

SFCR 2020

BNP PARIBAS CARDIF SCHADEVERZEKERINGEN N.V.

BNP PARIBAS CARDIF LEVENSVZERZEKERINGEN N.V.



OOSTERHOUT 8/4/2021



**BNP PARIBAS
CARDIF**

The insurer
for a changing
world

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EXECUTIVE SUMMARY

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).

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

provisions in 2020. The financial result decreased due to lower financial markets. The net result of 2020 is provisioned to be paid out as dividend. The capital position showed a decrease from 319% in 2019 to 264% in 2020. The Own funds to cover the SCR decreased to 72.8 million euros in 2020 (2019: 94.9) and the SCR decreased to 27.9 million euro in 2020 (2019: 29.8).

BUSINESS AND PERFORMANCE

A.1 BUSINESS

GENERAL

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

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

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. 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 Critical Illness		Unemployment	Unemployment Critical Illness	Surety Ship	Unemployment

* 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

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

Portfolio Mapping

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

BNP Paribas Cardif Schadeverzekeringen N.V.

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*.

BNP Paribas Cardif Levensverzekeringen N.V.

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

Overview portfolio	Abbreviation	Code	Line of Business (S2)	Module (S2)
Direct business Life	D	L_O	Other Life	Life

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

Portfolio Overview

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

BNP Paribas Cardif Schadeverzekeringen N.V.

In the table below, the health and non-life portfolios are broken down by number of covers and statutory provisions gross of reinsurance¹. 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.

¹ Net of reinsurance the statutory provisions are € 3 million lower.

Overview portfolio gross of reinsurance		Covers (#)	Written Premium	Statutory Provisions
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.

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%).

Note that in the Mortgage Regular Premium segment a lower ratio of claims to covers is observed (1.6% versus 1.7%) and lower ratio of paid claims to claims provisions as well (8.9% versus 20.7%). This is because the Mortgage Single Premium segment is a more mature portfolio², whereas the Mortgage

² Before 2009, the Mortgage segment was almost exclusively Single Premium. Since, Regular Premium has become more popular. Currently, no Single Premium products are offered in the Mortgage segment.

Regular Premium segment is a more recent portfolio with (relatively) more future accumulation.

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 Other	Regular Premium	34.398	13	1.069	32	1.312	195	1.507
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

BNP Paribas Cardif Levensverzekeringen N.V.

In the table below, the life portfolio is broken down by number of covers, written premium, and statutory provisions gross of reinsurance³. Mortgage represents most of the covers (74%), written premium (83%) and even 92% of provisions of business. Consumer Loan and Collective represent 25% of the covers, but only 15% of the written premium and 4% of provisions; the insured amounts are typically low in these segments. The Other segment is the Whole Life Funeral product.

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

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

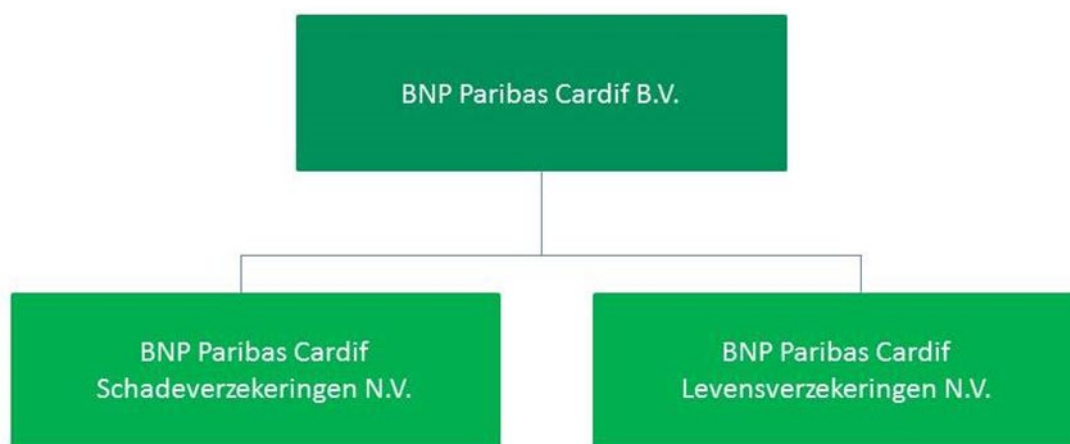
The statutory provisions are for 94% related to unearned premium for long term obligations; claims represents the remaining 6% and is typically short term.

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

³ Net of reinsurance the statutory provisions are 0.8 million lower. Note that the statutory provisions for the savings portfolio include the claims reserve of € 0.2 million that is not for the risk of policyholders.

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 FSBAI as off 1 July 2020)
- Internal Audit Function (Mr W. Eikelboom and he outsourced within BNP Paribas Cardif Group)

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

SUPERVISION

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

MISSION, VISION & STRATEGY

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

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

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

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

IMPORTANT INTERNAL AND EXTERNAL DEVELOPMENTS

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

At the same time we have made progress in distribution development, tackling the changing context in which the distribution chain is operating. As for the mortgage protection products we launched a new, key partnership with one of the biggest players in the Dutch market for term life insurance, 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 both BNP Paribas Cardif Schadeverzekeringen N.V. and BNP Paribas Cardif Levensverzekeringen N.V. are able to continue as a going concern, and that this series of events does not provide evidence of conditions that existed at the end of 2020.

The management believes however that the outbreak could have more or less severe impacts on 2021 financial market trends, the new business volumes and claims observed.

While the effect of these events on BNP Paribas Cardif Schadeverzekeringen N.V. and BNP Paribas Cardif Levensverzekeringen N.V. are 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. and BNP Paribas Cardif Levensverzekeringen N.V. are 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

BNP Paribas Cardif Schadeverzekeringen N.V.

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%).

BNP Paribas Cardif Levensverzekeringen N.V.

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

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

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

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

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

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

The Own Funds under Solvency II consist of:

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

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

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

A.2 UNDERWRITING PERFORMANCE

BNP Paribas Cardif Schadeverzekeringen N.V.

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	Unemploy-ment	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).

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.
- 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.

BNP Paribas Cardif Levensverzekeringen N.V.

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

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

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

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

The following elements explain the evolution in the protection part:

- The earned premium and unexpired risk increased by 10.7 million euros, mainly impacted by:
 - The decrease of interest rate in 2019, the new cost assumptions in 2019 and the correction in Funeral in 2019 decreased the Earned Premium in 2019 with 8.2 million euros. Without one off events the Earned Premium would increase with approximately 8.2 million euros in 2020;
 - Less premiums received in 2020 for an amount of 1.9 million euros;
 - In 2020 the cash flow calculation method between statutory and solvency 2 were aligned. In this alignment the following main updates were made: an update to determine the cost loadings for decreasing loans, an update for lapse in order to better reflect the experiences in the portfolio and an update for surrender values in the cash flow calculation of the Funeral product. The total one off impact resulted in a decrease of unearned premium provision in the balance sheet for an amount of 2.6 million euros and an increase of earned premiums in the profit and loss for the same amount.
 - The remainder can be explained by normal portfolio development
- The claims charge of BNP Paribas Cardif Levensverzekeringen N.V. became more negative for an amount of 0.9 million euros. In order to anticipate the COVID-19 risk in death the claim provision was strengthened for an amount of 1.6 million euros which had a negative impact on the claim charge. The remainder is due to normal volatility in the death risk (low frequency in claims with high amounts).
- The operating expenses decreased by 1.3 million euros as a result of cost savings.
- The (total) result on investment is explained in the paragraph investment performance.

