

ANNUAL REPORT 2020

BNP PARIBAS CARDIF SCHADEVERZEKERINGEN N.V.



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Index

<i>Boards, officials and external advisors.....</i>	<i>3</i>
<i>Key figures.....</i>	<i>4</i>
<i>Supervisory Board's report.....</i>	<i>5</i>
<i>Board of Directors' report.....</i>	<i>7</i>
<i>Financial Statements.....</i>	<i>33</i>
<i>Balance sheet - Assets as at 31 December 2020.....</i>	<i>33</i>
<i>Balance sheet - Equities and Liabilities as at 31 December 2020.....</i>	<i>34</i>
<i>Profit and Loss account for the year ended 31 December 2020.....</i>	<i>35</i>
<i>Cash Flow Statement for the year ended 31 December 2020.....</i>	<i>37</i>
<i>Accounting policies.....</i>	<i>38</i>
<i>Notes to the Balance sheet as at 31 December 2020.....</i>	<i>45</i>
<i>Notes to the Profit and Loss account.....</i>	<i>59</i>
<i>Statutory appropriation of the result.....</i>	<i>62</i>
<i>Appropriation of the result 2019.....</i>	<i>62</i>
<i>Proposal appropriation of the result 2020.....</i>	<i>62</i>
<i>Independent Auditor's report.....</i>	<i>64</i>



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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	18.190	19.372	20.242	22.224	23.536
Net earned premiums insurer	32.264	26.456	60.324	49.414	53.617
Claim charge*	(13.306)	(10.626)	(14.305)	(15.306)	(10.350)
Result on investments	9.811	20.398	6.039	20.392	21.125
Operating expenses	(14.680)	(16.442)	(16.416)	(16.212)	(18.090)
Other income	15	23	34	49	50
RESULT BEFORE TAXES	14.104	19.809	35.676	38.337	46.352
Result on technical account	11.628	14.545	34.267	33.708	42.486
Result on non-technical account	2.476	5.264	1.409	4.629	3.866
RESULT BEFORE TAXES	14.104	19.809	35.676	38.337	46.352
RESULT AFTER TAXES	10.573	14.852	26.510	28.744	34.757
TOTAL EQUITY	72.796	77.075	88.733	93.222	96.981
BALANCE SHEET TOTAL	305.177	334.875	365.168	421.864	469.852
FINANCIAL INVESTMENTS					
For the risk of the company	296.826	327.374	356.853	412.541	458.692
TECHNICAL PROVISIONS	228.075	250.673	271.321	323.525	363.360
NUMBER OF FTEs**	93	108	108	111	124

* Claims for the insurance company and movement technical provision for outstanding claims

**Combined average FTE's of BNP Paribas Cardif B.V., BNP Paribas Cardif Levensverzekeringen N.V. and BNP Paribas Cardif Schadeverzekeringen N.V.



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Supervisory Board's report

In this report, the Supervisory Board of BNP Paribas Cardif Schadeverzekeringen N.V. provides the explanation of its structure and the way it supervised BNP Paribas Cardif Schadeverzekeringen N.V. during 2019 (BNP Paribas Cardif Schadeverzekeringen N.V. is a 100% subsidiary of BNP Paribas Cardif B.V.).

Members of the Supervisory Board of BNP Paribas Cardif Schadeverzekeringen 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 Schadeverzekeringen N.V. prepared the annual financial statements on the reporting year 2020. The Supervisory Board of BNP Paribas Cardif Schadeverzekeringen 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 Schadeverzekeringen N.V.: 10,573 thousand euros.

Meetings and activities of the Supervisory Board and its Committees

The Supervisory Board of BNP Paribas Cardif Schadeverzekeringen 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 2020

The Committees of the Supervisory Board of BNP Paribas Cardif Schadeverzekeringen 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

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 Schadeverzekeringen N.V. and BNP Paribas Cardif Schadeverzekeringen 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. 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 Schadeverzekeringen N.V. in 2020 amount to 10.6 million euros (2019: 14.9). 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. Although the claim payments remained at a low level we did anticipate the COVID-19 risk and strengthened our provisions. The financial result was significantly lower due to lower financial markets and a decreasing portfolio.

Although the net result is provisioned to be paid out as dividend, the capital position showed an improvement from 214% in 2019 to 230% in 2020. The Own funds to cover the SCR decreased to 116.2 million euros in 2020 (2019: 124.7) and the SCR decreased to 50.5 million euro in 2020 (2019: 58.4).



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Business and performance

Business

General

BNP Paribas Cardif Schadeverzekeringen N.V. offers payment protection insurances with covers for disability and unemployment and suretyships. BNP Paribas Cardif Schadeverzekeringen N.V. has a license to offer non-life insurance within the following sectors:

- S01 Accident insurance
- S02 Health insurance
- S09 Other property damage insurance
- S15 Suretyships
- S16 Pecuniary loss insurance

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
	Mortgage	Consumer Loans	Collective	Other	Mortgage
Life	Term Life	Term Life	Term Life		
	Whole Life *				
Non-Life	Disability	Disability	Disability		Disability
	Unemployment	Unemployment	Unemployment		Unemployment
	Critical Illness		Critical Illness		
				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), Authorised agents, 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 Cardif Schadeverzekeringen 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 Cardif Schadeverzekeringen 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 IFAs 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. 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.

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, the disability criterion Any, Suitable, or Own occupation is considered when determining homogeneous risk groups.

Overview portfolio		Abbreviation	Code	Line of Business (S2)	Module (S2)
Direct business	Disability	TD - Direct	L_H	Health	Health SLT
	Unemployment	IU	NL_D_Mis	Miscellaneous Financial Loss	Non-Life
	Surety Ship	SS	NL_D_Cred	Credit and Surety Ship	Non-Life
Indirect business	Disability	TD - Indirect	L_AR_H	Health Reinsurance	Health SLT
	Unemployment	IU	NL_AP_Mis	Miscellaneous Financial Loss	Non-Life

Within the Direct portfolio, the chosen line of business for both the disability and critical illness risk is Health. Henceforth in this document, disability and critical illness are considered jointly as Disability. Within the Health line of business, these risks are considered by BNP Paribas Cardif Netherlands as Similar to Life. Since the creditor protection products are mainly sold in combination with a (mortgage) loan, a duration of these contracts of thirty years is common. During these thirty years, the premium is kept flat, while the risk increases with insureds age, and the maximum benefit decreases. Moreover, there are no legally enforceable contract boundaries. As these credit protection products follow the underlying mortgage. Hence, the Non-Life cover provided for disability, critical illness, and unemployment is therefore similar to that of Life insurance.

The unemployment risk in the Direct portfolio is not related to the life or health of the insured, and thus a Non-Life risk. Moreover, the unemployment risk is not explicitly addressed in any other Non-Life line of business. The line of business *Miscellaneous Financial Loss* is thus chosen by default for the unemployment risk. The classification *Similar to Life* is only explicitly applicable to the disability risk, and not the unemployment risk. To our opinion this is not due to the nature of the risk, but rather to the fact that Non-Life does not allow such a distinction, whereas Health does.

The suretyships product is classified in line with statutory accounts in the line of business *Credit and Suretyships*.

Finally, for the Indirect portfolio – which concerns an accepted reinsurance contract – the accepted reinsurance line of business is chosen: *Health Reinsurance* and *Miscellaneous Financial Loss*.

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 statutory provisions. The main segments and provisions are highlighted. In both entities, the Mortgage related covers are most material.

In the table below, the health and non-life portfolios are broken down by number of covers and statutory provisions gross of reinsurance. Mortgage represents most of the covers (73%), written premium (61%), and provisions (93%). Consumer Loan and Collective represent 22% of the covers and 16% of written premium, but only 6% of provisions; the insured amounts are typically low in these segments even if premiums provisions increased due to new assumptions. The Other segment is the Surety Ship product. It represents 4% of covers, but 23% of written premium, and 0.2% of provisions: it is a short natured product, running on average for only three months and increased comparing to last year.

Overview portfolio		Covers (#)	Written Premium	Statutory Provisions
gross of reinsurance				
Direct business	Mortgage	240,289	11,103	213,679
	Consumer Loan	16,011	580	10,893
	Collective	55,836	2,326	2,439
	Other	13,076	4,193	501
Indirect business	Mortgage	5,403	-	2,976
Total		330,615	18,202	230,488

Most business is Regular Premium, and only Mortgage has a significant Single Premium portfolio (79%), while suretyships is exclusively Single Premium. In addition to premium type and portfolio, the disability criterion – Any, Suitable, or Own occupation – is considered when determining homogeneous risk groups.



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Disability is the most significant long term risk in terms of covers (76%), written premium (59%), and statutory provisions (86%). The remainder of the long term risk is due to Unemployment (provisions: 14%), while suretyships represents significant production (written premium: 23%) and is a shorter term risk.

The statutory provisions are split almost equally between unearned premium (42%) and claims (58%). This is due to the materiality and long term nature of the Disability risk: it represents 75% of covers and claim payments can last until the end of the contract. It is not uncommon for the term of contracts to be thirty years. Within Disability, provisions for claims (65%) are higher than for unearned premium (35%). Within Unemployment, the provision related mainly to unearned premium (86%); the claim payments last at most three years. The statutory provisions are decreasing due to the run-off of Single Premium contracts and payment of running claims.

Overview - technical provisions gross of reinsurance		Statutory Provisions		2020	2019
		Premium	Claims		
Direct business	Disability	69,053	126,175	195,227	219,704
	Unemployment	27,460	4,324	31,784	29,603
	Surety Ship	199	302	501	465
Indirect business	Disability	1,071	1,726	2,797	3,148
	Unemployment	154	25	179	208
Total		97,936	132,551	230,488	253,129

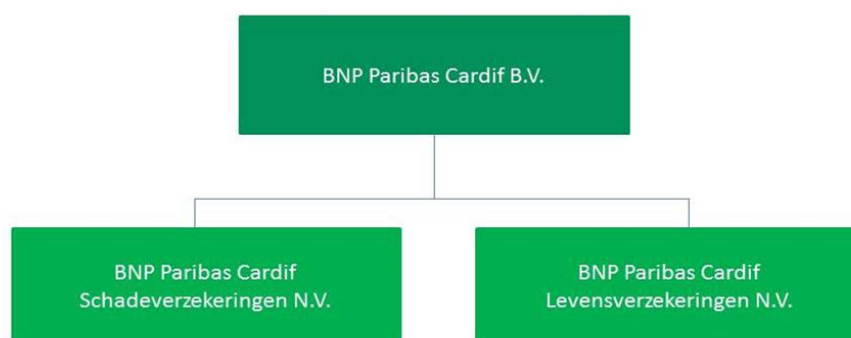
The statutory provision is mainly related to Disability (86%) and this is even more pronounced for claims (96%). Additional detail on the Disability risk is presented in the table below, including a focus on claims. In all segments, the provision for claims is higher than that for premium. Paid claims are mainly coming for the Mortgage Single Premium segment (76%). This is where most active claims are accumulated (81%).

Within the Mortgage segment Single Premium represents 79% of covers and Regular Premium 21%. Compared to Regular Premium, the Single Premium segment accumulated more claims reserves, and premium provisions do not anticipate an inflow of written premium. However, the segment only represents 66% of statutory provisions. This indicates that the risk in the Regular Premium segment is more significant than implied at first sight.

