NN Schade's PIM is the result of balancing an easy-to-communicate methodology with efficient calculations and appropriate accuracy and granularity in the underlying risks. Despite certain limitations resulting from this approach, the PIM is considered materially robust, appropriate, compliant with Solvency II, and provides the right risk-taking incentive.

Due to the granular modelling approach and the wide variety of NN Schade's assets and liabilities, the PIM is more complex than the Standard Formula.

Inherent model limitations related to the calibration of a 1-in-200 year stress event for a full spectrum of market and non-market risks include the use of limited historical data to determine a distribution of forward-looking risk factor stresses, as well as the use of modelling assumptions and expert judgement.

Risks that cannot be directly modelled in the same way as Market Risk or Insurance Risk, for example strategic, reputational and model risks, but also emerging risks are managed through qualitative risk assessments to ensure that these are sufficiently covered by the PIM in line with Solvency II requirements. In addition, and as part of the ORSA, NN Schade holistically assesses its risk exposure to both quantifiable and non-quantifiable risks in order to agree mitigating actions as required.

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

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

Solvency II ratio of NN Schade

The following table shows the NN Schade's Solvency II ratio as at 31 December 2023 and 2022, respectively.

Solvency II ratio of NN Schade

	2023	2022 (restated)
Eligible Own Funds (EOF)	1,952,124	1,936,774
Solvency Capital Requirement (SCR)	1,356,309	1,282,868
Solvency II ratio (EOF/SCR)	**144%**	**151%**

Solvency Capital Requirement

The following table shows the NN Schade's SCR as at 31 December 2023 and 2022, respectively.

Solvency II Capital Requirements

	2023	2022 (restated)
Market risk	446,579	445,965
Counterparty default risk	13,133	16,263
Non-market risk	1,457,817	1,418,183
Total BSCR (before diversification)	**1,917,529**	**1,880,411**
Diversification	-266,862	-315,576
Total BSCR (after diversification)	**1,650,667**	**1,564,835**
Operational risk	115,005	113,073
LACDT	-409,363	-395,040
Total SCR	**1,356,309**	**1,282,868**

In December 2023, DNB approved NN Schade's Group Income MMC, which more accurately reflects the risks in the Group Income portfolio. This resulted in an increase of the capital charge for non-market risks.

Another MMC is related to the Future Management Actions for the individual disability portfolio after the transition to long contract boundaries, following a Q&A published by DNB. The transition to long contract boundaries took place in Q2 2022, and the FMA was implemented immediately with permission from DNB. The MMC FMA was formally submitted to DNB for approval in Q4 2022 and approved in Q2 2023.

On 30th of June 2023, NN Non-life Insurance (NN NLI) merged with NN Schade. As of Q2 2023, the Integration Technique (IT3) has been used to aggregate the PIM SCR of NN Schade and SF SCR of former legal entity NN NLI until the NN NLI portfolio is fully integrated into the NN Schade PIM. This approach was approved by DNB and will be used until the NN NLI portfolio is fully integrated into the NN Schade PIM.

The loss-absorbing capacity of deferred taxes (LACDT) increased in 2023 mainly due to a higher BSCR and Operational Risk.

Main types of risks

The following sections will discuss the main risks associated with NN Schade's business. Each risk type will be analysed through the risk profile, risk mitigation and risk measurement. For Market and Non-market risks, a more detailed quantification of risk exposures is provided.

Market risk

Market risk comprises the risks related to the impact of changes in various financial markets indicators on the balance sheet of NN Schade. Market risks are taken in pursuit of returns for the benefit of customers and shareholders. Accordingly, risk and return considerations and optimisation are paramount for both policyholders and shareholders. In general, market risks are managed through a well-diversified portfolio under a number of relevant policies within clearly defined and monitored limits. NN Schade reduces downside risk through various hedging programmes. In addition to managing market risks, NN Schade integrates Environmental, Social, and Governance (ESG) factors in the investment-decision making framework. Furthermore, the potential impact of climate change on the value of NN Schade's asset investments is currently being assessed, particularly with regard to transitional risk.

In managing our assets, we apply the prudent person principle, which means that we only invest in assets and instruments whose risks we properly identify, measure, monitor, manage, control and report, and take into account in the assessment of our overall solvency needs.

The table below sets out the SCR for Market risks of NN Schade as at 31 December 2023 and 2022, respectively.

Market risk capital requirements

	2023	2022 (restated)
Interest rate risk	76,723	86,958
Equity risk	191,066	179,176
Credit spread risk	235,275	226,452
Real estate risk	134,450	142,306
Foreign exchange risk	25,127	24,468
Inflation risk	12,419	19,067
Basis risk		
Concentration risk		
Diversification market risk	-228,481	-232,462
Market risk	**446,579**	**445,965**

The market risk SCR increased from EUR 446 million in 2022 to EUR 447 million in 2023. The main reasons for the upward movement are the increase of equity risk and credit spread risk. These movements will be discussed further below.

The table below sets out the asset class values of NN Schade as of 31 December 2023 and 2022, respectively. It is important to note that the values in these tables may differ from those included in the IFRS balance sheet due to classification and valuation differences to reflect a risk management view.

Notes to the Annual accounts continued

Investment assets

	Market value 2023	% of total 2023	Market value 2022 (restated)	% of total 2022 (restated)
Fixed income	**6,365,233**	**81%**	**6,339,801**	**83%**
Government bonds and loans	1,000,815	13%	1,230,489	16%
Financial bonds and loans	659,104	8%	728,587	9%
Corporate bonds and loans	2,748,258	35%	2,586,598	34%
Asset Backed Securities	208,182	3%	120,228	2%
Mortgages	1,723,240	22%	1,658,613	22%
Other retail loans	25,634	0%	15,286	0%
Non-fixed income	**1,443,564**	**19%**	**1,322,842**	**17%**
Common & preferred stock[4]	289,204	4%	268,684	3%
Private equity	51,160	1%	58,265	1%
Real estate[1]	790,152	10%	822,965	11%
Mutual funds (money market funds excluded)[2]	313,048	4%	172,928	2%
Money market instruments (money market funds included)[3]	**20,266**	**0%**	**15,323**	**0%**
Total investments	**7,829,063**	**100%**	**7,677,966**	**100%**

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

The total investment assets increased to EUR 7,829 million as at 31 December 2023 from EUR 7,678 million as at 31 December 2022. The significant changes can be traced back to adjustments made to the Strategic Asset Allocation, as well as to fluctuations in both interest rates and market conditions.

Interest rate risk

Interest rate risk refers to the possibility of a decrease in Solvency II Own Funds resulting from unfavourable changes in the level or shape of the risk-free interest rate curve used to discount assets and liabilities cash flows. This risk arises from asset or liability positions that are sensitive to such changes in this risk-free interest rate curve. The PIM SCR does not account for any changes in the value of NN Schade's risk margin that may occur due to interest rate shocks.

Risk profile

As shown in the 'Market risk capital requirements' table, NN Schade's interest rate risk SCR decreased from EUR 87 million in 2022 to EUR 77 million in 2023. Due to the increase in the net open interest rate position.

Risk mitigation

The interest rate position is an indicator of how closely assets and liabilities are aligned . At NN Schade, interest rate risk management is geared towards achieving this alignment by matching asset and best estimate liability cash flows to the greatest extent possible, as outlined in the local interest rate risk policy. To hedge its economic interest rate position, NN Schade invests in bonds that match liability maturities.

Risk measurement

To value EUR-denominated asset cash flows, NN Schade uses market swap curves. For asset cash flows denominated in other currencies, the relevant swap or government curve is used for that specific currency. To discount EUR-denominated liability cash flows, NN Schade uses a swap curve less credit risk adjustment (CRA) plus Volatility Adjustment (VOLA) in accordance with Solvency II guidelines. All of NN Schade's liabilities are denominated in EUR. As per Solvency II regulations, NN Schade extrapolates the EUR swap curve from the 20-year point to the Ultimate Forward Rate (UFR). The sensitivity of the SCR for interest rate risk is primarily influenced by the degree of cash flow matching between assets and liabilities up to the 20-year point, as well as the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows.

Equity risk

Equity risk refers to the possibility of a decrease in the Solvency II Own Funds resulting from unfavourable changes in equity market prices. This risk is associated with assets that are directly or indirectly linked to equity prices, including equity derivatives such as futures and options. Equity investments offer and potential portfolio diversification and up-side returns from a risk-return perspective.

Notes to the Annual accounts continued

Risk profile

The following table sets out the market value of the NN Schade's equity assets as at 31 December 2023 and 2022, respectively.

Equity assets

	2023	2022 (restated)
Common & preferred stock	289,204	268,684
Private equity	51,160	58,265
Mutual funds (money market funds excluded, includes fixed income mutual funds)	313,048	167,139
Total	**653,412**	**494,087**

NN Schade's exposure to equity risk is primarily through public listed equity, but it also invests in private equity funds and equity exposures through mutual funds. Note that mutual funds are categorized as equity in the 'Equity assets' table, but predominantly consist of fixed-income funds.

As shown in the 'Market risk capital requirements' table, NN Schade's equity risk SCR increased from EUR 179 million in 2022 to EUR 191 million in 2023. This increase is mainly driven by higher equity market valuations.