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

CLAIMS DEVELOPMENT

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

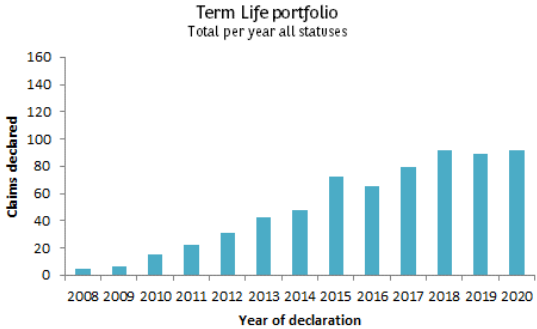
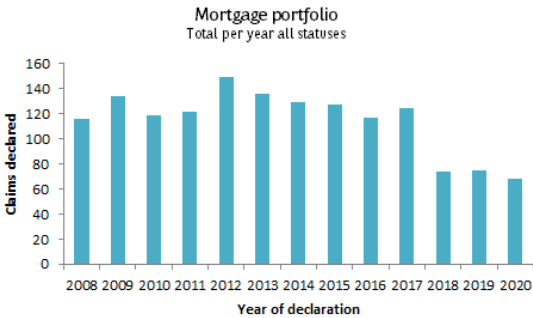
Cardif Leven

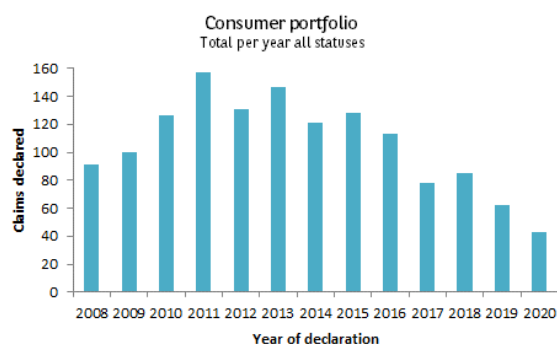
The provision for claims has increased by 0.8 million euros (13%) in 2020. Paid claims have increased by 1.2 million euros (14%) compared to the previous year (gross of reinsurance) mainly in the second semester. 2020 was influenced by the COVID-19 and the increase of the paid claims might be linked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

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

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

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





Cardif Schade

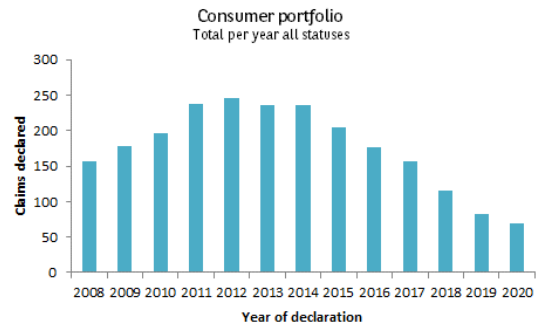
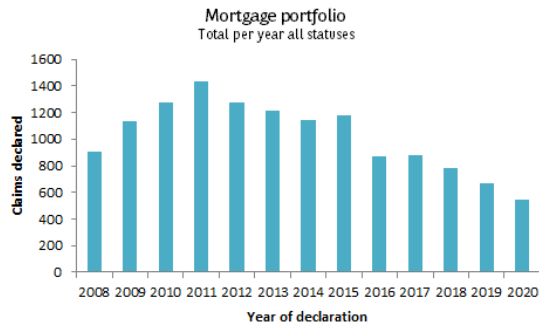
The provision for claims decreased by 8 million euros (-6%) in 2020. Paid claims have decreased by 2.2 million euros (9%) compared to the previous year. The main decrease is observed in Disability, where provisions decreased by 9.4 million euros and paid claims by 1.8 million euros. This decrease is 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

Disability

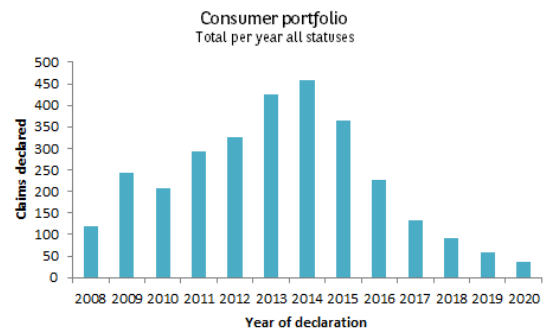
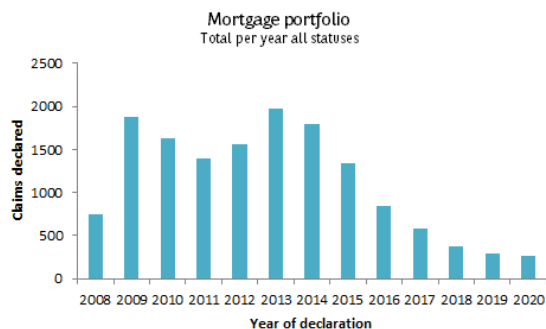
The evolution of Disability is in line with the number of claims in the Direct Mortgage and Consumer Loan segments. The number of claims for mortgage and consumer portfolio is decreasing (19% decrease) to a historically low level. The decrease in recent years is sharper than the decrease in number of 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 lockdowns. 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.

A.3 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.

BNP Paribas Cardif Schadeverzekeringen N.V.

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, whereas selling funds result in a shift between (reversed) unrealised and realised result.

BNP Paribas Cardif Levensverzekeringen N.V.

The invested assets for BNP Paribas Cardif Levensverzekeringen 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 (31.2 million euros) consist of equity funds (18.4 million euros), bond funds (8.7 million euros) and liquidity funds (4.1 million euros). The value of the investment funds increased by 3.1 million euros, in total. The value increased due to the evolution of the stock markets.

The book value of the bond portfolio increased in 2020 by 7.6 million euros to 114.2 million euros.

The result on investments in statutory accounts is as follows:

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

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

A.4 PERFORMANCE OTHER ACTIVITIES

Savings activity

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

A.5 ANY OTHER INFORMATION

PRODUCTS AND DISTRIBUTION

Hypotheek Aflos Verzekering

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

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

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.

One specific milestone was the integration of a fully automated surety ships application in one of the major broker workflow softwares, Accelerate, that set the standard for even better customer experience and opened a new distribution method for our product.

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.

