

ANNUAL REPORT 2020

BNP PARIBAS CARDIF LEVENSVZERZEKERINGEN N.V.



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## Boards, officials and external advisors

### Supervisory Board

- ◊ Mr R.H.A. van Vledder
- ◊ Mr O.J.G. Martin
- ◊ Mrs I.P.G.M. Brekelmans

Committees within this Supervisory Board as per 31-12-2020:

- ◊ Remuneration Committee (Supervisory Board members: R.H.A. van Vledder, I.P.G.M. Brekelmans)
- ◊ Audit and Risk Committee (Supervisory Board members: O.J.G. Martin, R.H.A. van Vledder)

### Board of Directors

- ◊ Mr C.P.F. De Longueville (as of 1 February 2020)
- ◊ Mr W. Eikelboom
- ◊ Mrs M. Bosma-van Zuien

### External Independent Auditor

PricewaterhouseCoopers Accountants N.V.



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## Key figures

In thousand euros

KEY FIGURES 2016 - 2020	2020	2019	2018	2017	2016
Gross written premiums	16.773	32.876	36.234	39.240	43.093
Net earned premiums insurer	22.057	25.579	25.775	35.831	42.499
Claim charge*	(7.240)	(30.201)	(25.898)	(31.673)	(32.633)
Result on investments	2.376	18.448	5.677	13.856	12.550
Operating expenses	(6.429)	(8.032)	(9.125)	(10.093)	(11.263)
Other income	6.100	-	-	-	-
<b>RESULT BEFORE TAXES</b>	<b>16.864</b>	<b>5.794</b>	<b>(3.571)</b>	<b>7.921</b>	<b>11.153</b>
Result on technical account	9.966	3.676	(3.621)	6.301	9.634
Result on non-technical account	6.898	2.118	50	1.620	1.519
<b>RESULT BEFORE TAXES</b>	<b>16.864</b>	<b>5.794</b>	<b>(3.571)</b>	<b>7.921</b>	<b>11.153</b>
<b>RESULT AFTER TAXES</b>	<b>12.921</b>	<b>4.068</b>	<b>(2.681)</b>	<b>5.933</b>	<b>8.362</b>
<b>TOTAL EQUITY</b>	<b>56.631</b>	<b>45.097</b>	<b>41.029</b>	<b>49.643</b>	<b>52.073</b>
<b>BALANCE SHEET TOTAL</b>	<b>151.602</b>	<b>330.449</b>	<b>324.763</b>	<b>334.183</b>	<b>333.664</b>
<b>FINANCIAL INVESTMENTS</b>					
For the risk of the company	145.443	137.686	126.703	131.852	132.981
For the risk of policyholders	-	182.038	185.162	191.176	188.485
	<b>145.443</b>	<b>319.724</b>	<b>311.865</b>	<b>323.028</b>	<b>321.466</b>
<b>TECHNICAL PROVISIONS</b>					
For life insurance	92.804	100.659	96.125	89.648	89.151
For the investment risk of policyholders	-	182.045	185.170	191.187	188.498
Total	<b>92.804</b>	<b>282.704</b>	<b>281.295</b>	<b>280.835</b>	<b>277.649</b>
<b>INSURED CAPITAL LIFE***</b>	<b>6.923.977</b>	<b>8.259.771</b>	<b>9.152.151</b>	<b>10.098.708</b>	<b>10.157.110</b>
<b>NUMBER OF FTEs**</b>	<b>93</b>	<b>108</b>	<b>108</b>	<b>111</b>	<b>124</b>

\* Claims for the insurance company and movement technical provision insurer

\*\* Combined average FTEs of BNP Paribas Cardif B.V., BNP Paribas Cardif Levensverzekeringen N.V. and

BNP Paribas Cardif Schadeverzekeringen N.V.

\*\*\* The insured Capital Life decreases for it relates to a run-off portfolio, this year it shows a bigger decrease due to the sale of the Savings portfolio.



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## Supervisory Board's report

In this report, the Supervisory Board of BNP Paribas Cardif Levensverzekeringen N.V. provides the explanation of its structure and the way it supervised BNP Paribas Cardif Levensverzekeringen N.V. during 2020 (BNP Paribas Cardif Levensverzekeringen N.V. is a 100% subsidiary of BNP Paribas Cardif B.V.).

### Members of the Supervisory Board of BNP Paribas Cardif Levensverzekeringen N.V.

The Supervisory Board of the insurance company comprises the following members:

- ◊ Mr R.H.A. van Vledder, chairman
- ◊ Mr O.J.G. Martin
- ◊ Ms I.P.G.M Brekelmans

Committees within this Supervisory Board:

- Remuneration Committee
  - ◊ Ms I.P.G.M Brekelmans, chairwoman
  - ◊ Mr R.H.A. van Vledder, member
- Audit and Risk Committee
  - ◊ Mr O.J.G. Martin, chairman
  - ◊ Mr R.H.A. van Vledder, member

### Supervision and advice of the Supervisory Board relating to the 2020 annual financial statements

The Executive Board of BNP Paribas Cardif Levensverzekeringen N.V. prepared the annual financial statements on the reporting year 2020. The Supervisory Board of BNP Paribas Cardif Levensverzekeringen N.V. adopted the annual financial statements. The General Meeting of Shareholders adopted the annual statements on the reporting year 2020. The Supervisory Board was granted discharge by the General Meeting of Shareholders for its supervisory tasks on 2020. PricewaterhouseCoopers B.V audited the 2020 annual financial statements in accordance with the provisions of the Articles 35 and 36 of the Articles of Association. The Supervisory Board approved the Executive Board's proposal to have the following result distributed as a dividend: BNP Paribas Cardif Levensverzekeringen N.V.: 12,921 thousand euros.

### Meetings and activities of the Supervisory Board and its Committees

The Supervisory Board of BNP Paribas Cardif Levensverzekeringen N.V. convened five official meetings in 2020, on:

- ◊ 7 February 2020: including annual self-assessment
- ◊ 6 April 2020
- ◊ 3 July 2020
- ◊ 18 September 2020
- ◊ 11 December

The Committees of the Supervisory Board of BNP Paribas Cardif Levensverzekeringen N.V. convened various official meetings in 2020, on:

- ◊ 6 April 2020: Audit and Risk
- ◊ 6 April 2020: Remuneration
- ◊ 19 June 2020: Audit & Risk
- ◊ 25 June 2020: Remuneration
- ◊ 4 September 2020: Audit & Risk
- ◊ 29 October 2020: Remuneration
- ◊ 27 November 2020: Audit & Risk



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### Meeting Supervisory Board and Works Council

On April 6, 2020 the Supervisory Board had its annual meeting with the Works Council by videoconference. The members of the Works Council indicated that they are very happy with the way in which the Board of Directors communicates about the consequences of the Covid crisis and the way in which working at home is facilitated by the organization. The Supervisory Board has emphasized to the Works Council that the new strategy is being continued and closely monitored by the Supervisory Board.

### Lifelong learning

Lifelong learning in 2020 was focused on the intended transition from BNP Paribas Cardif Levensverzekeringen N.V. and BNP Paribas Cardif Levensverzekeringen N.V. to branch offices of BNP Paribas Cardif S.A. In a dedicated session, Allen & Overy Advocaten presented and explained the points of attention and responsibilities during the transition process from the perspective of the Supervisory Board.

### Focus of supervision in 2020

In 2019 the company adopted its new strategy for the years to come. The focus of the Supervisory Board in 2020 was on the execution of this strategy. Special attention was given to the new management structure, both to the design and the working of this new governance. A management was formed for the Belgian and Dutch entities with cross boarder responsibilities. At the same time the Board emphasized and ensured a proper governance of the Dutch subsidiaries in accordance with Dutch law and corporate governance practices. The project to transform the subsidiaries into branches progressed according to plan and it is expected that this process will be finalized before year-end.

This year the company sold important parts of its life portfolio to De Goudse Verzekeringen. This was part of the new strategy and the Supervisory Board focused on the interest of the employees and policyholders in this transaction. We are convinced that this transfer was in the best interest of all stakeholders.

The Covid pandemic had a profound influence on the company and especially on its management and staff. The Supervisory Board was during the year well informed by the management about the measures that were taken to continue the service to our clients and business partners while at the same time ensuring a safe working environment for its employees. Although a few meetings with the Supervisory Board and the Committees were held partially in Oosterhout, most of the meetings took place by videoconference. The business impact of Covid was closely monitored and discussed.

The Supervisory Board thanks and compliments the management and staff for their dedication in these challenging circumstances.

Oosterhout, 8 April 2021

Mr R.H.A. van Vledder (Chairman)  
Ms I.P.G.M. Brekelmans  
Mr O.J.G. Martin



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## Board of Directors' report

### Introduction

The year 2020 was dominated by the COVID-19 pandemic. The well-being of our staff was challenged, business processes had to be adapted and supporting our customers, was absolutely key. We were able to deal with the new way of working without losing efficiency, whilst ensuring our continuity. Especially in the COVID-19 crisis we continue to closely monitor our key risks watching the changing market situation.

Despite the COVID-19 crisis we managed to succeed the roll-out of our strategy which is fully focused around strengthening our niche position on the market and making our insurance products accessible to a large audience.

By the end of 2020 we were on track with implementing our (S4) strategy based on Steering, Saving costs, Sales redesign and Streamlining processes.

The realization of these initiatives will remain at the centre of our midterm plan and forms the basis for the 2021 operational plans. Protecting the value and safety of the in-force portfolio through sound risk management and secured operations are naturally our main priority.

Together with BNP Paribas Cardif Belgium we merged the Executive Committee to ensure the Steering of the entities as a crucial basis for our value protection and developing of new activities. To secure knowledge, experience and processes in an optimized and efficient set-up across the two countries.

Finding a financially stable operating model that will be able to carry our activities with a lower cost level by Saving of Costs we realized the first milestone by selling our savings portfolio. We expect to finalize the migration early 2021, which will lead to a further decrease of costs by reducing the number of staff and the number of information systems we deploy.

We are redesigning our sales approach. This Sales Redesign aims at finding efficiencies in our go-to-market and selecting and segmenting our business partners in the most appropriate way. Besides the animation of mortgage advisors in the field, we focus increasing attention to digital distribution models, as we see their relevance grow and are building on successful pilots based on fully digital customer journeys.

We successfully implemented a partnership with TAF, a leading authorized agent on the Dutch market for term life, to ensure a rapid and sustainable return on the market for life insurance.

Moreover, in the mutualisation with Belgium it is expected to find opportunities for cross-border partnerships in different segments of activity, considering BNP Paribas Cardif's core offer.

As for our operating model and objective to put in place the most sustainable set-up that matches all stakeholders' interests, where we can Streamline our operations and controlling mechanisms cross-border. We started an investigation where mutualisation will enable us to operate efficiently and secure a flexible way of working going forward. In the context of finding efficiencies in our operating model and at the same time ensuring a future-proof business performance, our specialized staff is a key asset.

The result of BNP Paribas Cardif Levensverzekeringen N.V. of 2020 amount to 12.9 million euros (2019: 4.1). The result is positive impacted by the sale of the savings portfolio. The technical result improved compared to last year. The one off increase of provisions in 2019 were partly released in 2020 and had a positive impact on the result of 2020. In order to anticipate the COVID-19 risk we strengthened our provisions in 2020. The financial result decreased due to lower financial markets.

The net result of 2020 is provisioned to be paid out as dividend. The capital position showed a decrease from 319% in 2019 to 264% in 2020. The Own funds to cover the SCR decreased to 72.9 million euros in 2020 (2019: 94.9) and the SCR decreased to 27.6 million euro in 2020 (2019: 29.8).



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## Business and performance

### Business

#### General

BNP Paribas Cardif Levensverzekeringen N.V. offers term life insurances. BNP Paribas Cardif Levensverzekeringen N.V. has a licence to offer life insurance within the following sectors:

- L01 Life insurance - general
- L03 Life insurance linked to common fund

### Portfolio Information

#### Products and Portfolio

The following figure presents the main products and covers of BNP Paribas Cardif Levensverzekeringen N.V. and BNP Paribas Cardif Schadeverzekeringen N.V.. Both companies offer protection products. The products protect a policyholder from financial distress. The portfolio of BNP Paribas Cardif Levensverzekeringen N.V. also includes savings products. Furthermore, the distribution type and premium type are recognised. These policies are distributed either through independent financial advisors (IFAs), banks and collectives (classification according to DNB: Direct) or through accepted reinsurance (classification according to DNB: Indirect).

		Protection				
		Direct				Indirect
Life	Mortgage	Consumer Loans	Collective	Other	Mortgage	
	Term Life	Term Life	Term Life			
	Whole Life *					
Non-Life	Disability Unemployment Critical Illness	Disability Unemployment	Disability Unemployment Critical Illness		Disability Unemployment	
				Surety Ship		

\* 6 covers over 1472 are Single Premium

Single Premium / Periodical Premium

Periodical Premium

Single Premium

A distinction is made between creditor protection products and other protection products.

Creditor protection products are linked to either mortgages or consumer loans. BNP Paribas Cardif Levensverzekeringen N.V. provides protection for term life (death) risks. The cover (mainly) provides for the outstanding balance of the loan. BNP Paribas Cardif Schadeverzekeringen N.V. provides protection for disability, critical illness, and unemployment risks. The cover (mainly) provides for the monthly instalments as long as the disability, critical illness, or unemployment continues (with a maximum defined per contract). Younger generations of products cover a one-off payment in case of disability though.

The distribution of these policies is either Direct, through independent financial advisors (IFAs), Banks, and Collectives, or Indirect through accepted reinsurance.

The other protection products concern a whole life cover in BNP Paribas Cardif Levensverzekeringen N.V., and suretyships in BNP Paribas BNP Paribas Cardif Schadeverzekeringen N.V.verzekeringen N.V. The whole life insurance covers for funeral costs. A suretyship is sold in combination with the purchase of a new house. BNP Paribas BNP Paribas Cardif Schadeverzekeringen N.V.verzekeringen N.V. mitigates the financial risk of a house seller when a house buyer is liable for the cancellation of the sale. The amount paid to the house seller is reclaimed in some cases (for instance, failure to finance the house), and not reclaimed in other cases (for instance, disability or unemployment). The distribution of these policies is Direct, through IFA's and often combined with the proposal of mortgage lenders.

BNP Paribas Cardif Netherlands was used to recognize the contract term as the contract boundary for all contracts until 31 December 2016. For all those contracts, an 'en bloc'-clause is present, and some contracts are explicitly renewed annually, but any significant change cannot be enforced legally in all adverse circumstances.

Since 2017, BNP Paribas Cardif Schadeverzekeringen N.V.verzekeringen N.V. has offered one-year renewable contracts, through the Hypotheek Aflos Verzekering, that could be annually repriced. End of 2020, in BNP Paribas Cardif Levensverzekeringen N.V. a new Term Life product was launched where the contract term is still recognized as the contract boundary

To put the different portfolios in perspective, below the statutory technical provisions per portfolio are presented. Moreover, the mapping of these portfolios to homogeneous risk groups is explained.

#### Portfolio Mapping

Below the mapping of these portfolios into lines of business and homogeneous risk groups is presented. This mapping is used in the remainder of this document and is also relevant for Solvency II.

See the table below for the mapping of in lines of business. In addition to premium type and portfolio, gender and smoking status are considered when determining homogeneous risk groups.



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Overview portfolio	Abbreviation	Code	Line of Business (\$2)	Module (\$2)
Direct business	Life	D	L_O	Other Life

The breakdown in lines of business in Other Life respectively Unit-Linked insurance is similar to statutory accounts.

### Portfolio Overview

To put the different portfolios in perspective, an overview is provided regarding number of covers, written premium, and statutory provisions. The main segments and provisions are highlighted. In both entities, the Mortgage related covers are most material.

In the table below, the life portfolio is broken down by number of covers, written premium, and statutory provisions gross of reinsurance. Mortgage represents most of the covers (74%), written premium (83%) and even 92% of provisions of business. Consumer Loan and Collective represent 25% of the covers, but only 15% of the written premium and 4% of provisions; the insured but only 15% of the written premium and 4% of provisions; the insured amounts are typically low in these segments. The Other segment is the Whole Life Funeral product.

Overview portfolio gross of reinsurance		Covers (#)	Written Premium	Statutory Provisions
Direct business	Mortgage	98,730	14,112	85,657
	Consumer Loan	12,102	1,180	2,591
	Collective	21,438	1,389	1,270
	Other	1,472	295	4,061
Total		133,742	16,975	93,579

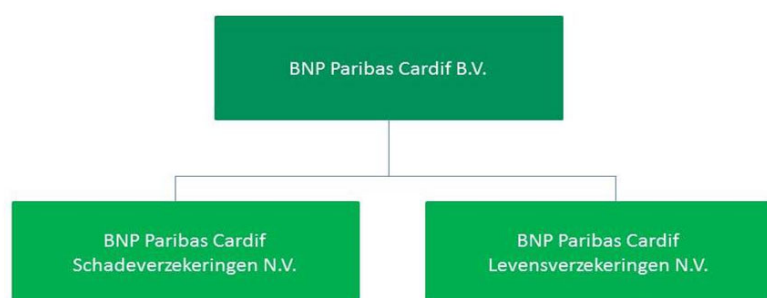
Most business is Regular Premium, and only Mortgage has a significant Single Premium portfolio. In addition to premium type and portfolio, gender and smoking status are considered when determining homogeneous risk groups.

The statutory provisions are for 94% related to unearned premium for long term obligations; claims represents the remaining 6% and is typically short term.

Overview - technical provisions gross of reinsurance		Covers (#)	Written Premium	Statutory Provisions	Statutory Provisions	
					Premium	Claims
Direct business	Life	133,742	16,975	93,579	87,886	5,692
Total		133,742	16,975	93,579	87,886	5,692

### Legal structure

BNP Paribas Cardif B.V. holds 100% of the shares of BNP Paribas Cardif Schadeverzekeringen N.V. and 100% of the shares of BNP Paribas Cardif Levensverzekeringen N.V. Hereafter in this document, BNP Paribas Cardif is used for general parts relating to both BNP Paribas Cardif Schadeverzekeringen N.V. and BNP Paribas Cardif Levensverzekeringen N.V.



The shares of BNP Paribas Cardif B.V. are owned 100% by the French company BNP Paribas Cardif S.A. (hereafter BNP Paribas Cardif Group) which is ultimately owned by the company BNP Paribas S.A. (hereafter BNP Paribas Group).



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## Statutory Board

The Statutory Board of the insurance company comprises the following individuals:

- Mr C.P.F. de Longueville (as of 1 February 2020)
- Mr W. Eikelboom
- Mrs M. Bosma-van Zuien

## Supervisory Board

The Supervisory Board of the insurance company comprises the following members:

- Mr R.H.A. van Vledder
- Mr O.J.G. Martin
- Ms I.P.G.M. Brekelmans

## Key functions

Solvency II requires insurance companies to have at least the following four key functions in place. :

- Risk Management Function (Mr B. Auffret until 1 July 2020 / Mr F SBAI as off 1 July 2020)
- Compliance Function (Mr R.B.F. Meeuwis)
- Actuarial Function (Mr B. Auffret until 1 July / Mr FSBAI as off 1 July 2020)
- Internal Audit Function (Mr W. Eikelboom and he outsourced within BNP Paribas Cardif Group)

The responsibilities, resources, reporting and escalation lines and other main organisational aspects of these key functions are described in their respective charters that are updated regularly. All key functions are available within our organisation and are occupied by our own employees, except for the Internal Audit Function, which is outsourced within the BNP Paribas Group. Independence and objectivity are guaranteed because of the outsourcing and by the reporting of the Internal Audit Function to the Audit Committee in the Supervisory Board.

## Supervision

The external audit is performed by PricewaterhouseCoopers Accountants N.V. Supervision of the insurance companies is performed by DNB.

## Mission, vision & strategy

The strategy of BNP Paribas Cardif has recently been renewed by the Board of Directors (BoD) and approved by the Supervisory Board (SB) and the shareholder. It is part of the new Mid Term Planning Process within BNP Paribas Cardif Group and contributing to its vision towards 2022.