Risk mitigation

Including equity assets in the asset portfolio, an insurance company can offer additional diversification and the potential for higher returns. However, this exposure also carries concentration risk on individual issuers, which is mitigated through relevant investment mandates and strict counterparty limits. There is no natural hedge for equity risk on the liability side of the balance sheet. If deemed necessary, NN Schade may use derivatives to mitigate the downside risk of the equity portfolio.

Credit spread risk

Credit spread risk refers to the possibility of a decrease in the Solvency II Own Funds due to unfavourable changes in the credit spreads of fixed income assets. Credit spread widening (or narrowing) can result from changes in market supply and demand, issuer rating migration, and changes in default expectations. Changes in liquidity and other relevant risk premiums for specific assets can also influence value changes.

In the calculation of the SCR, NN Schade assumes no change to the volatility adjustment on the liability side of the balance sheet following a shock-event. Instead, the illiquidity of liabilities is reflected in the asset shocks to ensure appropriate solvency capital requirements. This approach ensures appropriate risk incentives and is part of the approved NN PIM.

The main asset classes in scope of the credit spread risk module are government and corporate bonds, mortgages and loans.

Risk profile

NN Schade primarily uses government and corporate bonds, as well as mortgages, to match its liabilities. As shown in the 'Market risk capital requirements' table, the credit spread risk SCR of NN Schade increased from EUR 226 million in 2022 to EUR 235 million in 2023. The increase is mainly due to changes in the asset portfolio.

The following table sets out the market value of NN Schade's fixed-income bonds, categorized by type of issuer, that are subject to credit spread risk as at 31 December 2023 and 2022, respectively.

Fixed-income bonds and loans by type of issuer

	Market value		Percentage	
	2023	2022 (restated)	2023	2022 (restated)
Manufacturing	1,101,082	1,011,142	24%	22%
Government Bonds	1,000,815	1,230,489	22%	26%
Finance and Insurance	659,104	728,588	15%	16%
Information	279,712	292,362	6%	6%
Utilities	246,553	206,250	5%	4%
Asset Backed Securities	208,182	120,228	5%	3%
Transportation and Warehousing	154,383	135,621	3%	3%
Construction	147,799	124,440	3%	3%
Real Estate and Rental and Leasing	144,818	168,727	3%	3%
Professional, Scientific, and Technical Services	106,828	89,473	2%	2%
Others	567,083	558,582	12%	12%
Total	**4,616,359**	**4,665,902**	**100%**	**100%**

Notes to the Annual accounts continued

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

Market value government bond and loans exposures (2023)

		Market value of government bond and loans in 2023 by number of years to maturity[2]								
	Rating[1]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2023
France	AA	8,997	10,183	2,142	13,199	17,497	106,652	48,621	17,699	224,990
Multilateral[3]	AAA	2,663	743	671	10,362	24,662	51,913	34,745		125,759
Spain	A-	58,493			13,688	18,747	14,722	1,860		107,510
Belgium	AA-	978		1,905	2,486	222	68,433	16,572	1,793	92,389
Italy	BBB	3,977			5,726	7,287	71,232	2,363		90,585
Ireland	AA-		411				31,017	56,336		87,764
Germany	AAA	575		1,026	4,869	19,897	14,405	23,619		64,391
Netherlands	AAA		4,122		34,074	5,676	19,131			63,003
Finland	AA+	3,977	692				28,751			33,420
Slovakia	A	5,002	10,744			12,920	434			29,100
Others		8,633	6,716	9,785	11,089		34,529	11,153		81,906
Total		**93,296**	**33,611**	**15,528**	**95,492**	**106,908**	**441,219**	**195,270**	**19,492**	**1,000,816**

1. NN Schade uses the second best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2. Based on legal maturity date.
3. Includes EIB, ECB, EFSF, EU and ESM.

Market value government bond and loans exposures (2022)

		Market value of government bond and loans in 2022 by number of years to maturity[2]								
	Rating[1]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2022
France	AA	1,310	10,873	11,823	15,010	46,693	50,440	55,361	16,778	208,288
Germany	AAA	23,844	597		45,054	46,118	16,308	22,815		154,736
Multilateral[3]	AAA		2,606	732	9,899	38,875	60,308	14,790		127,210
Austria	AA+		479		102,548		9,253	10,506		122,786
Netherlands	AAA	26,935		6,905		54,068	32,464	1,988		122,360
Spain	A-		18,502	2,927	6,338	58,284	15,963	1,768		103,782
Italy	BBB	13,762	4,030	1,145	2,469	5,619	69,169	2,173		98,367
Belgium	AA-	2,696	961		8,315	2,696	44,887	22,636	1,726	83,917
Ireland	AA-					22,408		51,209		73,617
Portugal	BBB+		562	4,495	33,066	17,156				55,279
Others		11,294	12,609	19,807	18,123	12,698	5,616			80,147
Total		**79,841**	**51,219**	**47,834**	**240,822**	**304,615**	**304,408**	**183,246**	**18,504**	**1,230,489**

1. NN Schade uses the second best rating across Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2. Based on legal maturity date.
3. Includes EIB, ECB, EFSF, EU and ESM.

As of 2023, the top three exposures of NN Schade's sovereign debt exposure are to French, Multilateral, and Spain government bonds, which account for 46% of the total. Out of the EUR 954 million in government bonds held by NN Schade, 66% will mature after 10 years and 21% after 20 years. These long-term government bonds are sensitive to sovereign credit spread movements in relation to EUR swap rates. All government bonds, even those with an AAA rating, contribute to credit spread risk in the PIM.

The table below sets out the market value of NN Schade's non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity.

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

	Market value of non-government bond securities in 2023 by number of years to maturity								
	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2023
AAA	30,013	11,889	24,718	45,600	117,364	116,292	18,281	69,021	433,178
AA	18,592	18,776	16,898	95,155	68,287	55,124	497		273,329
A	82,606	76,540	172,780	322,921	579,891	112,550	17,001	7,275	1,371,564
BBB	127,435	61,787	157,594	280,848	573,869	101,795	35,650	1,794	1,340,772
BB	24,916	2,381	16,631	14,501	9,886	4,327	1,194		73,836
D	599	408	3,165	5,233	5,836				15,241
No rating available	94,710	1,889	1,760	5,984	2,818	465			107,626
Total	**378,871**	**173,670**	**393,546**	**770,242**	**1,357,951**	**390,553**	**72,623**	**78,091**	**3,615,547**

Notes to the Annual accounts continued

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

	Market value of non-government bond securities in 2022 by number of years to maturity								
	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2022
AAA	44,033	29,839	11,613	57,944	105,909	92,440	24,759	11,733	378,270
AA	39,997	18,289	18,310	66,315	59,384	47,413	7,722	450	257,880
A	78,215	91,996	109,539	327,524	572,715	110,491	11,592	6,970	1,309,042
BBB	71,467	154,734	94,194	302,026	560,973	103,326	48,484	1,747	1,336,951
BB	9,047	4,150	3,152	1,286			4,094		21,729
D				160					160
No rating available	130,744	637							131,381
Total	**373,503**	**299,645**	**236,808**	**755,255**	**1,298,981**	**353,670**	**96,651**	**20,900**	**3,435,413**

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

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

	Fair value	
	2023	2022 (restated)
AAA	685,272	789,889
AA	738,517	759,924
A	1,546,985	1,454,682
BBB	1,448,884	1,507,454
BB	73,836	22,038
B and lower	16,848	534
No rating available	14,158	637
Mortgages[1]	1,723,240	1,658,613
Other Retail Loans	25,634	146,030
Total	**6,273,374**	**6,339,801**

1. Mortgages refer to all mortgages using the same criteria and is aligned with the Mortgages figure in the 'Investment assets' table.

Mortgages

The credit spread risk module in the PIM is used to calculate the required capital for mortgages. This module captures the effect of changes in market mortgage rates behaviour on the valuation of mortgages and their impact on Own Funds.

The average Loan-to-Value (LTV) for residential mortgages, which is based on the net average loan to property indexed value, decreased from 62% at end of 2022 to 59% at the end of 2023. The shift towards higher LTV buckets is due a -4.6% decline in house prices in 2023.

The inherent credit risk of mortgages is primarily backed by the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers such as savings, investments and life insurance policies. Mortgages with NHG accounted for 17% of the mortgage portfolio at the end of 2023. Since the change in the Dutch tax regime in 2014 with regards to mortgage interest deductibility, a shift from interest-only mortgages to annuity and linear payment type mortgages is being observed.

Loan-to-Value on mortgage loans[1]

	2023	2022 (restated)
NHG	17%	17%
LTV ≤80%	70%	73%
LTV 80% - 90%	9%	7%
LTV 90% - 100%	3%	2%
LTV >100%	1%	1%
Total	**100%**	**100%**

1. Risk figures and parameters do not include third party originated mortgages, securitised mortgages and pooled mortgages even though they appear on the balance sheet of NN Schade's balance sheet.

