

SEMI-ANNUAL REPORT 2020

BNP PARIBAS ASSET MANAGEMENT

Nederland N.V.

Semi-Annual Report 2020 – 30 June 2020

International Financial Reporting Standards with Part 9 of Book 2, Dutch Civil Code



BNP PARIBAS
ASSET MANAGEMENT

The asset manager
for a changing
world

30 June 2020

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Report of the Board of Directors

General

We herewith present the financial statements for the first half of the year 2020 of BNP PARIBAS ASSET MANAGEMENT Nederland N.V. (the “Company”) together with the report of the Management Board.

BNP Paribas Asset Management is the autonomous global asset management division of the BNP Paribas Group. The Company acts, amongst others, as director and/or management company (*beheerder*) for Alternative Investment Funds (“AIFs”) and Dutch Undertakings for Collective Investment in Transferable Securities (“UCITS”) (together: investment funds). Further, the Company is entrusted with asset management activities for both institutional mandates and foreign investment funds of BNP Paribas Asset Management. Total assets that are under the direct management of the Company were around EUR 34 billion as of 30 June 2020.

Corporate Structure

BNP PARIBAS ASSET MANAGEMENT Holding S.A. in France indirectly holds 100% of the shares of BNP PARIBAS ASSET MANAGEMENT NL Holding N.V. which is the 100% owner of the shares of the Company. The Company is incorporated under the laws of the Netherlands and has its statutory seat in Amsterdam, the Netherlands.

Half year results 2020

The Company realized a negative operating result (before income tax) of EUR 1.3 million for the first half year of 2020 compared to EUR 5.4 million for the same period 2019. This can be explained by an increase of the net fee margin by EUR 1.6 million as a result of the new Transfer Pricing Policy effective as from 1 July 2019 plus the decreased employee benefit costs (IAS19R provisions), partially offset against lower sales fees received for assets distribution.

On the cost side, the administrative expenses were down with EUR 2.5 million, mainly driven by decreases in both Transfer Pricing expenses and staff expenses.

Following the here above, the Company realized a negative net result of EUR 1.1 million for the first half year of 2020 compared to EUR 4.3 million for the same period 2019.

Market Environment and Corporate Strategy

The asset management landscape has rapidly changed following 3 trends, being:

Firstly – from a regulatory perspective – increased client interest protection challenges the industry to further enhance service levels whereas pressure on margins continues. In parallel, an increase of transparency encourages more severe requirements on reporting and monitoring.

Secondly – from a client demand perspective – clients have new expectations especially in terms of value for money while at the same time the current low yield environment and deflationary pressures accentuate sensitivity to pricing. As a consequence, there is a polarisation of clients' demands towards low-margin and highly scalable passive products on the one hand, and high added value, higher fee solutions on the other hand. This evolution in the product mix results in a price erosion for traditional active products and in a strong development of passives and specific asset classes solutions.

Thirdly, – from the perspective of digitalisation of the industry – there is a change in the way business is done, as new entrants across the value chain challenge existing market participants. The market faces the arrival of a new kind of non-financial competitors in the field of big data.

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The challenges as outlined above hold across borders and require a global approach with a global vision and mission. BNP Paribas Asset Management's mission is to be a leading provider of quality investment solutions for individuals, companies and institutions in order to meet their goals. BNP Paribas Asset Management aims to be a quality driven investment house, which delivers more than products, through a scalable and efficient platform, on a global scale and with a culture of performance.

There are a couple of practical guidelines along which this corporate mission of BNP Paribas Asset Management is being translated into practical strategy and implementation. This applies for aiming towards simplicity in the overall set-up. This would also apply for the creation of unified investment platforms for equity and for fixed income, but also for the combination of all multi-asset teams whereby fundamental and quant research is being bundled into a "quanta mental" approach. Furthermore, it would apply for the overall scope of the product range and for the simplification of the overall set-up. In addition, it stimulates a focus on the creation of a new product mix, being positioned both on the low fee and tracking error bucket and on higher pricing and tracking error, thereby creating an optimal balance between the traditional asset class and alternative asset classes.