- Vision: It comforts people to safeguard their financial future
- Mission: We are the specialist that enables people to acknowledge and cover their (credit related) payment risks
- Strategy: We build the best specialised insurance company in the Netherlands. We concentrate on our niche/specialism of Payment Protection products. We strive for a balanced, well controlled and profitable portfolio, fully adapted to the new standards of the financial world and needs of the final customers. We will focus on the most efficient distribution models, taking into account our financial stability and 'robustness'.

Overall, the new strategy is to maintain, rebuild and develop our core business - which is creditor insurance. We do that in a cost efficient, secured way that allows us to protect the value of the company and to moderately grow business in a sustainable way whilst keeping our existing portfolio in a healthy state:

1. Develop the Steering of the company by integrating top management with BNP Paribas Cardif Belgium
2. Streamlining the company by optimally organizing processes and staff roles together with BNP Paribas Cardif Belgium
3. Redesign Sales approach by further digitalizing the HAV distribution, optimizing suretyships distribution and explore partnership possibilities with BNP Paribas Cardif Belgium
4. Savings of costs by selling the existing savings-portfolio, optimization of the organization and arbitrating project- and tooling-expenses

## Important internal and external developments

The challenges of under consumption and the obstruction of innovation caused by the ban on commission not only apply to our products but are observed on a broader scale in the insurance market. We continued to take the lead in 2020 to focus attention on these topics in the market and to embark on discussions on how to solve these issues, with a specific view on the context that appeared as a result of the COVID-19 pandemic. To that purpose we partnered with other protection insurers and stakeholders to address the issues and have led a dialogue on commission with key players such as the supervisors, NHG, broker associations and software houses.

At the same time we have made progress in distribution development, tackling the changing context in which the distribution chain is operating. As for the mortgage protection products we launched a new, key partnership with one of the biggest players in the Dutch market for term life insurance, agent TAF. The partnership enables us to be present in the market of mortgage transactions with a full range of payment protection covers, adding new business to our books in significant volume.



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## Environment – economic situation

The COVID-19 virus has been characterised as a pandemic on 11 March 2020 by the World Health Organisation. Many governments and regulators have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues, lockdown and even a curfew. These measures will affect the global supply chain as well as demand for goods and services and therefore have significant impact on the global growth. At the same time, fiscal and monetary policies are being relaxed to sustain the economy, and while these government responses and their corresponding effects are still evolving, there is more visibility on the scale of damage this outbreak will have to the local and global economies.

For issuing the financial statements, management assessed that BNP Paribas Cardif Levensverzekeringen N.V. are able to continue as a going concern, and that this series of events does not provide evidence of conditions that existed at the end of 2020. The management believes however that the outbreak could have more or less severe impacts on 2021 financial market trends, the new business volumes and claims observed.

While the effect of these events on BNP Paribas Cardif Levensverzekeringen N.V. is largely unpredictable as the pandemic is still spreading, they will primarily affect the technical result and the valuation of financial assets. The impact on the technical and financial balance of the company will depend on the efficiency of the contra-cyclical measures that underlie the risk assessment, the risk management framework for financial or technical risk hedging, the impact of the measures taken by the public authorities or set out by the insurance regulation to sustain the economy.

Though it is unpredictable, some possible scenarios were calculated showing that the solvency II position is sustainable and that BNP Paribas Cardif Levensverzekeringen N.V. is able to overcome the consequences of the Corona crisis above risk appetite levels as already stress tested in the ORSA.

## Economic decline in The Netherlands

In November, CBS estimated that, after a 1.7% economic growth in 2019, 2020 showed a decline of more than 4%. As for the Dutch economy, the CPB expects the economy to recover with a growth rate of 3% in 2021. Where along with the economic decline, unemployment increased in 2020 to 4.1%, Unemployment is expected to increase further up to 6.1% in 2021.

Consumer purchasing power improved with 2.2% in 2020 due to tax relief and is expected to keep on improving as well in 2021 although it will be at a lower rate (1%). These rates take into account that people are losing jobs but labour costs are taken over by the government.

## Housing market in a split

In 2020 the housing market remained under stress. Demand being higher than supply created pressure on the market. In October, NVM reported again an increase of houses that were sold above the asking price. As a result of this tightness of the housing market, people faced difficulties buying a house. Starters on the owner occupied housing market are becoming older and prices went up. In 2018 218,000 existing owner occupied houses were sold and in 2019 219,000. Despite the COVID-19 crisis approximately 225,000 have been sold in 2020.

In 2021, as a result of the pandemic crisis, the housing market is expected to change. House prices are expected to go down as a result of the economic situation and of a decreasing appetite to buy according to the ING. But interest rates and purchasing power are expected to go up. Although not all banks agree, ING expects an overall decline of 0.5% in housing prices.

In some scenario's projected, the housing market would also show a decline in the number of houses being sold in 2021. The decline of new transactions and the downturn in general are expected to lead to increasing mortgage interest as well, slowing down the refinancing market. These developments will have direct impact on the business of BNP Paribas Cardif in the Netherlands, as the core products are directly are directly linked to mortgage transactions.

## Result, dividend and evolution of Own Funds

The profit and loss of BNP Paribas Cardif Levensverzekeringen N.V. is as follows:

PROFIT AND LOSS ACCOUNT	2020	2019
Earned premiums	22,057	25,579
Claim charge	(7,240)	(33,318)
Movement technical provision risk policyholder	-	3,117
Operating expenses*	(6,727)	(8,767)
Technical result according to SII QRT S.05.01	8,090	(13,389)
Result on investments technical accounts*	1,875	17,065
Result technical account life insurance	9,965	3,676
Result on investments non-technical accounts	798	2,118
Other income	6,100	-
Result before taxes	16,863	5,794
Taxes	(3,943)	(1,726)
<b>Result after taxes</b>	<b>12,920</b>	<b>4,068</b>

\* The asset management expenses are reported within the operating expenses in the Solvency II accounts. In the statutory accounts these costs are included in the result on investments (298 thousand euros).



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The net profit of BNP Paribas Cardif Levensverzekeringen N.V. increased from a profit of 4.1 million euros in 2019 to a profit of 12.9 million euros in 2020. The increase in profit is mainly due to the sale of the savings portfolio which is presented in the other income. The operational result from the savings portfolio is part of the 2019 figures, but not part of the 2020 figures. The increase in technical result is mainly due to one off impacts as further detailed in the chapter 'Underwriting performance'. The investment result decreased significantly mainly due to the sale of the savings portfolio and is further detailed in the chapter 'Investment performance'.

BNP Paribas Cardif Levensverzekeringen N.V. set the target coverage ratio at 150%. As stated in a Financial Agreement with the parent company, support by means of additional capital is arranged in case the coverage ratio breaches 125%.

The Own Funds to cover the SCR are 72.9 million euros as shown in the table below.

The Own Funds under Solvency II consist of:

	31-12-2020	31-12-2019
Issued and paid up capital	43.710	43.710
Reserves	0	(2.680)
Result of the year	12.921	4.068
Reconciliation reserve (excluding foreseeable charges)	36.803	56.065
<b>Excess of assets over liabilities</b>	<b>93.434</b>	<b>101.163</b>
Foreseeable dividends*	(12.921)	(1.388)
Foreseeable charges	(7.623)	(4.859)
<b>Total Own Funds to cover SCR</b>	<b>72.890</b>	<b>94.916</b>

\* BNP Paribas Cardif Levensverzekeringen N.V. foresees distributing the profit of 2020 as dividends. After appropriation of the result, BNP Paribas Cardif Levensverzekeringen N.V. remains well capitalised and meets its regulatory and internal solvency targets as of 31 December 2020

The share capital and reconciliation reserve elements are classified as Tier 1. The coverage ratio can be calculated by means of the Own Funds (available capital) versus the SCR (required capital). The SCR of BNP Paribas Cardif Levensverzekeringen N.V. is calculated at 27.6 million euros per year end 2020 (2019: 29.8 million euros). The coverage ratio at the end of 2020 decreased to 264% (2019: 319%).

## Underwriting performance

The underwriting result of BNP Paribas Cardif Levensverzekeringen N.V. is the result of earned premiums from which incurred claims are deducted. Due to the fact that the savings portfolio has been sold and is no longer part of the technical result 2020, the comparison figures has been separated between Protection and Savings. The underwriting performance is as follows:

TECHNICAL PROFIT AND LOSS ACCOUNT BY LINE OF BUSINESS	Protection 2020	Total 2020	Protection 2020	Savings 2019	Total 2019
Earned premiums	22,057	22,057	11,359	14,220	25,579
Claim charge	(7,240)	(7,240)	(6,362)	(26,956)	(33,318)
Movement technical provision risk policyholder	-	-	-	3,117	3,117
Operating expenses*	(6,727)	(6,727)	(8,008)	(759)	(8,767)
Technical result according to SII QRT S.05.01	8,090	8,090	(3,011)	(10,378)	(13,389)
Result on investments technical accounts*	1,875	1,875	5,252	11,813	17,065
Result technical account life insurance	9,965	9,965	2,241	1,435	3,676

\* The asset management expenses are reported within the operating expenses in the Solvency II accounts. In the statutory accounts these costs are included in the result on investments (298 thousand euros).

In 2020, the technical result for BNP Paribas Cardif Levensverzekeringen N.V. increased by 6.3 million euros to 10.0 million euros. The protection part increased with 7.7 million euros and the savings part decreased with 1.4 million euros due to the sale of the savings portfolio.

The following elements explain the evolution in the protection part:

- The earned premium and unexpired risk increased by 10.7 million euros, mainly impacted by:
  - The decrease of interest rate in 2019, the new cost assumptions in 2019 and the correction in Funeral in 2019 decreased the Earned Premium would increase with approximately 8.2 million euros in 2020;
  - Less premiums received in 2020 for an amount of 1.9 million euros;
  - In 2020 the cash flow calculation method between statutory and solvency 2 were aligned. In this alignment the following main updates were made: an update to determine the cost loadings for decreasing loans, an update for lapse in order to better reflect the experiences in the portfolio and an update for surrender values in the cash flow calculation of the Funeral product. The total one off impact resulted in a decrease of unearned premium provision in the balance sheet for an amount of 2.6 million euros and an increase of earned premiums in the profit and loss for the same amount.
  - The remainder can be explained by normal portfolio development
- The claims charge of BNP Paribas Cardif Levensverzekeringen N.V. became more negative for an amount of 0.9 million euros. In order to anticipate the COVID-19 risk in death the claim provision was strengthened for an amount of 1.6 million euros which had a negative impact on the claim charge. The remainder is due to normal volatility in the death risk (low frequency in claims with high amounts).
- The operating expenses decreased by 1.3 million euros as a result of cost savings.
- The (total) result on investment is explained in the paragraph investment performance.



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New business volumes are low, because most products were de-risked or reduced in distribution scope. The company's action plan is to continue and accelerate relaunch with the new 4S strategy. A partnership with TAF has already started which should give considerable production volumes in 2021.

## Claims Development

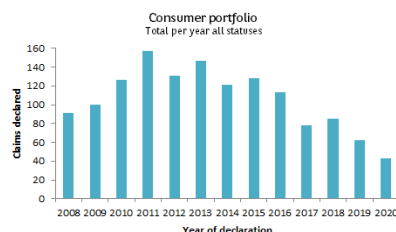
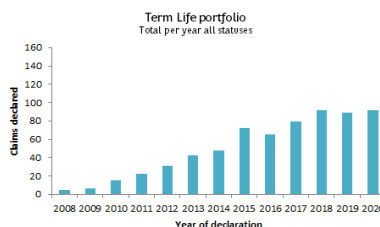
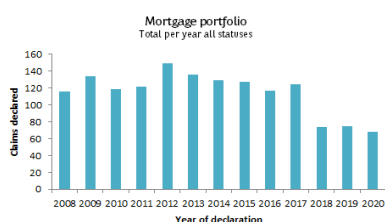
Claims development is typically done for Non-Life risks. In Cardif Leven, a single payment is done per claim, and the delay between declaration and occurrence is short. Hence, claims development is irrelevant. Although Disability is classified as *Health Similar to Life*, the claim payments can take up to thirty years. So, a significant claims reserve is held and claims development is relevant.

The provision for claims has increased by 0.8 million euros (13%) in 2020. Paid claims have increased by 1.2 million euros (14%) compared to the previous year (gross of reinsurance) mainly in the second semester. 2020 was influenced by the COVID-19 and the increase of the paid claims might be linked to that (no information about COVID-19 relation in the claims report), but it can be also linked to the intrinsic volatility of the death portfolio (high amount, low frequency). To face the COVID-19 situation, an extra provision of 1.6 million euros has been booked.

The exposure decreases due to less contracts and outstanding balances that decrease for Linear Decreasing and Annuity Decreasing contracts.

Overview - claims provisions gross of reinsurance		2020	2019
Direct business	Life	5.692	4.864
	Guaranteed-Rate	-	154
	Unit-Linked	-	-
<b>Total</b>		<b>5.692</b>	<b>5.018</b>

The claims declared are stable for Mortgage related products and decreases for Consumer related products. As the Mortgage relate products have higher average insured amount, it represents 93% of the claims paid.



## Investment performance

### Financial Markets

The Eurostoxx50 decreased by -5.2% in 2020 from 3,748 to 3,552 which leads to a negative revaluation of the stock funds in the investment portfolios. In the meantime, the 10 year yield of the Dutch bonds have decreased from -0.06% to -0.49% which sustains the level of unrealised gains within the fixed interest rate part of the portfolio.

The invested assets are split into bonds and investment funds. The bonds are valued at amortised cost price in statutory accounts and investment funds are valued at market value. Investment funds are valued at market value. Investment funds (31.2 million euros) consist of equity funds (18.4 million euros), bond funds (8.7 million euros) and liquidity funds (4.1 million euros). The value of the investment funds increased by 3.1 million euros, in total. The value increased due to the evolution of the stock markets.

The book value of the bond portfolio increased in 2020 by 4.6 million euros to 114.2 million euros.



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The result on investments in statutory accounts is as follows:

Result on Investments	Income and expenses	Unrealised change in valuation	Realised result due to sales	Total 2020	Total 2019
Shares and other non fixed-interest securities	48	(474)	(10)	(436)	4.530
Bonds and other fixed-interest securities (including group)	2.347	(69)	543	2.821	2.122
Investments for the risk of policy holders	-	-	-	-	11.803
Other investments and cash at bank	(9)	-	-	(9)	(7)
<b>Total</b>	<b>2.386</b>	<b>(543)</b>	<b>533</b>	<b>2.376</b>	<b>18.448</b>

The Result on investment is presented without the Savings due to the sale of the portfolio and is impacted by the positive revaluation, linked to the development of stock market along the year (eurostoxx50 by +25% in 2019).

## Performance other activities

### Savings activity

BNP Paribas Cardif Levensverzekeringen N.V. sold the savings portfolio which was completed at 29<sup>th</sup> of May 2020 with an economic selling date at January 1<sup>st</sup>. The risks and results are transferred to the buyer. The selling price of 5.5 million euros is presented in the other income. For servicing the portfolio until migration date early 2021 a service fee of 1.2 million euros is received. An amount of 0.6 million euros is presented in the operating expenses to compensate the costs and the remaining part of 0.6 million euros is also presented in the other income.

## Any other information

### Products and distribution

#### Hypotheek Aflos Verzekering

Our flagship product the Hypotheek Aflos Verzekering, the mortgage related disability and unemployment protection, acquired more visibility in 2020. A growing number of distribution partners, mainly independent financial advisors, added the product to their range of protection solutions. Despite the underconsumption of mortgage protection in the Netherlands, we have been able to reinforce our market share slowly but steadily.

The further integration of the product in broker softwares, advisory as well as so-called workflow softwares, has been at the centre of our attention and accelerated in 2020. Observations are that certain groups of customers are more open to a digital offer, after completion of the mortgage file. A growing number of experiments are being deployed to optimise this digital distribution method.

#### Term life

Being one of the main covers within the definition of creditor insurance, our ambition to re-enter the Dutch market for term life with a death product got realised in 2020. We were able to close a volume-based partnership deal with the leading developer and distributor of term life, TAF, with whom we signed an authorised agent partnership for the five years to come. The partnership is based on offering a very attractively priced death cover to a large number of customer segments, with market standard conditions. The portfolio will be acquired via brokers and managed by TAF. In close collaboration with reinsurer Swissre, the risk management will be carried out by BNP Paribas Cardif. The partnership was introduced to the market mid-December and production inflow started immediately after releasing the tariffication in the softwares used by brokers.

By opening the channel of authorised agents to distribute our products we have chosen to add a new form of distribution to our model. The ambition is to expand this business model and sell other products in this form. It allows us to generate volumes without a heavy burden on our operations. As such the channel is aligning our strategic ambition to redesign our sales and to save costs at the same time.

#### Savings portfolio

After the strategic decision to sell the portfolio of life insurances with a savings or unit-linked character in 2019, the sales was effectuated in 2020. The portfolio was considered non-core from a strategy perspective and an agreement was found with De Goudse, whose strategy is to consolidate life portfolios. The smooth preparation of the transaction led to DNB validation of the file in the first half of 2020, after which the transition programme could start. It is expected to finish the migration early 2021.

## Customer Centric

### Customer Centric Programme

Initiatives focused on improving customer centricity are organised in the Customer Centric Programme (CCP) within BNP Paribas Cardif Group. The CCP is a comprehensive programme, offering local companies the opportunity to specify the customer-centricity aspects step by step. Given our niche positioning focus on very specific touchpoints in the customer journey, the so-called 'moments of truth' is essential. For that reason 2020 was a very special year. The pandemic impacted customers in the Netherlands because they got hit by the virus itself or the consequences of it during the lockdowns. A number of specific measures were taken to ensure customer centricity. Examples are the possibility to give self-employed a premium pause without losing protection and a specific way of treating unemployment claims that came from customers who recently switched jobs and would not have a cover according to the product conditions.



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## Corporate Social Responsibility

### General

An active Corporate Social Responsibility (CSR) policy is one of the key strategic points of attention within the BNP Paribas Group. The scope of the national and international sustainability programmes was extended further in the past year.

### Financial education; active involvement in the classroom

Within BNP Paribas Cardif, the CSR policy has mainly focused on involvement in society in recent years, which is one of the pillars of the BNP Paribas CSR philosophy. Financial education occupies a key position, being the main sponsor of Stichting Leven en Financien (LEF or Life and Finance Foundation). We actively communicated the LEF programme, the youth education project initiated by the financial sector, to make young people between ages 16 and 22 more financially aware.

The LEF programme as well as the yearly 'Fix je risk' initiative of the Association of Insurers during 'De week van het geld' were highly impacted by the COVID-19 situation in 2020 though. This resulted in cancellations of the physical interventions at schools. The LEF programme was fully digitalised after the outbreak and BNP Paribas Cardif volunteers can now be trained to provide the digital courses with the same purpose going forward.

### Social Responsible Investments

A Social Responsible Investment (SRI) policy for new investments has been implemented and is continuously upgraded. The objective is to improve SRI performance for each portfolio for each asset class, while maintaining the financial performance. Based on equal fundamental and perspectives, the best noted issuer by Vigéo (European leading agency in the SRI notation of companies) is selected.

The SRI policy for equity mutual funds is to invest at least 20% of the equity exposure in SRI mutual funds. BNP Paribas Cardif has invested in two SRI mutual funds (Camdriam Sustainable World and BNP Paribas Aqua), which were selected from a database of SRI funds based on several financial indicators. BNP Paribas Aqua is a thematic fund investing in international companies which have business related to water. Candriam Sustainable World invests in a diversified portfolio of global companies with a strong positioning in sustainable development issues selected based on Best-in-Class analysis.

The selection of new investments in sovereign bonds is based on an ESG (Environmental, Social and Governance) rating determined by the Vigéo criteria Environmental responsibility, Institutional responsibility and Social responsibility & Solidarity. In his mandate, the Asset Manager is required to favour the States having ratified the main international treaties on respect, protection & promotion of human and labour rights.

The selection of new investments in corporate bonds is also based on an ESG rating determined by the Vigéo criteria Human rights, Community Involvement, Environment, Governance, Business Behaviour and Human resources. To reinforce this objective, a list of excluded issuers was added in 2018. These issuers were chosen with the aim of increasing the Carbon footprint, the Energy Transition strategy and ESG Climate approach. All investments in the tobacco industry are prohibited.