The mortgage portfolio is under regular review to ensure troubled assets are identified early and managed properly. The loan is categorised as a non-performing loan (NPL) if the loan payment is 90 days past due or the loan is classified as Unlikely To Pay (UTP) by the problem loans department. A loan is re-categorised as a performing loan again when the amount past due has been paid in full (and the UTP status is withdrawn). The mortgage portfolio has decreased in value over 2023.

Notes to the Annual accounts continued

Credit quality: NN Schade mortgage portfolio, outstanding[1]

	2023	2022 (restated)
Performing mortgage loans that are not past due	1,990,617	2,034,440
Performing mortgage loans that are past due	11,131	5,545
Non-performing mortgage loans[2]	5,956	6,127
Total	**2,007,704**	**2,046,112**
Provisions for performing mortgage loans	167	147
Provisions for non-performing mortgage loans	55	101
Total	**222**	**248**

1. Risk figures and parameters do not include third party originated mortgages, securitised and pooled mortgages although they are on the balance sheet of NN Schade.
2. The non-performing loans include 'unlikely to pay' mortgage loans, which may not be past due.

Collateral on mortgage loans

	2023	2022 (restated)
Carrying value	2,007,704	2,046,112
Indexed collateral value of real estate	3,748,693	3,955,922
Savings held[1]	3,922	3,599
NHG guarantee value[2]	330,805	349,894
Total cover value including NHG guarantee capped at carrying value[3]	2,006,553	2,045,598
Net exposure	**1,151**	**514**

1. Savings held includes life policies and investment policies.
2. The NHG guarantee value follows an annuity scheme and is not corrected for the 10% own risk (on the guaranteed NHG claim).
3. The cover value of the real estate does not include haircuts, which are applied in the determination of loan loss provisions.

Risk mitigation
NN Schade strives to keep its fixed income portfolio low-risk and well diversified. To achieve this, NN Schade invests in high-quality investment grade securities and avoids large risk concentrations. NN Schade manages concentration risk by imposing rating-based issuer limits on individual issuers or groups of related issuers, effectively managing the default risk of the issuers.

Real estate risk
Real estate risk refers to the possibility of a decrease in the Solvency II Own Funds resulting from unfavourable changes in the level of real estate returns related to rental prices, required investor yield, and/or other factors. Exposure to real estate risk arises from direct or indirect asset positions that are sensitive to real estate returns.

Risk profile
NN Schade's investment in real estate is only indirect, through its stakes in REI Investment I B.V. and REI Diaphane Fund FGR.

A decrease in real estate prices could lead to a reduction in the value of NN Schade's invested capital, exposing the company to real estate price shocks. NN Schade's real estate portfolio is intended for long-term investment and is illiquid.

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

Real estate assets by region

	2023	2022 (restated)
Western Europe	47%	51%
Southern Europe	22%	21%
UK and Ireland	13%	13%
Nordics	12%	10%
Central and Eastern Europe	6%	5%
Other	0%	0%
Total	**100%**	**100%**

As shown in the 'Market risk capital requirements' table, NN Schade's real estate risk SCR has decreased slightly from EUR 142 million in 2022 to EUR 134 million in 2023, primarily due to developments in the real estate market, particularly revaluations of real estate objects.

Risk mitigation
The real estate exposure provides in NN Schade's asset portfolio offers additional diversification. The company mitigates concentration risk on individual issuers through relevant investment mandates. Additionally, The real estate portfolio is well diversified across European countries and sectors.

Foreign exchange risk
Foreign exchange (FX) risk refers to the potential losses that may occur due to fluctuations in currency exchange rates.

Risk profile

NN Schade may be exposed to FX transaction risk when its assets and/or liabilities are denominated in a currency other than the euro. The SCR for foreign exchange risk has increased by EUR 1 million to reach EUR 25 million in 2023.

Risk mitigation

The mitigate currency risk associated with USD-denominated corporate bonds, NN Schade hedges its exposure with rolling FX forwards and cross-currency interest rate swaps. For reporting purposes, the company applies hedge accounting to these instruments.

Inflation risk

Inflation risk refers to the possibility of a decrease in the Solvency II own funds resulting from unfavourable changes in inflation.

Risk profile

NN Schade's SCR for inflation risk has decreased from EUR 19 million in 2022 to EUR 12 million in 2023, mainly driven by TVOG updates, where double counting of the TVOG for the inflation option of Individual Income Products was removed.

Risk mitigation

The inflation risk is managed by utilizing inflation-linked swaps and investments in inflation-linked bonds.

Counterparty default risk

Counterparty default risk is the potential loss that may occur due to a default or deterioration in the credit standing of NN Schade's counterparties and debtors, including reinsurers. The SCR for counterparty default risk is calculated based on the issuer's probability of default (PD) and the loss-given-default (LGD) of each individual position, taking into account diversification across these positions.

The counterparty default risk module also covers any credit risk exposures that are not included in the spread risk sub-module.

Risk profile

As shown in the 'Solvency II Capital Requirements' table, NN Schade's SCR for counterparty default risk has slightly decreased from EUR 16 million in 2022 to EUR 13 million in 2023. This decrease is mainly due to a decrease in Type 1 exposures.

Risk mitigation

NN Schade employs various credit risk mitigation techniques to manage its exposure to counterparty default risk. One example of risk mitigation is the exchange of collateral for over the counter derivatives under the International Swaps and Derivatives Associations master agreements, accompanied with Credit Support Annexes. The company also uses reinsurance collateral exchange as another form of credit risk mitigation. For cash and money market funds, NN Schade sets limits per counterparty. Additionally, the company mitigates reinsurance risk by carefully selecting its counterparties.

Risk measurement

The Counterparty Default Risk (CPD) module of NN Schade comprises two sub-modules:

- **CPD Type I**: applicable to exposures that may not be diversified and where the counterparty is likely to be (externally) rated, such as reinsurance contracts, derivatives and money market exposures. The Ter Berg model (also the basis for Standard Formula under Solvency II) is used as the underlying model CPD type I
- **CPD Type II**: applicable to exposures that are usually (well) diversified and where the counterparty is likely to be unrated, such as retail loans, as well as other forms of term lending not covered in Type I. The underlying model for CPD type II is based on the Basel regulatory model

The capital charges for CPD Type I and CPD Type II exposures are calculated separately and subsequently aggregated.

Liquidity risk

Liquidity risk is the potential risk that NN Schade may not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context refers to the availability of funds or the certainty that funds will be available without significant losses to fulfil all commitments when due. NN Schade manages liquidity risk by having a liquidity risk framework in place that ensures that the company can meet immediate obligations even after a shock. Liquidity stress events can be caused by either a market-wide event or an idiosyncratic event specific to NN Schade. These events can be short-term or long-term and can occur on a local, regional or global scale, affecting both cashflows related to assets and liabilities.

Risk profile

Liquidity risk is divided into three areas of attention: operational liquidity risk, market liquidity risk, and funding risk. Operational liquidity risk refers to the risk that funds are unavailable to meet financial obligations when they are due. Market liquidity risk is the risk that an asset cannot be sold on short-term basis without significant losses. Funding risk is the risk related to not being able to refinance maturing debt instruments, which may lead to higher funding costs. The connection between market and operational liquidity risk arises when payments are due, but there is insufficient cash available, and investment positions must be converted into cash. If market liquidity is low or there is an adverse market movement in this situation, it could result in a loss.

In 2023, NN Schade's liquidity risk has increased due to the rise in interest rates, which has resulted in additional collateral requirements on the company's interest rate derivatives portfolio. As a result, if there is a significant increase in interest rates, NN Schade is exposed to the risk of having to sell assets that contribute to capital generation or to the hedging of liability cash flows. However, NN Schade has a robust liquidity risk management framework in place to manage this risk. The company maintains a minimum buffer of immediately available liquidity in the form of cash and committed facilities. Additionally, repurchase agreements (repos) can further support the liquidity position if needed.

A liquidity event on the liability side, such as increased lapses or claims, can result in a liquidity outflow that may affect NN Schade's overall liquidity position. This outflow typically occurs over a period of time. However, NN Schade's liquidity metrics demonstrate that the company has sufficient cash and unencumbered liquid assets that can be liquidated to meet stressed liquidity needs from liabilities in a combined market and liability stress scenario. In the case of a lapse event, selling liquid assets is considered to be a logical consequence since it reduces the balance sheet.

Risk mitigation
NN Schade has the objective of matching day-to-day cash inflows- and outflows while also maintaining sufficient cash reserves in case of a liquidity stress event.

NN Schade has defined three levels of Liquidity Management to achieve this objective:

- Short-term liquidity management, which includes operational liquidity management, covers the day-to-day cash requirements under normal business conditions
- Long-term liquidity management considers business conditions in which market liquidity risk materialises
- Stress liquidity management looks at the company's ability to respond to a potential crisis situation

Risk measurement
The Liquidity Risk Management Standard is used to measures liquidity risk at NN Schade by calculating the gap between liquidity needs and liquidity sources compared to available liquid assets for sale. This is calculated for different time horizons and different levels of availability of liquidity sources. The company monitors its liquidity position on a regular basis using this standard. However, it is important to note that liquidity risk is not part of NN Schade's PIM.