BNP Paribas Asset Management is committed to integrating sustainable investment practices across all their strategies. This commitment started more than 15 years ago, amongst others by signing the UN Principles for Responsible Investment, but since then, BNP Paribas Asset Management has continued to strengthen their commitment. This will be further implemented in 2020.

The Company's strategy, products and services

The Company forms an integral part of BNP Paribas Asset Management. Strategy of the Company is typically being derived from a global perspective, thereby taking local positioning and market circumstances sharply into account.

Some limited organisational adjustments have been made in the first half of 2020, with some further fine-tuning for the distinction between Sales and Client Account Management teams.

On 25 January 2019 the Company and the investment team of BNP Paribas OBAM N.V. ("**OBAM**") announced the intention to transfer the management of OBAM to a new independent management company. OBAM Investment Management B.V. ("**OBAM IM**"), was incorporated on 17 September 2019. The majority of its share capital is held by the present investment team, led by Mr S.H.W. Zondag. The Company holds a minority stake in the share capital of the management company. The Dutch Authority for the Financial Markets ("AFM") issued the requisite 'ICBE' (UCITS) licence to OBAM IM on 23 April 2020 pursuant to Section 2.69b of the Dutch Act on Financial Supervision ("Wet op het financieel toezicht"). By decision of the General Meeting of Shareholders of the fund on 11 June 2020, OBAM IM was appointed as director of OBAM as per 1 July 2020. As per the same date OBAM IM also was appointed as management company of the fund, replacing the Company, and the name of the fund was changed into OBAM N.V. We also refer to the note 9, Subsequent events.

Employees

Throughout 2020, all employees of BNP Paribas Asset Management based in the Netherlands were contractually employed by the Company.

Internal control framework and risk assessment policies

Although the Company is not significantly exposed to risks from financial instruments, market movements may impact financial results as net income from fees is closely related to the underlying net asset value of the investment funds while administrative expenses are only up to a certain extent related to movements in net asset value. Furthermore, the performance of the Company might be affected by redemptions by investors of our investment funds, changes in strategy by our distribution partners and negative sentiment in the market in general.

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The Board of Directors of the Company is responsible for the day-to-day management, but part of the daily operations is outsourced to other BNP Paribas Asset Management entities and external parties. The Board of Directors has designed policies, procedures and structures as well as reporting lines to monitor outsourced activities, to control operational activities and to identify risks. The internal control framework has been designed to achieve the Company's goals by effectively mitigating, evaluating and monitoring risks. Within this framework, the Company's Compliance department ensures overall compliance with applicable laws and regulations. The Company's department of Risk Operational Risk and Control assures the accuracy of the internal control measures and administration descriptions. During the first half of 2020 and as far as the Board of Directors is aware, the Company has effectively operated under its system of internal control.

Outlook second half of 2020

Since the end of 2019, the development of the coronavirus (COVID-19) outbreak, initially in China, has reached all continents leading to an unprecedented sanitary and economic crisis. The Board of Directors continues to follow the efforts of governments to contain the spread of the virus and monitors the economic impact on the companies in the portfolio of the funds and mandates under management. We also refer to the note 9, Subsequent events.

Commercially, the enhancement of the Solution investment activities are expected to further strengthen the foothold in this institutional segment. In parallel, investment solutions in the area of private debt and real assets are expected to be in greater demand. Throughout the different client segments, ESG will remain a key topic. The Company will follow an integrated approach in ensuring that all these demands from our clients can be properly met.

Throughout 2020 projects within BNP Paribas Group and BNP Paribas Asset Management will continue as long as required to further anticipate on the organizational, operational and commercial impact of Brexit.

No changes in the fund range offered by the Company are currently foreseen.