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

Savings portfolio

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

CUSTOMER CENTRIC

Customer Centric Programme

Initiatives focused on improving customer centricity are organised in the Customer Centric Programme (CCP) within BNP Paribas Cardif Group. The CCP is a comprehensive programme, offering local companies the opportunity to specify the customer-centricity aspects step by step.

Given our niche positioning focus on very specific touchpoints in the customer journey, the so-called 'moments of truth' is essential. For that reason 2020 was a very special year. The pandemic impacted customers in the Netherlands because they got hit by the virus itself or the consequences of it during the lockdowns. A number of specific measures were taken to ensure customer centricity. Examples are the possibility to give self-employed a premium pause without losing protection and a specific way of treating unemployment claims that came from customers who recently switched jobs and would not have a cover according to the product conditions.

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 Financiën (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 Vigeo 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 Vigeo criteria Human rights, Community Involvement, Environment, Governance, Business Behaviour and Human resources. To reinforce this objective, a list of excluded issuers was added in 2018. These issuers were chosen with the aim of increasing the Carbon footprint, the Energy Transition strategy and ESG Climate approach.

All investments in the tobacco Industry are prohibited.

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

B. GOVERNANCE SYSTEM

B.1 GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

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

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

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

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

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

B.2 FIT AND PROPER REQUIREMENTS

PERSONNEL

Staffing

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

Executive committee for The Netherlands and Belgium

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

Savings portfolio

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

Training and education

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

Employee 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.

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 Conducts every year

B.3 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.

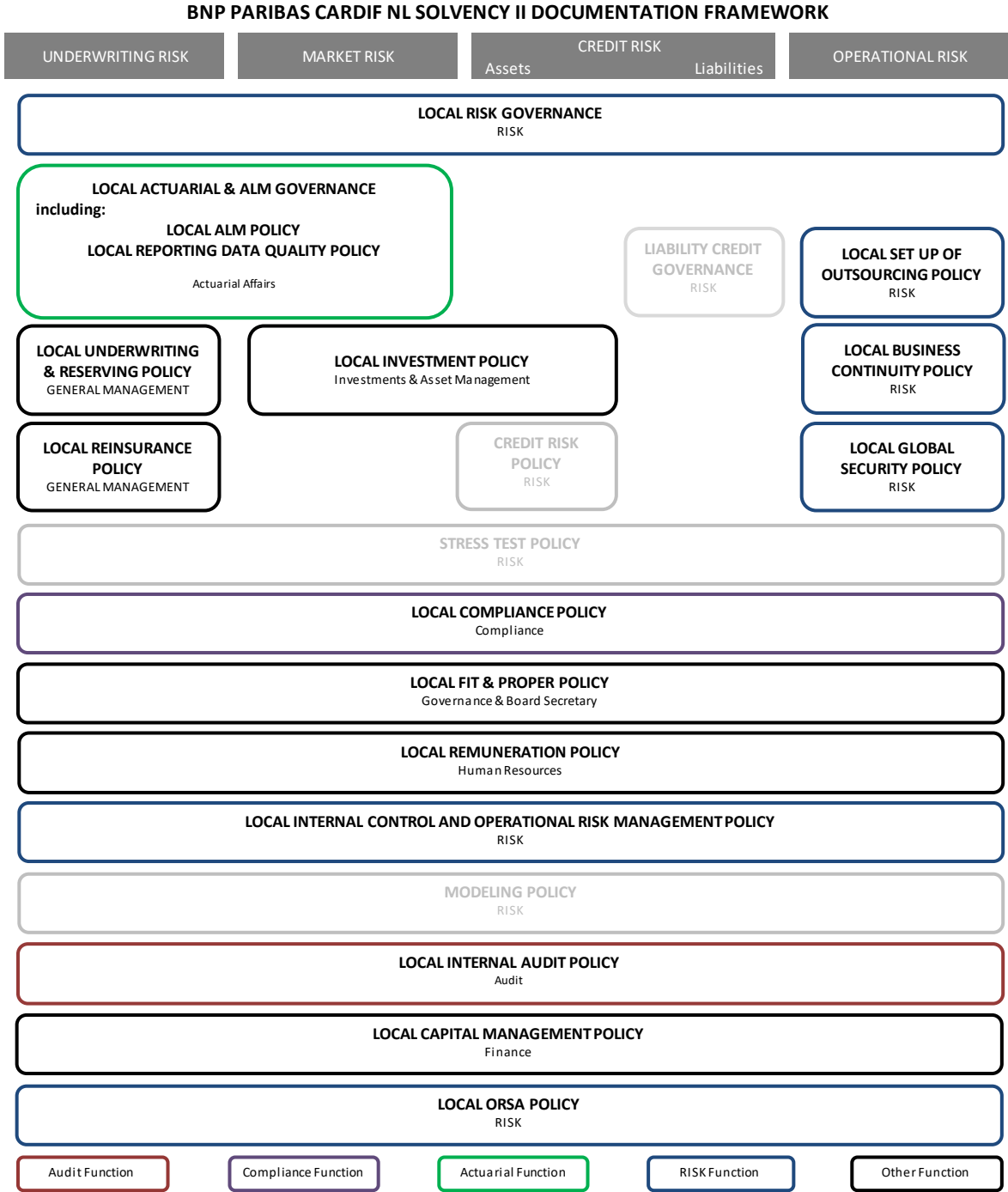
The ultimate goal for risk management is to provide sound and prudent management for the organisation. The primary responsibility for local risk management lies with the managers of BNP Paribas Cardif who make risk-taking decisions. Risk management is the responsibility of all employees in their daily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