BNP Paribas Cardif has invested in green bonds. These are bonds for which the issued amount is used for segregated and dedicated environmental investments projects like wind, solar, biomass, geothermal or energy efficiency. BNP Paribas Cardif Schadeverzekeringen N.V. had seven green bonds in the portfolio at the end of 2020 and BNP Paribas Cardif Levensverzekeringen N.V. had fourteen green bonds in the portfolio at the end of 2020 such as Stockland bonds invested the issued amount in sustainable building projects. With the raised amount of green bonds, GDF Suez helps finance projects dedicated to the development of renewable energy and energy efficiency measures. Région Île de France invests in energy efficient projects in public transportation, rehabilitation of real estate and renewable energies.

## Governance system

### General information on the governance system

We have a two-tier board: a Board of Directors and a Supervisory Board.

The Executive Committee manages the daily activities of both companies. At the end of 2020, the Executive Committee had seven members, including the three members of the Board of Directors:

- Chief Executive Officer, Mr. C. de Longueville (as of 1 February 2020)
- Chief Financial and Risk Officer, and deputy CEO, Mr. W. Eikelboom
- Chief Commercial, Communication and Marketing Officer, Mrs. M. Bosma-van Zuien
- Chief Information and Operating Officer, Mr. L. Kasper
- Chief Strategy and Digital Officer, Mr. J.M. Hermange
- Chief Risk Officer, and Local Chief Actuary, Mr. F. Sbai
- Secretary General, Mr. J. Alisse

At the beginning of 2020 Mr W. Eikelboom acted as interim CEO until the 1<sup>st</sup> of February.



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## Solvency II Governance and Key Functions

European insurance companies must meet numerous requirements with the introduction of Solvency II. Besides the quantitative requirements in the first pillar and mandatory disclosure in the third, the second pillar contains extensive requirements relating to how insurers structure their businesses and organisations. Section 41 of the Solvency II Directive stipulates that these companies must have an effective system of governance in place to ensure sound and prudent management of their business.

Solvency II requires insurance companies to have at least the following four key functions in place:

- Compliance Function
- Internal Audit Function
- Actuarial Function
- Risk Management Function

The responsibilities, resources, reporting and escalation lines and other main organisational aspects of these key functions are described in their respective charters that are updated regularly. All key functions are available within our organisation and are occupied by our own employees, except for the Internal Audit Function, which is outsourced within the BNP Paribas Group. Independence and objectivity are guaranteed because of the outsourcing and by the reporting of the Internal Audit Function to the Audit & Risk Committee in the Supervisory Boards.

## Vertical Integration Legal and Compliance

BNP Paribas Group has chosen to organize some of its functions decentral to be more suited to dealing with the complex circumstances of the activities worldwide. The compliance Function and the Legal Function are organized according to the key principles independence, integration and decentralization. They have an additional hierarchical link (besides the existing hierarchical link) within the function itself ensuring a high level of independence

## Fit and proper requirements

### Personnel

#### Staffing

In 2020 the staffing levels have decreased from 106,7 FTE on 1 January 2020 to 87,5 FTE on 31 December 2020. As per 31 December 2020 the team consisted of 43 female and 57 male employees. The Statutory Board consists of three members, two male and one female. The sick leave decreased to 3.2% (previous year 3.9%).

#### Executive committee for The Netherlands and Belgium

As part of the new Value Protection Strategy a new combined Executive Committee is in place as from March 2020 with members from both the former committees of BNP Paribas Cardif Netherlands and BNP Paribas Cardif Belgium.

#### Savings portfolio

The savings Portfolio has been sold to De Goudse Verzekeringen. Part of the sale is the transition of the 4 employees working on the Savings Department to De Goudse Verzekeringen.

#### Training and education

Managers received a training (organized by external training agency) of half a day in January regarding the subject appraisal interviews. For the department Contact & Support a telephone training was organized and for the Sales department a training Microsoft Teams. Our external arbo-company facilitated a webinar for managers linked to working from home; staying in contact with employees during COVID-19 crisis. Additionally various individual courses, trainings and programs were started.

#### Employee satisfaction survey

Due to the COVID-19 crisis the annual Global People Survey (GPS) of BNP Paribas Group 2020 has not been executed. Instead five COVID-19 Surveys have been sent to all employees, to receive feedback on current and important topics and to stay connected with the employees.

#### Remuneration policy

We have a remuneration policy based on a function- and salary house. For this we use the Hay-methodology. Each job profile is linked to a salary-scale with a minimum and maximum level. The fixed remuneration consists of a fixed monthly salary completed with fixed remuneration components such as holiday allowance and 13th month. For certain positions a variable remuneration at a maximum of 20% is applicable. In 2020 the total amount of granted bonuses was 432 thousand euros.

#### Pension scheme

As from 1<sup>st</sup> January 2019 the new pension scheme (Defined Contribution) is facilitated by the pension provider BeFrank. The project Collective Value Transfer, in which all the concerned employees were able to choose to transfer the value of the former pension scheme to the new pension provider, has been finalized in 2020.



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## Code of Conduct

The Code of Conduct is a guideline for our actions and decisions. There are no precise rules applicable in any situation. However, to the extent that the code of conduct should be a part of the baggage of the employees that, with the help of their own common sense the mind always respect it. We follow the Code of Conduct of BNP Paribas and we have also a IT Code of Conduct. Each new employee signs for read and seen of these documents. BNP Paribas employees are also obliged to follow various e-learning about this Code of Conduct every year

## Risk management framework and risk governance system

This section offers a general overview of the framework of risk management within BNP Paribas Cardif. The risk management principles, risk management bodies, risk governance sets and risk management teams are applied jointly over all legal entities and only deviate from the legal entities in certain specific risks.

### Risk Management Framework

As BNP Paribas Cardif is part of BNP Paribas Cardif Group, its policies and procedures for establishing and maintaining adequate internal control are the local interpretation of those applied by BNP Paribas Cardif Group for its risk management.

The risk management framework is designed under the supervision of the Chief Financial Officer and the Chief Risk Officer, to provide reasonable assurance regarding the identification, measurement, hedging, transfer and management of the risks. They also guarantee good compliance with the Solvency II guidelines related to the governance system.

The ultimate goal for risk management is to provide sound and prudent management for the organisation. The primary responsibility for local risk management lies with the managers of BNP Paribas Cardif who make risk-taking decisions. Risk management is the responsibility of all employees in their daily business activities. They are the first lines of defence. They operate within a defined risk appetite and a certain delegation. They have monitoring and reporting obligations.

A rigorous approach to risk management is essential for guaranteeing the solvency, business continuity and the development of BNP Paribas Cardif, in optimal conditions of risk and profitability, in line with a defined risk appetite.

The management of BNP Paribas Cardif considers that effective risk management is a key competitive advantage. The risk management system of BNP Paribas Cardif comprises the following elements:

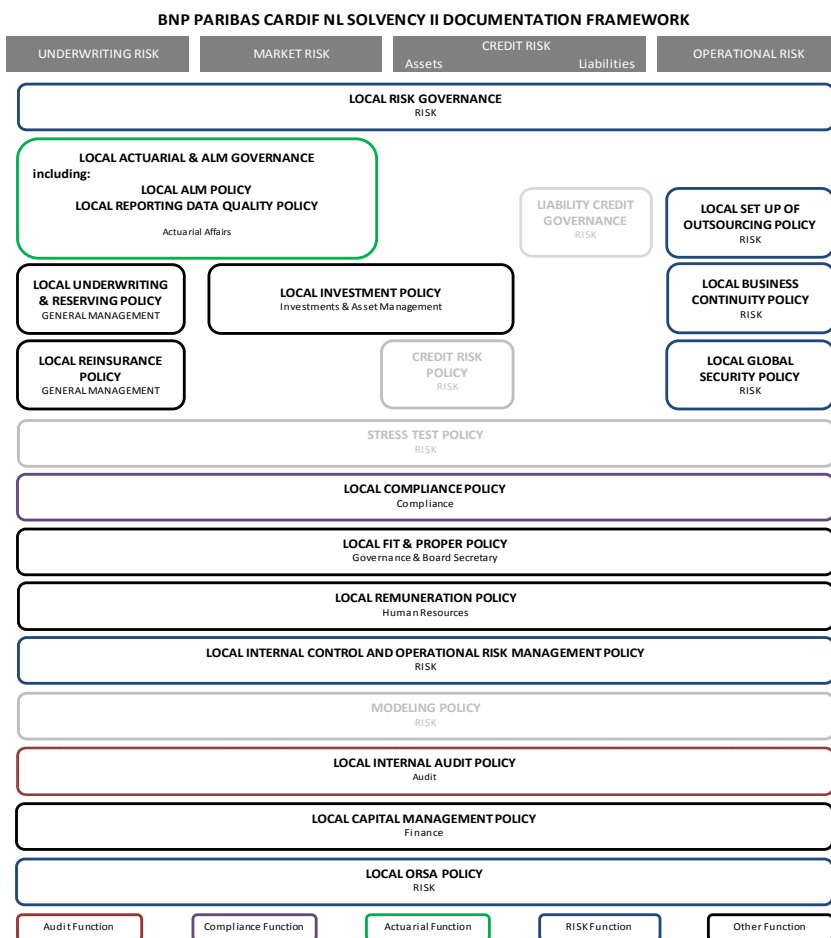
- Defined risk categories:
  - Financial risk (covering market risk, underwriting risk and credit risk)
  - Operational risk (including Compliance risk)
  - Strategic risk
- A risk management organisation with:
  - Responsible boards: supervisory and management boards (refer to the next charts)
  - Risk functions, including mandatory key functions as stated in Solvency II: Key functions are the Risk Management Function and the Actuarial Function, guaranteed by the Chief Risk Officer. The Compliance Function is guaranteed by the compliance officer. These functions are internal to BNP Paribas Cardif. The Audit Function relies on the general inspection of BNP Paribas Group and is guaranteed by the CEO.
- Risk-related documents (governances, policies) as presented in the chart below: the risk management organisation is defined and documented for all risk families and is the translation of BNP Paribas Group governance and risk policies into the Dutch business, covering:
  - Actuarial Governance
  - ALM Governance
  - Credit Governance
  - Operational Permanent Control Governance
  - Compliance Governance
  - Outsourcing Governance
  - Internal Audit Governance



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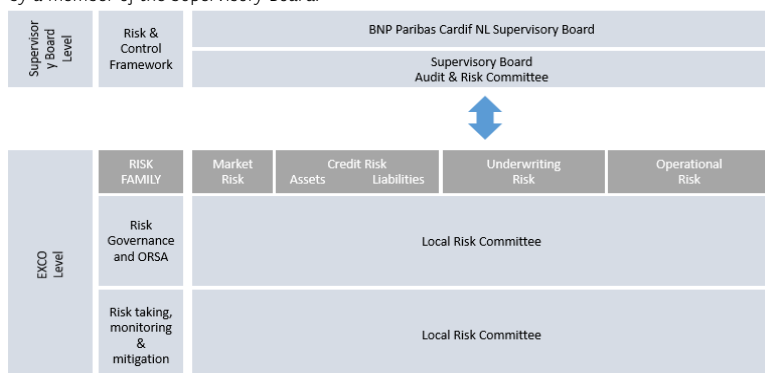
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The overview of all policies and governances is provided below:



There are risk registers at two levels: a risk register at company level built and owned by senior management, covering all major risk categories, and a risk register for each department built and owned by managers, covering operational risks in department processes.

- An Own Risk and Solvency Assessment (ORSA) with a risk strategy based on risk appetite statement(s).
- Risk committees have been defined for both risk taking, like new products or new activities and risk monitoring. Both are organised in regular local risk committee meetings.
- The Audit & Risk Committee of the Supervisory Board occurs with the same frequency as the meetings of the Supervisory Board, chaired by a member of the Supervisory Board.



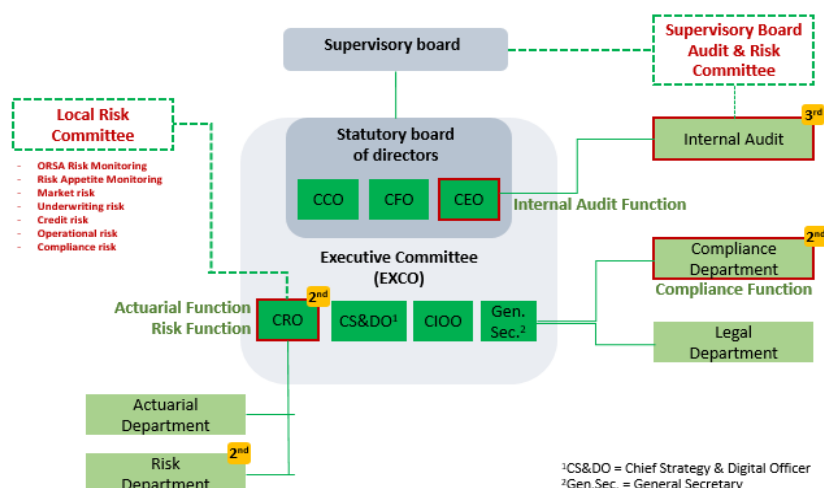
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Note that within Financial risk, Credit Risk is split between Liabilities and Assets. In the Solvency II framework, these risks are captured by different modules of the Standard Formula. BNP Paribas Cardif applies the Standard Formula. The Credit Risk on Liabilities is the counterparty default risk in the Standard Formula. The Credit Risk on Assets is further split between the spread risk on bonds and the counterparty default risk on cash and deposits in the Standard Formula.

The chart below provides a comprehensive view of the risk management system, with boards, departments, committees and risk families. The Board of Directors includes the CEO, CFO and CCO.

Synthesis of the Risk Management System:



Note to the chart above:

- The red frames present key functions. Some portfolios may be under the responsibility of the same person
- Dotted green frames represent risk committees and associated owners and risk families
- 2 and 3 represent lines of defence

The organisational structure above presents the overall structure of BNP Paribas Cardif, with the Supervisory Board and management levels: the statutory Board of Directors and extended Executive Committee, where all portfolios are represented. Note that some portfolios may be under the responsibility of the same person.

## Internal control system

### Internal control framework

The Internal Control System is based on rules, an organization, processes and controls implemented by the management and all employees. It includes the operational risk management system. It consists of a Permanent Control system and Periodic Control system, which are separated and independent of each other, while being complementary and coordinated.

#### Permanent Control Definition

Permanent control is the system that implements, on a continuous basis, risk control actions. It is based on policies, procedures, processes and control plans and leads to organizational measures and controls. Permanent Control is carried out, firstly, by operational staff within the scope under their responsibility (1st line of defence) and secondly, by independent functions within BNP Paribas Cardif (2nd line of Control within 1st line of defence) and BNP Paribas Cardif Group (2nd line of defence).

#### Periodic Control Definition

The Periodic Control system is exercised by the Internal Audit Function, independent and specialized, which ensures the « ex post » verification of the effective operation of the Insurance Group, in particular the effectiveness and quality of the permanent control system. The Periodic Control is detailed in BNP Paribas Cardif Internal Audit Policy. Exchanges between Permanent Control and Periodic Control are regularly carried out at BNP Paribas Cardif Group level in order to optimize the flow of information, to coordinate the actions of each party and to improve the efficiency of the Internal Control system in strict accordance with the independence of Periodic Control.



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## Internal control process principles

The internal control processes of BNP Paribas Cardif are based on the following principles:

- Internal Control is in line with the policies and directives of BNP Paribas Group on internal control.
- Internal control processes are reviewed constantly and are challenged regularly, to ensure continuous improvement.

## Internal Audit Function

The Internal Audit Function is outsourced within the BNP Paribas Group. Independence and objectivity are guaranteed because of the outsourcing and by the reporting of the Internal Audit Function to the Audit & Risk Committee in the Supervisory Boards. The audit plan of the Internal Audit Function is determined in the Audit & Risk Committee. Audit objectives are defined from a risk perspective. Reporting on the execution of the audits is discussed in the Audit & Risk Committee as well as the follow-up on recommendations.

## Actuarial Function

Article 48 of the Solvency II Directive sets a minimum level of tasks to be performed by the Actuarial Function of the company:

- Coordinate the calculation of technical provisions.
- Inform the Administrative, Management and Supervisory Body (AMSB) of the reliability and adequacy of the calculation of the technical provisions.
- Express an opinion on the overall underwriting policy and on the reinsurance arrangements.
- Contribute to the risk management system.

The Actuarial Function is neither necessarily an organisational unit, nor a specific person or group of people, but rather a regulatory 'function' which conducts the list of tasks specified in Article 48.

For BNP Paribas Cardif, the organisation of the Actuarial Function relies on the following principles:

- The Actuarial Function is internal to BNP Paribas Cardif.
- The Actuarial Function-holder is the Chief Risk Officer (CRO).
- The Actuarial Function-holder will request the support of an external actuarial consultant to review the work of the first-line actuaries and to perform detailed validation work on technical provisions construction (model, assumption, data, outcome), with a focus on Solvency II.
- The support of the external actuary will be comparable to the work performed as an appointed actuary.
- The Actuarial Function Report (AFR) will be a master document, collecting a comprehensive analysis of the year-end technical closing, in statutory accounting and Solvency II, enriched with the opinion of the external actuary on the reviewed scope.
- The external actuary will also express an opinion on the ORSA report.
- The underwriting and reinsurance policies are reviewed internally and are not subject to an additional review by the external actuary.

The other measures for the independence of the Actuarial Function are:

The CRO is responsible for both the Actuarial Function and the Risk Management Function. The manager of the actuarial department reports to the CRO. To ensure the independent role of the Actuarial Function, BNP Paribas Cardif has taken the following measures:

- The Actuarial Function has a formal status, and the roles and responsibilities are those as described in the Internal Actuarial Function charter.
- The position in the organisation does not lead to any conflicts of interest, and the function can be executed independently (i.e. without influence of other key functions like the Risk Management Function).
- The Actuarial Function is separated from operational first-line actuarial activities within the organisation.
- The representatives of the Actuarial Function have the authority to escalate to the Board of Directors at their own initiative.
- The Actuarial Function can escalate to the Audit and Risk Committees of the Supervisory Board, if differences of opinion arise between the Actuarial Function and the Board of Directors.

When the Actuarial Function is requested to execute tasks that are not described in the Charter, the Board of Directors decides whether such tasks lead to conflict of interests. Should there be a conflict of interests; the Board will not give permission to proceed with these activities without any additional measures, possibly by outsourcing the activities involved.

The appointment of persons carrying out responsibilities of the Actuarial Function requires the approval of the Board of Directors.

## Outsourcing

The rules applying to an outsourced operational or functional activity are laid down in the BNP Paribas Cardif Group Outsourcing Policy. The policy incorporates the requirements of the Solvency II regulatory framework imposed on the insurance industry, as well as the regulatory changes known to date.

The control framework must be proportionate to the nature, size and complexity of the outsourced activity, as well as to the associated risks. This assessment will be conducted by expert functions in each of the areas including Security, Continuity and Controls. The aspects of risk management in outsourcing projects encompass mainly:

- The regulatory due diligence
- The risk approach



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These two critical aspects are to be analysed and monitored during the various phases of an outsourcing project. The regulatory due diligence and risk analysis can lead to:

- Additional requirements in the project specifications.
- The definition of the applicable control framework.
- Taking the internal control system of the provider into account when it is a regulated institution, therefore subject to the same constraints and regulatory requirements as BNP Paribas Cardif.

A body dedicated to the monitoring and control of the risks associated to Outsourcing has been set up at the corporate and local levels to meet the regulatory and BNP Paribas Group Governance requirements and reviews the risk analyses prepared for any out sourcing project.

The relationship with the service provider must be subject to a formal agreement. This agreement aims to manage this liaison for both the legal and regulatory aspects, as well as for operational aspects. This monitoring is performed by the contract manager who will lead the relationship with the internal client(s) and will, if needed, get the expert functions to intervene for the issues encountered. As BNP Paribas Cardif remains accountable for controlling its risks, including in case of activity outsourcing, the risk analyses are to be reviewed regularly and in case of significant evolutions.

Currently we have seven critical or important Outsourcing Arrangements (COA). The most important arrangements are managed within the BNP Paribas Cardif Group or BNP Paribas Group and are related to the following activities: Administration of our general fund portfolio, order execution of our general funds and Internal Audit. One activity is partially managed by the BNP Paribas Group: IBM for hosting the European data center (EDC ). This year one new critical outsource activity was started. This is a new Authorized Agent called TAF.