Overview Disability portfolio gross of reinsurance		Premium Type	Covers (#)	Claims (#)	Written Premium	Paid Claims	Statutory Provisions		
							Premium	Claims	Total
Direct business	Mortgage	Regular Premium	43.149	674	9.251	4.631	21.876	52.256	74.132
		Single Premium	160.893	2.787	(34)	14.276	42.005	68.983	110.988
	Consumer Loan	Regular Premium	8.460	157	384	767	3.858	4.689	8.547
		Single Premium	52	4	(0)	14	2	51	53
	Collective	Regular Premium	34.398	13	1.069	32	1.312	195	1.507
	Other								
Subtotal			246.952	3.635	10.670	19.720	69.053	126.175	195.227
Indirect business	Mortgage	Single Premium	4.290	102	-	355	1.071	1.726	2.797
Total			251.242	3.737	10.670	20.075	70.124	127.900	198.024

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).

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 FSBAl 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 these side effects of the ban on commission with key players such as the supervisors, NHG, broker associations and software houses.



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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, authorised 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.

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 Schadeverzekeringen 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 Schadeverzekeringen 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.

Though it is still unpredictable, some possible scenarios were calculated showing that the solvency II position is sustainable and that BNP Paribas Cardif Schadeverzekeringen N.V. is able to overcome the consequences of the COVID-19 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 linked to mortgage transactions.

Result, dividend and evolution of Own Funds

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

PROFIT AND LOSS ACCOUNT	2020	2019
Earned premiums	32,264	26,456
Claim charge	(13,306)	(10,626)
Operating expenses*	(15,358)	(17,606)
Technical result according to SII QRT S.05.01	3,600	(1,776)
Other technical income insurer	15	23
Result on investments technical account*	8,013	16,298
Result technical account non-life insurance	11,628	14,545
Result on investments non-technical account	2,475	5,264
Result before taxes	14,103	19,809
Taxes	(3,530)	(4,957)
Result after taxes	10,573	14,852

* 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 (693 thousand euros).

The net profit of BNP Paribas Cardif Schadeverzekeringen N.V. decreased in 2020 to 10.6 million euros (2019: 14.9 million euros). The change is caused by a higher technical result and a lower investment result. The change in technical result is mainly due to one off impacts as further detailed in the chapter 'Underwriting performance'. The investment result is further detailed in the chapter 'Investment performance'.

BNP Paribas Cardif Schadeverzekeringen N.V. set the target coverage ratio at 150% of the SCR. As stated in the 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 116.2 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	62,223	62,223
Reserves	-	0
Result of the year	10,573	14,852
Reconciliation reserve (excluding foreseeable charges)	62,797	71,969
Excess of assets over liabilities	135,593	149,045
Foreseeable dividends*	(10,573)	(14,852)
Foreseeable charges	(8,835)	(9,475)
Total Own Funds to cover SCR	116,186	124,718

* BNP Paribas Cardif Schadeverzekeringen N.V. foresees paying as dividend the full result of 2020. After appropriation of the result, BNP Paribas Cardif Schadeverzekeringen N.V. is 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 Schadeverzekeringen N.V. is calculated at 50.5 million euros per year end 2020 (2019: 58.4 million euros). The coverage ratio at the end of 2020 improved to 230% (2019: 214%).

Underwriting performance

The underwriting result of BNP Paribas Cardif Schadeverzekeringen N.V. is the result of earned premiums from which incurred claims are deducted. The underwriting performance is as follows:

BNP Paribas Cardif Schadeverzekeringen N.V.	Health		Non-Life		
TECHNICAL PROFIT AND LOSS ACCOUNT BY LINE OF BUSINESS	Disability	Unemployment	Surety-ship	Total 2020	Total 2019
Earned premiums	25,526	2,561	4,177	32,264	26,456
Claim charge	(10,668)	(2,650)	12	(13,306)	(10,626)
Operating expenses*	(9,495)	(2,750)	(3,113)	(15,358)	(17,606)
Technical result according to SII QRT S.05.01	5,363	(2,839)	1,076	3,600	(1,776)
Other technical income insurer	9	3	3	15	23
Result on investments technical account*	6,855	1,144	14	8,013	16,298
Result technical account non-life insurance	12,227	(1,692)	1,093	11,628	14,545

* 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 (693 thousand euros).



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In 2020, the technical result for BNP Paribas Cardif Schadeverzekeringen N.V. decreased from 14.5 million euros to 11.6 million euros.

The following elements explain the evolution:

- The earned premium and unexpired risk increased by 5.8 million euros, explained mainly by:
 - The decrease of interest rate in 2019 and the new cost assumptions in 2019 decreased the level of Earned Premium in 2019 with 12.9 million euros. Without one off events the Earned Premium would increase with approximately 12.9 million euros in 2020;
 - Less premiums received in 2020 for an amount of 1.1 million euros
 - The implementation of new Entry and Recovery assumptions for Disability risk resulted in a positive impact of 0.9 million euros;
 - In order to anticipate the COVID-19 risk in unemployment the provision for unearned was strengthened for an amount of 5 million euros and decreased the earned premiums;
 - In the process to align the cash flow calculation method between statutory and solvency 2 an inconsistency in determination of past and remaining duration of contracts was identified and corrected. This resulted in an increase of unearned premium provision and a decrease of earned premiums for an amount of 2 million euros.
- The claims charge of BNP Paribas Cardif Schadeverzekeringen N.V. increased by 2.7 million euros compared to last year. This is still low compared to the best estimate level. It is also impacted by:
 - In order to anticipate the COVID-19 risk in unemployment the claim provision was strengthened for an amount of 1.5 million euros which had a negative impact on the claim charge;
 - In the process to align the cash flow calculation method between statutory and solvency 2 an inconsistency in determination of past and remaining duration of contracts was identified and corrected. This resulted in an increase of claim provision and a decrease of claim charge for an amount of 1.5 million euros.
 - Entry & recovery rate assumptions (-1.0 million euros coming from the change in 2018)
 - The remaining is mostly explained by the experience variance of the year.
- The operating expenses have decreased by 2.2 million euros as a result of cost savings.
- The (total) result on investment is explained further in the paragraph investment performance.

New business volumes are low as most products were de-risked or reduced in distribution scope, it is the company's action plan to continue and accelerate relaunch with the 4S strategy. New products for 2021 are scheduled like TAF Death Cover, HAV for existing mortgages, new Surety Ships agreements and Extended Warranty.

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 decreased by 8 million euros (-6%) in 2020. Paid claims have decreased by 2.2 million euros (9%) compared to the previous year. The main decrease is observed in Disability, where provisions decreased by 9.4 million euros and paid claims by 1.8 million euros. This decrease is mainly linked to the decreasing portfolio, but also to improvements in the development of claims during this year and the last. It is partly compensated by the correction of the past duration by +1.5 million euros on the claim provision. Last but not least, Unemployment was impacted by the COVID-19 by +1.5 million euros.

The decrease observed in Unemployment is 0.3 million euros in provisions and 1.3 million euros in paid claims. An impact in the paid claims from the COVID-19 is not yet observed. This decrease is mainly linked to the economic recovery and unemployment development on national level. Due to the shorter payment period in Unemployment, less release from claims provisions and more impact on paid claims is expected compared to Disability.

Overview - claims provisions gross of reinsurance		2020	2019
Direct business	Disability	126.175	135.483
	Unemployment	4.324	3.001
	Surety Ship	302	280
Indirect business	Disability	1.726	1.822
	Unemployment	25	17
Total		132.551	140.602

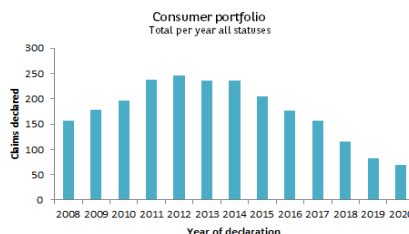
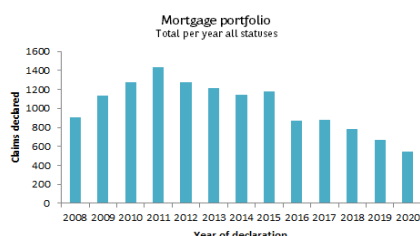


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Disability

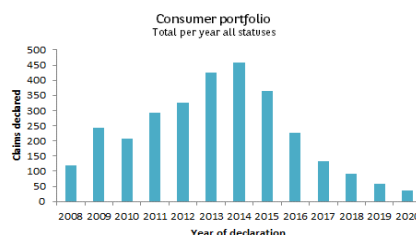
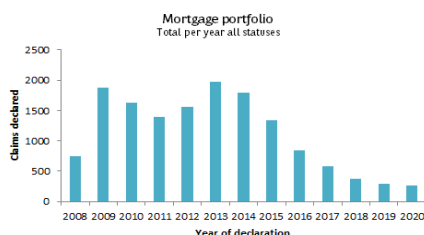
The evolution of Disability is in line with the number of claims in the Direct Mortgage and Consumer Loan segments. The number of claims for mortgage and consumer portfolio is decreasing (19% decrease) to a historically low level. The decrease in recent years is sharper than the decrease in number of policies. Moreover, an increase could be expected due to ageing in the portfolio. The lower number of claims has a relation to the macroeconomic situation in the Netherlands – which has improved – and/or circumstances at the UWV. Since both factors are external, BNPPC NL is not able to identify a causal link of either. Internal remediation influences the claims provision and paid claims through recovery; this is not visible in the number of declared claims. An indirect effect from the COVID-19 can appear in the coming years as well.



The claims development shows that on all occurrence years, the closing statutory claim provision is lower than expected on the out flow of monthly claim payments without taking into account one-off effects. On recent years, this can be due to a mix of claim declaration – waiting periods are typically one year for disability contracts – and more recovery. On more mature occurrence years, the result is mainly due to more recovery.

Unemployment

The evolution of Unemployment is also in line with the number of claims in the Direct Mortgage and Consumer Loan segments. The number of declared claims is at a historically low level and has decreased by 11% compared to previous year. This decrease is explained by the decreasing portfolio as well as by macro-economic factors: economic recovery and unemployment on national level. After 2008, claims declared started to increase as a consequence of the crisis. After 2014, claims declared dropped sharply when the economy started to rebound. Both the Direct Mortgage and Consumer Loan segment show the same evolution. In 2020, the COVID-19 impacted the economic activity of the world due to several lock-downs. That should have an impact in the future even if no big increase has been seen yet.



The claims development of Unemployment presents a shorter period than Disability. It is mainly attributed to entry. The claims development for Unemployment shows that after one development year, 85% of payments are done. This increases to 99% of total paid claims after three development years. The impacts of economic recovery and internal remediation measures are visible in the most recent years, where paid claims decreased sharply.

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 for BNP Paribas Cardif Schadeverzekeringen N.V. 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 (43.8 million euros) consist of equity funds (24.7 million euros), bond funds (19.1 million euros) and liquidity funds (0.0). The value of the investment funds decreased by 6.5 million euros, in total. The value decreased due to selling's along the year to lower the Beta exposure and is partly compensated by the increased due to the evolution of the stock markets. The book value of the bond portfolio decreased by 22.6 million euros to 254.6 million euros in 2020, mainly due to the run-off of the portfolio.

