CONSOLIDATED FINANCIAL STATEMENTS

BNP Paribas Cardif

31 December 2022

The insurer for a changing world

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1. Balance sheet assets

In millions of euros	Notes	31 December 2022	31 December 2021
Goodwill	4.1	126	141
Value of insurance company contract portfolios acquired	4.2	136	155
Other intangible assets	4.3	309	255
Intangible assets		**571**	**551**
Investment property	4.4	2,944	2,965
Held-to-maturity financial assets	4.5	967	978
Available-for-sale financial assets	4.6	104,543	126,447
Financial investments at fair value through profit and loss	4.7	39,188	44,644
Loans and receivables	4.8	1,732	1,792
Derivative instruments assets	4.9	2,130	1,251
Investments in equity-method investment entities	4.16	292	295
Unit-linked investment assets	4.10	82,747	90,130
Investments		**234,542**	**268,501**
Equity-method investments	4.16	**769**	**660**
Reinsurers' share in insurance and investment contracts liabilities		**2,271**	**2,578**
Tangible assets	4.17	443	460
Deferred acquisition costs and equivalent	4.18	906	969
Deferred policyholders' participation assets	4.24	2,866	-
Deferred tax assets	5.7	636	135
Receivables from direct insurance and reinsurance operations	4.19	1,501	1,255
Current tax receivables		58	142
Other receivables	4.20	3,113	2,926
Other assets		**9,523**	**5,888**
Assets held for sale		**1,861**	**2,318**
Cash and cash equivalents		**2,056**	**3,012**
TOTAL ASSETS		251,592	283,509

2. Balance sheet liabilities

In millions of euros	Notes	31 December 2022	31 December 2021
Share capital	4.21	150	150
Additional paid-in capital		2,089	2,588
Changes in assets and liabilities recognised directly in equity		(1,300)	532
Non-distributed reserves		1,626	1,239
Net income for the period attributable to shareholders		653	750
Shareholders' equity - Group share	5	**3,217**	**5,260**
Minority interests	5	**339**	**360**
TOTAL SHAREHOLDERS' EQUITY		**3,556**	**5,620**
Subordinated debt	4.22	5,051	5,007
Financial debt due to banking sector companies	4.22	3,207	2,740
Financing debts		**8,258**	**7,747**
Technical liabilities arising from insurance contracts	4.23	97,614	96,464
Technical liabilities arising from unit-linked insurance contracts	4.23	73,792	80,671
Technical liabilities arising from insurance contracts		**171,406**	**177,134**
Technical liabilities arising from investment contracts with discretionary participating feature	4.23	39,729	41,850
Technical liabilities arising from unit-linked investment contracts	4.23	8,255	8,873
Technical reserves on investment contracts		**47,984**	**50,723**
Deferred policyholders' surplus reserve	4.24	**-**	**20,510**
TECHNICAL RESERVES ON INSURANCE AND INVESTMENT CONTRACTS		**219,391**	**248,367**
Provisions for contingencies and charges	4.25	**436**	**401**
Deferred tax liabilities	5.7	1	103
Liabilities due to companies in the banking sector	4.26	9,977	11,832
Liabilities from direct insurance and reinsurance operations	4.27	3,279	3,048
Current tax liabilities		(64)	70
Derivative instruments liabilities	4.9	1,972	1,160
Other debts	4.20	3,001	2,939
Other liabilities		**18,164**	**19,153**
Liabilities related to assets held for sale		**1,788**	**2,221**
TOTAL LIABILITIES		251,592	283,509

3. Income statement

In millions of euros	Notes	Year to 31 Dec 2022	Year to 31 Dec 2021
Gross written premiums		25,272	27,093
Change in unearned premiums		86	124
Gross earned premiums		**25,358**	**27,217**
Income from other activities		**30**	**12**
Investment income	5.1	4,684	4,279
Investment expense	5.1	(901)	(794)
Gains and losses on disposed invested assets, net of depreciation and amortisation reversals	5.1	(711)	423
Share of net income (equity-method investment entities)	4.16	-	5
Net change in investments at fair-value through profit or loss	5.1	(12,248)	10,555
Net change in provisions for investments	5.1	(130)	(29)
Investment income excluding financing expense		**(9,307)**	**14,438**
Technical charges related to contracts	5.2	(10,234)	(35,984)
Net result from ceded reinsurance	5.3	(200)	(63)
Expenses from other activities	5.4	(216)	(251)
Acquisition costs on contracts	5.4	(2,656)	(2,536)
Depreciation on acquired portfolios	4.2	(19)	(30)
Administration expenses	5.4	(1,575)	(1,584)
Other current operating income and expenses		29	32
Other current income and expenses		**(14,872)**	**(40,416)**
Other non-current operating income and expenses	5.5	(66)	3
Pre-tax operating income		**1,144**	**1,255**
Financing expenses	5.6	(165)	(128)
Share of earnings of equity-method entities	4.16	9	(52)
Corporate income tax	5.7	(320)	(306)
NET CONSOLIDATED INCOME		668	770
Net income attributable to minority interests		15	19
Net income, Group share		**653**	**750**

4. Statement of net income and changes in assets and liabilities recognised directly in equity

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Net consolidated income	**668**	**770**
Changes in foreign translation adjustments	31	(69)
Changes in fair value of available-for-sale financial assets	(16,324)	(2,692)
Changes in fair value of available-for-sale financial assets reported in net income	(45)	(501)
Changes in deferred value of hedging instruments	(227)	(12)
Changes in shadow accounting adjustments, net of deferred tax	14,786	2,789
Changes in equity-method investments	(129)	25
Items that are or may be reclassified to profit or loss	**(1,908)**	**(460)**
Remeasurement gains (losses) related to post-employment benefits plans	12	2
Changes in equity method investments	-	0
Items that will not be reclassified to profit or loss	**12**	**2**
Changes in assets and liabilities recognised directly in equity	**(1,896)**	**(458)**
TOTAL NET INCOME AND CHANGES IN ASSETS AND LIABILITIES RECOGNISED DIRECTLY IN EQUITY	(1,228)	311
Attributable to equity shareholders	(1,178)	300
Attributable to minority interests	(50)	11