Amsterdam, 28 August 2020

The Board of Directors:

J.L. Roebroek (Chairman)

M.P. Maagdenberg

C.J.M. Janssen

A.H. Wouters

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Financial Statements

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Statement of financial position

Before appropriation of result

	Notes	30/06/20	30/06/19
		€'000	€'000
ASSETS			
Non current assets			
Deferred tax assets		136	165
Financial assets at FVTPL		120	-
Current assets			
Property, plant and equipment		2,122	593
Loans and receivables		-	57
Trade and other receivables		15,252	16,675
Cash and cash equivalents		31,415	36,063
Total assets		49,045	53,553
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the owners of the Company			
Share Capital	3	226	226
Share premium	3	63,874	63,874
Other reserves		2	2
Retained earnings		(32,190)	(29,773)
Total Equity		31,912	34,329
LIABILITIES			
Non current liabilities			
Provisions		416	416
Current liabilities			
Trade and other payables		14,106	15,500
Provisions		2,611	3,308
Total liabilities		17,133	19,224
Total equity and liabilities		49,045	53,553

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Statement of profit or loss and other comprehensive income

	Notes	Half year ended 30 June 2020 €'000	Half year ended 30 June 2019 €'000
Continuing operations			
Management and other fees		20,242	20,668
Rebate, sales and advisory costs		(4,781)	(6,159)
Other gains and losses		(27)	(770)
Interest income		(132)	-
Income from fees - net		15,302	13,739
Administrative expenses		(16,605)	(19,159)
Operating result		(1,303)	(5,420)
Finance income and costs		(26)	(9)
Finance income and cost		(26)	(9)
Result before income tax		(1,329)	(5,429)
Current tax income/ (expenses)	4	263	1,175
RESULT FOR THE YEAR		(1,066)	(4,254)

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Statement of changes in equity

	Notes	Attributable to the owners of the Company				Total Equity €'000
		Share Capital €'000	Share Premium €'000	Other Reserves €'000	Retained Earnings €'000	
At 1 January 2019	3	226	63,874	2	(25,519)	38,583
Result distribution		-	-	-	(4,254)	(4,254)
At 30 June 2019	3	226	63,874	2	(29,773)	34,329
Other comprehensive income						
Remeasurement defined benefit costs		-	-	-	23	23
FTA IFRS 16 (Lease)		-	-	-	97	97
Total other comprehensive income		-	-	-	120	120
Result distribution		-	-	-	(1,471)	(1,471)
At 31 December 2019	3	226	63,874	2	(31,124)	32,978
At 1 January 2020	3	226	63,874	2	(31,124)	32,978
Result distribution		-	-	-	(1,066)	(1,066)
Other comprehensive income						
Remeasurement defined benefit costs		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
At 30 June 2020	3	226	63,874	2	(32,190)	31,912

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Statement of cash flows

	Half year ended 30 June 2020	Half year ended 30 June 2019
Notes	€'000	€'000
Cash flows from operating activities		
Result before income tax	(1,329)	(5,429)
Adjustments for:		
Depreciation on Property, Plant & Equipment	72	184
Increase (decrease) in OCI	-	-
Movements in working capital:		
Decrease (increase) in Financial assets at FVTPL	(85)	-
Decrease (increase) in Trade and other receivables	(899)	(3,142)
Increase (decrease) in Trade and other payables	(3,431)	(2,935)
Income tax receivable (payable) (within Trade Receivables)	263	1,193
Increase (decrease) in Provisions	(1,171)	319
Cash generated by operations	(6,580)	(9,810)
Investing activities		
Net investments in Property, plant and equipment	(244)	(34)
Change in accounting policy (IFRS 16)	-	(575)
Redemption of other loans and receivables	-	99
Net cash (used in)/ generated from investing activities	(244)	(510)
Net increase (decrease) in cash	(6,824)	(10,320)
Cash and cash equivalents at 1 January	38,239	46,383
Cash and cash equivalents at 30 June	31,415	36,063
Change in Cash	(6,824)	(10,320)

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Notes to the financial statements

1. Corporate information

BNP PARIBAS ASSET MANAGEMENT Nederland N.V. (the **Company**) is a public limited liability company with its registered office in Amsterdam, the Netherlands, and is a wholly-owned subsidiary of BNP PARIBAS ASSET MANAGEMENT NL Holding N.V. The Company was incorporated in the Netherlands on 30 December 1966. The organisation chart of the Group to which the Company belongs is as follows:



A more detailed Group structure is included in the registration document (*registratiedocument*) as published by the Company on its website (www.bnpparibas-am.nl) under "Informatie Wet Financieel Toezicht", "Beheerder".