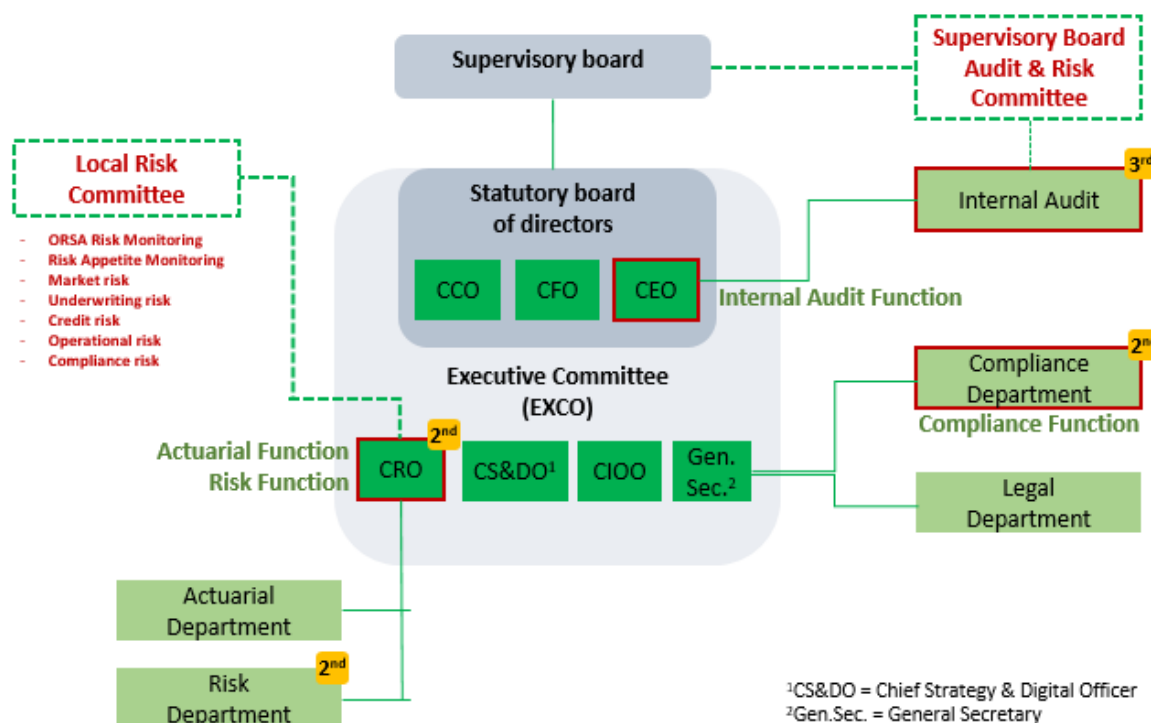
- An Own Risk and Solvency Assessment (ORSA) with a risk strategy based on risk appetite statement(s).
- Risk committees have been defined for both risk taking, like new products or new activities and risk monitoring. Both are organised in regular local risk committee meetings. The Audit & Risk Committee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

Supervisory Board Level	Risk & Control Framework	BNP Paribas Cardif NL Supervisory Board				
		Supervisory Board Audit & Risk Committee				
↕						
EXCO Level	RISK FAMILY	Market Risk	Credit Risk Assets	Credit Risk Liabilities	Underwriting Risk	Operational Risk
	Risk Governance and ORSA	Local Risk Committee				
	Risk taking, monitoring & mitigation	Local Risk Committee				

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.

B.4 INTERNAL CONTROL SYSTEM

INTERNAL CONTROL FRAMEWORK

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

Permanent Control Definition

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

Periodic Control Definition

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

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

B.5 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.

B.6 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.

B.7 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

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.

C. 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 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 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.

BNP Paribas Cardif Schadeverzekeringen N.V.

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.

BNP Paribas Cardif Levensverzekeringen N.V.

Contribution to SCR	2020	2019
Market	36%	32%
Counterparty Default	1%	3%
Life Underwriting	61%	64%
Health Underwriting	0%	0%
Non-Life Underwriting	0%	0%
Operational	2%	2%
Intangible Asset	0%	0%
SCR	27,626	29,752

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

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

The proportion of market risk is relatively high for portfolios that consist 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 extent) 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.

C.1 UNDERWRITING RISK

The underwriting risks are managed within the actuarial governance. The actuarial governance of the 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 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.

BNP Paribas Cardif Schadeverzekeringen N.V.

The underwriting risks of Cardif Schade consist mainly of disability, unemployment, expenses and surrender risks. In addition to these core risks, suretyship 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 surety ship covers. Surety ship 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	-	-	1,003	-	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.

Many policies have regular premiums with embedded future profits, so Cardif Schade is mainly subject to a mass lapse shock.

Mortality and Longevity

Mortality and Longevity shocks are calculated by recalculating with increased respectively decreased mortality parameters on a policy level.

Because the products in Cardif Schade 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 on policies is caused by both an increase in benefits paid and a loss of future profits. Since policies cannot claim twice, these end after a claim. The impact of the shock is distinctly

different on claims. A lower shock is expected as the majority of the benefits paid stem from the monthly payments of existing claims that are not subject to entry (apart from the claims that are not declared yet), do not have future premium nor future profits, and recovery expectations are limited to 72 months after entry.

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		
<i>Best Estimate Liabilities</i>	141,675	-	-	2,455	-	144,130	159,213
<i>Reinsurance Recoverable</i>	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

Cardif Schade 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

Cardif Schade 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.

The same policyholders are subject to the Pandemic scenario, with probability 0.0075%. The gross SCR in this scenario is 0.5 million euros (2019: 0.5 million euros).

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		
<i>Best Estimate Liabilities</i>	-	18,719	496	-	190	19,406	17,985
<i>Reinsurance Recoverable</i>	-	-	-	-	-	-	-
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, Cardif Schade 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.

Cardif Schade 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). Cardif Schade 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. Cardif Schade 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.

BNP Paribas Cardif Levensverzekeringen N.V.

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

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

LIFE UNDERWRITING SCR (27.8 MILLION EUROS)

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

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

Mortality and Longevity

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

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

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

Disability

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

Lapse

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

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

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

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

Expense

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

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

Revision

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

Catastrophe

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

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

C.2 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 Group ALM governance and the Group's governance on market risk monitoring. A comprehensive ALM study is performed when the ALM indicators are indicating that the current Asset Mandate needs an update. The transformation from single-premium production into regular-premiums production requires close monitoring of the cash flows.

The latest ALM study reviewed the following elements:

- Cardiff Leven and Cardiff Schade were previously managed using the same modified duration. They will now be managed using distinct modified duration based on the respective liability profiles for Cardiff Leven and Cardiff Schade,
- 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 is 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.

C.3 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 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 - INTERMEDIARIES

Because Cardif 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 Cardif, and Cardif follows the counterparty default risk governance defined by the 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 Cardif.
- A surrender on single premiums contracts. Cardif will pay a contractual surrender value to the customers and distributors must pay back the unearned commissions. This conditional debt of distributors creates a counterparty default risk for Cardif.
- A delay in the event of premium collection.

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

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

COUNTERPARTY DEFAULT RISK – REINSURANCE

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

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

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

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

C.4 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.

C.5 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.

C.6 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.

C.7 ANY OTHER INFORMATION

There is no relevant other information to be reported

OUTLOOK

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

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

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

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

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

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

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

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

As part of our sustainable investment management policy the majority of our assets have an ESG rating which we want to improve further in 2021.

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.

D. VALUATION FOR SOLVENCY PURPOSES

BNP Paribas Cardif is part of the larger banking and insurance group, BNP Paribas Group. In addition to all the applicable laws and regulations, BNP Paribas Cardif acts in line with BNP Paribas Group instructions, also with respect to Solvency II. The BNP Paribas Group ensures that these Solvency II reporting instructions are in line with Delegated Acts. BNP Paribas Cardif relies on this process and its audit at BNP Paribas Group.

D.1 INFORMATION ABOUT THE VALUATION OF ASSETS AND OTHER LIABILITIES

ACCOUNTING PRINCIPLES FINANCIAL STATEMENTS

The financial statements (statutory accounts) of BNP Paribas Cardif are based on Dutch GAAP. Dutch GAAP is further announced as statutory in this document. The statutory accounting principles are added to this document in Appendix I.