5. Statement of changes in shareholders' equity

In millions of euros	Group share						
	Share capital	Additional paid-in capital	Total changes recognised directly in equity	Non-distributed reserves	Total Group share	Minority interests	Total shareholders' equity
CAPITAL AND RETAINED EARNINGS AT 31 DECEMBER 2020	150	2,588	981	2,035	5,755	373	6,128
Changes in assets and liabilities recognised directly in equity (1)	-	-	(450)	-	(450)	(8)	(458)
Net consolidated income (2)	-	-	-	750	750	19	770
Total net income and changes in assets and liabilities recognised directly in equity (1) + (2)	-	-	**(450)**	**750**	**301**	**11**	**311**
interim dividend payments (a)	-	-	-	(796)	(796)	(34)	(830)
Movements in own equity	-	-	-	(1)	(1)	11	10
Movements in consolidation scope	-	-	-	(0)	(0)	0	(0)
Changes in the holdings companies without loss of control	-	-	(0)	1	1	(1)	(0)
Other movements	-	-	0	1	1	(0)	1
CAPITAL AND RETAINED EARNINGS AT 31 DECEMBER 2021	150	2,588	532	1,989	5,260	360	5,620
Changes in assets and liabilities recognised directly in equity (1)	-	-	(1,832)	-	(1,832)	(64)	(1,896)
Net consolidated income (2)	-	-	-	653	653	15	668
Total net income and changes in assets and liabilities recognised directly in equity (1) + (2)	-	-	**(1,832)**	**653**	**(1,178)**	**(50)**	**(1,228)**
interim dividend payments (b)	-	-	-	(365)	(365)	(16)	(381)
Movements in own equity	-	(500)	-	-	(500)	44	(456)
Movements in consolidation scope	-	-	-	(81)	(81)	(2)	(84)
Changes in the holdings companies without loss of control	-	-	4	(2)	1	(1)	0
Other movements	-	-	(4)	85	81	4	85
CAPITAL AND RETAINED EARNINGS AT 31 DECEMBER 2022	150	2,088	(1,300)	2,279	3,217	339	3,556

(a) of which € 512 millions paid as interim dividends in 2021

(b) No interim dividends paid in 2022

6. Cash flow statement

As permitted by ANC ("*Autorité des Normes Comptables*" or *French accounting standards body*) recommendation No.2013-05, BNP Paribas Cardif Group uses the indirect method to prepare the cash flow statement.

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Pre-tax operating income	**1,144**	**1,255**
Gain and losses on disposed investments	1,119	(166)
Net depreciation/amortisation expense	135	94
Change in deferred acquisition costs	61	78
Change in depreciation	(32)	(37)
Net addition to technical provisions for insurance and financial liabilities	(10,187)	17,217
Net addition to other provisions	33	87
Change in value of financial instruments at fair value through profit and loss (no cash and cash equivalents)	10,274	(6,410)
Share in associates and joint-ventures investments	0	(5)
Other items without cash out in operating income	3,134	514
Correction of items included in operating income with no corresponding cash flows and reclassification of financing and investment flows	**4,537**	**11,372**
Dividends received from equity-method entities	19	20
Change in operating receivables and liabilities	(1,340)	809
Change in securities sold or received under repurchase agreements	(28)	8
Net cash generated by other assets and liabilities	25	696
Net taxes paid	(348)	(426)
Net cash not related to income from operating activities	**(1,672)**	**1,107**
NET CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES	**4,009**	**13,734**
Net cash related to movements in consolidation scope	**(67)**	**295**
Net cash on disposals and repayments of financial assets	**39,525**	**20,926**
Net cash related to acquisitions or issues of financial assets	**(42,228)**	**(33,529)**
Net cash related to acquisitions and disposals of tangible and intangible assets	**(126)**	**(26)**
NET CASH AND EQUIVALENTS GENERATED BY INVESTMENT ACTIVITIES	**(2,897)**	**(12,334)**
Issuance of capital instruments	(456)	10
Dividends paid	(381)	(830)
Net cash from transactions with shareholders and members	**(837)**	**(820)**
Cash generated by financing debts issuance	980	54
Cash allocated to financing debts repayments	(696)	(563)
Interest paid on financing debts	(165)	(128)
Net cash related to Group financing	**119**	**(637)**
NET CASH AND EQUIVALENTS GENERATED BY FINANCING ACTIVITIES	**(717)**	**(1,457)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS	**(23)**	**(10)**
BALANCE OF CASH AND EQUIVALENTS AT THE START OF THE PERIOD	**1,229**	**1,295**
Net cash generated by operating activities	4,009	13,734
Net cash generated by investment activities	(2,897)	(12,334)
Net cash generated by financing activities	(717)	(1,457)
Effect of charges in foreign exchange rates on cash and cash equivalents	(23)	(10)
BALANCE OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD	**1,601**	**1,229**
Asset cash and cash equivalents	2,117	3,050
On demand debts	(583)	(1,828)
of which related debts	*67*	*6*
Liability cash and cash equivalents	(516)	(1,822)

At 31 December 2022, EUR 61 million of cash and cash equivalents were reclassified to the balance sheet as Assets held for sale compared with EUR 38 million at 31 December 2021.

7. Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

1.1 NORMATIVE ENVIRONMENT

1.1.1 Applicable accounting standards and statement of compliance

In accordance with Regulation EC No. 1606/2002, BNP Paribas Cardif Group's consolidated financial statements have been prepared in accordance with the IAS/IFRS and IFRIC interpretations applicable as of 31 December 2022 as adopted by the European Union. These standards are available on the European Commission website[1].

The financial statements are presented based on Recommendation No. 2013-05 of the French Accounting Standards Authority (Autorité des Normes Comptables, ANC) of 7 November 2013 with respect to the format of the consolidated financial statements of insurance institutions established in accordance with international accounting standards.

They were approved by the Board of directors on 30 March 2023.

1.1.2 IFRS first-time application

For the first application of IFRS to the preparation of its consolidated financial statements at 31 December 2017, BNP Paribas Cardif Group chose the IFRS 1 option to maintain the valuations already used in the context of IFRS reporting for BNP Paribas Group, insofar as they are compatible with the preparation of consolidated financial statements at the sub-group level.

1.1.3 IAS/IFRS standards adopted by the European Union at 31 December 2022 and applicable from 1 January 2022

IFRS 17 “Insurance Contracts”

IFRS 17 "Insurance Contracts" published in May 2017 and amended in June 2020 will replace the current IFRS 4 standard. It was adopted by the European Union on 19 November 2021, accompanied by an optional exemption from the application of the grouping by annual cohort of contracts that are based on an intergenerational pooling of returns on the assets underlying the technical liabilities. It will bemandatory for financial years beginning on or after 1January 2023. The date of transition to IFRS 17 will therefore be 1 January 2022 for the purposes of the opening balance sheet of the comparative period required by the standard.

As the Group has deferred the application of IFRS 9 for its insurance entities until the entry into force of IFRS 17, it will apply this standard from 1 January 2023.

The amendment to IFRS 17 relating to the presentation of the IFRS 9 and IFRS 17 comparative information, published by the IASB in December 2021, was adopted by the European Union on 8 September 2022[2] and will be applied by BNP Paribas Cardif.