## Risk profile

Risk management is an essential part of the business of BNP Paribas Cardif. It enables us to steer the company based on four performance indicators: annual result, value creation, required capital and operational risks. Continuous monitoring of these indicators and the annual Own Risk and Solvency Assessment (ORSA) allow the company to assess the exposure to risks and take management actions when warranted.

BNP Paribas Cardif is mainly sensitive to market risk and underwriting risk. The market risk is high because of significant assets held due to a historical portfolio, which was in single premiums and exacerbated due to the current level of interest rates that generate a material amount of unrealised gains. The underwriting risk is linked to future mortality for BNP Paribas Cardif Levensverzekeringen N.V. and disability rates for BNP Paribas BNP Paribas Cardif Schadeverzekeringen N.V.verzekeringen N.V., which are the main drivers of the Life and Disability liabilities in the portfolio.

BNP Paribas Cardif manages the market risk through regular asset liability management (ALM) studies. These studies limit the exposure to interest rate risk by duration matching and advice on the level of spread and equity risk to be taken within the risk profile limits set. Concentration risks – at company, industry and geography levels – are managed in monthly asset management committees. BNP Paribas Cardif does not use complex financial instruments, such as derivatives or swaps, to manage the market risk. BNP Paribas Cardif manages the underwriting risk through product development and reinsurance. The Life risk is partly reinsured in BNP Paribas Cardif Levensverzekeringen N.V. and the Disability risk is partly reinsured in BNP Paribas BNP Paribas Cardif Schadeverzekeringen N.V. We do not use other risk limiting techniques, such as special purpose vehicles.

The above risks can be deduced from the absolute and relative contribution of each risk module to the company's capital requirement (SCR). BNP Paribas Cardif uses the Standard Formula and does not use a (partial) internal model. However, the risk profile has modelling limits. For instance, non-quantifiable risks are not included (for example operational risks). These limits are addressed with another risk identification exercise: the risk register from which are derived the major risks as perceived by the executive board risk committee. The identification results in a list of major risks which are the main surveillance areas for the executive board:

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• ALM Risk- Cash flow matching</li> <li>• Market risk- Credit spreads</li> <li>• Market Concentration</li> </ul> | <ul style="list-style-type: none"> <li>• Failed estimation of trend (Temporary Disability, Involuntary Unemployment and Death)</li> <li>• Data risk uncertainty of technical basis</li> <li>• Product development</li> </ul> | <ul style="list-style-type: none"> <li>• IT Strategy</li> <li>• IT Security risk</li> <li>• New business</li> </ul> |
|---|--|---|

Qualitative risk assessment

The highest risks are subject to specific monitoring by the local risk committee and Executive Committee. The top risks are summarised in risk cards, monitored during local risk committees and measured in stress tests. Management actions have been defined in anticipation in case of emergence of these risks.



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From the above information, a prospective risk profile is built over the budget horizon of four years. BNP Paribas Cardif uses deterministic scenarios to assess the impact of adverse events and evolutions on the risk profile. The building of the risk profile results in a risk appetite declaration on what is the acceptable level for the quantitative risk metrics. The risk appetite is not an absolute cap on the risk profile but a level over which risk management actions become a high priority to get back within the risk appetite. The risk management framework of BNP Paribas Cardif includes the following risk preference statement to provide managerial guidance:

■ **"BNP Paribas Cardif intends to maintain the current risk level in changing the steering of the company and in streamlining the company ..."**

The purpose of these actions is to improve efficiency and at a minimum maintain the current effectiveness.

■ **"...but also maintaining the overall current risk level in lowering our costs."**

Costs have constantly been monitored over the last five years and aligned proportionally with the size of the in force portfolio. Further cost reduction will be achieved by restructuring the company, arbitration of projects and other expenses.

■ **"...But thanks to a good coverage ratio of the SCR we are prepared to moderately increase our risk in the sales redesign."**

In line with our strategy, current products will be further developed in our search for sales-volume, some with a more digitalized focus.

Also partnership opportunities will be explored in new areas of insurance risk, in close collaboration with BNP Paribas Cardif Belgium.

Current products will be further developed, some with a more digitalized focus. Also partnership opportunities will be explored together with BNP Paribas Cardif Belgium. A partnership with TAF has been set up to sell a death product.

Contribution to SCR	31-12-2020	31-12-2019
Market	36%	32%
Counterparty Default	0%	3%
Life Underwriting	61%	64%
Health Underwriting	0%	0%
Non-Life Underwriting	0%	0%
Operaitonal	3%	2%
Intangible Asset	0%	0%
<b>SCR (thousands euros)</b>	<b>27.626</b>	<b>29.752</b>

The proportion of market risk increased compared to the previous year. It is mainly due to a higher Market Value for Protection part (Bonds). Note that the selling of the savings portfolio does not impact a lot the evolution of SCR because of the diversification effect. The SCR still decreased in 2020 because of the run-off nature of the in force portfolio.

Life underwriting risks correspond to the term life portfolio which is subject to mortality, lapse and expense shock.

The proportion of market risk is relatively high for portfolios that consist mostly of protection products; however, it is consistent with the asset size inherited from the single premium portfolio. Interest, spread and equity shocks are equally high: interest risk driven by the relatively high asset size compared to the liabilities, spread risk due to the high share of corporate bonds in the portfolio, and equity due to the perceived risk. These risks are part of the major risks.

#### COVID-19 Virus addendum

In 2021 it is expected that the COVID-19 crisis is impacting BNP Paribas Cardif. The risks below are (in a certain extend) likely to occur:

- Equity shock
- Spread shock
- Interest shock
- Mortality and Unemployment rates increase

Apart from unemployment, all these shocks are in the ORSA. If the situation deteriorates to an unacceptable level, various measures are described in the ORSA. The most efficient and effective measure that can be taken to alleviate the situation is to use the group's financial guarantee. A secondary measure is withholding dividends. In the longer term, consideration could be given to using the en-bloc clause and selling (part of) the portfolio.

## Underwriting risk

The underwriting risks are managed within the actuarial governance. The actuarial governance of the BNP Paribas Group provides the overall framework for risk taking, risk mitigating and risk monitoring. The local actuarial governance of BNP Paribas Cardif is a translation of the BNP Paribas Group framework, taking into account local market specificities and local expertise and experience to underwrite risks, under the local risk appetite definition.

Underwriting risks are monitored on a frequent basis as set out in internal risk management governance. Reports are made frequently to risk management committees in charge of monitoring the evolution of risk indicators and profitability indicators. The underwriting profit is monitored in both statutory and Solvency II closing form, where an excess of assets over best estimate provisions with risk margin gives comfort in the adequacy of technical provisions.



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The accuracy of the risk monitoring system and reservation policy is evaluated by the Actuarial Function supported by the Financial Risk manager, an external independent actuary and the auditors.

The underwriting risks of BNP Paribas Cardif Levensverzekeringen N.V. consist mainly of death (mortality), expenses and surrender risks. The in-force portfolio in terms of number of contracts is dominated by periodical premium. The BEL is now split into single and periodical premium by 50/50, mainly due to the decrease of the portfolio and the absence of cash in-flows.

There is no New Business in Life. Therefore the portfolio size and underwriting risks decreases because of expiries and surrenders.

### Life Underwriting SCR (27.8 million euros)

Life SCR net of reinsurance	Direct business			2020	2019
	Life	Guaranteed-Rate	Unit-Linked		
Best Estimate Liabilities	36,768	-	-	36,768	274,365
Reinsurance Recoverable	(1,742)	-	-	(1,742)	(3,032)
Mortality	15,772	-	-	15,772	17,835
Longevity	0	-	-	0	-
Disability	0	-	-	0	0
Lapse	11,918	-	-	11,918	9,708
Expense	6,024	-	-	6,024	7,378
Revision	-	-	-	-	-
Catastrophe	8,779	-	-	8,779	10,499
Diversification	(14,718)	-	-	(14,718)	(15,457)
<b>Total</b>	<b>27,775</b>	<b>-</b>	<b>-</b>	<b>27,775</b>	<b>29,962</b>

The main shock is mortality, which is common for term life portfolio.

### Mortality and Longevity

Mortality and Longevity shocks are calculated with increased respectively decreased mortality parameters on a policy level. Since the Term Life policies of BNP Paribas Cardif Levensverzekeringen N.V. pay a benefit in case of death, the longevity shock is not material, and the result of the calculation is zero.

For the Individual Term Life portfolio, the shock before reinsurance is 19.4 million euros, or 15.5% on the expected future benefits of 125.2 million euros. The shock is not a flat 15%, since increased mortality on the short term results in less exposure on the long term. Moreover, the shock also increases claim handling costs and reduces future premium.

Reinsurance reduces the impact of the shock by 3.8 million euros.

### Disability

BNP Paribas Cardif Levensverzekeringen N.V. does not cover for disability; no policies are thus subject to a shock.

### Lapse

Lapse is an important risk in the Life portfolio. Many policies are regular premium, and future profits are embedded. The shock increased due to combination of updates. Due to the update of the cost units (Transfer of cost to Term Life to Funeral) and due to update of lapse rate, the lapse down shock increased and became the major one. Reinsurance reduces the impact of this shock by 0.4 million euros.

The lapse shock to be taken is the most adverse of three scenarios: an increase in lapse rates, a decrease in lapse rates, and an instantaneous mass lapse shock. As periodic premium contracts remain profitable, and for single premium contracts a surrender value applies, the lapse down shock is the largest of the three. The shock decreased strongly due to increased cost projection (higher unit costs). It means that less policies are profitable and consequently subject to mass lapse shock.

Due to the selling of the savings portfolio, the Lapse mass shock became a low shock.

Life SCR net of reinsurance	Direct business			2020	2019
	Life	Guaranteed-Rate	Unit-Linked		
Best Estimate Liabilities	36,768	-	-	36,768	274,365
Reinsurance Recoverable	(1,742)	-	-	(1,742)	(3,032)
Lapse up	212	-	-	212	3,280
Lapse down	11,918	-	-	11,918	9,708
Mass lapse	3,799	-	-	3,799	9,159
<b>Total</b>	<b>11,918</b>	<b>-</b>	<b>-</b>	<b>11,918</b>	<b>9,708</b>

### Expense

BNP Paribas Cardif Levensverzekeringen N.V. applied the expense shock of 10% on the cost level and a 1% increase in cost inflation per year. Given the long term nature of the portfolio and due to the effect of inflation, the expense shock is significantly higher than the 10% on cost level. The shock decreases by almost 20% compared to 2019 due to the run-off nature of the portfolio. The update of the cost unit impacted the shock but steadily.

The shock in the Individual Term Life portfolio increases the cost level by 20.1% on the expected cost level of 29.5 million euros.



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## Revision

The policies sold by BNP Paribas Cardif Levensverzekeringen N.V. do not include a revision clause for benefits. Hence, the revision shock does not apply to any policies in the portfolio. In other words claim amounts are nominal amounts which don't depend on the exact condition of benefits. Hence, the revision shock does not apply to any policies in the portfolio. In other words claim amounts are nominal amounts which condition of the insured person. It consists of a lump sum payment in case the insured event occurs, no other external events drive the height of the claim amount.

## Catastrophe

BNP Paribas Cardif Levensverzekeringen N.V. applies a 0.15% instantaneous increase in mortality rates. In addition to an increase in benefits, there is also a reduction in future premium and future profits. In the Individual Term Life portfolio, this represents an increase of the benefits paid from 125.2 million euros by 8.5% (10.7 million euros). Other portfolios account for 0.1 million euros.

Of the total shock, 2.0 million euros is absorbed by reinsurance (2019: 2.5 million euros).

## Market risk

Market risk has a relatively high share in the risk profile due to the dominance of past single-premium products in the balance sheet. This proportion in the risk profile is decreasing along with the exposure in single-premium policies. The market risk is composed of interest rate risk, equity risk, spread risk, currency risk, property risk and concentration risk.

The interest rates risk reflects the sensitivity of the value of assets, liabilities and financial instruments to changes in terms of the structure of interest rates, or in their volatility. It is measured by the impact of upward and downward shocks.

Sensitivity to market and credit risks is relatively high on the value of assets of the company in the current financial market situation, where very low interest rates increased the market value of bonds in general. The up-shock dominates. The proportion of the interest rates risk has decreased since 2015.

The equity risk reflects the impact of change in equity prices, which impacts direct equity exposure and loss of fees (measured by the impact of downwards shock for EEA and OCDE equities and for the other equities).

The spread risk reflects the impact of an increase in credit spreads on investments in fixed-income securities, offset by movements in the premiums or on the liabilities. On spread risk, the sensitivity is high because of the high proportion of corporate bonds (58% of bonds). The shock is a negative function of rating.

The currency risk is immaterial. The property risk is absent. The concentration risk is limited and is almost completely diversified within the portfolio.

To manage market risks, an ALM policy is defined in coordination with the BNP Paribas Group ALM governance and the BNP Paribas Group governance on market risk monitoring. A comprehensive ALM study is performed when the ALM indicators are indicating that the current Asset Mandate needs an update. The transformation from single-premium production into regular-premiums production requires close monitoring of the cash flows.

The latest ALM study reviewed the following elements:

- Cardif Leven and Cardif Schade were previously managed using the same modified duration. They will now be managed using distinct modified duration based on the respective liability profiles for BNP Paribas Cardif Levensverzekeringen N.V. and BNP Paribas Cardif Schadeverzekeringen N.V.
- The contractual liabilities are matched with a replicating portfolio, while the rest is considered as free assets and has fewer constraints,
- Solvency II results in a link between asset allocation and capital requirements. Therefore the study is based on the Solvency II framework,
- The study was based on risk appetite quantitative metrics.

The management of investments is outsourced to BNP Paribas Asset Management, a BNP Paribas Group company, which is mainly in charge of selecting investments and managing the portfolio's assets in accordance with restrictions set out in the investment policy. The following constraints are given to the asset manager to manage the risks related to the investment portfolio:

- Asset duration
- Portfolio composition
- Equity proportion
- Ratings limits.

The performance and composition of the portfolio by sector and location is monitored and discussed with the asset manager each quarter.



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## Credit risk

The credit (or counterparty default) risk reflects the possible losses due to unexpected default or deterioration in the credit standing of the counter parties. This risk can be present within the investments, for instance as spread risk, or with intermediaries and reinsurers.

The 'counterparty default risk not related to investments' are present in receivables and technical provisions. The company has limited exposure to these credit risks, 1% of the risk profile. The Counterparty Default risk consists of two types of exposures. Type 1 exposures that are relevant to BNP Paribas Cardif are reinsurance and cash at bank. Type 2 exposures are other receivables on the balance sheets that cannot be allocated to a single name, which includes the credit risk on intermediaries. The credit risk on investments is analyzed by BNP Paribas Cardif as spread risk.

### Counterparty default risk - Intermediaries

Because our products are sold mainly on a Business-to-Business distribution mode, monitoring the counterparty default risk of intermediaries is a component of our risk management framework and we follow the counterparty default risk governance defined by BNP Paribas Group.

The counterparty default risk on distributors can arise in the case of:

- Upfront-payments to our business partners on periodical premiums contracts, where distributors must pay back a portion of the received commissions in case the customers surrender. This conditional debt of distributors creates a counterparty default risk.
- A surrender on single premiums contracts. We will pay a contractual surrender value to the customers and distributors must pay back the unearned commissions. This conditional debt of distributors creates a counterparty default risk for Cardif.
- A delay in the event of premium collection.

The risk of commission claw-backs decreases, because no new commissions have been paid since the ban of commissions as of the January 1st 2013. The risk is mitigated by a surrender credit reserve, based on surrender, default and recovery rate assumptions.

The risk is monitored on a quarterly basis. The report monitors the exposure, the credit position of the most important counterparties, and sufficiency of the surrender credit reserve.

### Counterparty default risk – Reinsurance

A counterparty default risk on reinsurers arises when reinsurance protections are purchased and premiums and reserves are ceded against a protection running in the future. Cardif is exposed to the risk of bankruptcy of the reinsurer.

Cardif reinsurance cessions represent a small part of the portfolio. Reinsurance covers are purchased for the following scope: a surplus share treaty for the highest insured amounts in disability (only for contracts with "own occupation") for BNP Paribas Cardif Schadeverzekeringen N.V.; a quota share treaty for the term life covers (only for "LCO" product) for Cardif Leven. The surplus share treaty is yearly renewable with a clean-cut termination mode and without reserve cessions. The quota share treaty has a quarterly risk premium payment and no reserve cession. The exposure is limited conform the balance sheet.

Moreover, Cardif participates in the National Terrorism Reinsurance scheme (NHT), which itself purchases retrocessions to a pool of reinsurers. The analysis of the credit risk shows that there is no credit risk for Cardif because the liability towards the end customer is limited by what can be received from the NHT.

In selecting reinsurers, Cardif uses internal reinsurance or strictly adheres to the security-list of the Group. The security-list contains reinsurers selected for their financial strength and rating.

## Liquidity risk

Liquidity risk is the risk that arises in the event that the organization is unable to fulfil its short-term financial obligations due to a deficit in cash at bank. BNP Paribas Cardif manages this risk by monitoring the cash flow closely in the short and mid-term. Estimated cash receivables and payables are recorded in a cash flow model on a daily basis in order to identify cash needs. Actual cash flow is also recorded in the cash flow model, to analyze differences with estimations and to update the model for the next period. In addition to cash, the asset portfolio of both companies is very liquid. There are few short term liabilities.

## Operational risk

### General

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can arise due to a wide range of different external events ranging from power failures to earthquakes. Similarly, operational risk can arise due to internal events such as failures or inadequacies in any of our processes and systems or those of our outsourced service providers. Operational risk arising from human resources management may refer to a range of issues such as mismanaged or poorly trained employees and fraud. Operational risks differ from other risks in the sense that they are typically not borne directly in return for an expected reward; rather, these are part of the natural course of corporate activity.



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## Operational Risk Management

The aim of Operational Risk Management is not to have risks eliminated from the activities at any cost, but rather to ensure that operational risks are managed appropriately to maximise potential opportunities and minimise the adverse effects of risks.

The Risk department is responsible for supervision and coordination of the risk management activities, providing advice and guidance, including developing standard templates and tools. The Risk department organises training on the principles of risk management, risk assessment and how to implement risk management effectively. The Risk department applies a comprehensive incident reporting system and maintains information on losses or adverse events when risks are evaluated.

In accordance with the control plan, the Risk department will perform operational risk monitoring activities. At a local level, the Risk department has a hierarchical reporting line to the CRO.

## Other material risks

### Compliance Risk

On the one hand, Compliance Risk is the combination of the risk arising from non-compliance of the company's business operations with legislation, regulations or the company's own applicable policy framework, processes and procedures and on the other hand the risk of compromising the integrity of the institution or the financial system due to improper or unethical conduct on the part of the organisation, its employees or management, in derogation of legislation, (self-) regulation or self-imposed standards or the standards expected by society.

The Compliance Function roles, responsibilities and competences are described in the Compliance Policy, which is updated annually. Within BNP Paribas Cardif Group, the Compliance Function has three levels. These levels are: Insurance Compliance, Regional Compliance and Local Compliance. Insurance Compliance is responsible for the Compliance Function at BNP Paribas Group level with the following areas of attention: market integrity, relation with supervision, corporate social responsibility, financial security, professional ethics and protection of the customer's interests. To enhance the independence, the Local Compliance function hierarchically reports to the entity's Board of Directors and to the Regional and Head Office Compliance function. The system also enables better knowledge and capacity distribution.

In 2020, the Compliance function contributed to the realization of important business initiatives and carried out regular controls on compliance with obligations arising from applicable laws and (internal) regulations. Investments were made in expanding the knowledge of the organization regarding compliance risks. For example, training programs were conducted in the field of financial security and anti-bribery and corruption.

### Information Security

Our work is based primarily on the trust given to us by our customers. It is therefore vitally important that everyone in the company plays their part in protecting assets from theft, unauthorised use, modification, disclosure or destruction through accidental, intentional or malicious means.