Non-market risk
Within the SCR PIM non-market risks are split between insurance risks and business risks:

- Insurance risks refer to the risk related to events insured by NN Schade and comprise actuarial and underwriting risks in Health and Non-life insurance. These risk results from the pricing and underwriting of insurance contracts and include mortality, morbidity, and property & casualty risks.
- Business risks refer to the risk related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes policyholder behaviour risks, expense risk, persistency risk, and premium re-rating risk. These risks can arise due to internal, industry, regulatory/political, or wider market factors. Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Schade. Depending on the terms and conditions of the insurance policy and the laws and regulations applicable to the policy, policyholders could have the option to terminate or extend their contracts. Policyholder behaviour can, therefore, affect the profitability of the insurance contracts. Changes in tax laws and regulations can also affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers.

Risk profile
The table below presents the non-market risk SCR composition as at 31 December 2023 and 2022, respectively. The main changes in the risk profile are discussed further below.

Non-market risk capital requirements

	2023	2022 (restated)
Insurance risk	1,296,630	1,286,084
Business risk	510,067	503,676
Diversification non-market risk	-348,880	-371,577
Non-market risk	**1,457,817**	**1,418,183**

The increase in non-market risks at NN Schade is mainly due to the Major Model Change for the Group Income portfolio. The diversification benefits decreased due to the update of the non-market risk correlation matrix.

Risk mitigation
At NN Schade, proper pricing, underwriting, claims management, and diversification are the main risk mitigating actions for both insurance and business risks.

The company expands insurance liabilities to cover multiple geographies, product benefits, and lengths of contract to reduce the likelihood that a single risk event will have a material impact on the financial condition of NN Schade.

Management of insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Schade underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through underwriting standards, product design requirements, and product approval and review processes, as referred to under Risk Management Policies, Standards and Processes.

Insurance risks are diversified between business lines and product groups. Risk not sufficiently mitigated by diversification is managed through concentration and exposure limits and through reinsurance. Retention limits for non-life insurance risks are set by line of business for catastrophic events and individual risk.

Insurance risk

Insurance risk refers to the risk that NN Schade may not be able to cover future insurance claims and other contractual benefits cannot using premiums, policy fees, and/or investment income or that insurance liabilities are not sufficient to cover claims and benefits because they differ from the assumptions used in determining the best estimate liability.

Risk profile

The table below presents the PIM insurance risk SCR for NN Schade as at 31 December 2023 and 2022, respectively.

Insurance risk capital requirements

	2023	2022 (restated)
Mortality (including longevity) risk	27,974	27,070
Morbidity risk	924,010	858,710
Property & Casualty risk	777,693	836,117
Diversification insurance risk	-433,047	-435,813
Insurance risk	**1,296,630**	**1,286,084**

The SCR for insurance risk at NN Schade is mainly driven by two types of risk: Morbidity risk and Property & Casualty (P&C) risk.

Morbidity risk arises from health insurance products that cover certain illness or disability events and pay out a fixed amount or reimburses losses, such as loss of income. NN Schade's P&C products cover risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third-party liabilities.

Risk mitigation

At NN Schade, we manage weather-related risks within our non-life business through the use of catastrophe risk modelling for underwriting and risk assessment. To estimate the impact and losses caused by large natural catastrophes such as windstorms, we rely on external vendor models. Windstorms are considered to be the main natural peril for our portfolio. To manage these risks, reinsurance covers are placed with strongly capitalised external reinsurers.

Climate change can exacerbate natural catastrophic losses. Therefore, despite the annually renewable nature of most of our non-life business, we recognize the importance of monitoring and understanding linkages between natural disasters and climate change to accurately price our business. At NN Schade, we work closely with our external vendors and participates in industry initiatives to improve our knowledge, data and models. This allows us to better prepare for changing weather patterns and manage risks effectively.

To manage risk that is not sufficiently mitigated by diversification, NN Schade takes several risk mitigating actions. Concentration and exposure limits are set, and reinsurance is purchased to cover natural catastrophic events, which are a major risk to the company. The main natural catastrophe that threatens the Netherlands is storms causing severe wind damage. NN Schade has purchased a reinsurance contract that offers protection against severe storms and other natural perils.

Additionally, NN Schade has reinsurance contracts in place per risk group to cover against large one- off events such as fires. To mitigate the risk from terrorism, NN Schade participates in the Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. (NHT). Due to the geographic concentration of insurance risks, terrorist attacks can potentially have a major impact on the operating result of NN Schade. However, by taking part in the NHT, NN Schade has limited its exposure to the risk of terrorism to a significant degree. Any claims due to terrorism are first covered by the insurance industry as a whole through the NHT reinsurance pool. It is worth noting that the NHT reinsurance pool may prove insufficient due to the unpredictable nature of targeted terrorist attacks.

NN Schade manages credit risk associated with reinsurance risk in accordance with our reinsurance policy.

Risk measurement

At NN Schade, insurance risks are primarily driven by morbidity risk and P&C risk. The Major Model Change for the Group Income portfolio has led to an increase in morbidity risk. . The P&C risk has remained stable due to offsetting impact from model and assumption changes, as well as changes is the reinsurance program. The impact of these developments has been partially offset by the second-order interest rate developments in 2023. Overall, the total insurance risk SCR has increased from EUR 1,286 million at 31 December 2022 to EUR 1,296 million at 31 December 2023.

Business risk

Business risks at NN Schade include risks related to the management and development of the insurance portfolio risk, policyholder behaviour risk, persistency risk and expense risks. These risks arise due to internal, industry, regulatory/political or wider market factors.

Risk profile

The table below presents the business risk SCR for NN Schade as at 31 December 2023 and 2022, respectively.

Business risk capital requirements

	2023	2022 (restated)
Persistency risk	414,658	480,924
Expense risk	202,174	78,255
Diversification business risk	-106,765	-55,503
Business risk	**510,067**	**503,676**

The total administrative expenses for NN Schade in 2023 amounted to EUR 343 million (2022: EUR 331 million). While some of these expenses are variable and depend on the size of the business and sales volumes, others are fixed and cannot be adjusted immediately to reflect changes in business size.

Expense risk primarily relates to the fixed expenses of NN Schade, and is the risk that future actual expenses per policy will exceed the expenses assumed per policy. Persistency risk, on the other hand, refers to the potential loss in future profits and delay in expense reduction resulting from the lapse behaviour of in-force policies.

In 2023, business risk increased from EUR 504 million in 2022 to EUR 510 million, primarily due to a decrease in persistency risk resulting from a persistency risk model change. Expense risk increased mainly due to the introduction of a new sub-risk as a result of the Group income model change.

Risk mitigation

To manage policyholder behaviour risks, such as persistency and premium risks, NN Schade follows product development, product approval, and review processes. Appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product, and the policyholder behaviour experience of in-force policies is assessed at least annually.

NN Schade has implemented several programs to improve customer experience and ensure that products match customer needs and the benefits and options provided by NN Schade’s products. As our understanding and anticipation of policyholder behaviour improves over time, the risk of a mismatch between actual and assumed policyholder behaviour will decrease.

NN Schade has ongoing initiatives to manage expense risk. These initiatives aim to variabalise expenses to the underlying contracts in place.

5. Non-financial risks

- **Business Operating Risk**: Non-financial risks related to inadequate or failed business processes (internally, or externally performed by business partners)
- **Business Continuity Risk:** Non-financial risks of accidents or external events impacting continuation or security of (people or assets in) our business operations
- **Business Technology Risk**: Non-financial risks related to inadequate or failed information technology (systems)
- **Business Conduct Risk**: Non-financial risks related to unethical or irresponsible behaviour when doing or representing the business (red lines)
- **People Conduct Risk**: Non-financial risks related to the attitude and (perceived) behaviour of our workforce
- **Product Suitability Risk:** Product related risks from a client perspective

Business Operating, Continuity and Technology risk

Risk profile

Business Operating, Continuity and Technology risks are non-financial risks that include direct or indirect losses resulting from inadequate or failed processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.

The Business Operating Risk Management areas are:

NN Schade faces several operational risks, including the risk of not detecting adverse deviations from strategy, policies, procedures, work instructions or authorized activities (Operational Control Risk), the risk of not detecting Business Partners deviating from strategy, behaviour, or performance as stipulated in contracts/agreements (Business Partner Control Risk), the risk of human errors during transaction processing (Operational Execution Risk), the risk of human errors during processing of source data into information for regulatory and strategic management reporting (Reporting Risk), the risk that actual results of business projects differ adversely from envisaged results (Operational Change Risk), the risk of damage to NN's brand and reputation, legal or regulatory sanctions or liability resulting from agreements, claims, or disclosures (Legal Risk), and the risk of intended acts by a Business Partner or customer to defraud, misappropriate property or circumvent the law, directly leading to costs for NN (External Fraud Risk).

The Business Continuity and Business Technology Risk Management areas are:

NN Schade faces several risks related to continuity, personal and physical security, IT, and technology innovation. Continuity risk involves accidents or external events that may impact the continuation of outsourced business operations. Personal and physical security risk involves criminal acts or environmental threats that may endanger employees' safety, assets, or offices. IT risk involves the risk of data corruption, misuse, or unavailability in outsourced IT systems due to external causes such as cybercrime or internal causes. Technology innovation risk involves the risk of adopting new technologies without being sufficiently aware or in control of potential negative consequences for NN's clients or reputation.