Scope

IFRS 17 applies to insurance contracts issued, reinsurance contracts issued and held and investment contracts with discretionary participation features issued (if the entity also issues insurance contracts). The definition of an insurance contract is unchanged from IFRS 4, with the exception of the assessment of the risk of loss for the insurer which must be made on a present value basis.

Accounting and measurement

Insurance contracts are accounted and measured by groups of contracts within portfolios of contracts covering similar risks and managed together. Groups of contracts are determined according to their expected profitability at inception: onerous contracts, profitable contracts with a low risk of becoming onerous, and others. A group of contracts may contain only contracts issued no more than one year apart (corresponding to an annual "cohort"), except where the optional exemption provided for in the European regulation applies.

- **General measurement model (Building Block Approach – BBA)**

The general model for the measurement of insurance contracts is the best estimate of the future cash flows to be paid or received necessary to meet contractual obligations. This estimate should reflect the different possible scenarios and the effect of the options and guarantees included in the contracts on the limit or "contract boundary" determined according to the standard. Cash flows are discounted to reflect the time value of money. They correspond only to cash flows attributable to insurance contracts either directly or through allocation methods: premiums, acquisition and contract management costs, claims and benefits, indirect costs, taxes and depreciation of tangible and intangible assets. The cash flow estimate is supplemented by an explicit risk adjustment to cover the uncertainty for non-financial risk. These two elements constitute the fulfilment cash flows of the contracts. A contractual service margin is added representing the expected gain or loss on future services related to a group of contracts.

If the contractual service margin is positive, it is shown on the balance sheet in the valuation of the contracts and amortised as the services are rendered; if negative, it is recognised immediately in the income statement and then reversed over the term of the contracts or when the contracts become profitable again. Acquisition costs paid prior to the initial recognition of a group of contracts are initially recognised in the balance sheet (and presented as a decrease in insurance liabilities or increase in insurance assets depending on the overall position of the portfolio) and then deducted from the contractual service margin of the group of contracts to which they relate at the time of initial recognition.

At each reporting date, the carrying amount of a group of insurance contracts is the sum of the liabilities for the remaining coverage (which include the fulfilment cash flows related to future services and the

[2] EU Regulation n°2022/1491 of 8 September 2022

contractual service margin remaining at that date) and liabilities for incurred claims (which include only the fulfilment cash flows for claims incurred, without any contractual service margin). The assumptions used to estimate future cash flows and the non-financial risk adjustment are updated, as well as the discount rate, to reflect the situation at the reporting date. The contractual service margin is adjusted for changes in the estimates of non-financial assumptions related to future services and then amortised in the income statement for services rendered over the period. The release of the expected contractual cash flows for the period and changes in the estimates for past services are recorded in the income statement. The effect of accreting the liability due to the passage of time is recorded in the income statement as well as the effect of the change in the discount rate. The latter effect may, however, be recognised in equity as an option.

- **Measurement model for contracts with direct participation features (Variable Fee Approach – VFA)**

In the case of direct participating contracts, where the insurer has to pay the policyholder an amount corresponding to the market or model value of clearly identified underlying assets, less a variable compensation, a specific model (called the “Variable Fee Approach”) has been developed by adapting the general model.

At each reporting date, the liabilities related to these contracts are adjusted for the realised return and changes in the market or model value of the underlying assets: the policyholders’ share is recorded in the contract fulfilment cash flows against the profit or loss and the insurer’s share is included in the contractual service margin. The gain or loss of these contracts is therefore essentially represented by the release of the fulfilment cash flows and the amortisation of the contractual service margin. When the underlying assets fully match the liabilities and are measured at market value through profit or loss, the financial gain or loss of these contracts should be zero. If certain underlying assets are not marked to market or model through profit or loss, the insurer may choose to reclassify the change in the liability related to these assets to equity.

- **Simplified measurement model (Premium Allocation Approach – PAA)**

Short-term contracts (less than one year) may be measured using a simplified approach known as the Premium Allocation Approach, which is also applicable to longer-term contracts if it leads to results similar to those of the general model in terms of liability for the remaining coverage. For profitable contracts, the liability for the remaining coverage is measured based on the deferral of premiums collected according to a logic similar to that used under IFRS 4. Onerous contracts and liabilities for incurred claims are valued according to the general model. Liabilities for incurred claims are discounted if the expected settlement of claims takes place one year after knowledge of occurrence. In this case, the option to capitalise the effect of changes in the discount rate in equity is also applicable.

At each reporting date, the adjustment of liabilities for remaining coverage and for incurred claims is recognised in profit or loss.

- **Treatment of the reinsurance**

Accepted reinsurance is treated as insurance contracts issued, either in the general model or in simplified model. The reinsurance ceded is also treated under the general model or simplified model, but the contractual service margin representing the expected reinsurance profit or loss may be negative, and the fulfilment cash flows includes the reinsurer's non-performance risk.

Presentation in the balance sheet and in the income statement

Pursuant to changes in IAS 1 resulting from IFRS 17:

- Insurance (and reinsurance) contracts issued, and reinsurance contracts held are shown in the balance sheet as assets or liabilities according to the overall position of the portfolios to which they belong;
- The various income and expenses of insurance and reinsurance contracts are broken down in the income statement into:
  - Insurance contract revenues: release of fulfilment cash flows for the expected amount over the period (excluding investment components[3]), change in the risk adjustment, amortisation of the contractual service margin for services rendered, amount allocated for the amortisation of acquisition cost, adjustments arising from premiums received;
  - Insurance contract expenses: actual charges attributable to insurance contracts incurred over the period (excluding repayments of investment components) and changes related to past service, amortisation of acquisition costs, and loss component on the initial recognition of onerous contracts as well as their amortisation;
  - Insurance contract financial income or expenses: change in the carrying amount of insurance contracts resulting from the effect of the time value of money and the financial risk including changes in financial assumptions (except for those adjusting the contractual service margin in the case of direct participating contracts), for the portion that the Group has chosen not to include directly in equity.
- Regarding the elements recognised in equity:
  - For contracts valued according to the general model or the simplified approach, the effects of changes in financial variables (in particular the discount rate) can be presented separately between the income statement and changes in fair value recognised directly in equity that may be reclassified in profit or loss. This option can be exercised by portfolio;
  - For contracts valued using the variable fee method, the option to present separately financial income or expense between the income statement and shareholders' equity may be used to avoid an accounting mismatch with the income or expense recognised in the income statement in respect of the underlying assets held.

Terms of application and main accounting options used by BNP Paribas Cardif for the transition

The main contracts in the scope of IFRS 17 issued by the BNP Paribas Cardif Group are contracts covering risks related to persons or property and life savings contracts.