The risks recognised within Information Technology relate to integrity, continuity and assurance of confidentiality of our information provision. The digital interaction with both customers and partners is increasing significantly due to web services deployment, social media and operational outsourcing. This has been a continuous trend since 2016 and is accelerating each year. The necessity of ensuring high level security of our Information System was also emphasised in 2020 by the COVID-19 crisis which led to having most of our employees working remotely. For all related existing and new business initiatives, the IT Security Manager is involved in order to identify and mitigate the IT risks, including increasing cyber security risks.

The COVID-19 crisis showed the ability of our IT organisation to implement distant working with full security of accesses and data exchange. Information Security is a key priority for BNP Paribas Group leading to the continuous improvement of security measures implemented by the company:

- Group security standards have been embedded in partnerships and suppliers by negotiating new contracts and pre-security assessments.
- BNP Paribas Group program on cyber security as well as NIST standards are being deployed with increased level of maturity each year.
- Security level of our applications are regularly reviewed
- Information Security tests are regularly performed on our core applications. In 2020, penetration tests have been performed on our extranet and public website
- Internal staff are trained yearly on cyber security via e-learning, awareness sessions and phishing tests

These initiatives will continue in 2021, focusing on full deployment of BNP Paribas Group programme on Cyber Security and the migration of our local infrastructure on BNP Paribas data centre which will further increase the security level of our Information System. New Information Continuity tests will be performed.

### Business Continuity

Business Continuity Management is the system of activities that serves to assure the continuity of our business processes under adverse circumstances. The continuity of our organisation is formed by the sum of all operational business processes. The system of activities of the Business Continuity Management process crosses all business processes and the activities that guarantee continuity on an organisation-wide scale.



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In 2020 the Business Continuity framework has been updated with :

- the continued adoption of BNP Paribas Cardif Group Global Business Continuity Policy
- additional business impact analysis and Business Continuity plans
- Renewal of the Crisis Management Plan, including a new crisis communication plan with special attention to pandemic scenarios
- Migration to a new service provider and new location for business recovery

In 2020, the crisis management & communication plan was reviewed and tested and a new communication tool was implemented.

In the context of the COVID-19 crisis, our crisis plan has been activated with high level remote working capabilities, allowing us to ensure the safety of our employees, the continuity of our activities and to give the best possible support to our clients. Since the beginning of the crisis, we have been holding regular crisis meetings in order to adjust our organisation with a high level of flexibility and security in alignment with authorities' recommendations. Since the outbreak, our organisation has shown a high level of resilience, allowing our business and operations to keep running with good level of service for our customers, whilst keeping our employees safe with a sustainable remote working set up.

In 2021, whilst the crisis may continue for a large part of the year, we will keep ensuring the continuity of our business with full adaptability of our operational framework according to the evolution of the sanitary situation.

## Data governance

Data Governance values data as an Enterprise asset. All data is concerned by this governance, the framework sets rules and principles to regulate efforts and resources. As such it supports:

- Senior Management decision making based on reliable information;
- Efficient operational processes in terms of time, quality and cost;
- Positive contribution to business development in terms of:
  - Partners and Clients satisfaction,
  - Enhancement of analytics capability for marketing or risk purposes ;
- Protection of data;
- Compliance with current and future regulatory requirements.

In 2018 a project was started to ensure data governance is materialized by common working principles in order to gain efficiency and maturity. To reach this goal, these common working principles have been built into an improved Data governance framework.

This document aims at:

- Clarifying the roles and responsibilities with regards to data quality and protection stakes;
  - Specifying working principles that must guide in priority the data quality and protection action plans of BNP Paribas Cardif.
- In 2020 we continued working on the implementation. Last year's main topics were: Data dictionary, Data quality rules and data controls.

## Any other information

There is no relevant other information to be reported



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## Outlook

The year 2020 was dominated by the COVID-19 pandemic in many ways. The well-being of our staff was challenged, business processes had to be adapted and our purpose to support our customers in difficult times, was absolutely key. We were able to deal with the new way of working without losing efficiency, whilst ensuring our continuity. This effects of the pandemic caused a delay of new business though and came with an impact on our technical and financial results. However, by the end of 2020 we were on track with implementing our (S4) strategy based on Steering, Saving costs, Sales redesign and Streamlining processes. The realization of these initiatives will remain at the center of our midterm plan and forms the basis for the 2021 operational plans.

Despite the COVID-19 crisis we managed to succeed the roll-out of our strategy which is fully focused around strengthening our niche position on the market and making our insurance products accessible to a large audience. We successfully implemented a partnership with TAF a leading authorized agent on the Dutch market for term life. The objective is to extend the mandate disability products in 2021. Next to the existing portfolio of credit protection products we are investigating the opportunities to expand our specialism to other international BNP Paribas Cardif niche segments such as extended warranties and other property and casualty products with the aim to start partnerships from 2021.

Especially in the COVID-19 crisis we continue to closely monitor unemployment, death and disability risks watching the changing market situation for these key risks. We observe an increase in the unemployment rates in the Netherlands and stable death and disability figures. As a result we updated the latest risk assumptions for our death and unemployment portfolios.

We continuously track our assets in relation to the liabilities and with the results of a stress test. This led to a stable technical interest rate in line with last year. We expect this to result in an optimization of our risk and return, in a sustainable and responsible manner.

As part of the strategy execution, we sold our portfolio of savings policies in 2020 and expect to finalize the migration early 2021. We received approval from DNB for the transaction, which led to a decrease in the number of staff and in 2021 we will be able to reduce the number of information systems we deploy.

We will keep developing and support business initiatives, compliance with laws and regulations, process automation and digitization. We will also specifically focus on managing cyber risks and system obsolescence. We maintained a cost provision in order to be able to continue our high performance on administration and claims handling in the future, protecting customer interest and the value of our book.

With BNP Paribas Cardif Belgium we merged the Executive Committee to ensure that our knowledge, experiences and processes are secured in an optimized and efficient set-up across the two countries. Further mutualisation steps will be investigated in 2021. In the context of finding efficiencies in our operating model and at the same time ensuring a future-proof business performance, our specialized staff is a key asset. We therefore aim to keep focusing on providing them a challenging, dynamic and pleasant workplace where they can have increasing impact on the success of the company in the years to come.

By taking an extra provision following the COVID-19 outbreak, we expect stable technical results for our company in 2021. In order to anticipate to a maximum extent, a number of stress tests were done in combination with a tight monitoring confirming our solidity as insurer. We expect low impact in our investments in bonds since we invest mostly in liquid investment grade government and corporate bonds. The management believes however that the outbreak could have more or less severe impacts on 2021 financial market in equity. As part of our sustainable investment management policy the majority of our assets have an ESG rating which we want to improve further in 2021.

Oosterhout, 8 April 2021

Mr C.P.F. De Longueville  
Mr W. Eikelboom  
Mrs M. Bosma-van Zuien



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## Financial statements

### Balance sheet - Assets as at 31 December 2020

Before appropriation of result  
In thousand euros

ASSETS	31-12-2020	31-12-2019
<b>(1) Investments in group companies and participations</b>		
Bonds and other fixed-interest securities issued by group companies	300	300
<b>(2) Other investments</b>		
Shares and other non fixed-interest securities	31.251	28.119
Bonds and other fixed-interest securities	<u>113.892</u>	<u>109.267</u>
	145.143	137.386
<b>(3) Investments for risk of policyholders</b>	-	182.038
<b>(4) Receivables</b>		
Receivables direct insurance	203	1.251
Reinsurance receivables	350	299
Other receivables	<u>762</u>	<u>2.384</u>
	1.315	3.934
<b>Other assets</b>		
(5) Cash at banks	2.101	3.108
<b>Accrued assets</b>		
(6) Accrued interest	1.351	1.390
(7) Deferred acquisition costs	<u>1.392</u>	<u>2.293</u>
	2.743	3.683
<b>TOTAL ASSETS</b>	<b>151.602</b>	<b>330.449</b>

The notes to the financial statements are an integral part of the financial statement



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## Balance sheet - Equity and Liabilities as at 31 December 2020

Before appropriation of result  
In thousand euros

EQUITY AND LIABILITIES	31-12-2020	31-12-2019
<b>(8) Equity</b>		
Issued and paid up capital	43.710	43.710
Other reserves	-	(2.681)
Undistributed result	12.921	4.068
	56.631	45.097
<b>(9-11) Technical provisions</b>		
(9) For unearned premiums and unexpired risks	87.886	96.414
(10) For outstanding claims: gross	5.693	5.018
(11) Reinsurers' share	(775)	(773)
	92.804	100.659
<b>(12) Technical provisions for the investment risk of policyholders</b>	-	182.045
<b>(13) Other provisions</b>	137	-
<b>(14) Other liabilities</b>		
Creditors arising from direct insurance	103	205
Creditors arising from reinsurance	8	939
Other liabilities	572	215
	683	1.359
<b>(15) Accrued expenses</b>	1.347	1.289
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>151.602</b>	<b>330.449</b>

The notes to the financial statements are an integral part of the financial statement



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## Profit and Loss account for the year ended 31 December 2020

In thousand euros

TECHNICAL ACCOUNT LIFE INSURANCE	2020	2019
<b>(21) Net earned premiums insurer</b>		
Production / written premiums	16.987	33.072
Surrenders	(214)	(196)
(17) Gross written premiums	16.773	32.876
(18) Outgoing reinsurance premiums	(3.243)	(3.283)
(19) Premiums net of reinsurance	13.530	29.593
<b>(20) Movement technical provisions unearned premiums and unexpired risks: gross</b>	8.527	(4.014)
	22.057	25.579
<b>(22) Investment income</b>		
Direct income from investments	2.684	9.362
Increase of value investments	73	4.685
Realised profit on investments	634	695
	3.391	14.742
<b>(22) Unrealised profit on investments</b>	-	4.598
<b>(23) Claims for the insurance company</b>		
Claims incurred Gross	(9.240)	(34.986)
Reinsurers' share	2.826	2.188
Claims net of reinsurance	(6.414)	(32.798)
<b>(24) Movement technical provision for outstanding claims</b>		
Provision for outstanding claims: gross	(828)	(647)
Provision for outstanding claims: Reinsurers' share	2	127
Movement technical provision for outstanding claims gross	(826)	(520)
<b>(25) Movement technical provision for risk of policy holder</b>	-	3.117
<b>(26) Operating expenses</b>		
Acquisition costs	(2.861)	(3.873)
Administration, personnel and amortization costs	(3.982)	(4.584)
Commissions and profit participation received from reinsurers	414	425
	(6.429)	(8.032)
<b>(22) Investment costs</b>		
Administration and interest costs	(298)	(735)
Decrease of value investments	(142)	(142)
Realised loss on investments	(101)	(15)
	(541)	(892)
<b>(22) Unrealised loss on investments (21)</b>	(474)	-
<b>(27) Result on investments allocated to the non-technical account</b>	(798)	(2.118)
<b>(16) RESULT TECHNICAL ACCOUNT LIFE INSURANCE</b>	<b>9.966</b>	<b>3.676</b>

The notes to the financial statements are an integral part of the financial statement

NON-TECHNICAL ACCOUNT	2020	2019
(16) Result technical account life insurance	9.966	3.676
(27) Result on investments income allocated from the general insurance technical account	798	2.118
(28) Other income	6.100	-
(29) Result before taxes	16.864	5.794
(30) Taxes	(3.943)	(1.726)
<b>RESULT AFTER TAXES</b>	<b>12.921</b>	<b>4.068</b>

The notes to the financial statements are an integral part of the financial statement



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## Cash flow statement for the year ended 31 December 2020

In thousand euros

CASH FLOW STATEMENT	2020	2019
<b>Cash flow from operating activities</b>		
Result after taxes	12.921	4.068
(9-11) Movement technical provisions	(7.855)	4.534
(3-12) Net movement technical provisions (policy holders)	(7)	(1)
(1-2-3) Amortizations investments	8	100
(22) Reinvested realized result on investments	(2.919)	(9.307)
(28) Other income	(6.100)	-
(2-3) Movement of value investments	474	(4.478)
	(3.478)	(5.084)
(4) Movement receivables	2.619	474
Movement accrued assets	940	1.215
Movement provision for deferred taxes	137	-
(14) Movement other liabilities	(676)	473
Movement accrued expenses	58	(264)
Total cash flow from operating activities	(400)	(3.186)
<b>Cash flow from investing activities</b>		
<i>Investments and purchase</i>		
(2) Shares and other non fixed-interest securities	(17.476)	(13.897)
(1-2) Bonds and other fixed-interest securities	(19.202)	(15.525)
(22) Reinvested realized result on investments	2.919	9.307
	(33.759)	(20.115)
<i>Disposals, redemptions and sales</i>		
(2) Shares and other non fixed-interest securities	13.870	11.043
(1-2) Bonds and other fixed-interest securities	14.569	11.774
(28) Other income	6.100	-
	34.539	22.817
Total cash flow from investing activities	780	2.702
<b>Cash flow from financing activities</b>		
(8) Dividend payment	(1.387)	-
Total cash flow from financing activities	(1.387)	-
<b>Movement cash at banks</b>	<b>(1.007)</b>	<b>(484)</b>
<i>Cash at banks</i>		
Opening balance	3.108	3.592
Closing balance	2.101	3.108
<b>Movement cash at banks</b>	<b>(1.007)</b>	<b>(484)</b>

The Savings portfolio has been sold in 2020 and the result of the sale is presented in the other income as part of the cash flow from investing activities.

The cash flow statement is prepared according to the indirect method.



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## Accounting policies

In thousand euros

### General

BNP Paribas Cardif Levensverzekeringen N.V., with its registered at the Chamber of Commerce (20100175) under its registered address at Oosterhout (Hoevestein 28, 4903 SC), is a 100% subsidiary of holding company BNP Paribas Cardif B.V. At December 31, 2020 BNP Paribas Cardif B.V. is a wholly owned subsidiary of BNP Paribas Cardif S.A. in France, which is part of the Group BNP Paribas (BNP Paribas S.A.). The Chamber of Commerce number of BNP Paribas Cardif B.V. is 20100169.

BNP Paribas Cardif Levensverzekeringen N.V. has taken up the business of life insurance as dictated by 'Wet op het Financieel Toezicht' which means, among others, closing agreements on both life insurance and reinsurance and all activities which are associated with or can support these undertakings.

### Head of the BNP Paribas Group

The financial data of the legal entity are consolidated in the consolidated financial statements of the parent company BNP Paribas S.A., with its registered seat in: 1, bd Haussmann, 75009 Paris, France. The consolidated financial statements are deposited at the commercial register: Greffe du Tribunal de Commerce de Paris, 1 Quai de la Corse, 75198 Paris, France.

### Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of BNP Paribas Cardif Levensverzekeringen N.V. or the ultimate parent company and close relatives are regarded as related parties.

BNP Paribas Cardif Levensverzekeringen N.V. has transactions with related parties. BNP Paribas Cardif's head office in France charges the costs for provided services. With BNP Paribas Cardif B.V. there is an agreement for subcontracting personnel. Of all BNP Paribas Cardif B.V.'s personnel costs 34% are being charged to BNP Paribas Cardif Levensverzekeringen N.V. General costs are charged from BNP Paribas Cardif Schadeverzekeringen N.V. to BNP Paribas Cardif Levensverzekeringen N.V. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight. The transactions mentioned below are considered to be at arm's length.

Transaction Type	Relation Type	Total 2020	Total 2019
BNP Paribas Asset Management France	group company	-	(116)
- Investment portfolio management			
GIE BNP Paribas Cardif S.A.	group company	(374)	(390)
- Head office support			
BNP Paribas Cardif B.V.	group company	(2.887)	(3.695)
- Charged Personnel costs			
BNP Paribas Cardif B.V.	group company	(1.387)	-
- Dividend payment			
BNP Paribas Cardif Schadeverzekeringen N.V.	group company	(2.057)	(2.297)
- Charged costs			
Arval	group company	(88)	(90)
- Lease costs company cars			
<b>Total</b>		<b>(6.793)</b>	<b>(12.522)</b>

Futhermore premiums and claims of BNP Paribas Cardif Levensverzekeringen N.V. are settled via BNP Paribas Cardif Schadeverzekeringen N.V. as a consequence of the integrated products.



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### Going concern

Management estimates that the organization has the resources to continue the business for the foreseeable future. Management is not aware of any material uncertainties which could give rise to doubt the continuity of the business. The financial statements are therefore based on the assumption that the organization will continue in business.

### Implications of COVID-19 on our business

In the first quarter of 2020 worldwide national economies were hit by the COVID-19 pandemic outbreak and this dominated the year 2020. The effects of the pandemic caused a delay in new business and came with an impact on the technical and financial results. However, by the end of 2020 management was on track with implementing the (S4) strategy based on Steering, Saving costs, Sales redesign and Streamlining processes.

For issuing the Financial Statements, management assessed that BNP Paribas Cardif Levenverzekeringen N.V. is able to continue as a going concern, and that this series of events does not provide evidence of conditions that existed at the end of 2020. The management believes however that the outbreak could have more or less severe impacts on 2021 financial market trends, the business volumes and claims observed.

While the effect of these events on BNP Paribas Cardif Levenverzekeringen N.V. is still unpredictable as the pandemic is still spreading, they will primarily affect the technical result and the valuation of financial assets. The impact on the technical and financial balance of the company will depend on the effectiveness of the contra-cyclical measures that underlie the risk assessment, the risk management framework for financial or technical risk hedging, the impact of the measures taken by the public authorities or set out by the insurance regulation to sustain the economy.

By taking an extra provision following the COVID-19 outbreak (reference is made to the changes in estimates), management expects stable technical results in 2021. In order to anticipate to a maximum extent, a number of stress tests were done in combination with a tight monitoring confirming our solidity as insurer. Management expects limited impact in our investments in bonds as the bond portfolio mainly consist of liquid investment grade government and corporate bonds. The management believes however that the outbreak could have more or less severe impacts on 2021 financial market in equity.

Though it is still unpredictable, some possible scenarios were calculated showing that the solvency II position is sustainable and that BNP Paribas Cardif Levenverzekeringen N.V. is able to overcome the consequences of the Corona crisis above risk appetite levels as already stress tested in the ORSA.

Although, as described above, it is not currently possible to estimate the future effects of the Corona outbreak, we believe that based on our current understanding, there is no material uncertainty with regard to the going concern assumption used in preparing the Financial Statements.

### Sale of Savings portfolio

In addition it should be noted that the Savings portfolio has been sold in 2020 with an economic transfer date at the 1st of January 2020. The risks and results are transferred to the buyer. Results coming from operational activities are no longer presented in the profit and loss of 2020. The portfolio has been sold for 5.5 million euros and is presented in the other income.

### Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

### Changes in estimates

In order to present the technical provisions in a more appropriate way, the following two main changes in estimates have been processed.

At the end of 2020 the cash flow calculation method between statutory and solvency 2 were aligned. In this alignment the following main updates were made: an update to determine the cost loadings for decreasing loans, an update for lapse in order to better reflect the experiences in the portfolio and an update for surrender values in the cash flow calculation of the Funeral product. The total one off impact resulted in a decrease of unearned premium provision in the balance sheet for an amount of 2.6 million euros and an increase of movement technical provisions unearned premiums and unexpired risks in the profit and loss for the same amount.

In 2020, the COVID-19 spread over the world, leading to a low economic activity. To anticipate the increasing risk of death, an additional claim provision of 1.6 million was accounted for. The increase of the claim provision in the balance sheet decreased the movement technical provisions for outstanding claims in the profit and loss for the same amount.

## ACCOUNTING PRINCIPLES GENERAL

### General

The accounting principles for BNP Paribas Cardif Levensverzekeringen N.V. are based on Dutch GAAP in accordance to Part 9 of Book 2 of the Dutch Civil Code. Valuation of assets and liabilities and determination of the result take place under the historical convention, unless presented otherwise. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

### Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the respective company operates (the functional currency). The financial statements are presented in euros, which is the functional and presentation currency of BNP Paribas Cardif Levensverzekeringen N.V.

### Transactions, receivables and liabilities

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

## ACCOUNTING PRINCIPLES BALANCE SHEET

### Investments

Investments are accounted for based on transaction date and recognised initially at fair value.

After initial recognition the shares and non-fixed interest securities are valued at fair value (market value as listed at the stock market). Changes in the fair value are recognised directly in the income statement.

Bonds and other fixed-interest securities are valued at amortized cost after initial recognition. The unamortized part (the difference between the bond's redemption value and the costs price minus the amortization) is presented under the investments. Interest income is recognized in the income statement based on the expected cash flows using the effective interest method.