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	-	(1.948)	2.486	538	9.378
Bonds and other fixed-interest securities	8.028	(275)	1.514	9.267	11.014
Other investments and cash at bank	12	(6)	-	6	6
Total	8.040	(2.229)	4.000	9.811	20.398

The result on investments in 2020 decreased by 10.6 million euros to 9.8 million euros compared to 2019. The increase is due to the negative evolution of the stock markets in 2020, and suffers from the downsize of the assets under management due to selling of securities. As bonds are valued at amortised cost in the statutory account, the selling of bonds generates new result, unrealised and realised result, whereas selling funds result in a shift between (reversed) unrealised and realised result.

Performance other activities

There are no other activities.

Any other information

Products

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.

Suretyships

Our suretyships – the product that protects the seller of a house by granting the buyer a guarantee of 10 percent of the price as long as the transaction is not signed – keep getting attention in the market, thanks to a high number of mortgage transactions processed in the intermediary channel. In line with our creditor offering, initiatives were focused around optimal embedding in external softwares, for seamless broker and customer journeys.

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 cover 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.

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 Group 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 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. I. Kasper
- Chief Strategy and Digital Officer, Mr. J.M. Hermange
- Chief Risk Officer, and Local Chief Actuary, Mr. F. Sbail
- Secretary General, Mr. J. Alisse

At the beginning of 2020 Mr W. Eikelboom acted as interim CEO until the 1st 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

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 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 1st 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.

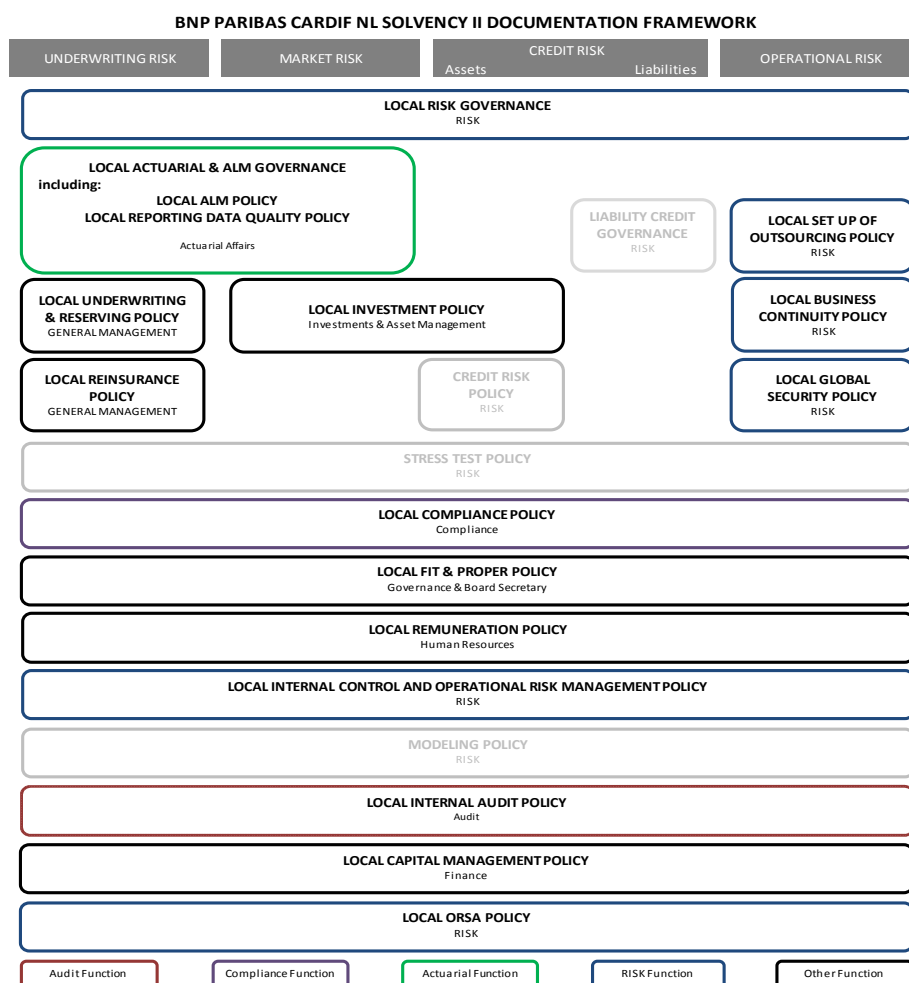
The ultimate goal for risk management is to provide sound and prudent management for the organisation. The primary responsibility for local risk management lies with the managers of BNP Paribas Cardif who make risk-taking decisions. Risk management is the responsibility of all employees in their daily 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:

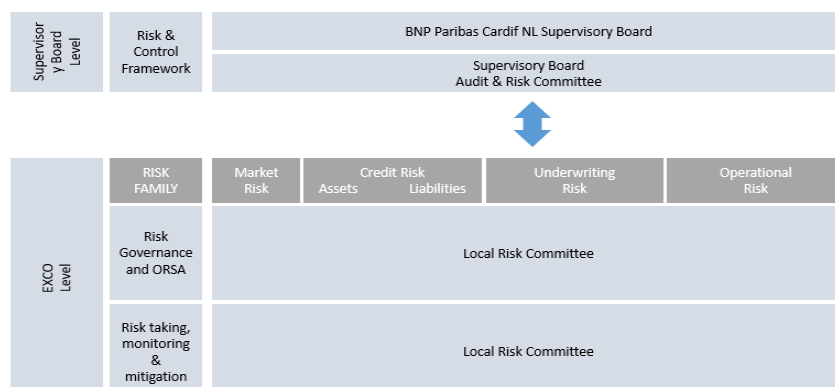
- Defined risk categories:
 - Financial risk (covering market risk, underwriting risk and credit risk)
 - Operational risk (including Compliance risk)
 - Strategic risk
- A risk management organisation with:
 - Responsible boards: supervisory and management boards (refer to the next charts)
 - Risk functions, 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

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.

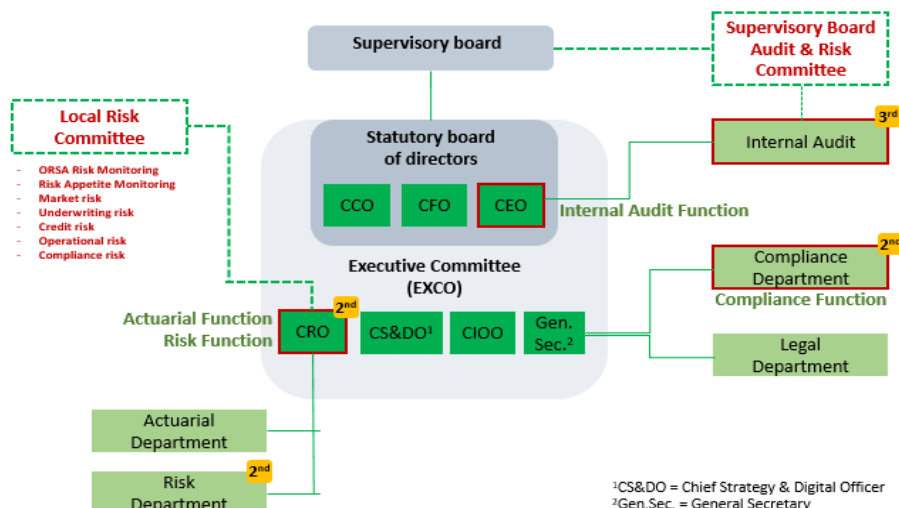


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Note that within Financial risk, Credit Risk is split between Liabilities and Assets. In the Solvency II framework, these risks are captured by different modules of the Standard Formula. BNP Paribas Cardif applies the Standard Formula. The Credit Risk 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 for 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.

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

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.

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	2020	2019
Market	26%	27%
Counterparty Default	0%	0%
Life Underwriting	0%	0%
Health Underwriting	48%	49%
Non-Life Underwriting	24%	22%
Operational	1%	1%
Intangible Asset	0%	0%
SCR	50,517	58,365

The proportion among risk modules is stable compared to former year. The evolution of the SCR shows a decrease partly due to the run-off nature of the in force portfolio.

Health underwriting risks correspond to the disability portfolio. The disability shock is 87% of the module's total. Non-Life underwriting risks correspond to unemployment; where premium and reserve shocks represent 92% of the module's total.

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.

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 Schadeverzekeringen N.V. consist mainly of disability, unemployment, expenses and surrender risks. In addition to these core risks, suretyships and critical illness are in the portfolio. The in-force portfolio is dominated by single-premium policies essentially underwritten prior to 2008, also the main contributor to the technical and financial profit.

The new business consists of disability, unemployment, and suretyships covers. Suretyships covers are increasing in volume, however, do not add significantly to the risk profile. Moreover, volumes for disability and unemployment based on monthly premium are low. Therefore the portfolio size and underwriting risks decreases because of expiries and surrenders.

Health Underwriting SCR (47.2 million euros)

Health SCR net of reinsurance	Direct business			Indirect business		2020	2019
	Disability	Unemployment	Surety Ship	Disability	Unemployment		
Best Estimate Liabilities	141,675	-	-	2,455	-	144,130	159,213
Reinsurance Recoverable	2,502	-	-	-	-	2,502	2,493
Health SLT	46,030	-	-	1,035	-	47,066	52,501
Mortality	42	-	-	-	-	42	45
Longevity	169	-	-	0	-	169	172
Disability	39,878	-	-	1,033	-	40,880	45,510
Lapse	11,775	-	-	41	-	11,816	14,065
Expense	6,645	-	-	59	-	6,703	7,248
Revision	-	-	-	-	-	-	-
Diversification	(12,477)	-	-	(68)	-	(12,545)	(14,539)
Health NSLT	-	-	-	-	-	-	-
Catastrophe	563	-	-	8	-	571	656
Diversification	(457)	-	-	(7)	-	(463)	(488)
Total	46,136	-	-	1,037	-	47,173	52,669

The Health SCR is decreasing in the portfolio, but also due to assumption changes. The relative decrease is comparable with the relative decrease in BEL. The main source of risk, disability, decreases by 4.6 million euros (10%). It is explained by the decreasing evolution of the in force portfolio and the update of assumptions. The BEL claims is decreasing mainly due to the portfolio evolution while the BEL premium also strongly depends on disability assumption. On aggregate level it means that the BEL is decreasing at the same speed as the SCR does.

Mortality and Longevity

Many policies have regular premiums with embedded future profits, so BNP Paribas Cardif Schadeverzekeringen N.V. is mainly subject to a mass lapse shock.

Because the products in BNP Paribas Cardif Schadeverzekeringen N.V. do not provide a cover in case of death, and the cover lasts up to pension age, the portfolio is not sensitive to either mortality or longevity.

Disability

The disability shock is applied to the in force policies and claims. The shock is a simultaneous increase of entry and decrease of recovery. The shock is an increase of entry rates of 35% in the first twelve months, and 25% after. The recovery is reduced by 20%. Given the long term nature of the portfolio and the absence of significant recovery on long term disability, the 25% shock on entry rate is the most important shock.