Creditor protection insurance (CPI), personal protection insurance and other non-life risks will be measured either, according to the general model or, if the conditions are met, using the simplified approach. To constitute portfolios of similar contracts, BNP Paribas Cardif takes into account the following discriminatory criteria: legal entity, nature of risks and distribution partner. The discount rate is based on the risk-free rate adjusted for the illiquidity of the liabilities. The risk adjustment is determined using the quantile method. The coverage unit used to amortise the contractual service margin is derived from the risk premium earned during the period.

Life and savings contracts consist of single and "multi-investment" contracts, with or without insurance risk, including a discretionary participation component backed by euro or foreign currency funds

[3] A non-distinct investment component corresponds to the amount that would be paid to the insurer in all cases, whether the covered event occurs.

(generally financial and real estate assets), and unit-linked contracts with a guaranteed coverage in the event of death. These different types of contracts meet the definition of direct participating contracts and will therefore be valued using the variable fee approach. Where such contracts include a surrender value, this meets the definition of a non-distinct investment component. BNP Paribas Cardif takes into account the following criteria for life and savings portfolios: legal entity, product, and underlying asset. Savings and retirement activities have been classified in separate portfolios (including for the period prior to transition). The discount rate is based on the risk-free rate, extrapolated over a period exceeding the observable data and adjusted by a liquidity premium based on the underlying assets. The risk adjustment is determined using the cost of capital method. The coverage unit used to amortise the contractual service margin is the change in policyholders' savings (determined on a present value basis), adjusted to take into account the impact of the real return on financial assets compared to the actuarial neutral risk projection. The Group has chosen to apply the option introduced by the European Regulation not to divide by annual cohort the portfolios of participating contracts based on intergenerational pooling. This option should apply to insurance contracts and investment contracts with discretionary participation eligible for the variable fee approach, euro single or "multi-investment" including a euro fund, for which the policyholders' participation in the returns is pooled among the different generations of policyholders in France, Italy and Luxembourg.

Financial income or expense from issued insurance contracts will be presented separately between the income statement and shareholders' equity for portfolios for which this breakdown has been deemed relevant, as allowed by the standard. For Protection contracts measured under the general model and for liabilities on claim incurred arising from simplified model contracts, the choice of portfolios was made by taking into account both the effects on the income statement of the accretion of the liabilities and the accounting treatment of the assets backing them. For contracts measured using the Variable Fee Approach, the choice was made to offset any accounting mismatch that may exist in the income statement between the effect of changes in fair value on insurance or investment liabilities and that on the underlying assets when these are not recognised at fair value through profit or loss.

Expected transition impacts

Launched in 2017, the IFRS 17 implementation project comes to an end with the date of first application of the standard. The deployment of the new modelling and reporting tools took place according to the defined timetable. Some options remain likely to evolve in the future, depending on the normative interpretations that may occur, particularly by IFRIC.

The transition from IFRS 4 to IFRS 17 will result in the offsetting in equity of the assets and liabilities of insurance contracts recognised in accordance with the previous standard net of deferred taxes effects: insurance liabilities and reinsurance assets held, deferred policyholders' participation arising from "shadow accounting" and intangible assets specific to insurance contracts when recognised. Receivables and liabilities related to insurance or reinsurance contracts must be included in the new valuation of insurance asset and liabilities.

IFRS 17 applies retroactively to all contracts outstanding at the transition date, i.e. 1 January 2022 due to the mandatory comparative period. Three transition methods may be used: a full retrospective approach and, if this cannot be implemented, a modified retrospective approach or an approach based on the market or model value of the contracts at the transition date.

The BNP Paribas Cardif Group applied the modified retrospective approach and, more marginally, for some portfolios, an approach based on the market or model value of contracts at the transition date.

In fact, all the necessary information was not available or was not sufficiently granular, in particular due to systems migration and data retention requirements, to allow a full retrospective approach. This is the case for historical cash flows, discount rates and changes in assumptions and estimates that would have occurred in the period prior to transition, especially as changes in projection models occurred during that period. In addition, the full retrospective approach would have required the reconstruction of what would have been the assumptions or intentions of management in prior periods..

The objective of the modified retrospective approach is to achieve a result that is as close as possible to the result that would have been obtained by the retrospective application of the standard, based on reasonable and justifiable information that can be obtained without incurring excessive costs or effort. The transitional provisions of IFRS 17 under this approach allow for different simplifications in the grouping of contracts, the reconstitution of contract valuations at initial recognition, the measurement of the contractual service margin (or loss element) and for financial income or insurance expenses (for the part recorded in equity).

Thus, the modified retrospective approach has been applied to the majority of the existing contract portfolios, both in Protection and in Life / Savings. The simplifications used were based on the valuation models and the availability of the necessary information for the portfolios considered. .

For Protection contracts valued according to the general model, the principle of the modified retrospective approach consists in reconstituting liabilities at the initial recognition date from their valuation at the transition date, by retroactively reconstituting movements between the two dates with simplifications:

- cash flows at inception are estimated by adding to the amount at the transition date the effective cash flows recorded between the two dates;
- the original discount rate can be determined with interest rate curves simulating those at the date of first recognition;
- the changes in the adjustment for non-financial risk between the inception date and the transition date can be estimated based on release pattern observed on similar contracts.

For liabilities for the remaining coverage that are reconstituted in this way at the inception date, the contractual service margin at inception (if any), less any acquisition costs paid in the interim period, is amortised based on the services provided in the period prior to the transition, in order to determine the amount of the remaining contractual service margin at that date, less any remaining acquisition costs.

When contracts are grouped into a single group on the transition date, the discount rate on that date can be used.

When the option to break down financial changes between profit or loss and shareholders' equity has been chosen, it requires the amount taken to shareholders' equity at the transition date to be recalculated from the inception rate for the liability for remaining coverage and from the rate at the date of claims occurrence for the liability for incurred claims. Where such reconstitution is not possible, the amount shown in equity shall be zero.

For the purposes of this reconstitution, the simplifications mainly covered the following:

- reconstitution of the annual cohorts or consolidation into a single group of contracts at the transition date according to available data;
- the reconstitution of fulfilment cash flows and unamortised acquisition costs;
- the release of the risk adjustment between the date of issuance of the contracts and the transition date;

- discount rates (the rate at inception in the case of a reconstitution by annual cohorts or an average rate in the case of a consolidation into a single group of contracts at the transition date);
- the amount transferred to changes in equity that may be reclassified to profit or loss at the transition date in respect of changes in the discount rate, that has been reconstituted based on historical rates or reset to zero if such a reconstitution is not practicable.