The Company acts, amongst others, as director and management company for Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs). Investment funds are registered with or notified to the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten* or *AFM*). The Company is subject to supervision of the Dutch Central Bank (*De*

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Nederlandsche Bank or *DNB*) and the AFM and holds licenses under the Act on Financial Supervision (*Wet op het financieel toezicht* or *Wft*). The Company is registered at the Dutch Chamber of Commerce under Amsterdam Trade Register no. 33.179.578.

These Financial Statements of the Company were authorized for issue by the Board of Directors on 28 August 2020.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The Financial Statements are presented in Euro, which is also the functional currency of the Group to which the Company belongs, rounded to the nearest thousand, unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The Financial Statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), with Part 9 of Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*) and the Act on Financial Supervision (*Wet op het financieel toezicht* or *Wft*).

Basis of measurement

The Financial Statements have been prepared under the historical cost convention. All amounts reported in this semi-annual report are stated in EUR.

3. Share capital and share premium

	Number of shares	Ordinary shares €000	Share Premium €000	Total €000
At 1 January 2019	503	226	63,874	64,100
At 31 December 2019	503	226	63,874	64,100
At 30 June 2020	503	226	63,874	64,100

4. Income tax expenses

The standard and effective tax rate for the period from 1 January to 30 June 2020 is 25% (same as the first half year of 2019).

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5. Dividends per share

No dividends were paid in 2019 nor in the first half of 2020. The objective of the Company's dividend policy is to upstream as much dividend as possible. The loss for 2019 and the first half-yearly loss of 2020 are all reported under retained earnings.

6. Commitments

Capital commitments

The Company has no capital commitments per 30 June 2020 and 30 June 2019.

7. Related-party transactions

The Company has related-party transactions with other BNP Paribas Asset Management ("BNP PAM") entities (including EEIG) and other related parties (a.o. BNP Paribas Securities Services).

The following transactions were carried out with related parties:

Statement of profit or loss and other comprehensive income

	<u>30/06/20</u>	<u>30/06/19</u>
	€'000	€'000
Parent Company	30	33
All other counterparties	1,236	(909)
BNP Paribas Securities Services	(432)	(456)
	<u>834</u>	<u>(1,332)</u>
Main counterparties		
BNP PAM JAPAN LIMITED	(275)	(762)
BNP PAM LUXEMBOURG	6,285	6,852
BNP PAM FRANCE	(302)	(1,454)
CARDIF ASSURANCE VIE	548	463
BNPP AMSTERDAM	(578)	(439)
BNP PARIBAS DEALING SERVICES	(716)	(517)
EEIG	(3,256)	(4,580)

The Transfer Pricing Policy contains the cost sharing policy where the operational expenses incurred within the departments Operations, Marketing, IT and Network Change Management & Strategy are re-invoiced to the beneficiary entities of the BNP Paribas Asset Management Group.

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Half Year-end balances arising from related-parties transactions:*Receivables from related parties:*

	<u>30/06/20</u>	<u>30/06/19</u>
	€'000	€'000
Parent Company	1,759	1,193
All other counterparties	<u>39,626</u>	<u>45,332</u>
	<u>41,385</u>	<u>46,525</u>
Main counterparties		
BNPP AMSTERDAM	31,415	36,062
BNP PAM LUXEMBOURG	5,823	6,367
EEIG	960	1,389

Receivables from related parties relate to BNP PARIBAS ASSET MANAGEMENT NL Holding N.V., cash and cash equivalents, debtors and accrued receivables. These receivables are not secured, non-interest bearing and settle normally within 30 - 90 days.

Payables to related parties:

	<u>30/06/20</u>	<u>30/06/19</u>
	€'000	€'000
All other counterparties	4,765	6,478
BNP Paribas Securities Services	<u>324</u>	<u>375</u>
	<u>5,089</u>	<u>6,853</u>
Main counterparties		
EEIG	2,619	3,670
BNP PAM France	499	858
BNP PAM JAPAN Limited	136	396
BNP PAM BELGIUM	219	406
BNP PAM UK Ltd	670	325

Payables to related parties relate to Trade and other payables. The payables bear no interest. No guarantees are given. Depending on the underlying agreement payables settle normally within 30 - 90 days.