The realised profit and realised loss is recorded in the profit and loss account.

On balance sheet date, the company tests whether there are indications of an asset which could be subject to impairment. If there are such indications, the recoverable amount of the asset concerned is estimated. An asset is considered for impairment if its book value is higher than its recoverable value. Impairment is recognized as an expense in the profit and loss account.

Investments in bonds through mutual funds are valued at market value and reported as shares and non-fixed interest securities. After initial recognition changes in the market value are recognized as unrealised gains and losses in the profit and loss.

Transaction costs are expensed in the income statement.

### Financial instruments

Financial instruments include primary financial instruments, such as receivables and payables. The company does not have any derivatives. The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the 'Contingent rights and obligations'. For the principles of primary financial instruments, reference is made to the recognition per balance sheet item.



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### Operational leasing

Operational lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

### Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If there are no premiums, discounts or transaction costs related to the balance then in practice the carried value will be equivalent to its nominal value. In case of doubtful receivables a provision is taken into account.

### Other assets

Cash at banks and in hand represent bank balances. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

### Accrued assets

The accrued interest is calculated based on the interest rate applied to the nominal value. The other accrued assets relate to capitalized acquisition costs. The upfront commissions for the individual portfolio is capitalized and amortized linearly over 5, 10 or 15 years, depending on the product.

### Technical provisions

#### Technical provisions for unearned premiums and unexpired risks

The provisions for unearned premium and unexpired risks is calculated for risk and costs. First, the claims paid and premiums received are projected during the term of the policy. Second, the unearned costs are calculated. Last, these projected cash flows are discounted with a technical interest rate. BNP Paribas Cardif NL ensures the total provision is always at least to the surrender value on policy level.

The claims paid are lump sum payments depending on the mortality rate and insured amount, the insured amount depends on the outstanding balance of the underlying loan. The mortality rate is derived from a mortality table (GBM/GBV 2000-2005); the latter is corrected with a percentage based on experience.

The premium received is the net premium after commissions and surrenders. The net premium is split in a risk and cost part. The costs are earned according to a predefined pattern per product.

For the Collective portfolio, regular premiums are mostly collected after the insured period. Other premium types are not material and considered earned. Hence, the premium provision for these policies is only composed by UPR cost.

#### Provision for outstanding claims

The claims provision consists of two parts, RBNS (reported but not settled) and IBNR (incurred but not reported). The RBNS is calculated on individual basis. The IBNR is calculated with a run-off triangle approach (chain ladder). The confidence level to capture variance in the IBNR calculation is set at 90%.

Due to insufficient statistical experience, the claims provision for the Collective portfolio is determined with a proxy. The claims provision is determined with a delay factor method: the IBNR is equal to a proportion of the paid claims. An explicit margin is included proportional to the margin in the claims provision of the other portfolios.

#### Options and guarantees

The products do not contain any options or guarantees.

## Other provisions

### Other provisions - deferred tax

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items a provision has been formed for the aggregate of these differences, multiplied by the current rate of taxation. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement.

### Other provisions - other

For obligation, for which it is very likely that it will result in cash outflows in the future and for which a reliable estimate of the cash outflows can be made, a provision is accounted for.

## Corporate tax

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued so far as their realization is likely. Taxes are calculated on the basis of the recorded result, taking into account components which are free of tax and completely (or partially) non-deductible costs.

## Other liabilities

At initial recognition the other liabilities are valued at fair value and subsequently measured at amortised cost.

## Estimates

To apply the accounting policies and rules for the preparation of the financial statements, it is necessary for the Board of Directors to form opinions on various matters and to prepare estimates that may be essential to the amount included in the financial statements. If necessary to provide the insight required in accordance with Article 2:362 paragraph 1 of the Dutch Civil Code, the nature of these opinions and estimates, including the associated assumptions, is included in the notes to the relevant items in the financial statements.

## ACCOUNTING PRINCIPLES PROFIT AND LOSS ACCOUNT

### General

Income and expenses are accounted for on an accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements or as soon as they are foreseen.

### Premiums

The earned premiums are taken into account in the profit and loss account on an annual basis. Regular premiums are directly taken into account in the profit and loss account. All earned premiums are geographically related to the Netherlands.

### Result on Investments

After initial recognition the shares and non-fixed interest securities are valued at fair value (market value as listed at the stock market). Changes in the fair value are recognised directly in the income statement.

Bonds and other fixed-interest securities are valued at amortized cost after initial recognition. The unamortized part (the difference between the bond's redemption value and the costs price minus the amortization) is presented under the investments. Investments in bonds through mutual funds are valued at market value and reported as shares and non-fixed interest securities. After initial recognition changes in the market value are recognized as unrealized gains and losses in the profit and loss.

The investment income (income of dividends and coupons) is accounted for at the moment of notification and/or the due date. The realised profit and realised loss is recorded in the profit and loss account. Transaction costs are expensed in the income statement. Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate.

On balance sheet date, the company tests whether there are indications of an asset which could be subject to impairment. If there are such indications, the recoverable amount of the asset concerned is estimated. An asset is considered for impairment if its book value is higher than its recoverable value. Impairment is recognized as an expense in the profit and loss account.

### Other

For the other components of the profit and loss account reference is made to the accounting principle of the balance sheet.

### Deferred taxes

Deferred tax assets and liabilities are netted if there is a legally enforceable right to net current tax assets and liabilities and the deferred tax items relate to the same taxation authority. Deferred tax assets are recognized for temporary differences, carry forward of unused tax losses and carry forward of unused tax credits when, in the opinion of management, it is probable that they can be utilized.

### Taxes

Taxes are calculated on the basis of the recorded result, taking into account components which are free of tax and completely (or partially) non-deductible costs.

### ACCOUNTING PRINCIPLES CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments. Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Corporate income taxes, issuance of share capital, interest received and dividends received are presented under the cash flow from operating activities. Interest paid and dividends paid are presented under the cash flow from financing activities.

## Notes to the Balance sheet as at 31 December 2020

In thousand euros

(1-2) Investments	31-12-2020 Book value	31-12-2020 Market value	31-12-2020 Cost price	31-12-2019 Book value	31-12-2019 Market value	31-12-2019 Cost price
<i>(1) Investments in group companies and participations</i>						
Bonds and other fixed-interest securities issued by group companies	300	326	300	300	329	300
<i>(2) Shares and other non fixed-interest securities</i>						
Banking and insuring investment funds	31.251	31.251	18.586	28.119	28.119	18.040
<i>(2) Bonds and other fixed-interest securities</i>						
Government	35.730	42.548	36.575	35.806	42.341	36.609
Corporate	78.162	85.137	77.989	73.461	79.518	73.322
Total	113.892	127.685	114.564	109.267	121.859	109.931
<b>Total</b>	<b>145.443</b>	<b>159.262</b>	<b>133.450</b>	<b>137.686</b>	<b>150.307</b>	<b>128.271</b>
(3) Investment for risk of policyholders	31-12-2020 Book value	31-12-2020 S2-Market value		31-12-2019 Book value	31-12-2019 S2-Market value	
Investment for risk of policyholders	-	-		182.038	253.384	

There are no investment for risk of policyholders at 31 December 2020 due to the sale of the Savings portfolio. Reference is made to note 29 other income.

In 2020 the revaluation of the variable-yield securities generated a loss of- 0.5 million euros (2019: result of 4.6 million euros) which is linked to the decrease of the stock markets (Eurostoxx50 by -5.2%).

At the end of 2020 the market value of the bonds and other fixed-interest securities (including group securities) ended approximately 13.8 million euros higher (2019: 12,6 million euros higher) compared to the book value at amortized cost.

On an individual basis, all investments were studied with a particular focus on the watchlist of issuer and securities with lower market value than amortized costs. The Board of Directors takes a decision whether to impair a security or not. In 2020 no impairments were made.



<b>(1) Movement schedule investments in group companies and participations</b>	<b>2020</b>	<b>2019</b>
Book value at the beginning of the year	300	300
Acquisitions and advances	-	-
Disposals and repayments/redemptions	-	-
Amortizations	-	-
<b>Total</b>	<b>300</b>	<b>300</b>

<b>(2-3) Movement schedule other investments</b>	<b>Shares and other non fixed-interest securities</b>	<b>Bonds and other fixed-interest securities</b>	<b>Investment Policy holders</b>	<b>Total 2020</b>	<b>Total 2019</b>
Book value at the beginning of the year	28.119	109.267	182.038	319.424	311.565
Purchases	17.476	19.202	-	36.678	45.374
Sales and redemptions	(13.870)	(14.569)	(182.038)	(210.477)	(53.116)
Amortization*	-	(8)	-	(8)	(100)
Movement in valuation	(474)	-	-	(474)	15.701
<b>Total</b>	<b>31.251</b>	<b>113.892</b>	<b>-</b>	<b>145.143</b>	<b>319.424</b>

\*Note: the amortization on the balance sheet consists of the amortization of (dis)agio (69 thousand euros) and release of (dis)agio upon sale (-61 thousand euros).

The unamortized part of the bonds amounts to 912 thousand euros (2019: 931 thousand euros).

<b>(4) Receivables</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Receivables direct insurance gross	340	1.400
Provision for doubtful receivables	(137)	(149)
Receivables direct insurance net	203	1.251
Reinsurance receivables	350	299
Deferred corporate income tax	738	2.376
Current corporate income tax	-	-
Reclaim tax on dividends	-	8
Group company - GIE BNP Paribas Cardif S.A.	24	-
	762	2.384
<b>Total</b>	<b>1.315</b>	<b>3.934</b>

All receivables are due within one year, except for the reclaim tax on dividends and the deferred corporate income tax.

## Other receivables

### Deferred corporate income tax

The decrease of the deferred tax assets is mainly coming from the evolution of a temporary difference which is mainly impacted by a release of provisions. A deferred tax rate of 25% is applied (2019: 21.7%).

### Group company - GIE BNP Paribas Cardif S.A.

The intercompany position with GIE BNP Paribas Cardif S.A. is settled on a quarterly basis. The position at the end of 2020 reflects a correction of the group overheads recharged to BNP Paribas Cardif Levensverzekeringen N.V.

**(5) Cash at banks**

Cash at banks and in hand are freely disposable.

<b>(6) Accrued interest</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Accrued interest of the bonds	1.351	1.390
<b>Total</b>	<b>1.351</b>	<b>1.390</b>

<b>(7) Deferred acquisition costs</b>	<b>2020</b>	<b>2019</b>
Opening balance	2.293	3.440
Amortization	(901)	(1.147)
<b>Total</b>	<b>1.392</b>	<b>2.293</b>

Due to the ban of commission which has been effective as of 1 January 2013, there are no new capitalised costs. The decrease of the deferred acquisition costs is caused by the amortisation.

In thousand euros

<b>(8) Equity</b>	<b>2020</b>	<b>2019</b>
<b>Issued and paid up capital</b>		
Balance at 1 <sup>st</sup> of January	43.710	43.710
- Share capital issued and paid up in the year	-	-
Balance at 31 <sup>st</sup> of December	<b>43.710</b>	<b>43.710</b>
<b>Other reserves</b>		
Balance at 1 <sup>st</sup> of January	-	-
Movements:		
- Result previous year	(2.681)	(2.681)
- Dividend payment	2.681	-
Balance at 31 <sup>st</sup> of December	-	<b>(2.681)</b>
<b>Undistributed result</b>		
Balance at 1 <sup>st</sup> of January	4.068	(2.681)
Addition:		
- Result previous year to other reserves	-	2.681
- Result current year according to profit and loss	12.921	4.068
Withdrawal:		
- Dividend payment	(4.068)	-
- Result current year according to profit and loss	-	-
Balance at 31 <sup>st</sup> of December	<b>12.921</b>	<b>4.068</b>
<b>Total</b>	<b>56.631</b>	<b>45.097</b>

The share capital consists of 97,025 ordinary shares (2019: 97,025) of 600 euros of which divided into 48,675 ordinary shares (2019: 48,675) have been paid in full and 48,350 ordinary shares (2019: 48,350) have been paid for 300 euros.

Overview of total result is not included, because total result of 2020 is equal to the result after tax (2019 same).

<b>(9, 12) Technical provision for unearned premiums and unexpired risks</b>		
	<b>Total 31-12-2020</b>	<b>Total 31-12-2019</b>
Opening balance	96.414	277.570
Incoming - New Business added to Provision	14	44
Incoming - Interest added to Provision	1.221	26.636
Outgoing - Net Release of Risk and Costs out of Provision	(7.182)	(32.815)
Mutations	(2.581)	7.024
<b>Total gross of reinsurance - subtotal</b>	<b>87.886</b>	<b>278.459</b>
Reinsurance	-	-
<b>Total net of reinsurance - total</b>	<b>87.886</b>	<b>278.459</b>



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**(10-11) Technical provision for outstanding claims**

	<b>Total</b>	<b>Total</b>
	<b>31-12-2020</b>	<b>31-12-2019</b>
Opening balance	4.864	4.371
Incoming - Incurred Claims added to Provision	3.378	-
Outgoing - Release of Claim Provision	(3.419)	-
Result on Technical Assumptions	(731)	647
Mutations - Technical Assumption Changes	1.601	-
<b>Total gross of reinsurance - subtotal</b>	<b>5.693</b>	<b>5.018</b>
(11) Reinsurer's shares	(775)	(773)
<b>Total net of reinsurance - total</b>	<b>4.918</b>	<b>4.245</b>

The balance of the technical provisions with reference 9 - 12 of 2019 reflect the technical provision for the risk of the insurer as well as the technical provision for the risk of the policyholder (savings portfolio). Due to the sale of the savings portfolio the balances of 2020 only reflect the provision for the risk of the insurer (Protection).

The technical provisions are impacted by the change in assumptions as described in the paragraph 'Changes in estimates' in the Note to the balance sheet. Those changes are presented in the line mutations in the movement schedules above.

Technical provisions for insurances provided by mortgage products have a long-term character. The technical provisions for the insurances provided by the consumer credit products have a shorter term character. The average duration of the whole portfolio at issue is 22 years (2019: 23 years). For single premium contracts the remaining duration is approximately 6 years (2019: 7 years); for regular contracts the remaining duration is 15 years (2019: 16 years).

In the interest of our policyholders BNP Paribas Cardif is dedicated to be adequately capitalized at all times. We closely monitor our capital position and carry out stress tests on a quarterly basis. The total technical provisions have a book value of 92.8 million euros (Protection 2019: 100.7). Solvency II value of the technical provision consists of two components: the best estimate liabilities and the risk margin. The best estimate is calculated by means of projected future cash flows for premiums, claims and expenses. The parameters and assumptions are yearly updated according to the latest developments. The cash flows are discounted at the risk free rate (swap rate and volatility adjustment). The risk margin corresponds to the cost of holding capital in Solvency II, which is determined at 6%. The required capital in Solvency II is calculated at a 99.5 percentile. BNP Paribas Cardif applies the standard formula in order to determine the required capital.

The best estimate of the liabilities including reinsurance that are to be covered by the technical provision equals 39.3 (Protection 2019: 34.2) million euros and the risk margin 17.7 million euros (Protection 2019: 13.1). The lower market value compared to the book value of the liabilities amounts to 39.6 million euros (Protection 2019: 54.0) and illustrates the adequacy. In addition to this the market value of the investments backing the technical provisions are higher compared to the book value, which illustrates the adequacy even more.

On a total balance sheet level the difference in value of the assets and liabilities in Solvency II compared to the Dutch GAAP is presented in the reconciliation reserve.



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<b>The Reconciliation Reserve consists of the following restatements from statutory accounts to Solvency II:</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
- Fair value of financial assets	13.822	12.621
- Savings (fair value of financial assets and variation BEL/RM)	-	7.261
- Variation on Best Estimate Liability (BEL) and Risk Margin (RM)	39.158	57.818
- Reinsurance recoverable	(2.517)	(3.805)
- Elimination Deferred Acquisition Costs	(1.393)	(2.293)
- Deferred Taxes	(12.267)	(15.537)
Total reconciliation reserve excluding foreseeable charges	36.803	56.065
- Foreseeable charges	(7.623)	(4.859)
<b>Total reconciliation reserve including foreseeable charges</b>	<b>29.180</b>	<b>51.206</b>

<b>The Own Funds under Solvency II consists of:</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Issued and paid up capital	43.710	43.710
Statutory reserves	-	(2.681)
Result of the year	12.921	4.068
Total equity according to the financial statements	56.631	45.097
Reconciliation reserve	36.803	56.065
Total Own Funds Solvency II Balance Sheet	93.434	101.162
Foreseeable dividends, distributions and charges	(20.544)	(6.246)
<b>Total Own Funds to cover Solvency Capital Requirement (SCR)</b>	<b>72.890</b>	<b>94.916</b>

The share capital and reconciliation reserve elements are classified as Tier 1. The coverage ratio is calculated by means of the available funds to cover the SCR, in relation to the SCR (required capital). The available own funds exclude the foreseeable dividends and charges. Foreseeable charges are taken into account due to the fact that the modelled and provisioned costs are declining with the in-force portfolio and this decline is not fully compensated by the budgeted savings. Besides the new business volumes are insufficient to fund the short term acquisition costs.

The SCR of BNP Paribas Cardif Levensverzekeringen N.V. is calculated at 27.6 million euros per year end 2020 (2019: 29.8). The coverage ratio at the end of 2020 is 264% (2019: 319%). The sale of the savings portfolio contributed to the decrease of the coverage ratio due to the fact that the sale of the savings portfolio is part of the result 2020 which is foreseen as dividends and no longer part of the reconciliation reserve within the own funds.

BNP Paribas Cardif Levensverzekeringen N.V. set the target coverage ratio at 150% and a target for Hard Own Funds of 90% of the SCR, with a minimum of 80%. As stated in a Financial Agreement with the parent company, support by means of additional capital is arranged in case the coverage ratio breaches 125%.

The Statutory Board proposes to the Shareholders meeting to distribute the profit of 2020 as dividends. After appropriation of the result BNP Paribas Cardif Levensverzekeringen N.V. is well capitalized and meets its regulatory and internal solvency targets as of 31 December 2020.

<b>(13) Other provisions</b>	<b>2020</b>	<b>2019</b>
Balance at 1st of January	-	-
Addition	137	-
Release	-	-
Balance at 31st December	<b>137</b>	-

In 2020 a project was initiated to move to a branche, which is planned to be finalised by the end of 2021. Foreseen obligations coming out of this project which are likely to result in a cash out flow have been provisioned.

<b>(14) Other liabilities</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Group company - BNP Paribas Cardif Schadeverzekeringen N.V.	-	64
Payables to intermediaries	103	141
<b>Creditors arising from direct insurance</b>	<b>103</b>	<b>205</b>
<b>Creditors arising from reinsurance</b>	<b>8</b>	<b>939</b>
Depository accounts savings	-	52
Group company - BNP Paribas Asset Management France	30	30
Group company - GIE BNP Paribas Cardif S.A.	-	96
Corporate income tax	287	-
Migration fee	250	-
VAT to be paid	1	26
Other	4	11
<b>Other liabilities</b>	<b>572</b>	<b>215</b>
<b>Total</b>	<b>683</b>	<b>1.359</b>

#### Corporate income tax

In 2020 the balance on corporate tax for 2019 has been settled with the head of the fiscal unity. The position on the balance sheet per year end 2020 reflects the liability position on corporate tax 2020.

All other liabilities are due within one year. No interest is due.

<b>(15) Accrued expenses</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Prepaid premiums	-	1.145
Withdraw to be paid to the customer	-	6
Incidental payment	-	94
Other accrued expenses	1.347	44
<b>Total</b>	<b>1.347</b>	<b>1.289</b>

#### Other accrued expenses

In 2020 BNP Paribas Cardif Levensverzekeringen N.V. has sold the savings portfolio to de Goudse verzekeringen and service this portfolio until the migration in 2021. The amount on the balance sheet reflects the liability towards de Goudse verzekeringen. The amount consists of 507 thousand euros results to be paid, 1.24 million euros of money in transit and 400 thousand euros service fee to be received. The result to be paid and the service fee to be received is settled in January 2021. The amount of the money in transit will be settled after migration date.