For Protection contracts valued according to the simplified method, the reserves for remaining coverage were generally determined at transition from the previous reserves for unearned premiums, net of acquisition costs. The incurred claims reserves arising from these contracts consist of expected cash flows and risk adjustments for non-financial risks at the transition date. Where the cash flows have been discounted and for those portfolios where the option of allocating financial changes between profit or loss and equity has been chosen, the amount recognised in equity that may be reclassified to profit or loss at the transition date in respect of changes in the discount rate has been reconstituted on the basis of historical rates or set to zero if such reconstitution was not practicable.

For Life/Savings contracts valued under the variable fees model, the modified retrospective approach consists in reconstituting the liability at the original date from the liability at the transition date. However, for these contracts, the standard provides that the contractual service margin at the transition date is determined using the following approach:

- the realisable value of the underlying assets at the transition date is first diminished by the fulfilment cash flows (discounted cash flows and risk adjustment) at that date;
- to this amount are added the income paid by the policyholders, changes in the risk adjustment and are deducted the acquisition costs paid during the interim period,
- the contractual service margin net of the acquisition costs initially reconstituted in this way is then amortised until the transition date to reflect the services provided on that date, as well as the remaining acquisition costs to be amortised.

The main simplifications in implementing this approach were as follows:

- existing contracts have been grouped according to the planned post-transition segmentation, without annual cohorts breakdown, in line with the election of the exception provided for by the European regulation;
- for general funds common to participating and non-participating contracts and to equity, the underlying assets have been defined on the basis of the breakdown used in the statutory accounts to calculate policyholders' participation;
- the contractual service margin at the transition date has been reconstituted:
  - from the realisable value of the underlying assets (see above) less fulfilment cash flows on the transition date;
  - by adding the historical margins (obtained from accounting or management information), the total being amortised up to the transition date (using the same approach, taking into account the "out-performance on assets", as used after the transition) and;
  - deducting any remaining acquisition costs;
- the amount recorded in changes in equity that may be reclassified to profit or loss at the transition date as an adjustment for accounting mismatch was determined using the realisable value of the underlying assets recognised in equity at the transition date, in accordance with the standard.

Finally, under the market value method, the contractual service margin at the transition date is determined as the difference at the transition date between the realisable value ("fair value, determined without taking into account the amount payable on demand") and the fulfilment cash flows. This approach was used on some non-material portfolios when the modified retrospective approach could not be implemented. For these portfolios, the fair value has been estimated based on a Solvency 2 valuation and, in the particular case of a recent business combination dating from 2018, based on the amount allocated to the contracts during the acquisition price allocation process.

Amendments to other standards

The BNP Paribas Cardif Group is also planning to apply the amendments to IAS 40 and IAS 16 resulting from IFRS 17, leading to the valuation at fair value through profit or loss of the buildings held as underlying components of direct participating contracts.

IFRS 9 "Financial Instruments"

The project to implement IFRS 9 drew heavily on the experience acquired by the other BNP Paribas Group's business lines already applying this standard, in particular to ensure consistency in classification.

The financial assets and liabilities of insurance companies are managed by portfolios corresponding to the insurance liabilities they back or to the equity. The business models were therefore determined according to these portfolios at the date of transition to IFRS 9.

In accordance with the business model and cash flow criteria, debt instruments will be largely classified according to the "hold to collect and sell" model, with the exception of those representing unit-linked contracts and debt instruments held by consolidated mutual funds and managed at net asset value, which will be classified at market value or model value through profit or loss. Certain specific assets will be optionally marked to market. The majority of equity instruments will be marked to market or model value through profit or loss, except for certain assets in the portfolios backing equity and non-participating contracts, which will be marked to market against equity. Non-consolidated funds classified as available-for-sale financial assets under IAS 39 will be reclassified at market value through profit or loss. The treatment of derivatives remains unchanged, including for hedge accounting for which the rules of IAS 39 have been maintained by the BNP Paribas Group and its subsidiaries.

Since the beginning of 2022, financial assets have been monitored according to both IAS 39 and IFRS 9. The BNP Paribas Cardif Group is planning to use the optional "overlay classification" approach introduced by the amendment to IFRS 17 relating to the presentation of IFRS 9 - IFRS 17 comparisons, which allows financial assets to be presented in the 2022 comparative as if IFRS 9 had been applicable at that date. This choice would apply to all financial instruments, including those derecognised in 2022, in terms of both classification and valuation (including impairment).

Impacts estimated at 1 January 2022 of the transition to IFRS 17 and IFRS 9

Regarding insurance contracts, a full valuation exercise was realised during 2022 to establish the opening balance sheet at 1 January 2022 and prepare the 2022 comparative period.

Based on this work, at 1 January 2022, the estimated impact on BNP Paribas Cardif Group's shareholders' equity[4] of the application of IFRS 17 and IFRS 9 and of the various amendments to other standards amounted to - EUR 0.6 billion. This impact is not significant for the transition from IAS 39 to IFRS 9 and represents - EUR 0.6 billion related to the transition from IFRS 4 to IFRS 17[5].

At 1 January 2022, for controlled entities, liabilities related to insurance and investment contracts, net of insurance portfolios in assets, amounted to EUR 238.9 billion, and consist of the following:

- EUR 224.0 billion for the best estimate of future cash flows;
- EUR 1.4 billion for the risk adjustment;
- EUR 13.5 billion for the contractual service margin.

Amendments to IAS 39 and IFRS7 "Interest rate benchmark reform"

In September 2019, IASB published amendments "Phase 1" to modify IAS 39 and IFRS 7 in terms of requirements regarding hedge accounting.

These modifications aim to maintain hedging relations affected by the interest benchmark reform in order for them to continue despite the uncertainty due to the transition period of the covered and hedging instruments towards the new rates.

Adopted by the European Commission on 15 January 2020, these amendments are of mandatory application for the annual financial statements from 1 January 2020, with the possibility of an early application. The Group has chosen this option in order to maintain its existing hedging relationships.

In August 2020, IASB has published amendments "Phase 2" modifying standards IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments concern financial assets and liabilities, including rental debts, indexed on a benchmark interest rate to be replaced by an alternative reference rate after the reform of IBOR rates (Risk Free Rates). These amendments make it possible to deal with the changes made to the contractual cash flows of financial instruments resulting from the IBOR rates reform as a simple refixing of their variable interest rate (adjustment of the effective interest rate). They also allow the continuation of hedging relationships, subject to amending their documentation to reflect changes in the hedged instruments, hedging instruments, hedged risk and/or in the method of measuring efficiency during the transition to the new benchmarks.

These amendments, adopted by the European Commission in December 2020, are applicable for the annual financial statements from 1 January 2021, with the option of an anticipated application. The BNP Paribas Group has chosen the early application option in order to maintain its existing hedging relationships, modifying due to the transition to the new reference rates.