The impact of the shock in Individual Disability is 28.4% (which is 40.9 million euros of Disability SCR compared to the BEL applicable of 144.1 million euros). This relative impact is in line with last year.

Lapse

Lapse is a significant risk in the Disability portfolio, where many policies have regular premiums with embedded future profits. Compared to last year, the lapse shock decrease by 2.2 million euros (16%). The lapse risk decreases due to the change of costs assumptions, there are more policies with less future profits, and due to the decrease of the portfolio.

The lapse shock taken is the most adverse out 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 mass lapse shock is currently the greatest of the three.

Health SCR net of reinsurance	Direct business			Indirect business		2020	2019
	Disability	Unemployment	Surety Ship	Disability	Unemployment		
Best Estimate Liabilities	141,675	-	-	2,455	-	144,130	159,213
Reinsurance Recoverable	2,501	-	-	-	-	2,501	2,493
Lapse up	5,300	-	-	-	-	5,300	5,548
Lapse down	4,285	-	-	3	-	4,288	3,787
Mass lapse	11,775	-	-	41	-	11,816	14,065
Total	11,775	-	-	41	-	11,816	14,065

Expense

BNP Paribas Cardif Schadeverzekeringen 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 the expense shock is significantly higher than the 10% on cost level, due to the effect of inflation. The shock decreased compared to last year due to run-off portfolio, not compensating by the update of the costs.

The cost level reported in the Individual portfolio (both disability and unemployment) increases by 16.7% from 45.1 million euros.

Catastrophe

BNP Paribas Cardif Schadeverzekeringen N.V. applied the Mass Accident and Pandemic scenarios to the portfolio. The Accident Concentration shock is nil.

Accidental death and medical treatment events are not covered. The Mass Accident shock to 0.15% of the population leads to long term disability for 20% of the affected population. Probabilities of 3.5% respectively 16.5% lead to permanent disability, or disability of one year.

The maximum total benefit exposure is 6.1 billion euros. Due to the one year waiting period that applies to most disability covers of Cardif NL, the one year shock has limited impact. The gross SCR in this scenario is 0.3 million euros (2019: 0.4 million euros). The decrease is related to a decrease of the portfolio.

Revision

BNP Paribas Cardif Schadeverzekeringen N.V. mainly sold policies where an insured is eligible to the full benefit in case a threshold percentage of disability is reached (conform WIA: 35%). For the group where the benefits paid depend on the disability percentage, clients are contacted monthly or once in the 3 months to monitor the disability percentage. So worst case, a correction has to be made on the claims paid from a period of three months, because the paid out amount was based on an incorrect disability percentage. In reality these kind of corrections don't occur on a regular basis. This is stress tested by increasing the pro rata factor, which is applied to the insured amount, from 0.92 to 1.00 in the Best Estimate calculation which led to an increase of the BEL of around 450 thousand euros.

Non-Life Underwriting SCR (23.9 million euros)

Non-Life SCR net of reinsurance	Direct business			Indirect business		2020	2019
	Disability	Unemployment	Surety Ship	Disability	Unemployment		
Best Estimate Liabilities	-	18,719	496	-	190	19,406	17,985
Reinsurance Recoverable	-	-	-	-	-	-	-
Premium / Reserve	-	19,932	1,994	-	67	21,993	21,123
Lapse	-	432	-	-	-	432	929
Catastrophe	-	2,040	3,364	-	10	5,414	6,798
Diversification	-	(3,144)	(752)	-	(11)	(3,907)	(5,079)
Total	-	19,260	4,606	-	66	23,932	23,770

The increase of the Non-Life SCR is linked to an increase in premium volume driven by COVID-19 impact. Though the Collective portfolio is smaller, it has a relatively high SCR because the SCR depends on Gross Written Premium and it includes a high commission while on the other hand Individual portfolio has barely any commission left. The Collective portfolio hence has a relatively high Gross Written Premium. The SCR Collective decreases faster because the lapse in Collective portfolio is even higher than in Individual portfolio.

Premium and Reserve

The volume measure for Non-Life consists of two components: Premium and Reserve.

As a volume measure for the Premium in Unemployment, BNP Paribas Cardif Schadeverzekeringen N.V. takes the future Earned Premium for existing contracts. Since the contract boundary is the term of the contract, the run-off of policies spans a long period of time (over thirty years). The future Earned Premium consists of two elements:

- Release of statutory Technical Provisions,
- Future Gross Written Premium on In Force business,

The future Earned Premium is approximated by taking the sum of these components. The difference is the time value. The projected Gross Written Premium in the Best Estimate Liabilities is 48.9 million euros. The statutory technical provisions are 4.1 million euros. Hence, the total Premium volume measure is 53.0 million euros. The main increase coming from Reserves part which is impacted by COVID-19.

BNP Paribas Cardif Schadeverzekeringen N.V. takes the Best Estimate provision for claims of 4.1 million euros as the volume measure for Reserve unemployment, which is impacted by +1.5 million euros due to COVID-19 in 2020.

The expected Earned Premium for Surety Ship contracts to be written in the next twelve months is 4.8 million euros, which is lower than the written premium in 2019 because of the COVID-19 (loss of 20% approximatively). BNP Paribas Cardif Schadeverzekeringen N.V. takes this expectation as a volume measure for the Premium in Surety Ship. Due to the short term nature of the surety ship product, and the single premium payment, all written premium in the last twelve months is already earned, so no technical provisions are added to this amount. BNP Paribas Cardif Schadeverzekeringen N.V. takes the statutory Claims Reserve of 0.5million euros as the volume measure for Reserve Surety Ship.

Lapse

The lapse shock that should be applied to the Non-Life portfolio, is an instantaneous mass lapse shock of 40% on policy level. Since the Unemployment is no longer profitable according to the BEL, the impact of the shock is limited.

Catastrophe

The catastrophe shock for Unemployment is a 40% shock on the budgeted Earned Premium for the next twelve months. The budgeted Earned Premium for Unemployment is 7.0 million euros.

The catastrophe shock for Surety Ship is 100% on the budgeted Earned Premium for the next twelve months of 4.6 million euros and 10% on the two largest exposures of total 0.3 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.



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The latest ALM study reviewed the following elements:

- BNP Paribas Cardif Levensverzekeringen N.V. and BNP Paribas Cardif Schadeverzekeringen N.V. 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.

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.
- 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 BNP Paribas Cardif Levensverzekeringen N.V. 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.

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.

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 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.

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.

Based on our stress tests and their impact on technical and financial results, we expect to be able to pay dividend and can conclude that our solvency ratio is sufficient and above our target level.

In 2021 we will continue enhancing our performance in our role as an insurer in a changing world.

Oosterhout, 8 April 2021

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



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CARDIF**

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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
(1) Intangible fixed assets		
Software	629	872
(2) Other investments		
Shares and other non fixed-interest securities	43.814	50.325
Bonds and other fixed-interest securities	<u>253.012</u>	<u>277.049</u>
	296.826	327.374
(3) Receivables		
Receivables direct insurance - intermediaries	169	334
Other receivables	<u>1</u>	<u>81</u>
	170	415
(4) Other assets		
Tangible fixed assets	226	319
Cash at banks	<u>2.883</u>	<u>1.046</u>
	3.109	1.365
(5) Accrued assets		
Accrued interest of bonds	4.177	4.556
Other accrued assets	<u>266</u>	<u>293</u>
	4.443	4.849
TOTAL ASSETS	305.177	334.875

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



**BNP PARIBAS
CARDIF**

The insurer for a changing world

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
(6) Equity		
Issued and paid up capital	62.223	62.223
Legal reserve	615	867
Other reserves	(615)	(867)
Undistributed result	10.573	14.852
	<u>72.796</u>	<u>77.075</u>
(7) Technical provisions		
For unearned premiums and unexpired risks	97.936	112.527
For outstanding claims: gross	132.551	140.602
Reinsurers' share	(2.412)	(2.456)
	<u>228.075</u>	<u>250.673</u>
(8) Other provisions	299	-
(9) Other liabilities		
Creditors arising from direct insurance	826	721
Creditors arising from reinsurance	80	254
Other liabilities	2.495	5.309
	<u>3.401</u>	<u>6.284</u>
(10) Accrued expenses	606	843
TOTAL EQUITY AND LIABILITIES	305.177	334.875

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



**BNP PARIBAS
CARDIF**

The insurer for a changing world

Profit and Loss account for the year ended 31 December 2020

In thousand euros

TECHNICAL ACCOUNT NON LIFE INSURANCE	2020	2019
(16) Net earned premiums insurer		
Production / written premiums	18.518	19.833
Surrenders	(328)	(461)
(12) Gross written premiums	18.190	19.372
(13) Outgoing reinsurance premiums	(516)	(603)
(14) Premiums net of reinsurance	17.674	18.769
(15) Movement technical provisions unearned premiums and unexpired risks: gross	14.590	7.687
	32.264	26.456
(17) Result on investments allocated to the technical account	7.335	15.134
(18) Other technical income insurer	15	23
(19) Claims for the insurance company		
Claims incurred Gross	(21.576)	(23.882)
Reinsurers' share	263	294
Claims net of reinsurance	(21.313)	(23.588)
(20) Movement technical provision for outstanding claims		
Provision for outstanding claims: gross	8.051	13.041
Provision for outstanding claims: Reinsurers' share	(44)	(79)
Movement technical provision for outstanding claims gross	8.007	12.962
(21) Operating expenses		
Acquisition costs	(6.204)	(7.844)
Administration, personnel and amortization costs	(8.476)	(8.598)
	(14.680)	(16.442)
(11) RESULT TECHNICAL ACCOUNT NON-LIFE INSURANCE	11.628	14.545

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



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NON-TECHNICAL ACCOUNT	2020	2019
(11) Result technical account non-life insurance	11.628	14.545
(22) Investment income		
Direct income from investments	8.733	9.097
Increase of value investments	233	268
Realized profit on investments	<u>4.148</u>	<u>5.069</u>
	13.114	14.434
(22) Unrealised profit on investments	-	7.726
(22) Investment costs		
Administration and interest costs	(693)	(1.187)
Decrease of value investments	(508)	(511)
Realized loss on investments	<u>(148)</u>	<u>(64)</u>
	(1.349)	(1.762)
(22) Unrealised loss on investments	(1.954)	-
(17) Result on investments allocated to the technical account	(7.335)	(15.134)
(23) Result before taxes	<u>14.104</u>	<u>19.809</u>
(24) Taxes	(3.531)	(4.957)
RESULT AFTER TAXES	10.573	14.852

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



**BNP PARIBAS
CARDIF**

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Cash flow statement for the year ended 31 December 2020