### Tax Group, Off balance obligations and National Terrorism Reinsurance Scheme

#### Tax Group

BNP Paribas Cardif Levensverzekeringen N.V. is part of the BNP Paribas Netherlands fiscal unity for corporate income tax, headed by BNP Paribas S.A. (Netherlands branch), and for that reason it is jointly and severally liable for the tax liabilities of this fiscal unity. The corporate tax position with respect to the financial year will be settled with the head of the fiscal unity, as much as possible on the basis of the individual fiscal result and taking into account the allocation of the benefits of the fiscal unity to the various members of the fiscal unity.

#### Off balance obligations

The holding company, BNP Paribas Cardif B.V., has rental and lease agreement for facilities, company cars and IT for multiple years. The costs are taken into account in both BNP Paribas Cardif Schadeverzekeringen N.V. and BNP Paribas Cardif Levensverzekeringen N.V. The total off balance obligations are presented below:

##### 2021

The rental obligations for 2021 amount to 386 thousand euros (2020: 381 thousand euros). The lease obligations for 2021 regarding company cars amount to 156 thousand euros (2020: 159 thousand euros). For IT the lease obligations for 2021 amount to 838 thousand euros (2020: 812 thousand euros). Amounts are including VAT.

##### 2022-2025

The rental obligations for 2-5 years amount to 59 thousand euros (2021-2024: 498 thousand euros). The lease obligations for 2-5 years regarding company cars amount to 241 thousand euros (2021-2024: 221 thousand euros). For IT the lease obligations for 2-5 years amount to 42 thousand euros (2021-2024: 81 thousand euros). Amounts are including VAT. There are no rental or lease agreements for more than five years.

### Guarantee resulting from participating in the National Terrorism Reinsurance Scheme

BNP Paribas Cardif Levensverzekeringen N.V. participates in the National Terrorism Reinsurance Scheme (NHT), which itself purchases retrocessions to a pool of reinsurers. As a result of this BNP Paribas Cardif Levensverzekeringen N.V. paid their share in the reinsurance premium and other costs. The liability towards the end customer is limited by what can be received from the NHT. The guarantee of BNP Paribas Cardif is limited to 0.24% (2019: 0.31%).

## Risk Management

### Risk profile

Risk management is an essential part of the business of BNP Paribas Cardif NL. It enables BNP Paribas Cardif NL to steer the company based on four performance indicators: annual result, value creation, required capital, and operational risks. Continuous monitoring of these indicators and the annual Own Risk and Solvency Assessment (ORSA) allow the company to assess the exposure to risks and take management actions when warranted.

BNP Paribas Cardif NL is mainly sensitive to market risk and underwriting risk. The market risk is high because of significant assets held due to a historical portfolio, which was in single premiums, and exacerbated due to the current level of interest rates that generate a material amount of unrealised gains. The underwriting risk is linked to future mortality rates which are the main drivers of the Life liabilities in the portfolio.

BNP Paribas Cardif NL manages the market risk through regular asset liability management (ALM) studies. These studies limit the exposure to interest rate risk by duration matching, and advice on the level of spread and equity risk to be taken within the risk profile limits set. Concentration risks – both on company, industry, and geography level – are managed in quarterly asset management committees. BNP Paribas Cardif NL does not use complex financial instruments, such as derivatives or swaps, to manage the market risk.

BNP Paribas Cardif NL manages the underwriting risk through product development and reinsurance. The Life risk is partly reinsured in BNP Paribas Cardif Levensverzekeringen N.V. BNP Paribas Cardif NL does not use other risk limiting techniques, such as special purpose vehicles.

The above risks can be deduced from the absolute and relative contribution of each risk module to the company's capital requirement (SCR). BNP Paribas Cardif NL uses the Standard Formula, and does not use a (partial) internal model. However, the risk profile has modelling limits. For instance, non-quantifiable risks are not included (for example operational risks).

These limits are addressed with another risk identification exercise: the risk register from which are derived the major risks as perceived by the Executive Board Risk Committee. The identification results in a list of major risks which are the main surveillance areas for the Board of Directors:

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"><li>• ALM Risk- Cash flow matching</li><li>• Market risk- Credit spreads</li><li>• Market Concentration</li></ul> | <ul style="list-style-type: none"><li>• Failed estimation of trend (Temporary Disability, Involuntary Unemployment and Death)</li><li>• Data risk uncertainty of technical basis</li><li>• Product development</li></ul> | <ul style="list-style-type: none"><li>• IT Strategy</li><li>• IT Security risk</li><li>• New business</li></ul> |
|---|--|---|

The highest risks are subject to specific monitoring by the Executive Committee. The top risks are summarised in risk cards, monitored during local risk committees and measured in stress tests. Management actions have been defined in anticipation in case of emergence of these risks.

From the above information, a prospective risk profile is built over the budget horizon of four years. BNP Paribas Cardif NL uses deterministic scenarios to assess the impact of adverse events and evolutions on the risk profile. The building of the risk profile results in a risk appetite declaration on what is the acceptable level for the quantitative risk metrics. The risk appetite is not an absolute cap on the risk profile but a level over which risk management actions become a high priority to get back within the risk appetite. The risk management framework of Cardif includes the following risk preference statement to provide managerial guidance:

- "BNP Paribas Cardif Netherlands intends to maintain the current risk level in changing the steering of the company and in streamlining the company ..."

The purpose of these actions is to improve efficiency and at a minimum maintain the current effectiveness.

- "...but also maintaining the overall current risk level in lowering our costs."

Costs have constantly been monitored over the last five years and aligned proportionally with the size of the in force portfolio. Further cost reduction will be achieved by restructuring departments, arbitration of projects and other expenses and the sale of the savings portfolio.

- "...But thanks to a good coverage ratio of the SCR we are prepared to moderately increase our risk in the sales redesign."

Current products will be further developed, some with a more digitalized focus. Also partnership opportunities will be explored together with BNP Paribas Cardif Belgium. A partnership with TAF has been set up to sell a death product.

Contribution to SCR	31-12-2020	31-12-2019
Market	36%	32%
Counterparty Default	0%	3%
Life Underwriting	61%	64%
Health Underwriting	0%	0%
Non-Life Underwriting	0%	0%
Operaitonal	3%	2%
Intangible Asset	0%	0%
<b>SCR (thousands euros)</b>	<b>27.626</b>	<b>29.752</b>

The proportion of market risk increased compared to the previous year. It is mainly due to a higher Market Value for Protection part (Bonds). Note that the selling of the Savings does not impact a lot the evolution of SCR because of the diversification effect. The SCR still decreased in 2020 because of the run-off nature of the in force portfolio and equity due to the perceived risk. These risks are part of the major risks.

Life underwriting risks correspond to the term life portfolio which is subject to mortality, lapse and expense shock.

The proportion of market risk is relatively high for portfolios that consist of protection products; however, it is consistent with the asset size inherited from the single premium portfolio. Interest, spread and equity shocks are equally high: interest risk driven by the relatively high asset size compared to the liabilities, spread risk due to the high share of corporate bonds in the portfolio, and equity due to the perceived risk. These risks are part of the major risks.

### Capital position

In the interest of our policyholders BNP Paribas Levensverzekeringen N.V. is dedicated to be adequately capitalized at all times. Our capital position is monitored closely and stress tests are carried out on a yearly basis. BNP Paribas Cardif Levensverzekeringen N.V. is well capitalized and meets its regulatory solvency targets as of 31 December 2020.

### Market risk

The market risk is the risk of potential loss due to adverse movements in market variables. Market risks include equity, interest rate, real estate and foreign exchange risks. No direct or indirect investments are done in real estate. No foreign exchange risk is taken; investments are denominated in euros.

BNP Paribas Cardif Levensverzekeringen N.V. is exposed to market risk to the extent to which the market value of investments may be adversely impacted due to movements in financial markets; these include interest rates, credit spreads and equity prices.

On the asset part BNP Paribas Cardif Levensverzekeringen N.V. delegates the management to BNP Paribas Asset Management France (Group company), which is mainly in charge of selecting investments to be made on behalf of BNP Paribas Cardif Levensverzekeringen N.V. and managing the portfolio's assets in accordance with constraints set out in the annual investment policy. Constraints are monitored on monthly basis and discussed quarterly with the Asset Manager during the Asset Management Committee.

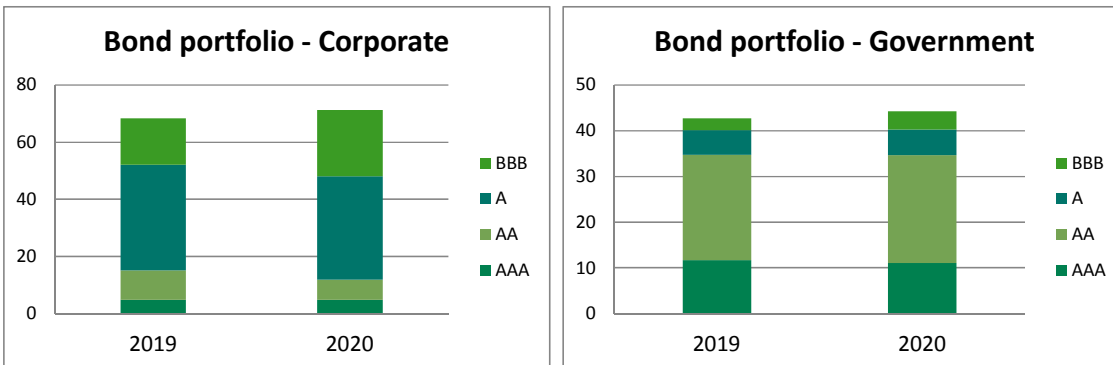
In July 2019 the asset management mandate has been renewed. Ratings limits have been reviewed according to the updated outcome of the cash flow study performed in 2017. Social responsible policy has been extended by excluding specific securities and issuers from the portfolio.



### Counterparty default risk - Investments

Counterparty default risk in the investments is the risk of potential loss due to default by BNP Paribas Cardif Levensverzekeringen N.V.'s investments issuers.

The table below shows the split of the bond portfolio by rating (incl. Group securities) in million euros:



Ratings are within the limits of the asset management mandate, except for one BBB- corporate bond's duration at Q4 2020 for which the Management has approved a dispensation to the Asset Manager to hold the security in the portfolio. The credit risk is monitored through the monthly asset reports received from the asset manager.

### Equity risk

Equity risk is the financial risk involved in holding equity investments.

The investments in mutual funds are valued at market value in the balance sheet. There are three types of mutual funds invested in: stock mutual funds, long term bond mutual funds and cash investment funds. The exposure to stock mutual funds represents the equity risk.

The investments in mutual funds are 31.2 million euros (2019: 27.8 million euros), split into 18.4 million euros in stock mutual funds, 8.7 million euros in long term bond mutual funds and 4.1 million euros in cash investment funds. The mutual funds decreased with 0.6 million euros in 2020 due to the decrease of the market value of stock mutual funds (-0.7 million euros) and long term bond mutual funds (0.1 million euros) linked to the evolution of the financial markets in 2020.

The beta of the portfolio is a measure of the risk arising from exposure to general market movements. At the end of 2020 the beta equals 11.46% (2019 : 12.59%) which is within the limits described in the investment mandate (between 7% and 17%). The benchmark is 11.2%. The beta is monitored through the monthly asset reports received from the asset manager.

### Interest rate risk

Interest sensitive assets and liabilities in our balance sheet create exposure to interest rate risk. The interest rate risk consists of liquidity risk, concentration risk and credit risk.

The bond portfolio of BNP Paribas Cardif Levensverzekeringen N.V. at the end of 2020 is 114.2 million euros (2019: 109.6 million euros). The portfolio is valued at amortized cost.

The constraint for the modified duration is based on a range from 4-8 years for the portfolio of BNP Paribas Cardif Levensverzekeringen N.V. At the end of 2020 the modified duration of the portfolio is 5.4 (2019: 5.49).

The modified duration is monitored through the monthly asset reports received from the asset manager.

### Liquidity risk

Liquidity risk is the risk that arises in the event that the organization is not able to fulfil its short term financial obligations due to a deficit in cash at bank.

BNP Paribas Cardif Levensverzekeringen N.V. had a positive operating cash flow in 2020. BNP Paribas Cardif Levensverzekeringen N.V. manages this risk by closely monitoring the cash flow in the short and midterm. Estimated cash receivables and payables are recorded in a cash flow model on a daily basis in order to identify cash needs. Actual cash flow is also recorded in the cash flow model, in order to analyze differences with estimations and in order to update the model for next period.

### Concentration risk

Concentration risk is the risk that an investor will suffer from lack of diversification, investing too heavily in one company, industry or one geographic area.

In Solvency II a concentration shock is calculated based on the exposure in a company.

BNP Paribas Cardif also monitors its exposure in an industry or geographic area. 38.3% of the portfolio is invested in Sovereign bonds (2019: 33%). The banking sector represents 14.3% of the bond portfolio (2019: 16.6%). Almost half of the portfolio (47.3%) is invested in French bonds (2019: 46.4%), the rest of the portfolio is split over several countries. The concentration risk is monitored through the monthly asset reports.

### Credit risk

The credit (or counterparty default) risk reflects the possible losses due to unexpected default or deterioration in the credit standing of the counterparties. This risk can be present within the investments, for instance as spread risk, or with intermediaries and reinsurers.

The counterparty default risk not related to investments are present in receivables and technical provisions. The company has limited exposure to these credit risks, 1% of the risk profile. The counterparty default risk consists of two types of exposures. Type 1 exposures that are relevant to BNP Paribas Cardif NL are reinsurance and cash at bank. Type 2 exposures are other receivables on the balance sheets that cannot be allocated to a single name, which includes the credit risk on intermediaries. The credit risk on investments is analysed by BNP Paribas Cardif NL as spread risk.

#### *Counterparty default risk - General*

The credit (or counterparty default) risk reflects the possible losses due to unexpected default or deterioration in the credit standing of the counterparties. This risk can be present within the investments, for instance as spread risk, or with intermediaries and reinsurers.

The 'counterparty default risk not related to investments' are present in receivables and technical provisions. The company has limited exposure to these credit risks, 1% of the risk profile. The Counterparty Default risk consists of two types of exposures. Type 1 exposures that are relevant to Cardif are reinsurance and cash at bank. Type 2 exposures are other receivables on the balance sheets that cannot be allocated to a single name, which includes the credit risk on intermediaries. The credit risk on investments is analysed by Cardif as spread risk.

#### *Counterparty default risk - Intermediary*

Because BNP Paribas Cardif NL products are sold mainly on a Business-to-Business distribution mode, monitoring the counterparty default risk of intermediaries is a component of the risk management framework of BNP Paribas Cardif NL, and BNP Paribas Cardif NL follows the counterparty default risk governance defined by the BNP Paribas Group.

The counterparty default risk on distributors can arise in the case of:

- ◇ Upfront-payments to our business partners on periodical premiums contracts, where distributors must pay back a portion of the received commissions in case the customers surrender. This conditional debt of distributors creates a counterparty default risk for BNP Paribas Cardif NL.
- ◇ On single premiums contracts, in case the customers surrender, BNP Paribas Cardif NL will pay a contractual surrender value to the customers and distributors must pay back the unearned commissions. This conditional debt of distributors creates a counterparty default risk for BNP Paribas Cardif NL.
- ◇ In the event of a delay in premium collection.

*The risk of commission claw-backs decreases, because no new commissions have been paid since the ban of commissions as of January 1st 2013. The risk is mitigated by a surrender credit reserve, based on surrender, default and recovery rate assumptions.*

The risk is monitored on a quarterly basis. The report monitors the exposure, the credit position of the most important counterparties, and sufficiency of the surrender credit reserve.

#### *Counterparty default risk - Reinsurance*

A counterparty default risk on reinsurers arises when reinsurance protections are purchased and premiums and reserves are ceded against a protection running in the future. BNP Paribas Cardif NL is exposed to the risk of bankruptcy of the reinsurer.

BNP Paribas Cardif NL reinsurance cessions represent a small part of the portfolio. Reinsurance covers are purchased for the following scope: a quota share treaty for the term life covers (only for "LCO" product) for BNP Paribas Cardif Levensverzekeringen N.V. The quota share treaty has a quarterly risk premium payment and without reserve cessions. The exposure is limited conform the balance sheet.

Moreover, BNP Paribas Cardif NL participates in the National Terrorism Reinsurance Scheme (NHT), which itself purchases retrocessions to a pool of reinsurers. The analysis of the credit risk shows that there is no credit risk for BNP Paribas Cardif NL because the liability towards the end customer is limited by what can be received from the NHT.

In selecting reinsurers, BNP Paribas Cardif NL uses internal reinsurance or strictly adheres to the security-list of the BNP Paribas Group. The security-list contains reinsurers selected for their financial strength and rating.

### **Underwriting risk**

The underwriting risks are managed within the actuarial governance. The actuarial governance of the BNP Paribas Group provides the overall framework for risk taking, risk mitigating and risk monitoring. The local actuarial governance of BNP Paribas Cardif NL is a translation of the BNP Paribas Group framework, taking into account local market specificities and local expertise and experience to underwrite risks, under the local risk appetite definition.

Underwriting risks are monitored on a frequent basis as set out in internal risk management governance. Reports are made to the monthly risk committee in charge of monitoring the evolution of risk indicators and profitability indicators. The underwriting profit is monitored in both statutory and Solvency II closing form, where an excess of assets over best estimate provisions with risk margin gives comfort in the adequacy of technical provisions.

The accuracy of the risk monitoring system and reservation policy is evaluated by the Actuarial Function supported by an external independent actuary and the independent auditor.

### **Life underwriting risk**

The most important life underwriting risk in the BNP Paribas Cardif portfolio is mortality, because the core product are creditor protection product with a death cover.

The mortality risk occurs when claims are higher due to higher mortality experience than expectation. There is no longevity risk in the Life portfolio. Lapse risk on single premiums is high because it results in credit risks, liquidity risks and risks to not amortize initial costs. The long term horizon of the policies (up to thirty years) results in a loss of future profits when policyholders surrender.

Expenses risks occur when expenses increased more than expected.

The competitiveness of the term life insurance market results in reduced costs loadings. Furthermore, the volumes in term life product increase the cost allocation to this segment.

Finally, catastrophe risks can exist in the Life activity (pandemics or mass-accident). The whole portfolio of the company is exposed to death risk.

The total gross technical reserves on the death protection activity amount to 93.6 million euros.

Historically, the most important portfolio was the portfolio coming from DSB Bank which bankrupted in 2009. The historical portfolio was made of single premiums mainly. Currently, it is monthly premiums mainly.

For term life market, the expertise of a reinsurer in terms of pricing strategy and underwriting is used through a quota-share treaty, in addition to surplus share covers for highest amounts.

The consumer credit protection is an open-end duration product because almost all covered consumer credits are revolving loans. This line of activity is currently stopped. Before being closed to new business, the pricing was gender-dependent and age-independent.

The exposure to catastrophes relates more to pandemics mass-accident risks. There are no protections purchased against the pandemics risk.

BNP Paribas Cardif NL participates in the National Terrorism Reinsurance Scheme (NHT). Therefore, the new business covers claims resulting from terrorism. The covers are limited to benefits callable from the NHT.

The mortality risk assumptions are monitored on a regular basis:

- ◇ The new business mix, especially gender-mix is monitored every month.
- ◇ Mortality rates are updated yearly.
- ◇ Lapse rates are monitored quarterly and updated yearly when needed.
- ◇ The technical result is monitored quarterly.

For the most recent generations of term life product, a quota-share reinsurance mitigates the risk.