[4] Including change in assets and liabilities recognised in changes in equity that may be reclassified to profit or loss.

[5] Including amendments to other standards related to the application of IFRS 17, of which the impact of the EUR 1.5 billion in relation to the revaluation of buildings at fair value, offset by the corresponding revaluation of liabilities in direct participating contracts.

In linewith the BNP Paribas Group, BNP Paribas Cardif launched its transition project in 2020 involving all of the asset management businesses and the various functions. This project aimed at implementing an active process of transition from the old reference interest rates to the new rates as well as the evaluation and analysis of the expected impacts. In 2022, BNP Paribas Cardif completed its transition project to the new reference interest rates, all the project milestones were achieved with integration into the day-to-day activities of the business lines, in particular by:

- the migration of the stock of current transactions indexed to IBOR rates, which will mature successively by the end of 2023, and the integration of “new businesses” with the new reference rates (in particular, an increase in STR-linked repos);
- the updating of contracts is consistent with all the other contracting parties for most transactions by including new safeguard clauses (in particular for repayments of police advances, derivatives contracts (ISDA), GMRA, other bilateral contracts (reinsurance, asset management mandates) and fallback mechanisms in the contracts concerned;
- amendment of all documentation to incorporate the new reference rates (RFRs);
- adaptation of the various position management tools and changes in IT systems to manage the new rates.

Transactions are processed on the basis of the new risk-free rates. There are no financial instruments, including derivatives involving IBOR rates still in transition. The only exceptions are structured products in unit-linked contracts that are indexed to an index in transition. In this case, it is up to the issuer of these products to update them.

Application of IAS 29

On 16 March 2022, the International Practices Task Force of the Center for Audit Quality listed Turkey as a hyperinflationary economy, with three-year cumulative inflation reaching 100.6% at the end of February 2022. Accordingly, the BNP Paribas Cardif Group applies IAS 29 "Financial reporting in hyperinflationary economies” when presenting the financial statements of its consolidated subsidiaries located in Turkey. For the Turkish subsidiary, all non-monetary assets and liabilities, including equity and each line in the income statement are revaluated based on changes in the Consumer Price Index (CPI).

This revaluation between 1 January and the closing date results in the recognition of a gain or loss on a net monetary position, recognised in the line “Net gain on non-current assets” (see note 5.5).

The subsidiary's financial statements are translated into euros at the closing rate, in accordance with the specific provisions of IAS 21 "Effects of foreign currency fluctuations" applicable to the translation of the accounts of entities located in hyperinflation countries.

In accordance with the provisions of the IFRIC decision of March 2020 on the classification of the effects of the indexation and translation of the accounts of subsidiaries into hyperinflationary economies, such as the BNP Paribas Group, BNP Paribas Cardif opted to present these effects (including that on the net position at the date of first application of IAS 29) in changes in assets and liabilities recognised directly in equity linked to exchange rates.

As at 1 January 2022, the first application of IAS 29 resulted in a non-significant increase of EUR 1.9 million in shareholders’ equity, of which EUR 2.5 million in “Changes in assets and liabilities recognised directly in equity – exchange rates”.

Other standards, amendments and interpretations

The entry into force of the other standards, amendments and interpretations of mandatory application from 1 January 2022 had no effect on the financial statements for 2022.

The BNP Paribas Cardif Group has not applied in advance the new standards, amendments and interpretations adopted by the European Union when application in 2022 is optional.

1.1.4 IAS/IFRS standards published by IASB but not adopted by the European Union as at 31 December 2022

Amendments to IAS 1 about the classification of liabilities as current and non-current liabilities

These amendments clarify, without changing the existing requirements, the principles for classifying a liability on the balance sheet as current or non-current. They are applicable from financial years beginning on 1 January 2023 with the possibility of early application. BNP Paribas Cardif does not expect to be impacted by these amendments.

Amendments to IAS 1 and the Practical Application Guidance on how to apply the concept of materiality to Disclosure of Accounting Policies

The purpose of these amendments is to help companies identify useful information to provide to users of financial statements on accounting methods. Companies must now disclose information on material accounting policies information rather than on significant accounting policies. These amendments are applicable for financial years beginning on 1st January 2023 with the possibility of early application. BNP Paribas Cardif does not expect any significant impact when applying these amendments.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

These amendments aim to facilitate the distinction between a change in accounting methods and a change in accounting estimates. They are applicable prospectively from financial years beginning on 1 January 2023, with the possibility of early application.

Amendments to IAS 12 "Income Taxes": deferred taxes relating to assets and liabilities arising from the same transaction

These amendments clarify how entities must account for deferred taxes on transactions such as leases and decommissioning obligations. They will enter into force for reporting periods beginning on or after 1 January 2023, and will apply to the relevant transactions occurring from the opening date of the first comparative year presented. Early application of amendments to the standard is authorised.

1.2 CONSOLIDATION PRINCIPLES AND METHODS

1.2.1 Scope of consolidation

Companies included in the scope of consolidation

The consolidated financial statements of BNP Paribas Cardif Group include entities that are controlled by the Group, jointly controlled and under significant influence, with the exception of those entities whose consolidation is regarded as immaterial to BNP Paribas Cardif Group. Companies that hold shares in consolidated companies are also consolidated.

Date of entry into the scope of consolidation

Subsidiaries are consolidated from the date on which BNP Paribas Cardif Group obtains effective control. Companies under temporary control are included in the consolidated financial statements until the date of disposal.

Sale of subsidiaries and affiliates

For transactions resulting in a loss of control, any equity interest retained by the Group is remeasured at its fair value through profit or loss.

Profits and losses from sales of equity interests are recorded in the income statement under “Other non-current operating income and expenses”.

1.2.2 Consolidation methods

Companies under exclusive control

Companies controlled by BNP Paribas Cardif Group are fully consolidated. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For entities governed by voting rights, the Group generally controls the entity if it holds, directly or indirectly, the majority of the voting rights (and if there are no contractual provisions that alter the power of these voting rights) or if the power to direct the relevant activities of the entity is conferred on it by contractual agreements.

Structured entities are defined as entities that are not governed by voting rights, such as when those voting rights relate to administrative tasks only, whereas the relevant activities are directed by means of contractual arrangements. They often have the following features or attributes: restricted activities, a narrow and well-defined objective and insufficient equity to enable them to finance their activities without subordinated financial support.

For these entities, the analysis of control shall consider the original purpose of the entity, the risks to which the entity is designed to be exposed and to what extent BNP Paribas Cardif Group absorbs the related variability. The assessment of control shall consider all facts and circumstances able to determine BNP Paribas Cardif Group’s practical ability to make decisions that could significantly affect its returns, even if such decisions are contingent on uncertain future events or circumstances.