Risk mitigation

NN Schade conducts non-financial risk assessments based on historical and forward-looking data to capture future risks. Mitigating measures are implemented and monitored to reduce residual risk to an acceptable level. Risk mitigation actions can be preventive in nature or implemented upon discovery of a risk. Business Operating, Continuity, and Technology Risks are mitigated through controls, specific policies and standards, and appropriate outsourcing agreements. NN Schade regularly monitors risks and controls to measure their effectiveness and ensure they are within risk appetite and policy requirements. Process owners are responsible for executing controls and assessing their adequacy. The Director of Strategy, Data, IT & Pricing oversees Business Continuity Management, Cyber Risk Management, and Business Information Security, while the CIO adopts the Standard of Good Practice of the Information Security Forum to manage IT, cyber, and cloud risks. The Enterprise Security & Compliance function leads efforts to enhance information security, collaborates with NN Schade's Security Officer, and provides education and awareness-raising to all levels of the organization.

NN Schade undertakes several regular activities to manage IT risk, including performing regular risk assessments on critical business environments, applications, and supporting systems/networks, and testing security measures. User identification and access management are in place, based on defined authorization matrices and enforcing segregation of duties, and password parameters are system-enforced with multi-factor authentication on critical applications. Anti-malware and anti-virus tooling, file integrity checking, effective security logging and monitoring, and a security incident process are also implemented. Networks are protected by intrusion detection and prevention systems, with authorized devices and software being granted access. Data is classified based on relevance and confidentiality and secured and encrypted according to required security standards. A change management process exists for relevant systems and infrastructure, including impact analyses, testing, fallback scenarios, and post-implementation review.

Information Risk Management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness of risks and controls of NN Schade.

Risk measurement

NN Schade’s SCR for operational risk increased slightly from EUR 113 million in 2022 to EUR 115 million in 2023. The SCR is calculated based on the Standard Formula for Solvency II. As it is additive to the modelled SCR, it should be considered as net of diversification with other NN Schade risks. Business conduct risk is considered to be part of the Operational Risk SCR and is therefore not specifically calculated.

Business Conduct, People Conduct and Product Suitability Risk

Risk profile

NN Schade is committed to help our customers care for what matters most to them. To fulfil this purpose, we base our work on three core values: care, clear, commit. Our values set the standard for conduct and provide a compass for decision making. Further, NN Schade is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates. All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for ensuring such compliance. Compliance is therefore an essential ingredient of good corporate governance. NN Schade continuously enhances its business conduct risk management programme to ensure that NN Schade complies with international standards and laws.

Risk mitigation

In addition to effective reporting systems, NN Schade has also a whistle blower policy and procedure which protects and encourages staff to ‘speak up’ if they know of or suspect a breach of external regulations, internal policies or our values. NN Schade also has policies and procedures regarding anti-money laundering, anti-terrorist financing, sanctions, anti-bribery and corruption, product suitability, conflicts of interest and confidential and inside information, as well as a Code of Conduct for its personnel. Furthermore, NN Schade designates specific countries as ‘ultra-high risk’ and prohibits client engagements and transactions (including payments of facilitation) involving those countries.

NN Schade performs a Product Approval and Review Process (PARP) for its products and continuously invests in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception of acceptable market practices by both the public at large and governmental authorities might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations, and regulatory activity. The Compliance Function and the business work closely together with the aim to anticipate changing customers’ needs.

37 Capital and liquidity management

Objectives, policies and processes

Objective

The goal of NN Schade's Capital and liquidity management is to adequately capitalise NN Schade at all times to meet the interests of our stakeholders, including our customers and shareholder. The balance sheet is assessed in line with our capital and liquidity management framework which is based on regulatory, economic and rating agency requirements. NN Schade closely monitors and manages the following metrics: Own Funds/Solvency Capital Requirement (SCR), capital generation and liquidity.

Governance

The NN Schade Balance Sheet Management Department reports to the CFO of NN Schade. Activities of the department are executed on the basis of established policies, guidelines and procedures.

Balance Sheet Management is responsible for the sufficient capitalisation of NN Schade, which involves the management, planning and allocation of capital within NN Non-life.

Capital and liquidity management and framework

Capital and liquidity management takes place within the framework set by the NN Group Management Board for its subsidiaries on the basis of policy documents, guidelines and procedures. The main document providing guidance for the capital and liquidity management is NN Schade's Capital Policy.

Capital adequacy is ensured through the capital planning process which starts with the annual budgeting process in which a capital plan is prepared for NN Schade. Risk limits drive the target setting and are the basis of this plan. NN Group's Capital and Liquidity Management department closely monitors the capitalisation of its subsidiaries, including NN Schade. If necessary, measures are taken to ensure capital adequacy. Capital and liquidity management transactions are executed at NN Group level. The CFO of NN Schade is primarily responsible for the solvency of NN Schade and manages its solvency on a regulatory basis.

Main events 2023

Significant events of 2023

- In June 2023 NN Schade paid EUR 84 million dividend.
- On 30 June 2023, NN Schade entered into a legal merger with NN NLI.
- On 1 July 2023, the legal merger between NN Schade and NN NLI became effective. As a result of this legal merger, NN NLI ceased to exist as a separate legal entity and NN Schade acquired all assets and liabilities of NN NLI under universal title of succession.
- In September 2023 NN Schade paid EUR 100 million dividend.
- In December 2023 Group Income Major Model Change is reflected in OF and SCR.
- In December 2023 NN Schade paid EUR 100 million dividend.

For more information regarding the legal merger reference is made to Note 32 'Companies and businesses acquired and divested'

Solvency II

Solvency II is the regulatory framework for (re-)insurance undertakings and groups domiciled in the EU.

Under the Solvency II regime, required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon. Available capital (Own Funds) is determined as the excess of assets over liabilities, both based on economic valuations, plus qualifying subordinated debt. The EU Solvency II directive requires that (re-)insurance undertakings and groups hold sufficient Eligible Own Funds to cover the Solvency Capital Requirement.

NN Schade uses PIM to calculate capital requirements under Solvency II. The group capital model is named as such due to the fact that an Internal Model is used to calculate most capital requirements, while the Standard Formula is used to calculate capital requirements for operational risk.

Notes to the Annual accounts continued

Eligible Own Funds and Solvency Capital Requirement

In EUR thousand	2023	2022 (Restated)
IFRS Shareholder's Equity	1,584,376	1,658,408
Elimination of deferred acquisition costs and other intangible assets	-66,998	-68,277
Valuation differences on assets	-57,365	-25,323
Valuation differences on subordinated loan, liabilities and insurance and investment contracts	249,314	103,892
Deferred tax effects on valuation differences	-32,250	-2,626
Excess of assets over liabilities	**1,677,077**	**1,666,074**
Undated subordinated loan	131,962	129,916
Subordinated debt	146,875	144,580
Foreseeable dividends and distributions	-3,790	-3,796
Basic Own Funds	**1,952,124**	**1,936,774**
Non-available Own Funds		
Non-eligible Own Funds		
Eligible Own Funds to cover Solvency Capital Requirements (a)	**1,952,124**	**1,936,774**
of which Tier 1 unrestricted	1,673,287	1,662,278
of which Tier 1 Restricted	131,962	129,916
of which Tier 2	146,875	144,580
of which Tier 3		
Solvency Capital Requirements (b)	**1,356,309**	**1,282,868**
Solvency II ratio (a/b)[1]	**144%**	**151%**

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

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment.

The comparative figures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 ‘Companies and businesses acquired and divested’.

Further details on the NN Schade capital requirements at 31 December 2023 are provided in Note 36 ‘Risk Management’.

NN Schade’s Solvency II ratio decreased to 144% at the end of 2023 from 151% at the end of 2022 (restated), mainly due to an increase in the SCR partly offset by increase in Eligible Own Funds.

Eligible Own Funds increased by EUR 15 million from EUR 1,937 million at 31 December 2022 (restated) to EUR 1,952 million at 31 December 2023 mainly due to New Business Contribution and Expected return and model changes. Favourable results were partly offset by economic impacts, assumption changes and dividend payments.

Solvency Capital Requirement increased by EUR 73 million, from EUR 1,283 million at 31 December 2022 (restated) to EUR 1,356 million at 31 December 2023, mainly due to Group income Major Model Change partly offset by the diversification benefit from the merger with NN NLI.

Structure, amount and quality of own funds

Eligible Own Funds

All NN Schade Own Funds are classified as Tier 1.

As at 31 December 2023 NN Schade had no ancillary Own Funds (31 December 2022: nil).

There are a number of regulatory restrictions on the amounts classified as Restricted Tier 1, Tier 2 and Tier 3 capital. The following restrictions have to be taken into account:

- Restricted Tier 1 capital cannot exceed 20% of the total Tier 1 amount
- Tier 2 and Tier 3 capital together cannot exceed 50% of the Solvency Capital Requirements
- Tier 3 capital cannot exceed 15% of the Solvency Capital Requirements.
- The proportion of Tier 1 items in the Eligible Own Funds should be higher than one third of the total amount of Eligible Own Funds
- Tier 3 capital cannot exceed one third of the total amount of Eligible Own Funds

The application of the regulatory restrictions as at 31 December 2023 is reflected in the table below.