INTERNAL CONTROLS ON THE PROCESS TO PRODUCE THE SOLVENCY II REPORTING

In the process of producing the Solvency II reporting, several controls are performed to assure the quality of reported data.

RECONCILIATION BETWEEN STATUTORY ACCOUNTS AND SOLVENCY II

In order to make the reconciliation transparent, BNP Paribas Cardif performed a two-step approach:

- a) Present the statutory figures in the reporting model of Solvency II (different reporting model). The level of equity (Own Funds) will remain the same.
- b) Translate the statutory figures to Solvency II figures (different valuation principles).

a) Present the statutory figures of the statutory accounts in the reporting model of Solvency II

Below you will find a table with the reconciliation between reporting model statutory accounts (orange part) and reporting model solvency accounts (blue part). The valuation principles are the same. Differences are the result of reclassifications and are presented in the column 'reclassification'. In the column 'Ref. no.', you will find a reference number linked to the material reclassifications. Below the table, the reference numbers are explained in a qualitative way. The reclassifications do not influence the total level of equity (Own Funds).

BNP Paribas Cardif Schadeverzekeringen N.V.

BNP Paribas Cardif Schadeverzekeringen NV		2020Q4		2020Q4		2020Q4	
Amounts in thousand euros - Solvency II account description		Dutch GAAP values in Statutory Accounts		Reclassification		Dutch GAAP values in Solvency II model	
					Ref. No.		
ASSETS							
Intangible assets		629	-				629
Deferred tax assets		-	-				-
Property, plant & equipment held for own use		226	-				226
Investments (other than assets held for index-linked and unit-linked contracts)		296,826	4,177				301,003
Bonds		253,012	4,177				257,189
Government Bonds		99,095	1,663	1			100,758
Corporate Bonds		153,917	2,514	1			156,431
Collective Investments Undertakings		43,814	-				43,814
Reinsurance recoverables from:		-	2,412				2,412
Life and health similar to life, excluding health and index-linked and unit-linked		-	2,412				2,412
Health similar to life		-	2,412	2			2,412
Insurance and intermediaries receivables		169	-				169
Receivables (trade, not insurance)		1	-				1
Cash and cash equivalents		2,883	-				2,883
Any other assets, not elsewhere shown		4,443	-4,177	1			266
Total assets		305,177	2,413				307,590
LIABILITIES							
Technical provisions – non-life (excluding health)		228,075	-196,284				31,791
Technical provisions calculated as a whole		228,075	-196,284	2			31,791
Technical provisions - health (similar to life)		-	198,697				198,697
Technical provisions calculated as a whole		-	198,697	2			198,697
Deferred tax liabilities		85	-				85
Insurance & intermediaries payables		826	-				826
Reinsurance payables		80	-				80
Payables (trade, not insurance)		2,495	-				2,495
Any other liabilities, not elsewhere shown		820	-				820
Total liabilities		232,381	2,413				234,794
Excess of assets over liabilities		72,796	-				72,796

The material reclassifications between statutory accounts and Solvency II accounts can be explained as follows:

1. The accrued interest related to bonds (4.2 million euros) are reclassified from 'Accrued interest and rent' in 'Any other assets, not elsewhere shown' to the value of the actual bond (1.7 million euros to 'Government Bonds' and 2.5 million euros to 'Corporate bonds').
2. In the statutory accounts the 'reinsurance recoverable' are reported as a negative amount within the technical provision. In the Solvency II Reporting model this provision is presented at the asset side of the balance sheet and for that reason a reclassification for an amount of 2.4 million euros is made. The Technical provisions in the statutory accounts are split up in unearned premiums and outstanding claims. Those categories are not present in Solvency II reporting model and for that reason a reclassification has been performed to the categories 'health - similar to life' and 'non-life'. In 'health - similar to life' the disability cover is taken into account. In 'non-life' the unemployment cover and suretyships is taken into account.
3. The deferred tax assets are reported as part of the receivables within the statutory accounts. This balance is reclassified to the deferred tax assets in the Solvency II balance sheet.

BNP Paribas Cardif Levensverzekeringen N.V.

The reclassifications of BNP Paribas Cardif Levensverzekeringen N.V. between statutory accounts and Solvency II accounts can be explained as follows:

BNP Paribas Cardif Levensverzekeringen NV Amounts in thousand euros - Solvency II account description	2020YE		2020YE		2020YE	
	Dutch GAAP values in Statutory accounts		Reclassification	Ref. No.	Dutch GAAP values in Solvency II model	
ASSETS						
Deferred acquisition costs	1.393		-		1.393	
Deferred tax assets	-		738	3	738	
Investments (other than assets held for index-linked and unit-linked contracts)	142.383		1.351		143.734	
Bonds	114.192		1.351		115.543	
Government Bonds	35.730		427	1	36.157	
Corporate Bonds	78.462		924	1	79.386	
Collective Investments Undertakings	28.191		-		28.191	
Reinsurance recoverables from:	-		775		775	
Life and health similar to life, excluding health and index-linked and unit-linked	-		775		775	
Life excluding health and index-linked and unit-linked	-		775	2	775	
Insurance and intermediaries receivables	204		-		204	
Reinsurance receivables	351		-		351	
Receivables (trade, not insurance)	738		-738	3	-	
Cash and cash equivalents	4.911		-		4.911	
Any other assets, not elsewhere shown	1.351		-1.351	1	-	
Total assets	151.329		775		152.104	
LIABILITIES						
Technical provisions - life (excluding index-linked and unit-linked)	92.804		775		93.579	
Technical provisions – life (excluding health and index-linked and unit-linked)	92.804		775		93.579	
Technical provisions calculated as a whole	92.804		775	2	93.579	
Deferred tax liabilities	-		-		-	
Insurance & intermediaries payables	1.587		-		1.587	
Reinsurance payables	8		-		8	
Payables (trade, not insurance)	298		-		298	
Total liabilities	94.697		775		95.472	
Excess of assets over liabilities	56.632		-		56.632	

1. The accrued interest related to bonds (1.4 million euros) are reclassified from 'Accrued interest and rent' in 'Any other assets, not elsewhere shown' to the value of the actual bond (0.5 million euros to 'Government Bonds' and 0.9 million euros to 'Corporate bonds').
2. In the statutory accounts the provision for reinsurance recoverable are reported as a negative amount within the technical provision. In the Solvency II reporting model this provision is presented at the asset side of the balance sheet and for that reason a reclassification for an amount of 0.8 million euros is made.
3. The deferred tax assets are reported as part of the receivables within the statutory accounts. This balance is reclassified to the deferred tax assets in the Solvency II balance sheet.

b) Translate the statutory figures to Solvency II figures (different valuation principles)

The next step is to apply the different valuation principles for Solvency II. The table below shows the transition from statutory figures to Solvency II figures by presenting the individual restatements.

BNP Paribas Cardif Schadeverzekeringen N.V.