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8. Compliance

Act on Financial Supervision (Wft)

The license under the Act on Financial Supervision requires the Company, amongst other requirements, to:

- Publish its Annual Financial Statements within 4 months after the end of its financial year;
- Comply with a minimum amount of shareholders' equity.

Shareholders' equity

The sufficiency of the Company's shareholders' equity is determined by the Fixed Overheads Requirement (FOR), calculated over the audited costs of prior year multiplied with 25%.

The Company's shareholders' equity at 30 June 2020 (and 2019) is sufficient.

Fixed Overhead	<u>30/06/20</u> €'000	<u>30/06/19</u> €'000
Total audited annual costs * 25%	<u>8,281</u>	<u>9,165</u>
Total required regulatory capital	<u>8,281</u>	<u>9,165</u>
Regulatory capital	<u>31,655</u>	<u>34,048</u>
Surplus regulatory capital	<u>23,374</u>	<u>24,883</u>

It is the intention of BNP PARIBAS ASSET MANAGEMENT NL Holding N.V. to (continue to) provide sufficient financial support to the Company for the year 2020, to enable the Company to meet the capital requirements arising under the Act on Financial Supervision.

9. Subsequent events

The coronavirus (COVID-19) crisis has not changed the essential mission of our Company: providing long term sustainable investment solutions to our clients. Providing asset management services (especially for pension funds) continues to be a crucial process for society as a whole. Whether existing trends in the industry will accelerate, and/or whether new trends could appear will become clearer in the period to come. At a product level, a shift in preferences may lead to new demand. Given the size of the global company, the Company will be able to meet these new requests. Moreover, the Company makes a continuous effort in risk analyses and assessments. This applies for various stress tests which include scenarios of a significant downturn of the market. In these scenario's, the Company continues to be able to be adequately funded in order to meet regulatory requirements. While the effect of the COVID-19 crisis (incl. the likelihood of a so called second wave) on 28 August 2020 remains largely unpredictable, the Board of Directors expects - based on the Company's current and regular cash flows from its management- and service fees (incl. Transfer Pricing revenues), sufficient to meet its outgoing commitments - that any COVID-19 related event will have limited impact on the expected credit losses and/or the Company's assets. Consequently, the Board of Directors is not questioning the Company's going concern.

Following the completion of the transfer of the investment management agreement of OBAM to OBAM IM, the Company conditionally provided a loan to the major shareholder of OBAM IM.

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OTHER INFORMATION

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Organisation

BNP PARIBAS ASSET MANAGEMENT Nederland N.V.

Registered office

Herengracht 595
P.O. Box 71770
1008 DG Amsterdam
The Netherlands

Directors

J.L. Roebroek (Chairman)
C.J.M. Janssen
M.P. Maagdenberg
A.H. Wouters (appointed as per 1 April 2020)

Supervisory Board

G. Lippens
S. Pierri
T.A. Rostron

Auditor

DELOITTE Accountants B.V.
P.O. Box 58110
1040 HC Amsterdam
The Netherlands

Banks

BNP Paribas S.A., Netherlands branch
Amsterdam
The Netherlands

Regulators

The Dutch Authority for the Financial Markets (AFM) (supervision of conduct of business)
The Dutch Central Bank (DNB) (prudential supervision)

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List of investment funds managed in 2020

BNP Paribas Fund III N.V.

- BNP Paribas ESG Netherlands Index Fund
- BNP Paribas Global Property Securities Fund
- BNP Paribas Property Securities Fund Europe
- BNP Paribas High Income Property Fund
- BNP Paribas Global Income Multi-Factor Equity Fund
- BNP Paribas Asia Pacific High Income Equity Fund

BNP Paribas OBAM N.V.^a

Diversified Private Credit Fund S.C.Sp. SICAV-RAIF

^a Until 1 July 2020. As per this date OBAM Investment Management B.V. was appointed as director and management company of the fund and the name was changed from BNP Paribas OBAM N.V. into OBAM N.V.

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For more information

Investor services

BNP Paribas Asset Management

Client Service

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Amsterdam Trade Register no. 33.179.578

How to order reports

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- by email: AMNL.ClientServiceNorthernEuropeIN@bnpparibas.com