In assessing whether it has control, BNP Paribas Cardif Group considers only substantive rights that it holds or which are held by third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the relevant activities of the entity need to be taken.

Where BNP Paribas Cardif Group contractually holds the decision-making power, for instance where BNP Paribas Cardif Group acts as fund manager, it shall determine whether it is acting as agent or principal. Indeed, when associated with a certain level of exposure to the variability of returns, this decision-making power may indicate that the Group is acting on its own account and that it thus has control over those entities.

Control shall be reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the full consolidation method, the assets and liabilities of the consolidated company form an integral part of the assets and liabilities of BNP Paribas Cardif Group, where as the share of equity not directly or indirectly attributable to the parent company, called “non-controlling interests” or “minority interests”, is handled separately.

The calculation of these minority interests takes into account the outstanding cumulative preferred shares classified as equity instruments issued by subsidiaries, when such shares are held outside BNP Paribas Cardif Group.

Minority interests are presented separately in the consolidated income statement and balance sheet within consolidated shareholders’ equity.

For transactions resulting in a loss of control, any equity interest retained by the Group is remeasured at its fair value through profit or loss.

Companies under joint control

Whenever BNP Paribas Cardif Group carries out an activity with one or more partners sharing control by virtue of a contractual agreement, which requires unanimous consent on relevant activities (those that significantly affect the entity’s return), be taken unanimously, BNP Paribas Cardif Group exercises joint control over the activity.

Where the jointly controlled activity is structured through a separate vehicle in which the partners have rights to the net assets, this joint venture is consolidated using the equity method applied to companies over which the Group exercises significant influence.

Where the jointly controlled activity is not structured through a separate vehicle or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, BNP Paribas Cardif Group accounts for its share of the assets, liabilities, revenues and expenses in accordance with the applicable IFRS.

For first consolidation at 30 June 2018 of the real estate entities under joint control, BNP Paribas Cardif Group elected to use the option to measure at fair value an interest in an associate held directly or indirectly through an entity that is a mutual fund, an open-ended investment company or a similar entity such as an investment-related insurance fund.

Companies over which the Group exercises significant influence

Companies under significant influence, known as associates, are accounted for by the equity method.

Significant influence is the power to participate in the financial and operating policy decisions of a company without exercising control. Significant influence is presumed to exist when BNP Paribas Cardif Group holds, directly or indirectly, 20% or more of the voting rights of a company.

Investments below this threshold are excluded from consolidation unless they represent a strategic investment and BNP Paribas Cardif Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where BNP Paribas Cardif Group participates in strategic decisions of the enterprise through representation on the Board of directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or senior managers, or provides technical assistance to support the enterprise's development.

Changes in the equity of companies accounted for under the equity method are recognised in balance sheet assets under "equity-method investments" and in the relevant component of shareholders' equity in the balance sheet liabilities. Goodwill on companies accounted for under the equity method is also included under "equity-method investments".

Whenever there is an indication of impairment, the carrying amount of the equity-method investment (including goodwill) is tested for impairment. During this test, the recoverable amount of the equity-method company (equal to the greater of the value in use and the fair value net of disposal costs) is compared to its carrying amount. Where appropriate, impairment is recognised under "Share of earnings of equity-method entities" in the consolidated income statement and can be reversed later.

If the Group's share of the losses of an equity-method entity equals or exceeds the carrying amount of its investment in this entity, the Group discontinues including its share of further losses. The investment is reported at nil value. Additional losses of the equity-method entity are provided for only to the extent that BNP Paribas Cardif Group has a legal or constructive obligation to do so, or has made payments on behalf of this entity.

For first consolidation at 30 June 2018 of the real estate entities under significant influence, BNP Paribas Cardif Group elected to use the option to measure at fair value an interest in an associate held directly or indirectly through an entity that is a mutual fund, an open-ended investment company or a similar entity such as an investment-related insurance fund.

Consolidated insurance company investment entities

For the purposes of their financial management activity, insurance companies are required to invest in entities that correspond economically to investment entities such as mutual funds, other vehicles for collective investments in securities and real estate companies or funds.

Regarding fully consolidated funds, units held by third-party investors are recognised as debts at fair value through profit or loss, as long as they are redeemable at market value at the subscriber's initiative.

As provided for in ANC Recommendation No 2013-05, real estate investment companies (SCIs) and mutual funds consolidated under the equity method are reclassified as insurance activity investments.

Entities under significant influence or under joint control assessed at realisable value are recognised on the balance sheet under "Financial investments at fair value through profit or loss".

1.2.3 Harmonisation of accounting methods

BNP Paribas Cardif Group is part of the scope of consolidation of BNP Paribas Group.

In accordance with IFRS 10 "Consolidated Financial Statements" and given the first-time application option selected, BNP Paribas Cardif Group's consolidated financial statements are prepared in accordance with international accounting standards using accounting methods that are consistent with those applied by BNP Paribas Group for transactions and other similar events occurring under similar circumstances.

1.2.4 Elimination of intragroup balances and transactions

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated.

Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired.

Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

1.2.5 Translation of financial statements expressed in foreign currencies

Exchange rate adjustments

The consolidated financial statements of BNP Paribas Cardif Group are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are converted using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are converted using the spot exchange rate at the closing date. Income and expense items are converted at the average exchange rate over the period. The same method is applied to the financial statements of Group subsidiaries located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index, if this is significant. BNP Paribas Cardif has applied these provisions for its subsidiary in Turkey (see Application of IAS 29). On the other hand, the impact for entities in Argentina was deemed not significant at 31 December 2022.

Differences arising from the conversion of balance sheet items and profit or loss items are recorded in shareholders' equity under "Changes in assets and liabilities recognised directly in equity" for the portion attributable to shareholders, and in “Minority interests” for the portion attributable to third-party investors.

Should the liquidation or disposal of some or all of an interest held in a foreign entity located outside the Euro zone lead to a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without keeping a significant influence), the cumulative translation adjustment at the date of liquidation or sale is recognised in the income statement.

Should the percentage interest held change without any modification in the nature of the investment, the conversion adjustment is reallocated between the portion attributable to shareholders and that attributable to minority interests pro-rata to the percentage of the share capital held, if the company is fully consolidated.

For entities consolidated under the equity method, the conversion adjustment is recognised in the income statement for the portion related to the percentage interest sold.

In March 2017, the IFRS Interpretation Committee ("IFRS IC", formerly IFRIC) provisionally decided that it would not be appropriate to create an exception to IFRS 1 to allow a subsidiary that moves to IFRS after its parent company to retain the foreign currency translation reserve shown in the financial statements of its parent company for its own financial statements.