BNP Paribas Cardif Schadeverzekeringen NV Amounts in thousand euros - Solvency II account description	2020Q4	2020Q4	2020Q4	2020Q4	2020Q4	
	Dutch GAAP values in Solvency II model	Financial assets fair value	Goodwill, Intangible assets	Technical reserves - BEL/RM and DAC elimination	Others	Solvency II values in Solvency II model
ASSETS						
Intangible assets	629	-	-629	-	-	-
Property, plant & equipment held for own use	226	-	-	-	-	226
Investments (other than assets held for index-linked and unit-linked contracts)	301.003	41.853	-	-	-	342.856
Bonds	257.189	41.853	-	-	-	299.042
Government Bonds	100.758	25.799	-	-	-	126.557
Corporate Bonds	156.431	16.054	-	-	-	172.485
Collective Investments Undertakings	43.814	-	-	-	-	43.814
Reinsurance recoverables from:	2.412	-	-	90	-	2.502
Life and health similar to life, excluding health and index-linked and unit-linked	2.412	-	-	90	-	2.502
Health similar to life	2.412	-	-	90	-	2.502
Insurance and intermediaries receivables	169	-	-	-	-	169
Receivables (trade, not insurance)	1	-	-	-	-	1
Cash and cash equivalents	2.883	-	-	-	-	2.883
Any other assets, not elsewhere shown	266	-	-	-	-	266
Total assets	307.590	41.853	-629	90	-	348.903
LIABILITIES						
Technical provisions – non-life	31.791	-	-	-3.495	-	28.296
Technical provisions – non-life (excluding health)	31.791	-	-	-3.495	-	28.296
Technical provisions calculated as a whole	31.791	-	-	-31.791	-	-
Best Estimate	-	-	-	19.406	-	19.406
Risk margin	-	-	-	8.890	-	8.890
Technical provisions - life (excluding index-linked and unit-linked)	198.697	-	-	-39.210	-	159.487
Technical provisions - health (similar to life)	198.697	-	-	-39.210	-	159.487
Technical provisions calculated as a whole	198.697	-	-	-198.697	-	-
Best Estimate	-	-	-	144.130	-	144.130
Risk margin	-	-	-	15.356	-	15.356
Provisions other than technical provisions	-	-	-	-	289	289
Deferred tax liabilities	85	10.463	-157	10.699	-72	21.018
Insurance & intermediaries payables	826	-	-	-	-	826
Reinsurance payables	80	-	-	-	-	80
Payables (trade, not insurance)	2.495	-	-	-	-	2.495
Any other liabilities, not elsewhere shown	820	-	-	-	-	820
Total liabilities	234.794	10.463	-157	-32.006	217	213.309
Excess of assets over liabilities	72.796	31.390	-472	32.096	-217	135.593

The material restatements between Dutch GAAP and Solvency II figures can be explained as follows:

- Financial assets fair value. Investments are valued at fair value on the basis of market value:
 - The bonds are valued at amortized costs in Dutch GAAP. The accrued interest has been reclassified to the amortized cost value. In Solvency II these investments shall be valued at the amount for which they could be exchanged in a concluded transaction, under normal competitive conditions and between knowledgeable willing parties. The restatement related to the impact between market value and amortized cost plus accrued interest. This resulted in an increase in value of the bonds for an amount of 41.9 million euros.
 - The collective investments undertakings relate to investment funds. The investment funds can be divided into equity funds, bond funds and liquidity funds. These funds are valued at market value in Dutch GAAP and do not need a restatement in Solvency II.
- Goodwill, Intangible assets. Cancellation of items that are not admitted in the Solvency II environment:
 - Goodwill and intangible assets when market is absent: null value is retained for Solvency II.

Impact for BNP Paribas Cardif Schadeverzekeringen N.V. is a lower asset value of 0.6 million euros.

3. Technical reserves - BEL/RM. Technical liability restatement is defined as follow:
 - Cancellation of the Dutch GAAP technical provisions.
 - Recognition of best estimate (BEL) and risk margin (RM) calculated by the actuarial department (determined with a standard valuation model of 'mark to model'). In practice, technical provisions are valued at 'Current Exit Value' and are made up of two elements: (1) Best estimate = expected present value of future cash flow and (2) Risk Margin = risk premium/additional value that would require a reinsurer to assume the obligations of the insurer. Gross variation on BEL & RM is a lower valuation of 42.7 million euros (positive impact on own fund). More details are described in the next chapter technical provisions.
4. Others
 - The best estimate of lawsuits and complaints are recorded as provisions other than technical provisions for an amount of 0.3 million euros. For statutory accounts the principle is more likely than not. As in all cases we expect the chance to win more likely than not, no provision is recorded in statutory.
5. Deferred Tax
 - For the restatements 1 till 4 a deferred tax position is calculated at 25% (2019 21.7%). The net deferred tax impact of all restatements is a deferred tax liability of 20.9 million euros.
 - Deferred taxes shall be presented net.

No restatement is made for the receivables in the Solvency II balance sheet. The receivables in the balance sheet relate to insurance and intermediaries receivables, receivables (trade, not insurance). In case of doubtful receivables a provision is taken into account in the statutory account.

BNP Paribas Cardif Levensverzekeringen N.V.

BNP Paribas Cardif Levensverzekeringen NV		2020YE	2020YE	2020YE	2020YE	2020YE
Amounts in thousand euros - Solvency II account description						
		Dutch GAAP values in Solvency II model	Financial assets fair value	Technical reserves - BEI/RM and DAC elimination	Deferred Tax	Solvency II values in Solvency II model
ASSETS						
Deferred acquisition costs		1.393	-	-1.393	-	-
Deferred tax assets		738	-	-	-738	-
Investments (other than assets held for index-linked and unit-linked contracts)		143.734	13.822	-	-	157.556
Bonds		115.543	13.822	-	-	129.365
Government Bonds		36.157	6.818	-	-	42.975
Corporate Bonds		79.386	7.004	-	-	86.390
Collective Investments Undertakings		28.191	-	-	-	28.191
Reinsurance recoverables from:		775	-	-2.517	-	-1.742
Life and health similar to life, excluding health and index-linked and unit-linked		775	-	-2.517	-	-1.742
Life excluding health and index-linked and unit-linked		775	-	-2.517	-	-1.742
Insurance and intermediaries receivables		204	-	-	-	204
Reinsurance receivables		351	-	-	-	351
Cash and cash equivalents		4.911	-	-	-	4.911
Total assets		152.104	13.822	-3.910	-738	161.278
LIABILITIES						
Technical provisions – life (excluding health and index-linked and unit-linked)		93.579	-	-39.158	-	54.421
Technical provisions calculated as a whole		93.579	-	-93.579	-	-
Best Estimate		-	-	36.768	-	36.768
Risk margin		-	-	17.653	-	17.653
Deferred tax liabilities		-	3.456	8.812	-738	11.530
Insurance & intermediaries payables		1.587	-	-	-	1.587
Reinsurance payables		8	-	-	-	8
Payables (trade, not insurance)		298	-	-	-	298
Total liabilities		95.472	3.456	-30.346	-738	67.844
Excess of assets over liabilities		56.632	10.367	26.436	-	93.434