In thousand euros

CASH FLOW STATEMENT	2020	2019
Cash flow from operating activities		
Result after taxes	10.573	14.852
(7) Movement technical provisions	(22.598)	(20.648)
(1) Disposal cumulative cost intangible FA	-	1.231
(1) Disposal cumulative amortization FA	-	(1.231)
(1) Amortization intangible fixed assets	309	605
(2) Amortization investments	714	252
(22) Reinvested realized result on investments	(12.040)	(12.915)
(4) Depreciation tangible fixed assets	126	156
(2) Movement of value investments	1.949	(7.727)
	(20.967)	(25.425)
(3) Movement receivables	245	31
(5) Movement accrued assets	406	402
(9) Movement other liabilities	(2.883)	2.048
(10) Movement accrued expenses	(237)	89
Total cash flow from operating activities	(23.436)	(22.855)
Cash flow from investing activities		
<i>Investments and purchase</i>		
(2) Shares and other non fixed-interest securities	(7.559)	(29.795)
(2) Bonds and other fixed-interest securities	(3.062)	(23.699)
(22) Reinvested realized result on investments	12.040	12.915
(1) Intangible fixed assets	(67)	(257)
(4) Tangible fixed assets	(32)	(113)
	1.320	(40.949)
<i>Disposals, redemptions and sales</i>		
(2) Shares and other non fixed-interest securities	12.121	38.166
(2) Bonds and other fixed-interest securities	26.385	52.282
(4) Tangible fixed assets	-	58
	38.506	90.506
Total cash flow from investing activities	39.826	49.557
Cash flow from financing activities		
(6) Dividend payment	(14.852)	(26.510)
(8) Movements other provisions	299	(124)
Total cash flow from financing activities	(14.553)	(26.634)
Movement cash at banks	1.837	68
Cash at banks		
Opening balance	1.046	978
Closing balance	2.883	1.046
Movement cash at banks	1.837	68

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



**BNP PARIBAS
CARDIF**

The insurer for a changing world

Accounting policies

In thousand euros

General

BNP Paribas Cardif Schadeverzekeringen N.V., with its registered at the Chamber of Commerce (20100172) under its registered address 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 Schadeverzekeringen N.V. has taken up the business of non-life insurance as dictated by 'Wet op het Financieel Toezicht' 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 Schadeverzekeringen N.V. or the ultimate parent company and close relatives are regarded as related parties.

BNP Paribas Cardif Schadeverzekeringen 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 66% are being charged to BNP Paribas Cardif Schadeverzekeringen 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	(289)	(309)
- Investment portfolio management			
GIE BNP Paribas Cardif S.A.	group company	(839)	(683)
- Head office support			
BNP Paribas Cardif B.V.	group company	(5.679)	(7.206)
- Charged Personnel costs			
BNP Paribas Cardif B.V.	group company	(14.852)	(26.510)
- Dividend payment			
BNP Paribas Cardif Levensverzekeringen N.V.	group company	4.943	2.297
- Recharged costs			
Arval	group company	(166)	(175)
- Lease costs company cars			
Total		(16.882)	(32.586)

Futhermore premiums, commissions 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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CARDIF**

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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 Schadeverzekeringen 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 Schadeverzekeringen 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, 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 Schadeverzekeringen 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.

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 three main changes in estimates have been processed

In 2020, the COVID-19 spread over the world, leading to a low economic activity. It is expected that this low economic activity will result in an increase of unemployment. To anticipate this increasing risk, an additional unearned premium provision of 5 million and an additional claim provision of 1.5 million euros were accounted for. The increase of unearned premium provision decreased the movement technical provisions unearned premiums and unexpired risks in the profit and loss and the increase in claim provision decreased the movement technical provisions for outstanding claims in the profit and loss.

In the process to align the cash flow calculation method between statutory and solvency 2 an inconsistency in determination of past and remaining duration of contracts was identified and corrected. The alignment was implemented at the end of 2020 and resulted in an increase of unearned premium provision for an amount of 2 million euros and an increase of the claim provision for an amount of 1.5 million euros. The increase in unearned premium provision decreased the movement technical provisions unearned premiums and unexpired risks in the profit and loss of 2020 and can be allocated to disability for an amount of 1.8 million euros and to unemployment for an amount of 0.2 million euros.



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Last, the entry and recovery rates have been updated according to the experiences in the portfolio. This update resulted in a decrease of unearned premium reserve for disability for an amount of 0.8 million euro and had a positive impact on the movement technical provisions unearned premiums and unexpired risks in the profit and loss.

ACCOUNTING PRINCIPLES GENERAL

General

The accounting principles for BNP Paribas Cardif Schadeverzekeringen 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.

ACCOUNTING PRINCIPLES BALANCE SHEET

Intangible fixed assets

At initial recognition the intangible fixed assets are valued at fair value (purchase price). After initial recognition the intangible fixed assets are valued at amortized cost. Intangible assets are amortised over their estimated useful lives as from the moment they are ready for use, and if applicable less impairments. The useful life and the amortization method are reassessed at the end of each financial year. In principle, these assets will be amortized on a straight line basis over the expected economic life cycle of five years. For self developed software a legal reserve is created.

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 realized profit and realized 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.

Operational leasing

Operational leasing are 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. In case of doubtful receivables a provision is taken into account.



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Other assets

At initial recognition the tangible fixed assets are valued at fair value (purchase price). After initial recognition the tangible fixed assets are valued at amortized cost. Tangible assets are depreciated over their estimated useful lives as from the moment they are ready for use.

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The useful life and the amortization method are reassessed at the end of each financial year. In principle, these assets will be amortized on a straight line basis over the expected economic life cycle of five years, taking into consideration any residual value.

Cash at banks is carried at nominal value. If cash is not freely disposable, then this has been taken into account upon valuation.

Accrued assets

The accrued interest is calculated based upon the interest rate applied to the nominal value. The other accrued assets relate to prepayments.

Technical provisions

The valuation of liabilities related to insurance contracts is an implicit uncertain process containing assumptions with respect to changes in legislation, social, economic and demographic trends, inflation, returns, policyholder behaviour and other factors. In particular the assumptions regarding these aspects consists of: interest rates, (trends in) disability and unemployment rates, (trends in) mortality rates, trends in claim payments and assumptions used to test the adequacy of technical provisions. Cardif Schadeverzekeringen N.V. uses models/techniques commonly used in the market with data primarily based on own portfolio experience. When possible own portfolio experience is enriched with observable market variables and/or market benchmarks like data provided by the statistical department of the "Verbond van Verzekeraars" and by the "Actuarieel Genootschap". Application of different assumptions in this evaluation can affect the liabilities related to insurance contracts and the net charges from insurance contracts. The adequacy of the technical provisions is proven as described in the paragraph "Claim development" within the notes to the Balance Sheet as at 31 December 2020.

Technical provisions for unearned premiums and unexpired risks

Unearned premiums and unexpired risks - disability and unemployment

The premium provision is calculated for risk and costs. First, the claims paid and premiums received are projected during the term of the policy. Second, these projected cash flows are discounted with a technical interest rate. Last, the costs are deferred linearly. Cardif ensures the total provision is always at least nil on policy level.

The claims paid are periodic payments depending on the entry and recovery rates and insured amount. The insured amount is fixed at the start of the contract. The entry and recovery rates are based on experience. An explicit prudence factor is applied to the best estimate claims paid.

A global UPR per type of product is calculated to verify the cost sufficiency with S2 assumptions.

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 immediately in case of regular premium and not part of the provision.

Unearned premiums and unexpired risks - suretyship

A benefit for suretyship is due in case of cancellation of the purchase of a house. The premium for Surety Ship is received from the notary at time of passing the act (moment of purchase). It is by definition received after the risk has expired. Hence, the reserve is only composed by UPR cost.

Technical provisions for outstanding claims

Technical provisions for outstanding claims - disability and unemployment

The claims provision consists of two parts, RBNS (reported but not settled) and IBNR (incurred but not reported).



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The RBNS is calculated on individual basis. Claims paid are projected as periodic payments based on recovery curves and insured amount. These projected cash flows are discounted with a technical interest rate. For claims that are not decided, Cardif applies a probability that the claim will be paid in the future.

The IBNR is calculated with a run-off triangle approach (chain ladder) using a loss per policy for less developed occurrence periods for Unemployment. A run-off triangle approach (average cost method) is also used for Disability. In addition, there is a reserve for claims handling expenses. The confidence level to capture variance in the IBNR calculation has been set at 90% with a granularity on risk level.

Technical provisions for outstanding claims - suretyship

The claims provision for Surety Ship consists of an IBNR. This IBNR is based on the risk premium to be received on in force contracts. This provision is released linearly.

Exceptions

The risk premium and administration costs for Critical Illness covers are deferred linearly. For the Indirect portfolio, the premium provision is calculated by linearly deferring the reinsurance premium.

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.

Due to insufficient statistical experience, the claims provision for Critical Illness covers and 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.

Details of run-off triangle approach

For Unemployment, the statutory IBNR is calculated using a run-off triangle approach (chain ladder) using a loss per policy for less developed occurrence periods. For Disability, IBNR is calculated using also a run-off triangle approach and the average costs method.

First, triangles by homogeneous group are constructed by taking the sum of the total amount paid on the claims by occurrence year and reporting delay of the claims. The reporting delay is the difference between occurrence and reporting year of the claim. For Unemployment, the total amount paid includes the RBNS and the claim handling costs.

For Disability, the total amount in the triangle includes only the claims with a first payment.

Second, the best estimate is calculated based on standard chain-ladder link ratios, that is, the average development observed when going from one reporting delay to the next. For Unemployment and Death, a loss per policy is defined for the most recent year using expert judgment.

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.



**BNP PARIBAS
CARDIF**

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Other liabilities

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

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made. Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

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.

Investment income and costs

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 unrealised 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 realized 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.

Amortisation of intangible fixed assets and depreciation of tangible fixed assets

Amortisation and depreciation costs are not presented as a separate item in the profit and loss. These costs have been recognised in the operating expenses. Intangible assets are amortised and tangible fixed assets are depreciated over their estimated useful lives as from the moment they are ready for use. Future depreciation and amortisation is adjusted if there is a change in estimated future useful life.

Other

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



**BNP PARIBAS
CARDIF**

The insurer for a changing world

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 the losses available for set-off from previous financial years components, components of timing differences 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.



**BNP PARIBAS
CARDIF**

The insurer for a changing world

Notes to the Balance sheet as at 31 December 2020

In thousand euros

(1) Intangible fixed assets	Software developed	Software purchased	Software 2020	Software 2019
<i>Balance at 1st of January</i>				
Intangible at cost	2.770	2.189	4.959	5.933
Cumulative amortization	(1.903)	(2.184)	(4.087)	(4.713)
Book value	867	5	872	1.220
<i>Movements in the year</i>				
Investments	55	11	66	257
Disposal cumulative cost	-	-	-	(1.231)
Disposal cumulative amortization	-	-	-	1.231
Amortizations	(307)	(2)	(309)	(605)
Total Movements	(252)	9	(243)	(348)
<i>Balance at 31st of December</i>				
Intangible at cost	2.825	2.200	5.025	4.959
Cumulative amortization	(2.210)	(2.186)	(4.396)	(4.087)
Total	615	14	629	872

The amortization of the intangible fixed assets is reported in the profit and loss account under the operating expenses.