## Notes to the profit and loss account

In thousand euros

(16-26) Result technical account life insurance by line of business	Protection	Savings		Total	Total
	Life	GR	Unit-Linked	2020	2019
(17) Gross written premiums	16.773	-	-	16.773	32.876
(18) Outgoing reinsurance premiums	(3.243)	-	-	(3.243)	(3.283)
(19) Premiums net of reinsurance	13.530	-	-	13.530	29.593
(20) Movement technical provisions unearned premiums and unexpired risks: gross	8.527	-	-	8.527	(4.014)
(21) Net earned premiums insurer	22.057	-	-	22.057	25.579
(22-27) Result on investments technical account	1.578	-	-	1.578	16.330
(23) Claims for the insurance company	(6.414)	-	-	(6.414)	(32.798)
(24) Movement technical provision for outstanding claims	(826)	-	-	(826)	(520)
(25) Movement technical provision for risk of policy holder	-	-	-	-	3.117
(26) Operating expenses	(6.429)	-	-	(6.429)	(8.032)
<b>(16) Result technical account life insurance</b>	<b>9.966</b>	<b>-</b>	<b>-</b>	<b>9.966</b>	<b>3.676</b>

The earned premiums consists of the written premiums and the movement technical provisions unearned premiums and unexpired risks. The written premiums are impacted by the selling of the savings portfolio at 1 January 2020. There are no written premiums of savings portfolio in 2020 (2019: 14.2 million euros). The movement technical provisions unearned premiums and unexpired risks relates to the release (earning) of our single premium and periodical premium portfolio, but is also impacted by one off impacts which amount to 2.6 million euros in 2020 (2019: -7 million euros). Excluding the one off impacts the ratio gross written premiums versus earned premiums 2020 is 0.9 (2019: 1.0). The remaining duration of our single premium contracts is approximately 6 years (2019: 7 years); for regular premium contracts the remaining duration is 15 years (2019: 16 years).

(28) The result before taxes can be specified in the following components:	Protection	Savings		Total	Total
				2020	2019
Result on risk	14.968	-	-	14.968	4.416
Result on cost	(6.656)	-	-	(6.656)	(5.758)
Result on interest	528	-	-	528	3.706
Insurer income	2.006	-	-	2.006	3.502
Other	(92)		6.110	6.018	(72)
<b>Total</b>	<b>10.754</b>		<b>6.110</b>	<b>16.864</b>	<b>5.794</b>

### Result on risk

For BNP Paribas Cardif Levensverzekeringen N.V. the Result on Risk is 15.0 million euros and consist of Protection only (Protection 2019: 3.3). There is 22.2 million euros (Protection 2019: 9.7) Earned Risk Premium available to cover the claims charge is 7.2 million euros (Protection 2019: 6.3).

The loss ratio is 33% (2019: 66%). In 2020 assumptions were changed to cover the expected COVID-19 effect, increasing the claims charge. However, the low claims ratio for the full year 2020 also has effect on the total claims ratio.

The main driver for the Earned risk premium (22.2 million euros) is the periodic premium portfolio which generates 18.5 million euros (Protection 2019: 7.5) of Earned risk premium. The Earned risk premium of the single premium portfolio is 3.4 million euros (2019: 1.8). The collective portfolio generates an Earned Risk Premium of 0.3 million euros (2019: 0.4).

The Claims charge is -7.2 million euros (2019: -6.4) split into paid claims for an amount of -8.2 million euros (2019: -8.0), received claims from reinsurer and reinforcement of the claims reserve for a total amount of 2.0 million euros (2019: 2.8).

### Result on cost

The Cost loadings (-1.7 million euros) are not sufficient to cover the allocated costs (5.0 million euros). premium reserve of 3.1 million euros impacting the costs loadings. The allocation of costs to Leven is based on the cost model of 2019, in which 33.7% of the total company costs is allocated to Protection Leven. No costs allocated to Savings, since the portfolio is sold in 2020.



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The aim of cost allocation is to apportion all costs incurred to profit centers and to split them along the value chain of the business. This allows the establishment of split of the costs by company, by destination. Results of the cost study will also be used for Solvency II purposes and profit study.

#### Result on interest

The Result on Interest is slightly negatively impacted by the negative reevaluation linked to the financial markets evolution. The total financial income (2.5 million euros) is partly allocated to the reserves (1.7 million euros) and partly to the equity (0.8 million euros). This allocation is based on the average level of reserves and equity during the year.

The financial income is impacted by a negative revaluation due to the development of stock market along the year (eurostoxx50 by -5.2% in 2020).

#### Insurer income

The insurer income (2.0 million euros) consists of the Insurer retention (1.2 million euros) and the Financial Income on Equity (0.8 million euros). The Insurer Retention is the remuneration for the shareholder for providing the solvency capital

(22) Result on investments	Income and expenses	Unrealised change in valuation	Realised result due to sales	Total 2020	Total 2019
Shares and other non fixed-interest securities	48	(474)	114	(312)	4.530
Bonds and other fixed-interest securities (including group)*	2.347	(69)	419	2.697	2.122
Investments for the risk of policy holders	-	-	-	-	11.803
Other investments and cash at bank	(9)	-	-	(9)	(7)
<b>Total</b>	<b>2.386</b>	<b>(543)</b>	<b>533</b>	<b>2.376</b>	<b>18.448</b>

\*Note: the part of the amortization on the balance sheet related to (dis)agio upon sale (-61 thousand euros) is reported in the realised result due to sales.

The effective interest rate of the total bond portfolio at the end of 2020 is 2.47% (2019: 1.01%). The effective interest rate of 2020 is based on an average per year.

#### (27) Result on investments allocated to the non-technical account

The total result on investments has been taken into account in the technical result. The result on investments, adjusted for the result on investments for the risk policyholders, has been allocated to the non-technical result based on the average annual ration technical provision (TP) versus Equity + TP ( $TP / (Equity + TP)$ ). The allocation percentage for 2020 is 34% (2019: 32%).

(26) Operating expenses	2020	2019
Acquisition costs	2.861	3.873
Administration, personnel and amortization costs	3.982	4.584
Commissions and profit participation received from reinsurers	(414)	(425)
<b>Total</b>	<b>6.429</b>	<b>8.032</b>

(28) Other income	2020	2019
Result on sale of the savings portfolio	6.100	-
<b>Total</b>	<b>6.100</b>	<b>-</b>

The Savings portfolio has been sold in 2020 with an economic transfer date at the 1<sup>st</sup> of January 2020. The risks and results are transferred to the buyer. The selling price of 5.5 million euros is presented in the other income. For servicing the portfolio until migration date early 2021 a service fee of 1.2 million euros is received. An amount of 0.6 million euros is presented in the operating expenses to compensate the costs and the remaining part of 0.6 million euros is also presented in the other income.

<b>(30) Taxes</b>	<b>2020</b>	<b>2019</b>
The taxes can be specified as follows:		
- tax based on the taxable result	(2.305)	(2.396)
- deferred tax	(1.638)	670
- tax previous years	-	-
<b>Taxes according to the profit and loss account</b>	<b>(3.943)</b>	<b>(1.726)</b>
Result before taxes according to profit and loss account	16.864	5.794
Permanent differences	10	10
Temporary differences	(7.653)	3.781
<b>Taxable result</b>	<b>9.221</b>	<b>9.585</b>

The temporary differences mainly consist of a difference in depreciation of acquisition costs for an amount of -1.3 million euros (2019: -1.7) and the calculation of the unearned premium reserve at historical tarification for an amount of -6.2 million euros (2019: 5.3).

Nominal tax rate	25%	25%
Effective tax rate	23%	30%

#### Independent Auditor's fee

The audit fee expensed for PriceWaterhouseCoopers Accountants N.V. amounts to 112 thousand euros (2019: 114 thousand euros).

<b>Independent Auditor's fee</b>	<b>2020</b>	<b>2019</b>
Audit of the financial statements	75	78
Assurance activities - Solvency II	37	36
Advisory services	-	-
Other non-audit services	-	-
<b>Total</b>	<b>112</b>	<b>114</b>

The fees listed above relate to the procedures applied to the company and its consolidated by group entities by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act 'Wet toezicht accountantsorganisaties - Wta' as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

The fees relate to the fees of the audit of the respective financial year, regardless of when the procedures are performed. The presented fees are including VAT.

#### Personnel

All BNP Paribas Cardif NL personnel is employed by holding company BNP Paribas Cardif B.V. The average number of FTE's of BNP Paribas Cardif NL employees in 2020 was 93 (2019: 108). Of these employees 34% was allocated to BNP Paribas Cardif Levensverzekeringen N.V. (2019: 34%). The allocation key is based on the cost model. Taxation on the salary costs is in accordance with the allocation key.

The remunerations including social securities and pensions for the Board of Directors amount to 225 thousand euros (2019: 357 thousand euros). The remunerations for the Supervisory Board for 2020 are 28 thousand euros (2019: 26 thousand euros).

#### Subsequent events

There are no subsequent events

## Statutory appropriation of the result

### Article 35

35.1 Distribution of profits pursuant to this article shall be made following the adoption of the annual accounts which show that such distribution is allowed.

35.2 The profits shall be at the free disposal of the of the general meeting. In a tie vote regarding a proposal to distribute or reserve profits, the profits concerned shall be reserved.

35.3 The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.

35.4 A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by law.

### Article 36

36.1 Dividend shall be due and payable four weeks after they have been declared, unless the general meeting determines another date on the proposal of the managing board.

36.2 Dividends which have not been collected within five years of the start of the second day on which they became due and payable shall revert to the company.

36.3 The general meeting may resolve that dividends shall be distributed in whole or in part in a form other than cash.

36.4 Without prejudice to article 35 paragraph 3 the General Meeting may resolve to distribute all or any part of the reserves.

35.5 Without prejudice to article 35 paragraph 3 interim distributions shall be made if the general meeting so determines on the proposal of the managing board.

## Appropriation of the result 2019

The annual report has been adopted in the General Meeting held on 24 April 2020. The General Meeting has determined the appropriation of the result in accordance with the proposal being made to that end.

## Proposal appropriation of the result 2020

In anticipation of the decision of the General Meeting the Board of Directors proposes to distribute the profit of 2020. The financial statements do not yet reflect the proposal.



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## Signing of the financial statements

Oosterhout, date of signing 8 April 2021

Board of Directors

Original has been signed by:

C.P.F. De Longueville  
CEO

W. Eikelboom  
CRFO

M. Bosma-van Zuien  
CCO

## Signing of the financial statements

Oosterhout, date of signing 8 April 2021

Supervisory Board

Original has been signed by:

R.H.A. van Vledder

O.J.G. Martin

I.P.G.M. Brekelmans



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## *Independent auditor's report*

To: the general meeting and the supervisory board of BNP Paribas Cardif Levensverzekeringen N.V.

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### *Report on the financial statements 2020*

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#### *Our opinion*

In our opinion, the financial statements of BNP Paribas Cardif Levensverzekeringen N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2020 of BNP Paribas Cardif Levensverzekeringen N.V., Oosterhout.

The financial statements comprise:

- the balance sheet as at 31 December 2020;
- the profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## *Independence*

We are independent of BNP Paribas Cardif Levensverzekeringen N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (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).

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## *Our audit approach*

### *Overview and context*

BNP Paribas Cardif Levensverzekeringen N.V. is an insurance company offering term life coverage and savings products. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

The Company has an in-house actuarial function supported by an external actuary. The Company has an external investment manager, an external administrator and an external custodian. These parties are related to BNP Paribas Cardif Levensverzekeringen N.V. We explained the impact on our audit approach in the section 'The scope of our audit'.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the notes to the balance sheet, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the valuation of assets and liabilities arising from insurance contracts and the related higher inherent risks of material misstatement, we considered this to be a key audit matter as set out in the section 'Key audit matters' of this report. In addition, we consider the disclosures regarding capital requirements based on Solvency II regulations as a key audit matter since some important estimates and valuation models are applied in which input is used that is not observable in the market. Furthermore, we identified the valuation and existence of the investments as a key audit matter because of the significant audit time spent, due to the size of the investments in the financial statements and their importance to the stakeholders. When identifying the key audit matters, we also considered the impact of the COVID-19 pandemic on critical estimates and assumptions, taking into account the estimation uncertainty arising from the global pandemic.

The business operations and financial processes of the Company are highly automated, which makes IT General Controls ('ITGC') relevant to our audit. Mostly, however, we considered a substantive audit approach to be more effective and efficient, in relation to several audit areas. We did, to the extent relevant for our audit, perform procedures relating to IT dependencies to enable us to rely on IT generated reports, interfaces and calculations.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams included the appropriate skills and competences which are needed for the audit of an insurance company. We therefore included specialists in the areas of actuarial expertise and IT specialists in our team.

The outline of our audit approach was as follows:



### *The scope of our audit*

BNP Paribas Cardif Levensverzekeringen N.V. operates as a stand-alone entity in the Netherlands.

We designed our audit to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. As part of our audit, we took into consideration that the Company has outsourced its asset management activities. The Company has an external investment manager, an external administrator and an external custodian. As described in the section 'Overview and context', these parties are related parties of BNP Paribas Levensverzekeringen N.V. We discussed the role and responsibilities of the administrator and the investment manager, and paid specific attention to their independence from the Company. Based on our work performed we verified that there is sufficient segregation of duties between the Company and the administrator, the custodian, and the investment manager.

We rely on the ISAE3402 type 2 report from the custodian, in relation to internal controls surrounding custody regarding design, existence and operational effectiveness of the controls as far as these are relevant to our audit. The ISAE3402 type 2 report is certified by an auditor, of whom we have assessed aspects such as knowledge, quality and reputation, independence and type of audit opinion. In addition we tested the existence and valuation of the investments independently to external sources.

In relation to the activities performed by the investment manager, we inspected the mandate and verified if the investment manager acts in compliance with the mandate, to the extent relevant to our audit.



In relation to the technical provision, we discussed the outcome of the actuarial report and analysis with the external actuary. Since the external actuary is a management expert, we paid attention to the aspects such as expertise, reputation, and independence.

### *Audit plan*

We have developed and executed a comprehensive audit plan. As part of this audit plan we carried out a process of understanding the strategy of the Company, its business, its internal control environment and IT systems. We looked at where and how this all impacted the Company's financial statements and internal control framework. Based on these procedures, we have prepared our risk assessment and audit strategy and prepared our audit plan which has been discussed with the board of directors and the supervisory board.

### *Materiality*

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

<b>Overall materiality</b>	€991,000 (2019: €450,000)
<b>Basis for determining materiality</b>	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1,75% of equity (2019: 1% of equity).
<b>Rationale for benchmark applied</b>	<p>We used 1,75% of equity as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of stakeholders (including the regulator Dutch Central Bank), of the financial statements. We have changed the materiality from 1% to 1.75% as the Company continues to have a strong SCR ratio.</p> <p>In determining the percentage, we have set up the audit of the Solvency II information in such a way that an undetected difference in the Solvency Capital Requirement (SCR) ratio is 5% at its maximum.</p>

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €49,000 (2019: €22,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b><i>Disclosures regarding capital requirements based on Solvency II regulations</i></b>  <i>We refer to note 11 in the financial statements.</i></p> <p>Solvency II requirements are applicable to the insurance activities of the Company. Management implemented a reporting process for the information required to determine the capital position.</p> <p>The Company applied the standard Dutch Central Bank formula to determine the solvency capital requirements.</p> <p>When determining the available funds (€72.9 million) and required capital position (€27.9 million) some important estimates and valuation models are applied in which input is used that is not observable in the market. The main elements are:</p> <ul style="list-style-type: none"> <li>the cash flows used to determine the economic value of the technical provisions and reinsurance recoverables;</li> <li>expected premium income for the next year.</li> </ul> <p>With respect to the loss-absorbing capacity of deferred taxes, the Company accounted for the deferred tax asset to the extent that this could be offset against the deferred tax liability.</p> <p>Relating to the management estimates and complex valuation models, there is a higher risk of misstatement. As the solvency ratio is an important metric and the Solvency II information is being used in the capital and dividend policy of the Company, we believe this information is important to our audit.</p>	<p>We verified the accuracy and completeness of the adjustments to arrive from the Dutch GAAP balance sheet to the economic balance sheet, the basis for calculation of the available capital, in accordance with Solvency II regulations.</p> <p>We tested the estimates (parameters and assumptions with respect to mortality, claims, lapse and future expenses) used to determine the cash flows to the observed historical developments in the insurance portfolio. Where the assumptions take into account actions of management, we challenged management on the feasibility and associated impact. We determined that management's assumptions were supported by evidence and found these to be reasonable.</p> <p>We assessed that the capital requirements for each sub-risk was calculated in accordance with the Solvency II regulations. In this respect, we tested (for a sample) the reconciliations and reasonableness of the data, by verifying the data of the client with our own external data. Furthermore, we performed sample tests on the calculations in the Solvency II model.</p> <p>We assessed that the loss-absorbing capacity of deferred taxes of the Company is accounted for to the extent that this can be offset against the deferred tax liability.</p> <p>Furthermore, we assessed the adequacy of the disclosures.</p> <p>We did not note any material findings.</p>

## Key audit matter

## How our audit addressed the matter

### **Uncertainties in the valuation of liabilities arising from insurance contracts**

*We refer to note 9, 10 and 11 in the financial statements.*

Life insurance liabilities consist of:

- earned premiums and unexpired risks (€88 million);
- outstanding claims gross (€5 million).

The calculation of the liabilities arising from insurance contracts is complex, highly judgemental and is based on assumptions, which are affected by future economic conditions. These relate to risks regarding mortality, longevity, lapse and expense and other assumptions used in the liability adequacy test.

The assumptions require significant management judgement. The company has comprehensive procedures in place to determine the value of the liabilities arising from insurance contracts and for performing liability adequacy tests.

The assumptions are mainly based upon the judgements of management. The company has extensive procedures and internal controls to measure assets and liabilities from insurance contracts, and to test the liability adequacy of the technical provisions.

The significance of management's estimates combined with the extent of the related liabilities and assets results in a higher risk of misstatements.

We therefore considered this a key audit matter.

We performed sample tests, to verify that the standing data, such as starting date of the policy, the age of the insured person, the insured amount and the premium, were accurate by reconciling these to the original policies and the actuarial system and we recalculated premium income based on the original premium schemes. These standing data were used in the valuation of the liabilities arising from insurance contracts. We have not noted any material differences.

We performed testing of the Company's procedures regarding the determination of the assumptions, testing of the assumptions based on market observable data and actuarial analysis of the technical results during the year compared with the expected outcome based on the assumptions used.

We discussed the outcome of the actuarial analysis with the internal and external actuaries and the actuarial function holder. Specific attention was paid to mortality and future expenses in respect of the life insurance business. We verified that the estimate was based on the accurate actuarial mortality tables. We determined that management's assumptions were based upon available audit evidence and found the assumptions used to be reasonable.

We tested the Company's procedures to estimate the amount of the claims to be received. The procedures contain both actuarial projections based on claim patterns, where we tested the claim data used, and an estimated outcome, where we have tested the data used by reconciling it to the contracts.

Furthermore, we assessed the adequacy of the disclosures.



<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b><i>Valuation and existence of investments</i></b>  <i>We refer to note 2 in the financial statements.</i></p> <p>The total value of the company's investments consists of the following assets:</p> <ul style="list-style-type: none"> <li>• shares and other non-fixed interest securities of €31 million;</li> <li>• bonds and other fixed-interest securities of €114 million.</li> </ul> <p>The valuation is based on the accounting principles for valuation and determination of result as disclosed in the accounting principles in the notes to the balance sheet of the financial statements.</p> <p>The investments are valued at fair value or amortised costs. The investments held by the Company are mainly publicly traded investments. Therefore, no estimates are made.</p> <p>The investments are material to the financial statements, as the investments account for 96% of the assets. We identified the valuation and existence of the investments as a key audit matter because of the significant audit time spent on the investments, due to the size of the investments in the financial statements and their importance to the stakeholders.</p>	<p>We tested the existence of the Company's investments by performing a full reconciliation with the confirmation of the investments in custody as obtained from the custodian.</p> <p>We determined the valuation of all investments as at 31 December 2020 by an integral reconciliation to the prices from external data vendors. We have not noted any material differences.</p> <p>Furthermore, we determined the accuracy of the disclosures regarding the investments as included in the financial statements of the Company.</p>

## ***Report on the other information included in the annual report***

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Information on the board, officials and external advisers.
- Key figures.
- The supervisory board's report.
- The board of directors' report.
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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## ***Report on other legal and regulatory requirements***

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### ***Our appointment***

We were appointed as auditors of BNP Paribas Cardif Levensverzekeringen N.V. on 30 October 2017 by the supervisory. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of four years.

### ***No prohibited non-audit services***

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

### ***Services rendered***

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in the section 'Independent auditor's fee' in the financial statements.

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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of the board of directors and the supervisory board for the financial statements***

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.



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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 22 April 2021  
PricewaterhouseCoopers Accountants N.V.



M.P.A. Corver RA

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## ***Appendix to our auditor's report on the financial statements 2020 of BNP Paribas Cardif Levensverzekeringen N.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.



From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.