Eligible Own Funds to cover the Solvency Capital Requirements

	Available Own Funds	Eligibility restriction	Non-eligible Own Funds	Eligible Own Funds
Tier 1	**1,805,249**			**1,805,249**
Of which:				
- Unrestricted Tier 1	1,673,287			1,673,287
- Restricted Tier 1	131,962	Less than 20% Tier 1		131,962
Tier 2 + Tier 3	146,875	Less than 50% SCR		146,875
Tier 2	146,875			146,875
Tier 3	0	Less than 15% SCR		0
Total Own Funds	**1,952,124**			**1,952,124**

38 Other IFRS 9 and IFRS 17 transition disclosures

Other IFRS 9 and IFRS 17 transition disclosures are adjusted in relation to the legal merger of NN Schade and NN NLI. For more information regarding the legal merger reference is made to Note 32 'Companies and businesses acquired and divested'.

Reconciliation balance sheet 31 December 2022

Balance sheet item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated balance sheet item - with IFRS 9 and IFRS 17
Cash and cash equivalents	13,138		13,138	Cash and cash equivalents
Available-for-sale investments	5,234,657	1,979,728	7,214,385	Investments at fair value through other comprehensive income (FVTOCI)
Loans	2,449,001	-2,449,001		Investments at cost
Financial assets designated at fair value through profit or loss		113,576	113,576	Investments at fair value through profit or loss
Subsidiaries and associates	54,778		54,778	Investments in subsidiaries and associates
Reinsurance contracts	354,138	-59,213	294,925	Reinsurance contracts
Non-trading derivatives	216,542		216,542	Derivatives
Property and equipment	8,262		8,262	Property and equipment
Intangible assets	93,733	-84,643	9,090	Intangible assets
Deferred acquisition costs	63,731	-63,731		
Deferred tax assets	127,130	-127,130		Deferred tax assets
Other assets	649,005	-139,660	509,345	Other assets
Total assets	**9,264,115**	**-830,074**	**8,434,041**	**Total assets**
Insurance	7,266,241	-1,401,792	5,864,449	Insurance contracts
Subordinated debt	159,002		159,002	Subordinated debt
Non-trading derivatives	326,838		326,838	Derivatives
Deferred tax liabilities		126,553	126,553	Deferred tax liabilities
Other liabilities	453,020	-284,229	168,791	Other liabilities
Total liabilities	**8,205,101**	**-1,559,468**	**6,645,633**	**Total liabilities**
Total equity	**1,059,014**	**729,394**	**1,788,408**	**Total equity**

Notes to the Annual accounts continued

Reconciliation of profit and loss account 2022

Main profit and loss accounts item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated profit and loss account item - with IFRS 9 and IFRS 17
Total income	3,622,406	-111,629	3,510,777	Insurance income
Total expenses	3,449,389	-267,658	3,181,731	Insurance expense
		677	677	Insurance and reinsurance result
		62,434	62,434	Net investment result
		-146,253	-146,253	Other result
Result before tax	**173,017**	**72,887**	**245,904**	**Result before tax**
Taxation	33,005	18,738	51,743	Taxation
Net result	**140,012**	**54,149**	**194,161**	**Net result**

The line items as included above represent the line items in the statement of profit and loss for which it was practicable to make a reconciliation between amounts as published and the restated amounts after implementation of IFRS 9 and IFRS 17.

Reconciliation of statement of comprehensive income 2022

Comprehensive income item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated Comprehensive income item - with IFRS 9 and IFRS 17
Net result	140,012	54,149	194,161	Net result
-		716,669	716,669	– finance result on (re)insurance contracts recognised in OCI
– unrealised revaluations available-for-sale investments and other	-673,556	-220,562	-894,118	– revaluations on Investments at fair value through OCI
– realised gains/losses transferred to the profit and loss account	-2,935	15,141	12,206	– realised gains/losses transferred to the profit and loss account
– changes in cash flow hedge reserve	-455	-1	-456	– changes in cash flow hedge reserve
– deferred interest credited to policyholders	-2,062	2,062		
– exchange rate differences	2,500	-5,692	-3,192	– foreign currency exchange differences
Items that may be reclassified subsequently to the profit and loss account:	**-676,508**	**507,617**	**-168,891**	**Items that may be reclassified subsequently to the profit and loss account:**
-		-100,161	-100,161	– revaluations on equity securities at fair value through OCI
Items that will not be reclassified to the profit and loss account:		**-100,161**	**-100,161**	**Items that will not be reclassified to the profit and loss account:**
Total other comprehensive income	**-676,508**	**407,456**	**-269,052**	**Total other comprehensive income**
Total comprehensive income	**-536,496**	**461,605**	**-74,891**	**Total comprehensive income**
Comprehensive income attributable to:				**Comprehensive income attributable to:**
Shareholders of the parent	-536,496	461,605	-74,891	Shareholders of the parent
Total comprehensive income	**-536,496**	**461,605**	**-74,891**	**Total comprehensive income**

Notes to the Annual accounts continued

Reconciliation of statement of cash flows 2022

Statement of cash flows item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated cash flow item - with IFRS 9 and IFRS 17
Result before tax	173,017	72,887	245,904	Result before tax
Adjusted for:				Adjusted for:
– depreciation and amortisation	1,417		1,417	– depreciation and amortisation
– deferred acquisition costs and value of business acquired	11,543	-11,543		
– underwriting expenditure (change in insurance liabilities)	172,116	-507,834	-335,718	– change in (re)insurance contracts
– realised results and impairments of available-for-sale investments	39,885	19,228	59,113	– realised results and impairments on investments
– other	-37,640	46,012	8,372	– other
		414,471	414,471	- net premiums, claims and attributable expenses on (re) insurance contracts
Tax paid (received)	30,279		30,279	Tax paid (received)
Changes in:				Changes in:
– non-trading derivatives	122,904	-42,983	79,921	– derivatives
– other assets	-392,609	43,467	-349,142	– other assets
– other liabilities	-37,661	-33,705	-71,366	– other liabilities
Net cash flow from operating activities	**83,251**		**83,251**	**Net cash flow from operating activities**
Investments and advances:				Investments and advances:
– available-for-sale investments	-1,035,417	-543,295	-1,578,712	– investments at fair value through OCI
– loans	-543,295	543,295		– Investments at cost
– Subsidiaries and associates	-2,500		-2,500	– investments in subsidiaries and associates
– property and equipment	-1,410		-1,410	– property and equipment
– other investments	-398		-398	– other investments
Disposals and redemptions:				Disposals and redemptions:
– available-for-sale investments	1,323,634	212,557	1,536,191	– investments at fair value through OCI
– loans	320,752	-320,752		– Investments at cost
	0	108,195	108,195	– investments at fair value through profit or loss
Net cash flow from investing activities	**61,366**		**61,366**	**Net cash flow from investing activities**
Dividend paid	-136,000		-136,000	Dividend paid
Coupon on undated subordinated notes	-7,280		-7,280	Coupon on undated subordinated notes
Net cash flow from financing activities	**-143,280**		**-143,280**	**Net cash flow from financing activities**
Net cash flow	**1,337**		**1,337**	**Net cash flow**

Notes to the Annual accounts continued

Reconciliation of statement of changes in equity 2022

Statement of changes in equity item - as reported under IAS 39 and IFRS 4	Reported amount	Adjustment	Adjusted amount	Restated changes in equity item - with IFRS 9 and IFRS 17
Balance at 1 January 2022	1,736,738	267,719	2,004,457	Balance at 1 January 2022
-		716,669	716,669	Finance result on (re) insurance contracts recognised in OCI
Unrealised revaluations available-for-sale investments and other	-673,556	-220,562	-894,118	Revaluations on debt securities at fair value through OCI
Realised gains/losses transferred to the profit and loss account	-2,935	15,141	12,206	Realised gains/losses transferred to the profit and loss account
Changes in cash flow hedge reserve	-455	-1	-456	Changes in cash flow hedge reserve
Deferred interest credited to policyholders	2,500	-2,500		-
Exchange rate differences	-2,062	-1,130	-3,192	Foreign currency exchange difference
-		-100,161	-100,161	Revaluations on equity securities at fair value through OCI
Total amount recognised directly in equity (OCI)	**-676,508**	**407,456**	**-269,052**	**Total amount recognised directly in equity (OCI)**
Net result from continuing and discontinued operations	140,012	54,149	194,161	Net result for the period
Total comprehensive income	**-536,496**	**461,605**	**-74,891**	**Total comprehensive income**
Dividend	-136,000		-136,000	Dividend
Coupon on undated subordinated notes	-5,402		-5,402	Coupon on undated subordinated notes
Changes in the composition of the group and other changes	174	70	244	Changes in the composition of the group and other changes
Balance at 31 December 2022	**1,059,014**	**729,394**	**1,788,408**	**Balance at 31 December 2022**

Authorisation of the Annual accounts

The Annual accounts of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Executive Board on 2 April 2024. The Executive Board may decide to amend the Annual accounts as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Annual accounts, but may not amend these during the meeting. The General Meeting can decide not to adopt the Annual accounts, propose amendments and then adopt the Annual accounts after a normal due process.