**BNP PARIBAS
CARDIF**

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(2) Other 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>Shares and other non fixed-interest securities</i>						
Banking and insuring investment funds	43.814	43.814	23.691	50.325	50.325	28.254
<i>Bonds and other fixed-interest securities</i>						
Government	99.095	124.893	102.232	108.704	133.417	111.015
Corporate	153.917	169.972	153.227	168.345	187.017	167.767
	253.012	294.865	255.459	277.049	320.434	278.782
Total	296.826	338.679	279.150	327.374	370.759	307.036

In 2020 the revaluation of the variable-yield securities generated a loss of -1.9 million euros (2019: +7.7 million euros) which is linked to the decrease of the stock markets (Eurostoxx50 by -5.2%) counter by the selling of securities in 2020 on which the reevaluation of past years had to be written-off.

At the end of 2020 the market value of the bonds and other fixed-interest securities (incl. Group investments) ended approximately 41.9 million euros higher (2019: 43.3 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. Based on the list, the Board of Directors takes a decision whether to impair a security or not. In 2020, no impairments were made.

In 2020 BNP Paribas Cardif Schadeverzekeringen N.V. has no exposure to Tier 1 bonds (2019 also no exposure).

(2) Movement schedule other investments	Shares and other non fixed-interest securities	Bonds and other fixed-interest securities	Total 2020	Total 2019
Book value at the beginning of the year	50.325	277.049	327.374	356.853
Purchases	7.559	3.062	10.621	53.494
Sales and redemptions	(12.121)	(26.385)	(38.506)	(90.448)
Amortization*	-	(714)	(714)	(252)
Movement in valuation	(1.949)	-	(1.949)	7.727
Total	43.814	253.012	296.826	327.374

*Note: the amortization on the balance sheet consists of the amortization of (dis)agio (275 thousand euros) and release of (dis)agio upon sale (439 thousand euros).

The unamortized part of the bonds amounts to 4,696 thousand euros (2019: 4,871 thousand euros).



**BNP PARIBAS
CARDIF**

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(3) Receivables	31-12-2020	31-12-2019
Intermediaries total	450	614
Intermediaries provision for doubtful receivables	(281)	(344)
Intermediaries corrected for provision for doubtful receivables	169	270
BNP Paribas Cardif Levensverzekeringen N.V.	-	64
Receivables direct insurance - intermediaries	169	334
<i>Other receivables</i>		
Reclaim tax on dividends	-	41
Current corporate income tax	-	-
Deferred corporate income tax	-	40
Intercompany Others	1	
Other receivables	1	81

All receivables are due within one year. Interest is only due for the receivables from policyholders.

Receivables direct insurance

Receivable BNP Paribas Cardif Levensverzekeringen N.V.

The intercompany position with BNP Paribas Cardif Levensverzekeringen N.V. relates to the position of December and is settled on a monthly basis.

(4) Other assets				
Tangible fixed assets	Hardware	Inventory	Total 2020	Total 2019
<i>Balance at the beginning of the year</i>				
Tangible at cost	1.500	522	2.022	1.997
Cumulative depreciation	(1.275)	(428)	(1.703)	(1.577)
Book value	225	94	319	420
<i>Movements in the year</i>				
Acquisition	26	6	32	113
Disposal cumulative cost	-	-	-	(88)
Disposal cumulative depreciation	-	-	-	30
Depreciation	(90)	(35)	(125)	(156)
Total movements	(64)	(29)	(93)	(101)
<i>Balance at the end of the year</i>				
Tangible at cost	1.526	528	2.054	2.022
Cumulative depreciation	(1.365)	(463)	(1.828)	(1.703)
Total	161	65	226	319

The depreciation percentage is for all tangible fixed assets 20% (2019: 20%).

Cash at banks

Cash at banks and in hand are freely disposable.

(5) Accrued assets	31-12-2020	31-12-2019
Accrued interest of bonds	4.177	4.556
Prepayments	266	293
Total	4.443	4.849



**BNP PARIBAS
CARDIF**

The insurer for a changing world

In thousand euros

(6) Equity	2020	2019
Issued and paid up capital		
Balance at 1 st of January	62.223	62.223
Share capital issued and paid up in the year	-	-
Balance at 31 st of December	62.223	62.223
Legal reserve		
Balance at 1 st of January	867	999
Addition:		
- addition to legal reserve	55	257
Withdrawal:		
- release of legal reserve	(307)	(389)
Balance at 31 st of December	615	867
Other reserves		
Balance at 1 st of January	(867)	(999)
Addition:		
- Undistributed result	-	-
- From legal reserve	307	389
Withdrawal:		
- Undistributed result	-	-
- To legal reserve	(55)	(257)
Balance at 31 st of December	(615)	(867)
Undistributed result		
Balance at 1 st of January	14.852	26.510
Addition:		
- Result current year according to	10.573	14.852
- Allocation to the other reserves	-	-
Withdrawal:		
- Dividend payment	(14.852)	(26.510)
- Allocation to the other reserves	-	-
Balance at 31 st of December	10.573	14.852
Total	72.796	77.075

The share capital consists of 90,683 ordinary shares (2019: 90,683) of 880 euros of which divided into 50,734 ordinary shares (2019: 50,734) have been paid in full and 39,949 ordinary shares (2019: 39,949) have been paid for 440 euros.

A legal reserve has been taken into account for self developed software.

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

(7) Technical provision for unearned premiums and unexpired risks	DIRECT BUSINESS				INDIRECT BUSINESS			TOTAL	
	Health Disability	Non-Life Unemployment	Suretyship	Total Direct 31-12-2020	Health Disability	Non-Life Unemployment	Total Indirect 31-12-2020	Total 31-12-2020	Total 31-12-2019
Opening balance gross of reinsurance	84.221	26.602	185	111.009	1.327	191	1.518	112.527	120.214
Incoming - New business added to provision	23	1	198	222	-	-	-	222	613
Incoming - Interest added to provision	691	273	-	964	-	-	-	964	1.511
Outgoing - Net release of risk and costs out of provision	(16.903)	(4.720)	(184)	(21.807)	(255)	(38)	(293)	(22.100)	(23.623)
Mutations	1.020	5.303	-	6.324	-	-	-	6.324	13.811
Total gross of reinsurance	69.053	27.460	199	96.711	1.071	154	1.225	97.936	112.526
Reinsurance				-			-	-	-
Total net of reinsurance	69.053	27.460	199	96.711	1.071	154	1.225	97.936	112.527

(7) Technical provision for outstanding claims	DIRECT BUSINESS				INDIRECT BUSINESS			TOTAL	
	Health Disability	Non-Life Unemployment	Suretyship	Total Direct 31-12-2020	Health Disability	Non-Life Unemployment	Total Indirect 31-12-2020	Total 31-12-2020	Total 31-12-2019
Opening balance gross of reinsurance	135.483	3.001	280	138.764	1.822	17	1.838	140.602	153.643
Incoming - New Business added to Provision	13	4	301	317	-	-	-	317	1.822
Incoming - Interest added to provision	1.217	22	-	1.239	-	-	-	1.239	1.822
Outgoing - Net release of risk and costs out of provision	(11.998)	(288)	(279)	(12.566)	(93)	8	(85)	(12.650)	(17.194)
Mutations	1.460	1.586	-	3.046	(3)	-	(3)	3.043	2.330
Total gross of reinsurance	126.175	4.324	302	130.801	1.726	25	1.750	132.551	140.602
Reinsurance	(2.412)	-	-	(2.412)	-	-	-	(2.412)	(2.456)
Total net of reinsurance	123.763	4.324	302	128.389	1.726	25	1.750	130.139	138.146

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 mainly have a short medium term character. The average duration of the whole in force portfolio at issue is 21 years (2019: 20 years). For single premium contracts the remaining duration is approximately 5 years (2019: 5 years); for regular premium contracts 13 years (2019: 14 years).



**BNP PARIBAS
CARDIF**

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Claim development

Paid claims - Disability reinsurance	Occurrence year					Total
	2020	2019	2018	2017	< 2017	
Opening balance claim provision	-	18.478	17.656	17.385	83.785	137.304
Paid claims	60	531	1.609	2.486	15.389	20.075
Closing balance claim provision	22.148	17.166	11.006	12.690	64.890	127.900
Total	(22.208)	781	5.041	2.209	3.506	(10.671)

Paid claims Unemployment	Development year										Total
	0	1	2	3	4	5	6	7	8	9+	
Prior										-	-
N-8	1.761	2.551	832	234	45	6	1	-	-		5.430
N-7	2.429	4.515	993	251	54	5	7	-			8.254
N-6	2.520	3.817	970	263	13	-	-				7.583
N-5	1.936	2.901	925	301	39	3					6.105
N-4	1.058	1.741	576	132	4						3.511
N-3	871	1.202	247	59							2.379
N-2	525	637	134								1.296
N-1	428	667									1.095
N	353										353
Total	11.881	18.031	4.677	1.240	155	14	8	-	-	-	36.006

Paid claims Surety Ship	Development year										Total
	0	1	2	3	4	5	6	7	8	9+	
Prior										(34)	(34)
N-8	-	-	-	-	-	(10)	(32)	(4)	(6)		(52)
N-7	-	-	-	-	(2)	(3)	(2)	(2)			(9)
N-6	-	-	-	(14)	(10)	(8)	(6)				(38)
N-5	-	-	(21)	(16)	(26)	(4)					(67)
N-4	-	15	(32)	(9)	(8)						(34)
N-3	125	(33)	(54)	(20)							18
N-2	69	105	(30)								144
N-1	135	(43)									92
N	121										121
Total	450	44	(137)	(59)	(46)	(25)	(40)	(6)	(6)	(34)	142

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 technical provisions have a book value at the end of 2020 of 230.5 million euros (2019: 273.9). 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 gross of reinsurance that are to be covered by the technical provision equals 163.5 million euros (2019:184.6) and the risk margin 24.2 million euros (2019 29.1). The lower market value compared to the book value of the liabilities amounts to 42.7 million euros (2019: 60.5) 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.



**BNP PARIBAS
CARDIF**

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The Reconciliation Reserve consists of the following restatements from statutory accounts to Solvency II:	31-12-2020	31-12-2019
- Fair value of financial assets	41.853	43.385
- Variation on Best Estimate Liability (BEL) and Risk Margin (RM)	42.705	49.572
- Reinsurance recoverable	90	37
- Elimination Intangible Assets	(629)	(872)
- Pending litigations	(289)	(208)
- Deferred Taxes	(20.933)	(19.945)
Total reconciliation reserve excluding foreseeable charges	62.797	71.969
- Foreseeable charges	(8.835)	(9.475)
Total reconciliation reserve including foreseeable charges	53.962	62.494

The Own Funds under Solvency II consist of:	31-12-2020	31-12-2019
Issued and paid up capital	62.223	62.223
Result of the year	10.573	14.852
Total equity according to the financial statements	72.796	77.075
Reconciliation reserve excluding foreseeable charges	62.797	71.969
Total Own Funds Solvency II Balance Sheet	135.593	149.044
Foreseeable dividends, distributions and charges	(19.407)	(24.327)
Total Own Funds to cover Solvency Capital Requirement (SCR)	116.186	124.717

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, 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 Schadeverzekeringen N.V. is calculated at 50.5 million euros per year end 2020 (2019: 58.4 million euros). The coverage ration at the end of 2020 is 230% (2019: 214%).

BNP Paribas Cardif Schadeverzekeringen 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 ration breaches 125%.