The material restatements between statutory and Solvency II figures can be explained as follows:

- Financial assets fair value. Investments are valued at fair value on the basis market value:
 - The bonds are valued at amortized cost in the statutory accounts. The accrued interest has been reclassified to the amortized cost value. In Solvency II these investments shall be valued at the amount for which they could be exchanged in a concluded transaction, under normal competitive conditions and between knowledgeable willing parties. The restatement related to the impact between market value and amortized cost plus accrued interest. This resulted in an increase in value of the bonds for an amount of 13.8 million euros.
 - The collective investments undertakings relate to investment funds. The investment funds can be divided into equity funds, bond funds and liquidity funds. These funds are valued at market value in Dutch GAAP and do not need a restatement in Solvency II.
- Technical reserves - BEL/RM and DAC elimination
 - Cancellation of items that are not admitted in the SII environment:
 - DAC (Deferred Acquisition Costs) that are recognized as null value (unless existence of market value). This resulted in a decrease of asset value of 1.4 million euros.
 - Technical liability restatement is defined as follows:
 - Cancellation of Statutory technical provisions.
 - Recognition of best estimate (BEL) and risk margin (RM) calculated by the actuarial department (determined with a standard valuation model of 'mark to model'). In practice, technical provisions are valued at 'Current Exit Value' and are made up of two elements: (1) Best estimate = expected present value of future cash flow and (2) Risk Margin = risk premium/additional value that would require a reinsurer to assume the obligations of the

insurer. Gross variation on BEL & RM is a lower valuation of 39.2 million euros (positive impact on own fund).

- The BEL components impacted by projected reinsurance (-2.5 million euros) are the following:
 - Claims: for the products in scope, 40% of the Benefits Paid in the BEL is paid by the reinsurer instead of BNP Paribas Cardif.
 - Premium: the premium for the policies in scope is based on the probability of being active times the current age dependent premium paid by BNP Paribas Cardif to the reinsurer.
 - Profit commission: on some of the older reinsured policies, a profit commission applies. This profit commission is settled on an annual basis. The annual result on premium and claims (see above) is used as input.

3. Deferred Tax

- For all restatements a deferred tax position is calculated at 25% (2019: 21.7%). The net deferred tax impact of all restatements is a deferred tax liability of 12.3 million euros.
- Deferred taxes shall be presented net. The value restatement during the transition from statutory accounts to Solvency II lead to the recognition of deferred taxes. This resulted in a restatement of 0.7 million euros from deferred tax assets to deferred tax liabilities.

No restatement is made for the receivables in the Solvency II balance sheet. The receivables in the balance sheet relate to insurance and intermediaries receivables, reinsurance receivables and receivables (trade, not insurance). In case of doubtful receivables a provision is taken into account in the statutory account.

D.2 TECHNICAL PROVISIONS

GENERAL

The technical provisions in Solvency II consist of the Best Estimate Liabilities (BEL) and Risk Margin (RM). In this section, the results are presented.

BNP Paribas Cardif Schadeverzekeringen N.V. (187.8 million euros)

Overview - technical provisions gross of reinsurance		Best Estimate Liabilities		Risk Margin	2020	2019
		Premium	Claims			
Direct business	Disability	25,489	116,186	15,019	156,694	173,367
	Unemployment	14,602	4,117	6,926	25,645	24,330
	Surety Ship	32	464	1,959	2,456	1,876
		-	-			
Indirect business	Disability	966	1,489	337	2,793	3,707
	Unemployment	169	21	5	195	277
Total		41,259	122,277	24,246	187,782	203,557

The technical provisions for Cardif Schade are declining due to the run-off nature of the portfolio. In Disability, the claims provision is 82% of the BEL; from this provision, policyholders receive monthly payments for up to thirty years. These foreseen monthly payments of 2020, combined with very few new business are an important reason for the reduction of technical provisions: 16.7 million euros, even while it is compensated by the decreased interest term structure.

BNP Paribas Cardif Levensverzekeringen N.V. (54.4 million euros)

Overview - technical provisions gross of reinsurance		Best Estimate Liabilities		Risk Margin	2020	2019
		Premium	Claims			
Direct business	Life	30,804	5,964	17,653	54,421	45,007
Total		30,804	5,964	17,653	54,421	45,007

Note that 2019 has been retreated after the selling of the savings portfolio to allow a better comparison.

Recall that the BEL of the Life portfolio is relatively small in absolute terms while relatively big in terms of the number of policies and the underlying risk; the future premiums and benefits in this portfolio offset each other. The technical provisions are increasing for the Regular Premium part of the portfolio, due to accumulation of written premium. Cardif Leven receives a flat regular premium, while the risk is increasing over time with policyholder age.

LEVEL OF UNCERTAINTY

To mitigate the level of uncertainty in technical provisions, BNP Paribas Cardif manages the process risk as well as the model risk. Process risk concerns misstatements in financial reports due to errors in the execution of the process. Model risk concerns misstatements due to models not being fit for purpose or inappropriate processes; model risk includes parameter risk.

To mitigate the process risk, BNP Paribas Cardif has an operational risk control framework. Key controls are identified and implemented in the calculation process. The responsible managers sign off the controls in the Actuarial Closing Control Report. In addition, shadow calculations are made in separate, independent tools for the most material segments.

To mitigate the model risk, BNP Paribas Cardif periodically reviews its models and annually studies key parameters. The results of these reviews are shared with management. In addition, the Actuarial Function Holder performs an independent review of the technical provisions and models and parameters in particular.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

CAPITAL MANAGEMENT POLICY

The Solvency II capital policy of BNP Paribas Cardif addresses:

- The core business strategy
- General principles of the capital management policy
- Solvency and capital requirements and internal norms
- Description of the risk framework and guarantees
- Management actions and trigger levels
- Governance

GENERAL PRINCIPLES

The primary objectives of the policy are firstly to ensure that BNP Paribas Cardif maintains capital ratios that protect its viability in the long-term interest of the policyholder, thus complying with externally imposed capital requirement and secondly to use capital effectively in the interest of its shareholder.

The required capital (SCR) is based on the highest SCR as calculated by the standard model and the SCR based on management's own assessment of the required solvency (ORSA).

The target capital is based on the risk appetite of the company and thus takes into account the expected volatility of the solvency ratios (the available versus the required capital) and the exposure to stress scenarios.

The target capital and the capital structure takes into account the cost of capital to maximise shareholder value. Any excess capital may be paid out as dividend.

A maximum of dividend upstream is targeted, provided that the capital position of the company should never be 'inadequate' after dividend payment. In the case of inadequacy, the amount of dividend is reduced to return to adequate capital position.

REQUIRED SOLVENCY

The SCR is based on a standard model that, besides a more sophisticated estimation of insurance risks, also includes market risk, operational risk and counterparty risk. Based on the recent ORSA, we do not see a need to increase the calculated SCR.