The Hague, 2 April 2024

The Supervisory Board

I.K. (Inga) Beale, Chair

A.T.J. (Annemiek) van Melick

T. (Tjeerd) Bosklopper

The Management Board

M.M.N. (Maurice) Koopman, CEO and chair

J.E. (Sandra) van Eijk, CFO

P. (Peter) Brewee, CRO

Independent auditor’s report

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Nationale-Nederlanden Schadeverzekering Maatschappij N.V.

Report on the audit of the annual accounts 2023 included in the annual report

Our opinion

In our opinion the accompanying annual accounts give a true and fair view of the financial position of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. as at 31 December 2023 and of its result and its cash flows for the year then ended, in accordance with IFRS Accounting Standards as endorsed by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the annual accounts 2023 of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. (the ‘Çompany’) based in The Hague.

The annual accounts comprise:

1 the balance sheet as at 31 December 2023;

2 the following statements for 2023: the profit and loss account, the statements of comprehensive income, statement of cash flows and statement of changes in equity; and

3 the notes comprising material accounting policy information and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the annual accounts’ section of our report.

We are independent of Nationale-Nederlanden Schadeverzekering Maatschappij N.V. in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the annual accounts as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 31 million
- 1.8% of total equity

Group audit

- Coverage of 100% of total equity
- Coverage of 100% of total assets

Risk of material misstatements related to Fraud, NOCLAR and Going concern

- Fraud risks: risk of management override of controls, the valuation of insurance contract liabilities and the risk of revenue recognition identified and further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'.
- Non-compliance with laws and regulations (NOCLAR) risks: no reportable risk of material misstatements related to NOCLAR risks identified
- Going concern risks: no going concern risks identified

Key audit matters

- Initial application of IFRS 17
- Valuation of insurance contract liabilities for disability insurance contracts applying the General Measurement Model Approach
- Valuation of insurance contract liabilities for Property & Casualty insurance contracts
- Valuation of illiquid investments

2

Independent auditor's report continued

Materiality

Based on our professional judgement we determined the materiality for the annual accounts as a whole at EUR 31 million (2022: EUR 34 million). The materiality is determined with reference to total equity and amounts to 1.8%.

In 2022 we determined our materiality based on 1% of gross written premiums. With the application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* in 2023 where insurance result is recognized through amortization of the contractual service margin, the concept of gross written premiums no longer exists. We consider total equity as the most appropriate benchmark based on our assessment of the general information needs of the users of the annual accounts of non-life insurance companies.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 1.6 million would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Nationale-Nederlanden Schadeverzekering Maatschappij N.V. is at the head of a group of components. The financial information of this group is included in the annual accounts of the Company. We have performed most audit procedures ourselves at group components. This resulted in a coverage for the Company of 100% of core equity, total assets and profit before tax.

We are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out at components of the ultimate parent company, NN Group N.V. Based on audit instructions, the auditors cover areas with risks of material misstatement and they report the information required for our audit. This predominantly relates to the investments. We discussed the audit work performed with the different KPMG member firms and performed file reviews.

By performing the procedures mentioned above at components, together with additional procedures we have been able to obtain sufficient and appropriate audit evidence about the company's financial information to provide an opinion about the annual accounts.

Audit response to the risk of fraud and non-compliance with laws and regulations

In note 36 'Risk Management' of the Annual Accounts the Company describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment and the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with Management, Supervisory

3

Board and other relevant functions, such as Internal Audit, Legal Counsel, Compliance and included correspondence with relevant supervisory authorities and regulators in our evaluation. We have also incorporated elements of unpredictability in our audit, such as:

— We matched (on a sample basis) paid claims in the insurance administration system with the payments application data and inspected mismatches, if any;

— We requested the model and assumption calendar and checked realization and inspect explanation for non-completed or additional items.

As a result from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the annual accounts in case of non-compliance:

- Wet op het financieel toezicht (Wft) (including the European Solvency II directives);
- Data privacy regulation (GDPR).

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls

Risk:
Management is in a unique position to manipulate accounting records and prepare fraudulent annual accounts by overriding controls that otherwise appear to be operating effectively such as those related to journal entries and accounting estimates which require significant judgement such as the valuation of insurance liabilities and investments.

Responses:

— We assessed the design and the implementation of internal controls that mitigate the risk of fraud such as processes related to journal entries and key estimates.

— We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Company, including retrospective reviews of prior year's estimates.

— Where we identified instances of unexpected journal entries or other risks through our data analysis we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.

— We incorporated elements of unpredictability in our audit, as mentioned above.

— We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.

We refer to the key audit matters below that provide information of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Valuation of insurance contract liabilities for Property & Casualty (P&C) insurance contracts

Risk and response:

The application of expert judgement (out of model) in the determination of the liability for incurred claims and benefits in the P&C business requires significant management judgement. We have covered our assessment and our response thereto in the key audit matter below: "Valuation of insurance contract liabilities for Property & Casualty insurance contracts".

Revenue recognition

Risk and response:

Insurance revenue for the period based on the General Measurement Model Approach (GMM) is to a large extent determined by the key assumptions made for the measurement of related insurance contract liabilities. We have covered our assessment of the risk of fraudulent revenue recognition and our response thereto in the key audit matter below: 'Valuation of insurance contract liabilities for disability insurance contracts applying the General Measurement Model Approach'.

For the identified fraud risks as described above, we communicated our risk assessment, audit responses and results to management and the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Management Board has performed its going concern assessment and has not identified any going concern risks. To assess management's assessment, we have performed, inter alia, the following procedures:

— We considered whether management's assessment of the going concern risks included all relevant information of which we are aware as a result of our audit.

— We assessed whether the scenarios included in the Own Risk Solvency Assessment (ORSA) that was submitted to De Nederlandsche Bank N.V. (the Dutch Central Bank, DNB) and other regulatory correspondence, indicate a significant going concern risk.

— We considered whether the outcome of our audit procedures on the Company's financial position and Solvency II capital position indicate a significant going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

With the initial application of IFRS 17 *Insurance contracts* as from 1 January 2023 we have amended and updated our approach for the audit of insurance contract liabilities which resulted in two key audit matters on this topic: 'Valuation of insurance contract liabilities for disability insurance contracts applying the General Measurement Model Approach' and 'Valuation of insurance contract liabilities for Property & Casualty insurance contracts'.

Given the complexity of IFRS 17 and the significant effort and management judgment required to implement the new standard, we paid significant attention to address the risk of material misstatement from the initial application of IFRS 17 as at 1 January 2022 (transition date) for which we included the key audit matter 'Initial application of IFRS 17.

For our audit of insurance contract liabilities under IFRS 17 we cover certain critical processes and controls that also form part of the Solvency II reporting chain. For that reason the key audit matter 'Solvency II disclosures' on which we reported last year has not been included anymore.

Next to IFRS 17 also IFRS 9 *Financial instruments* has been applied for the first time this year. In note 1 of the annual accounts management explained that the impact of IFRS 9 is most relevant to the remeasurement of investments in mortgages loans by the insurance entities from amortised cost to fair value. Our response thereto has been captured in key audit matter 'Valuation of Illiquid Investments'.

Initial application of IFRS 17

Description

IFRS 17 *Insurance Contracts* was implemented on 1 January 2023. This new standard requires the Company to measure insurance contract liabilities at current values which involves significant judgement and estimates and resulted in an increase in shareholders' equity as of 1 January 2022 (transition date). We determined the initial application of IFRS 17 and related disclosures in the 2023 annual accounts to be a key audit matter because of the significance and complexity of the changes introduced by the standard, including a number of new estimates requiring significant management judgement such as the recognition of the Contractual Service Margin ('CSM').

Our response

- We assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17 and challenged significant new accounting policies, choices and assumptions made against the requirements of the standard.
- We assessed the appropriateness of management's selection and application of the transition approaches for each group of insurance contracts to determine the transitional adjustments.

Independent auditor's report continued

- Considering the relevance of the fair value approach for the Company at transition date in determining the transitional adjustments, we assessed, together with our actuarial specialists, key assumptions in the fair value of contractual cash flows, in particular the cost of capital rate used for the measurement of the risk adjustment, the discount rate applied and we tested the mathematical accuracy of the supporting calculations.
- For the discount rate applied to determine the fair value of insurance contract liabilities we involved our valuation specialists to asses and challenge compliance with the requirements of IFRS 13 *Fair Value Measurement*. We also assessed consistency applied by management for the elements to determine the discount rate such as the used base curves and last liquid point.
- We assessed the selection of the General Measurement Models and Premium Allocation Approach Models and the application thereof for the groups of contracts identified.
- We involved our actuarial specialists to evaluate the appropriateness of new methodologies and models including estimates and discounting of the IFRS 17 fulfilment cash flows, risk adjustment and CSM. This included consideration of the reasonableness of assumptions and judgements applied, including whether or not there was any indication of intentional management bias.
- We compared the outcome of the insurance contract liability measurement under IFRS 17 with the best estimate liability and risk margin under Solvency 2, using management's analysis and we assessed differences against our expectations for differences in measurement principles and assumptions.
- We assessed the appropriateness of quantitative and qualitative transitional disclosures included in Note 1 of the 2023 annual accounts, against the requirements of the IFRS 17 standard.