The Statutory Board proposes to the Shareholders Meeting to pay the full result of 2020 and the undistributed result of previous years as dividends. After appropriation of the result BNP Paribas Cardif Schadeverzekeringen N.V. is well capitalized and meets its regulatory and internal solvency targets as of 31 December 2020.

(8) Other provisions				
Provisions	Provisions for deferred taxes	Other provisions	Total 2020	Total 2019
Balance at 1 st of January	-	-	-	124
Dotation	85	214	299	-
Release	-	-	-	(124)
Balance at 31 st December	85	214	299	-

At the end of 2019 a deferred tax asset of 40 thousand euros was present. Due to a dotation the deferred tax asset changed into a deferred tax liability of 85 thousand euros at the end of 2020. A corporate tax rate of 25% is applied.

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.



**BNP PARIBAS
CARDIF**

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(9) Other liabilities	31/12/2020	31/12/2019
Creditors arising from direct insurance	826	721
Creditors arising from reinsurance	80	254
Creditors	163	45
Group company - BNP Paribas Asset Management France	75	80
Group company - BNP Paribas Cardif B.V.	1.370	4.463
Group company - GIE BNP Paribas Cardif S.A.	34	211
Corporate income tax	424	18
VAT to be paid	73	61
Insurance tax	-	11
Tax on wages to be paid related to claim payments	350	400
Custody costs to be paid	6	20
Other liabilities	2.495	5.309
Total	3.401	6.284

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

Group company - BNP Paribas Cardif B.V.

The position at the end of 2019 included a dividend payable of 2.7 million euros which has been settled in 2020.

The position at the end of 2020 reflects liabilities from staff costs which are recharged to BNP Paribas Cardif Schadeverzekeringen N.V.

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.

(10) Accrued expenses

The accrued expenses amount to 606 thousand euros (2019: 843). These expenses consist of costs that relate to 2020 and for which the invoice has not been received yet.

Tax Group, Off balance obligations and National Terrorism Reinsurance Scheme

Tax Group

BNP Paribas Cardif Schadeverzekeringen 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.



**BNP PARIBAS
CARDIF**

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Guarantee resulting from participating in the National Terrorism Reinsurance Scheme

BNP Paribas Cardif Schadeverzekeringen 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 Schadeverzekeringen 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 0,16% (2019: 0,33%).

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 disability rates which are the main drivers of the Disability 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 Disability risk is partly reinsured in BNP Paribas Cardif Schadeverzekeringen 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 executive board:

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

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.



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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.

Contribution to SCR	31-12-2020	31-12-2019
Market	26%	27%
Counterparty Default	0%	0%
Life Underwriting	0%	0%
Health Underwriting	49%	49%
Non-Life Underwriting	24%	23%
Operaitonal	1%	1%
Intangible Asset	0%	0%
SCR (thousands euros)	50.517	58.365

Capital position

In the interest of our policyholders we are dedicated to be adequately capitalized at all times. We closely monitor our capital position and carry out stress tests on a yearly basis. BNP Paribas Cardif 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 interest rate, equity, real estate and foreign exchange risks. No direct or indirect investments are done in real estate. No foreign exchange risk is taken; all investments are denominated in euros.

BNP Paribas Cardif Schadeverzekeringen 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.

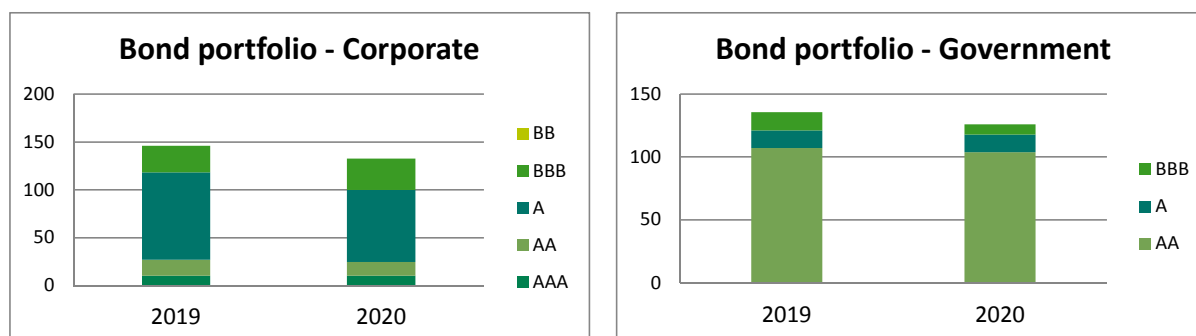
On the asset part BNP Paribas Cardif Schadeverzekeringen N.V. delegates the management to BNP Paribas Asset Management France (Group company), which is mainly in charge of selecting investments to be made on behalf of BNP Paribas Cardif Schadeverzekeringen N.V. and managing the portfolio's assets in 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 cashflow study. 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 Schadeverzekeringen N.V.'s investments issuers.

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



The BBB Government bonds are Italian debt.

Ratings are within the limits of the asset management mandate, except for one corporate issuer in the (lower than) BBB+ category, where the exposure at end of 2020 represents more than 1.5% of 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 43.8 million euros in 2020 (2019: 49.7 million euros), split into 24.7 million euros in stock mutual funds, 19.1 million euros in long term bond mutual funds and 0.0 million euros in cash investment funds. The mutual funds decreased with -1.9 million euros in 2020 due to the evolution of the financial markets over 2020 compensated by net disinvestments in order to reduce the exposure and remain close to the benchmark.

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 7.16% (2019: 8%), which is within the limits described in the investment mandate (between 3% and 9%). The benchmark is 5.6%. 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 Schadeverzekeringen N.V. at the end of 2020 is 254.6 million euros (2019: 277 million euros). The decrease is linked to disinvestments for regular cash needs and the dividend payment to the shareholder. 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 Schadeverzekeringen N.V. At the end of 2020 the modified duration of the portfolio of BNP Paribas Cardif Schadeverzekeringen N.V. is 6.83 (2019: 5.7).

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.

The dividend payment to the shareholder was 14.9 million euros (related to the 2019 result).

BNP Paribas Cardif Schadeverzekeringen N.V. had a negative operating cash flow in 2020.

BNP Paribas Cardif Schadeverzekeringen 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. Almost half of the bond portfolio (48,7%) is invested in Sovereign bonds (2019: 44%). The banking sector represents 10.7% of the bond portfolio (2019: 10%). The majority of the portfolio (60.6%) is invested in French bonds (2019: 59%), 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.



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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 surplus share treaty for the highest insured amounts in disability with the "own occupation" option for BNP Paribas Cardif Schadeverzekeringen N.V. The surplus share treaty is yearly renewable with a run-off termination mode 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.

Non-Life underwriting risk

The Non-Life underwriting risks for BNP Paribas Cardif NL consist of unemployment and suretyship covers. The total technical reserves on the unemployment activity amount to 32.0 million euros and for surety ship to 0.5 million euros. The unemployment covers protects borrowers for their credit payments in case of involuntary unemployment. The cover corresponds to a percentage of costs of living in case of mortgage loans and monthly instalments in case of consumer loans. Internal technical bases are used for pricing and reserving.

The essential risks are related to the employment situation in the economy and to regulatory risks on unemployment law. Furthermore, the guarantee is given for a long period. The unemployment risks represent approximately 13.7% of the company global portfolio in terms of level of reserve.

In Solvency II, the unemployment cover is highly capital intensive when applying the standard formula.



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The unemployment risk assumptions are monitored on a regular basis:

- ◊ Entry and exit rates in unemployment are updated yearly.
- ◊ Reported claims are monitored monthly by operations and quarterly by actuarial.
- ◊ National entry rates and national predictions regarding unemployment are followed-up on a regular basis.
- ◊ Lapse rates are monitored quarterly and updated yearly when needed.
- ◊ The technical result is monitored quarterly.
- ◊ There is a contractual revision clause enabling to revise premiums or benefits in certain conditions (En Bloc clause), although judged valid only in extremely unfavorable situations and impactfully unfavorable law evolutions.

Catastrophe

The Non Life portfolio of BNP Paribas Cardif is not a standard property and casualty portfolio. The exposure to catastrophes relates more to systemic risks. There is no protection program purchased against those risks.

Health underwriting risk

The health underwriting risks for BNP Paribas Cardif mainly consist in disability covers. Other covers are mostly critical illnesses and are non-significant.

The disability cover protects borrowers for their credit payments in case of impairments to various subsystems of the body. The cover corresponds to a percentage of costs of living in case of mortgage loans and monthly instalments in case of consumer loans.

The cover has a long term nature (monthly payment for the whole remaining duration of the credit), and in most cases, start after a waiting period of 12 months.

Own-occupation, suitable occupation and any occupation disability are covered. Any occupation was dominant in the past. Over time, more general disability coverage was provided through suitable occupation and later own occupation. Own-occupation is surplus share reinsured with GenRe.

National risk models exist for disability. They were used as references in the past. Currently, internal technical bases are used. The essential risks are related to the disability evolutions and to regulatory risks on disability law. An attention point is that policies last up to 30 years. The disability risks are the highest exposure of the company and represents approximately 86% of the company global portfolio in terms of level of reserve. The total technical reserves on the disability activity amount to 201.2 million euros (gross of reinsurance).

The disability risk assumptions are monitored on a regular basis:

- ◊ Entry and exit rates in disability are updated yearly.
- ◊ Reported claims are monitored monthly by the operations and by actuarial.
- ◊ Lapse rates are monitored quarterly and updated annually when needed.
- ◊ The technical result is monitored quarterly.
- ◊ There is a contractual revision clause enabling to revise premiums or benefits in certain conditions (En Bloc clause), although judged valid only in extremely unfavorable situations and impactfully unfavorable law evolutions.

Catastrophe

The exposure to catastrophes in the health portfolio relates to pandemics or systemic risks. There is no protection program purchased against those risks, although the highest insured amounts are reinsured through the surplus share treaty mentioned before. The purchase of an additional protection program is being studied.



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Notes to the profit and loss account

In thousand euros

(11-21) Result technical account non-life insurance by line of business	Health	Non-Life		Total	Total
	Disability	Unemployment	Surety ship	2020	2019
(12) Gross written premiums	10.619	3.380	4.191	18.190	19.372
(13) Outgoing reinsurance premiums	(516)	-	-	(516)	(603)
(14) Premiums net of reinsurance	10.103	3.380	4.191	17.674	18.769
(15) Movement technical provisions unearned premiums and unexpired risks: gross	15.423	(819)	(14)	14.590	7.687
(16) Net earned premiums insurer	25.526	2.561	4.177	32.264	26.456
(17) Result on investments allocated to the technical account	6.271	1.048	16	7.335	15.134
(18) Other technical income insurer	9	3	3	15	23
(19-20) Claims net of reinsurance and movement technical provision for outstanding claims	(10.668)	(2.650)	12	(13.306)	(10.626)
(21) Operating expenses	(8.911)	(2.654)	(3.115)	(14.680)	(16.442)
(11) Result technical account non-life insurance	12.227	(1.692)	1.093	11.628	14.545

The earned premiums consists of the written premiums and the movement technical provisions unearned premiums and unexpired risks. 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 -6.3 million euros in 2020 (2019: -13.8 million euros). Excluding the one off impacts the ratio gross written premiums 2020 is 0.5 (2019: 0.5). The remaining duration of our single premium contracts is approximately 5 years (2019: 5 years); for regular premium contracts the remaining duration is 13 years (2019: 14 years).