We take into account the loss absorbing capacity of deferred tax liabilities. The adjustment is justified by proof of the absorbing capacity.

TARGET ON TOTAL OWN FUNDS

The SCR is the required minimum to operate. When below 100%, we must deliver a plan on how to re-establish solvency. The MCR is the required minimum. Solvency below MCR will imply the resolution of the company. A resolution plan is required as a last will.

When maintaining just 100% solvency, by definition one will be below 100% next period in 50% of the cases because the actual development will be distributed evenly around 100%. Based on the risk appetite of BNP Paribas Group, the minimum solvency is set at MCR (approx. 25% SCR) plus SCR (thus 125% in total), so that even in a scenario where capital is absorbed as much as the whole SCR, the company may still have an opportunity to recover. BNP Paribas Group provided both BNP Paribas Cardif Levensverzekeringen N.V. and BNP Paribas Cardif Schadeverzekeringen N.V. with a financial guarantee to inject additional capital if the 125% solvency level is breached.

The Target Solvency is based on management's risk appetite, thus based on the expected volatility in solvency and certain stress scenarios as discussed in the ORSA.

ORSA

In the ORSA, we performed several stress scenarios to test the adequacy of the solvency of BNP Paribas Cardif Schadeverzekeringen N.V. The stress scenarios are performed in addition to the standard model to assure that the companies are not exposed to risk insufficiently covered by the standard formula, either in kind or in impact.

AVAILABLE CAPITAL

The Available Capital (AC) corresponds to the available Own Funds, which is the excess of assets over liabilities, valued on a market consistent method as described in the Solvency II guidelines and taking into account tiering assessment and limitations related to fungibility and transferability if any, excluding the foreseeable dividends.

BNP Paribas Cardif Schadeverzekeringen N.V.

The available Own Funds under Solvency II to cover the SCR of BNP Paribas Cardif Schadeverzekeringen N.V. 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

The Ordinary Share Capital consists of 90,683 shares of 880 euros of which 50,734 shares have been paid in full and 39,949 shares have been paid for 440 euros. The Ordinary Share Capital and Reconciliation Reserve elements are classified as Tier 1.

The Statutory Board proposes to the Shareholders Meeting to pay the full result of 2020 as dividends.

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; an extra provision for foreseeable charges is therefore taken into account for an amount of 8.8 million euros.

BNP Paribas Cardif Levensverzekeringen N.V.

The available Own Funds under Solvency II to cover the SCR of BNP Paribas Cardif Levensverzekeringen N.V. consist of:

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

The Ordinary Share Capital consists of 97,025 shares of 600 euros of which 48,675 shares have been paid in full and 48,350 shares have been paid for 300 euros. The Ordinary Share Capital and Reconciliation Reserve elements are classified as Tier 1.

The Statutory Board proposes to the Shareholders meeting to distribute the profit of 2020 as dividends.

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; an extra provision for foreseeable charges is therefore taken into account for an amount of 7.6 million euros.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

In this section, the evolution of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) are analysed. BNP Paribas Cardif uses the Standard Formula to calculate the SCR.

The loss-absorbing capacity of Technical Provisions (LAC TP) is nil for both BNP Paribas Cardif entities. The adjustment for the loss-absorbing capacity of deferred taxes (LAC DT) by both BNP Paribas Cardif Schadeverzekeringen N.V. and BNP Paribas Cardif Levensverzekeringen N.V. is 25% at the end of 2020 (21.7% at the end of 2029) of the instantaneous shock equal to BSCR and Operational SCR.

BNP Paribas Cardif Schadeverzekeringen N.V. (SCR: 50.5 million euros MCR: 12.6 million euros)

SCR	2020	2019
BSCR	65,905	73,284
Market	25,074	29,532
Counterparty default	419	470
Life Underwriting	-	-
Health Underwriting	47,173	52,669
Non-Life Underwriting	23,932	23,770
Diversification	(30,692)	(33,157)
Operational SCR	1,451	1,256
Adjustment	(16,839)	(16,175)
Total	50,517	58,365

The SCR decreased by 7.8 million euros (2019: 0.5 million euros); this decrease is linked to the decrease of BSCR. The evolution of the SCR shows a decrease due to the run-off nature of the in force portfolio (liability and assets).

MCR	2020	2019
SCR	50,517	58,365
Linear MCR	11,747	12,527
Linear MCR Life	7,256	8,255
Linear MCR Non-Life	4,491	4,272
MCR floor	12,629	14,591
25% of SCR	12,629	14,591
Absolute floor	3,700	3,700
MCR cap	22,733	26,264
45% of SCR	22,733	26,264
Total	12,629	14,591

The MCR in BNP Paribas Cardif Schadeverzekeringen N.V. decreased to 12.6 million euros (2019: 14.6 million euros). Like last year, the MCR floor is binding.

The reduction in MCR of 2.0 million euros is higher than last year (2019: 0.1 million euros), which is explained by the reduction of the SCR; Because of the MCR floor the MCR and SCR are equally changing as a percentage (-13,4%).

The Floor MCR decreased due to the reduction of the Capital at Risk related to policies in the Health SLT module. The Capital at Risk is 6,117 million euros in 2020 (2019: 7,091 million euros).

BNP Paribas Cardif Levensverzekeringen N.V. (SCR: 27.6 million euros MCR: 6.9 million euros)

SCR	2020	2019
BSCR	35,736	37,041
Market	16,481	14,925
Counterparty default	228	1,183
Life Underwriting	27,775	29,962
Health Underwriting	-	-
Non-Life Underwriting	-	-
Diversification	(8,748)	(9,029)
Operational SCR	1,099	957
Adjustment	(9,209)	(8,246)
Total	27,626	29,752

The SCR decreased by 2.1 million euros (2019: 0.2 million euros). The evolution of the SCR shows a decrease of the Life Underwriting partly due to the run-off nature of the in force portfolio, changed unit costs and the selling of Savings portfolio. A decrease of 2.2 million euros partly compensated by an increase of the market SCR in 2020 of 1.6 million euros due to new BBB bond more risky and due to volume effect.

MCR	2020	2019
SCR	27,626	29,752
Linear MCR	4,017	7,540
Linear MCR Life	4,017	7,540
Linear MCR Non-Life	-	-
MCR floor	6,906	7,438
25% of SCR	6,906	7,438
Absolute floor	3,700	3,700
MCR cap	12,432	13,389
45% of SCR	12,432	13,389
Total	6,906	7,540

The MCR in BNP Paribas Cardif Levensverzekeringen N.V. decreased to 6.9 million euros (2019: 7.5 million euros). MCR floor (25% of the SCR) is reached this year.

The reduction of the MCR (7.6%) (due to MCR floor) is higher than the reduction of SCR (6.3%). The Capital at Risk decreases by 20.0% from 5,498 million euros to 4,854 million euros, and the net best estimate for contracts without profit participation clauses decreased as well.



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