Our observation

We consider the transitional impact from the initial application of IFRS 17 at transition date and related disclosures to be appropriate. Refer to note 1.

Valuation of insurance contract liabilities for disability insurance contracts applying the General Measurement Model Approach

Description

Insurance contract liabilities for disability insurance contracts (in short: insurance liabilities) amount to EUR 3.791 million as at 31 December 2023, or 46% of total liabilities. The valuation of insurance liabilities involves the use of cash flow models and methodologies and requires significant management judgement over assumptions.

Elements that give rise to a significant risk of error are the use of incorrect assumptions in estimating the fulfillment cash flows under the General Measurement Model. Key assumptions for disability contracts relate to morbidity, expenses and the discount rate.

Independent auditor's report continued

As referred to in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations' in this audit opinion, assumption setting inherently include the risk of fraud that management may influence assumptions to manage the outcome of calculations and measurements. For example as management may feel the pressure to achieve certain key performance targets communicated internally and externally. We consider the most critical assumption in this regard the morbidity assumption.

Given the financial significance, the level of judgement required and the inherent risk of fraud we considered the valuation of insurance contract liabilities for disability insurance contracts applying the General Measurement Model Approach a key audit matter.

Our response

Our audit approach is a mixture of controls testing and substantive audit procedures.

Our procedures over internal controls focused on testing of controls around assumption setting and internal review procedures performed by the actuarial function. We also assessed the process for the internal validation and implementation of the models used for the valuation of the insurance liabilities.

With the assistance of our actuarial specialists we performed the following substantive audit procedures:

- We assessed the appropriateness of assumptions used in the valuation of the insurance liabilities by reference to company data as well as relevant market and industry data.
- We tested the appropriateness of the data used, assumptions and methodologies applied in the valuation of insurance contract liabilities.
- We assessed and tested the appropriateness of the discount rate and challenged the methodology used to determine the discount rate, including management's assessment of the last liquid point and the illiquidity premium of which the unexpected credit loss adjustment forms an integral part.
- We performed substantive analysis of developments in actuarial results and movements in provisions, the risk adjustment, CSM and other comprehensive income during the year and made corroborative inquiries with management and the actuarial function.
- We challenged and assessed the appropriateness of the morbidity and expense assumptions and assessed that these assumptions are in line with historical data and expected developments.

Our observation

We consider the valuation of the insurance contract liabilities measured using the General Measurement Model Approach to be appropriate. We refer to note 10 of the annual accounts.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud that are considered material for our audit.

Valuation of insurance contract liabilities for Property & Casualty insurance contracts

Description

Insurance contract liabilities for Property & Casualty insurance contracts (in short: insurance contract liabilities) amount to EUR 2.378 million as at 31 December 2023, or 29% of total liabilities. The valuation of insurance liabilities involves management judgement over uncertain future outcomes. For Property & Casualty insurance contracts this mainly relates to the determination of the reserve for incurred but not reported (IBNR) claims, particularly the determination of the ultimate loss values.

As referred to in the section ‘Audit response to the risk of fraud and non-compliance with laws and regulations’ in this audit opinion, assumption setting inherently include the risk of fraud that management may influence assumptions to manage the outcome of calculations and measurements. For example as management may feel the pressure to achieve certain key performance targets communicated internally and externally. We consider the application of expert judgement adjustments (out-of-model) to be a critical assumption in this regard.

Given the financial significance and level of judgement required, we considered the valuation of the IBNR as part of the Liability of Incurred Claims a key audit matter.

Our response

Our audit approach is a mixture of controls testing around determining insurance contract liabilities as well as substantive audit procedures. Our procedures over internal controls focused on controls around the reliability of claims data and assumptions used in determining the ultimate loss values, including the governance around assumption setting and the review procedures performed by the actuaries of the Company, including the Actuarial Function Holder.

With the assistance of our actuarial specialists we performed the following audit procedures:

- Assessed the appropriateness of historical IBNR data.
- Verified the accuracy and completeness of (claims) data and assumptions used in determining the IBNR.
- Analysed developments in actuarial results during the year.
- Independently re-developed the claim triangles used in determining the IBNR.
- Assessed the appropriateness and reasonableness of the expert judgement applied (out-of-model).
- Performed corroborative inquiries with management and the actuaries, including the Actuarial Function Holder.
- Verified that the disclosures on the insurance contract liabilities are adequate.

KPMG

Our observation

We consider the valuation of the insurance contract liabilities for Property and Casualty insurance contracts to be appropriate. We refer to note 10 of the annual accounts.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud that are considered material for our audit.

Valuation of illiquid investments

Description

For illiquid (non-listed) investments quoted prices are not available and fair values are based on valuation techniques which often involve the exercise of judgement by management and the use of assumptions, estimates and valuation models. Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value. For these illiquid investments the estimation uncertainty can be high, especially due to increased market volatilities. This is mainly applicable to:

- mortgages loans, which following the implementation of IFRS 9 this year are measured at fair value through other comprehensive income;
- real estate investments; and
- private equity and private debt investments.

Given the financial significance and estimation uncertainties we considered the valuation of illiquid investments a key audit matter.

Our response

We assessed management's approach to the valuation of illiquid investments and performed the following procedures:

- We evaluated the Company's processes and controls governing the valuation of mortgages loans.
- KPMG valuation specialists assisted us in challenging the appropriateness of the models and methodologies used by management in calculating fair values of mortgages. We tested the source data used and assessed the appropriateness of critical valuation parameters. Our valuation specialists independently calculated whether the fair value for the mortgage portfolio as a whole as determined by management is within the acceptable fair value range.
- For real estate investments, private equity and private debt we instructed other auditors and performed file reviews and determined that:
  - Real estate valuation specialists were involved in the substantive audit procedures of selected real estate investments.
  - The objectivity, independence and professional competence of external valuators engaged by management have been evaluated.

- The valuation reports obtained have been inspected,
- The source data used have been tested and the calculations made for significant assumptions such as the gross initial yield/discount rate and estimated rental values have been challenged.
- The assumptions used against available market data and object specific underlying characteristics such as occupancy rates and contract renewals have been assessed.
- Management's valuation of private equity and private debt investments have been tested and challenged.
- We received and assessed the independent auditor's reports as included in the financial information of these investments.
- We verified that the disclosures on the non-listed investments are adequate.

Our observation

We consider the valuation of the illiquid investments to be appropriate. We refer to notes 3, 4 and 5 of the annual accounts.

Report on the other information included in the annual report

In addition to the annual accounts and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the annual accounts and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual accounts or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the annual accounts.

the Management Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of NN Schade on 28 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year. We were reappointed by the General Meeting of Shareholders on 19 May 2022 to continue to serve the NN Schade as it external auditor for the financial years 2023-2025.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the annual accounts

Responsibilities of the Management Board and the Supervisory Board for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error. In that respect the Management Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the annual accounts, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the annual accounts using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. the Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the annual accounts.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the annual accounts

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the annual accounts is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl) This description forms part of our auditor's report.

Utrecht, 2 April 2024

KPMG Accountants N.V.

A.R.B. de Bruin RA

Appropriation of result

Appropriation of result

The result is appropriated pursuant to article 21 of the articles of association of NN Schade, the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Management Board and the Supervisory Board.

Reference is made to Note 9 ‘Equity’ for the proposed appropriation of result.

Contact and legal information

Prepared by

NN Schade Corporate Relations

Design

Radley Yeldar | ry.com

Contact us

Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
Prinses Beatrixlaan 35
2595 AK The Hague

P.O. Box 90464, 2509 LL The Hague
The Netherlands
www.nn.nl
Commercial register, no. 27023707

For further information on NN Schade, please visit our corporate website or contact us via external.communications@nn-group.com

For further information on NN Schade's sustainability strategy, policies and performance, please visit www.nn-group.com/in-society.htm or contact us via sustainability@nn-group.com

Disclaimer

Small differences in the tables are possible due to rounding.

Certain of the statements in this 2023 Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Schade's core markets, (2) the effects of the Covid-19 pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in countries in which NN Schade operates, on NN Schade's business and operations and on NN Schade's employees, customers and counterparties (3) changes in performance of financial markets, including developing markets, (4) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations and the interpretation and application thereof, (14) changes in the policies and actions of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to NN Schade of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Schade's ability to achieve projected operational synergies, (19) catastrophes and terrorist-related events, ((20) operational and IT risks, such as system disruptions or failures, breaches of security, cyber-attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business, (21) risks and challenges related to cybercrime including the effects of cyberattacks and changes in legislation and regulation related to cybersecurity and data privacy, (22) business, operational, regulatory, reputation and other risks and challenges in connection with ESG related matters and/or driven by ESG factors including climate change, (23) the inability to retain key personnel, (24) adverse developments in legal and other proceedings and (25) the other risks and uncertainties contained in recent public disclosures made by NN Schade.

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

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.