Of the above amount the indirect part for the result technical account non-life insurance is	(4)	27	-	23	485
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(23) The result before taxes can be specified in the following result	2020	2019
Result on risk	5.698	9.679
Result on cost	(3.097)	(12.244)
Result on interest	6.316	13.733
Insurer income	5.400	8.912
Other	(213)	(271)
Total	14.104	19.809

Result on risk

For BNP Paribas Cardif Schadeverzekerings N.V. the Result on Risk is 5.7 million euros as the Earned Risk Premium available to cover the claims is at 18.7 million euros and the claim charges is 13.0 million euros. The loss ratio is 70% (2019: 51%). Earned risk premium and claims charges are impacted by the adjustment made in the last quarter by the extra provisions taken for COVID-19 on both claims (increasing the claims charge) and (decreasing) the provision for unearned premiums and unexpired risks. Excluding the one off impacts, the loss ratio is 41% (2019: 33%).

The Earned risk premium of the individual portfolio (18.7 million euros) is split into 6.3 million euros on single premiums and 10.2 million euros on periodic premiums. The remaining is coming from the collective portfolio (0.7 million euros), suretyship (1.3 million euros) and DSB Reinsurance (0.2 million euros). The evolution is led by the run-off status of the portfolios as new business is not sufficient to compensate.

The claim charges are -13.0 million euros, split into net paid claims (-21.0 million euros) and release of claim reserves (+8.0 million euros). The claims charges of the individual portfolio (-13.1 million euros) is split into -10.5 million euros for disability risk and -2.6 million euros for unemployment risk.

Result on cost

The negative result on cost is led by the insufficient cost loadings (acquisition & administration) to cover the actual cost. The allocation of costs is based on the cost model of 2019, in which 66.3% of the total company costs is allocated to Schade. This relates mostly to the effort made to develop and launch the HAV product and the size of this portfolio against the life one

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. The results of the cost study are also used for Solvency II purposes and profit study.

Result on interest

The Result on Interest is only slightly negatively impacted by the negative reevaluation linked to the financial markets evolution. A continuing effect is the downsize of the assets under management resulting in a lower income on bonds and lower realized gains on the bond portfolio.

The total financial income (10.1 million euros) is partly allocated to the reserves (7.6 million euros) and partly to the equity (2.5 million euros), this allocation is based on the average level of reserves and equity during the year.

Insurer income

The insurer income (5.4 million euros) consists of the Insurer retention (2.8 million euros) and the Financial Income on Equity

	Income and expenses	Unrealised change in valuation	Realised result due to sales	Total 2020	Total 2019
(22) Result on investments					
Shares and other non fixed-interest securities	-	(1.948)	2.486	538	9.378
Bonds and other fixed-interest securities	8.028	(275)	1.514	9.267	11.014
Other investments and cash at bank	12	(6)	-	6	6
Total	8.040	(2.229)	4.000	9.811	20.398

*Note: the part of the amortization on the balance sheet related to (dis)agio upon sale (439 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 3.7% (2019: 3.9%). The effective interest rate of 2020 is based on an average per year.

(17) Result on investments allocated to the technical account

The total result on investments is initially taken into account in BNP Paribas Cardif Schadeverzekeringen N.V.'s non-technical account. Based upon the average technical provision in relation to the equity and technical provision the result on investment is allocated to the technical account. The allocation percentage applicable for 2020 is 75% (2019: 74%).

(18) Other technical income insurer	2020	2019
Charged administration costs	15	23
Total	15	23

(19-20) Claims net of reinsurance and movement technical provision for outstanding claims

See details, presented in table 11-21.

(21) Operating expenses	2020	2019
Acquisition costs	6.204	7.844
Administration, personnel and amortization costs (depreciation fixed assets)	8.476	8.598
Total	14.680	16.442



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(24) Taxes	2020	2019
The taxes can be specified as follows:		
- tax based on the taxable result	(3.406)	(5.121)
- deferred tax	(125)	164
- tax previous years	-	-
Taxes according to the profit and loss account	(3.531)	(4.957)
Result before taxes according to profit and loss account	14.104	19.809
Permanent differences	19	20
Temporary differences	(501)	655
Taxable result	13.622	20.484
Nominal tax rate	25%	25%
Effective tax rate	25%	25%

Independent Auditor's fee

The audit fee expensed for PricewaterhouseCoopers Accountants N.V. amounts to 119 thousand euros (2019: 114 thousand euros).

Independent Auditor's fee	2020	2019
Audit of the financial statements	82	78
Assurance activities - Solvency II	37	36
Advisory services	-	-
Other non-audit services	-	-
Total	119	114

The fees listed above relate to the procedures applied to the company and its consolidated by group entities by accounting firms and 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.

Personnel

All BNP Paribas Cardif personnel NL is employed by the holding company BNP Paribas Cardif B.V. The average number of FTE's of BNP Paribas Cardif NL employees in 2020 was 93 (2018: 108). Of these employees 66% was allocated to BNP Cardif Schadeverzekeringen N.V. (2019: 66%). The allocation key is based on the cost study. 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 442 thousand euros (2019: 696 thousand euros). The remunerations for the Supervisory Board for 2020 are 54 thousand euros (2019: 51 thousand euros).

Subsequent events

There are no subsequent events



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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 pay the full result of 2020 as dividends (10,573 thousand euros in total). The financial statements do not yet reflect the proposal.



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Signing of the financial statements

Oosterhout, date of signing 8 April 2020

Board of Directors

Original has been signed by:

C.P.F. De Longueville
CEO

W. Eikelboom
CFRO

M. Bosma-van Zuien
CCO

Signing of the financial statements

Oosterhout, date of signing 8 April 2020

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 Schadeverzekeringen N.V.

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of BNP Paribas Cardif Schadeverzekeringen 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 Schadeverzekeringen 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.

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.

QHD2MRT3UTPX-1481616615-119

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Independence

We are independent of BNP Paribas Cardif Schadeverzekeringen 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).

Our audit approach

Overview and context

BNP Paribas Cardif Schadeverzekeringen N.V. is an insurance company offering payment protection insurance against disability, unemployment and suretyship risks for private persons. 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 parties of BNP Paribas Schadeverzekeringen N.V. We explained the impact on our audit approach in the section 'The scope of our audit'.

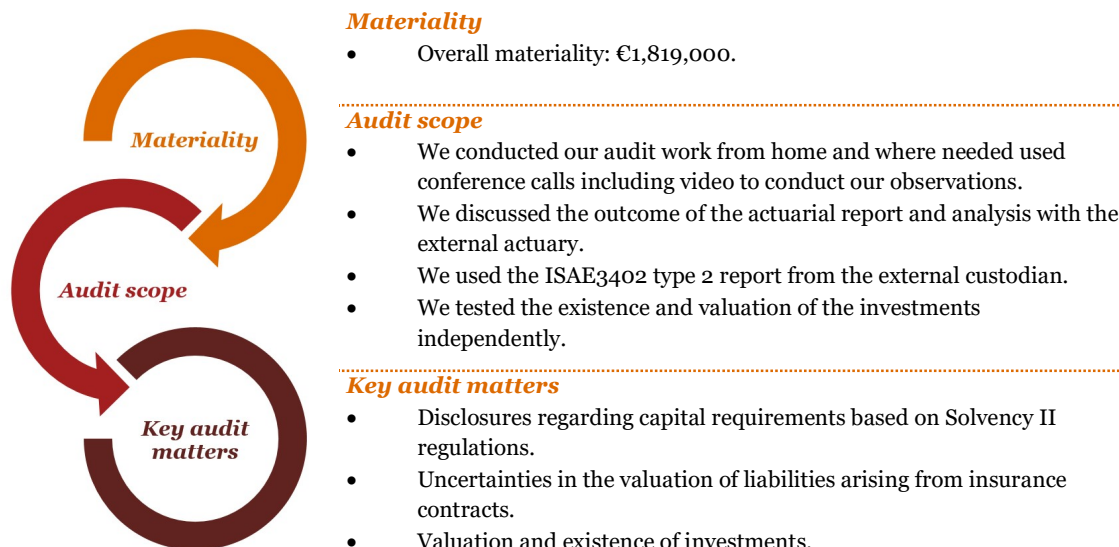
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making 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 Schadeverzekeringen 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 Schadeverzekeringen 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.

Overall materiality	€1,819,000 (2019: €770,000)
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 2.5% of equity (2019: 1% of equity).
Rationale for benchmark applied	<p>We used 2.5% 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 2.5% 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 €90,900 (2019: €38,500) 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><i>Disclosures regarding capital requirements based on Solvency II regulations</i></p> <p><i>We refer to section 'Claim development' 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. The standard DNB formula is applied for risks to determine the solvency capital requirements.</p> <p>When determining the available funds (€116.2 million) and required capital position (€50.5 million), some important estimates and valuation models are applied in which input is used that is mainly based on observable market data. The main elements are:</p> <ul style="list-style-type: none"> • the cash flows used to determine the economic value of the technical provisions and reinsurance recoverables; • the market value of contingent liabilities; • expected premium income for the next year. <p>With respect to the loss-absorbing capacity of deferred taxes, the company is accounting for a deferred tax asset to the extent that this can be offset against the deferred tax liability.</p>	<p>We verified the accuracy and completeness of the adjustments to arrive from the Dutch GAAP balance 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 claims, disability, recovery, 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 for each sub-risk the capital requirements were 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 are 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

Uncertainties in the valuation of liabilities arising from insurance contracts

We refer to note 7 in the financial statements.

Non-life insurance liabilities consist of:

- earned premiums and unexpired risks (€98 million);
- outstanding claims gross (€130 million).

The calculation of the liabilities arising from insurance contracts is complex, highly judgemental and based on assumptions, which are affected by future economic and political conditions. These relate to the amount of the claims, the number of incurred but not yet reported claims, lapse, disability, incidence and recovery rates and future expenses 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 significance of management's estimates combined with the extent of the related liabilities, results in a higher risk of misstatements.

We therefore considered this a key audit matter.

How our audit addressed the matter

We performed tests, based on sampling, 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 claims arising from disability, illness and the impact of recovery rate on these claims. We determined that management's assumptions were based upon available audit evidence and found the assumptions used to be reasonable.

Furthermore, we assessed the adequacy of the disclosures.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation and existence of investments</i> <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"> • shares and other non-fixed interest securities (€44 million); • bonds and other fixed-interest securities (€253 million). <p>The investments are valued at fair value or amortised costs.</p> <p>The investments held by the company are publicly traded investments. Therefore, no estimates are made.</p> <p>The investments are material to the financial statements, as the investments account for 97% of the assets.</p> <p>We identified the valuation and existence of the investments as a key audit matter because of the significant audit time spent on the investments, which is due to their size in the financial statements.</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 that the disclosures regarding the investments as included in the financial statements of the Company are adequate.</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.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of BNP Paribas Cardif Schadeverzekeringen 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.

Responsibilities for the financial statements and the audit

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.

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

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

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.