Because of that decision, BNP Paribas Cardif Group, having adopted the option offered by IFRS 1 for the preparation of its first consolidated financial statements under IFRS at 31 December 2017, recorded the non-replenishment of conversion reserves of the Group's entities in the opening balance sheet of 1st January 2016 were not reconstituted. Because of this option, the gain or loss recorded on the subsequent disposal of foreign operations will include the conversion differences subsequent to the date of transition to IFRS but will exclude the prior conversion differences.

1.2.6 Business combinations

Since BNP Paribas Cardif Group chose the IFRS 1 option to maintain the valuations already used in the context of IFRS reporting to BNP Paribas Group provided that they are compatible with the preparation of consolidated financial statements at the level of its sub-group, business combinations that occurred before the date of BNP Paribas Cardif's transition to IFRS were kept at their value in BNP Paribas Group's financial statements.

Identification and initial valuation of assets and liabilities acquired

Acquisition method

Business combinations are accounted for using the acquisition method. Under this method, the acquiree's identifiable assets acquired and liabilities assumed are measured at the fair value (or its equivalent) at the acquisition date. As an exception, non-current assets classified as assets held for sale are accounted for at fair value less costs to sell.

The acquiree's contingent liabilities are recognised in the consolidated balance sheet only if they represent a current obligation on the acquisition date and their fair value can be measured reliably.

Cost

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued to obtain control of the acquiree.

Costs directly attributable to the acquisition

Costs directly attributable to the business combination are treated as a separate transaction and recognised through profit or loss.

Contingent consideration

Any additional price is included in the cost, as soon as control is obtained, at fair value on the date when control was acquired. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

Business combinations achieved in stages

On the acquisition date, any previously held equity interest in the acquiree is remeasured at its fair value through profit or loss.

If a business combination is achieved through more than one exchange transaction (acquisition in stages), the identifiable assets and liabilities of the acquiree are revalued at market value at the effective date of control.

Subsequent valuation of acquired assets and liabilities

The Group has twelve months after the acquisition date to finalize the recognition of the considered business combination.

1.3 GOODWILL AND GOODWILL IMPAIRMENT

1.3.1 Initial measurement of goodwill

Goodwill represents the difference between the acquisition cost and the Group's interest in the net fair value of the identifiable assets and liabilities acquired, such fair value being determined at the effective date of control.

At this date, positive goodwill is recognised in the acquirer's balance sheet while negative goodwill is recognised immediately through profit or loss.

Goodwill is recognised in the functional currency of the acquiree and then converted at the closing exchange rate.

Minority interests correspond to the portion of the revalued net assets of the acquiree that does not belong to the Group.

BNP Paribas Cardif Group did not choose the option to value minority interests at fair value, so a fraction of goodwill thus determined is allocated to minority interests (the so-called "full goodwill" method).

However, like BNP Paribas Group, BNP Paribas Cardif Group can also choose, for each business combination, to measure minority interests at their fair value. A fraction of the goodwill thus determined is then allocated to them.

1.3.2 Impairment tests of goodwill of fully consolidated companies

BNP Paribas Cardif Group regularly conducts impairment tests on goodwill allocated to each homogeneous group of businesses.

Cash-generating units

The Group has split all its activities into cash-generating units representing major business lines, which correspond in practice to geographic regions.

This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management approach.

The organisation is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

Testing cash-generating units for impairment

Tests to ensure that the goodwill allocated to all cash-generating units is not impacted by lasting impairments are carried out whenever there is an indication that a unit may be impaired, and at least once a year.

The carrying amount of the unit is compared with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised. This impairment is equal to the difference between the carrying amount and the recoverable amount of the relevant cash-generating unit.

Recoverable amount and value in use of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit less costs to sell, and its value in use.

The fair value corresponds to the amount likely to be obtained from the sale of the cash-generating units under the market conditions prevailing at the valuation date. Market references are generally either based on the prices observed during recent transactions on comparable entities, or based on market multiples of comparable listed companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit’s management and approved by Group Executive Management, and from analyses of changes in the relative positioning of the unit’s activities on their market. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

1.4 VALUE OF INSURANCE COMPANY CONTRACT PORTFOLIOS ACQUIRED

1.4.1 Initial value of contract portfolios

In accordance with IFRS 3 "Business Combinations", insurance contracts and investment contracts with discretionary participation features acquired in a business combination, i.e. insurance liabilities assumed and assets acquired under insurance contracts, are valued at their fair value at the acquisition date.

The fair value of the insurance rights acquired is equal to the discounted value of the estimated future profits related to the existing contracts at the date of the acquisition. The present value of future profits takes into account the cost of capital and is estimated using actuarial assumptions based on projections made at the acquisition date, using a discount rate with a risk premium.

BNP Paribas Cardif Group has adopted the IFRS 4 option, which permits to use an expanded presentation that splits the fair value of acquired insurance contracts into two components:

- liabilities measured according to the insurer's accounting policies related to the insurance contracts it issues and;
- intangible assets representing the difference between the fair value of the contractual insurance rights acquired and the insurance obligations assumed and the liability measured according to the insurer's accounting methods.

1.4.2 Subsequent value of insurance company portfolios

The value of acquired insurance contract and investment contract portfolios with discretionary participation recognised in a business combination is amortised based on the recognition of the profits over the life of the contract portfolio. If specific monitoring of acquired contracts cannot be implemented, a straight-line depreciation over the estimated remaining term of the contracts is used.

A recoverability test is performed each year based or during significant events on experience and expected changes in key assumptions.

1.5 TANGIBLE AND INTANGIBLE ASSETS

Fixed assets included in BNP Paribas Cardif Group's balance sheet include tangible assets as property, plant and equipment (including operating properties) and intangible operating assets used for administrative purposes or for the production of services.

1.5.1 Initial valuation of fixed assets

Tangible and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service.

Software

Software developed internally by BNP Paribas Cardif Group that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external expenses and the labour costs of employees directly attributable to the project.

Expenditures that are considered as upgrading the software or extending its useful life are included in the initial acquisition or development cost.

However, software maintenance costs are not capitalised and are recognised in the income statement when incurred.

Exclusive distribution agreements

The value of an exclusive distribution agreement represents the value of expected future flows of new business within the network of a partner covered by that agreement. These intangible assets are estimated according to the terms and conditions specific to each distribution agreement.

1.5.2 Subsequent valuation of fixed assets

At the closing date, fixed assets are measured at cost less accumulated depreciation or amortisation and any impairment losses recognised.

Depreciation and amortisation of fixed assets

The depreciable amount of tangible and intangible assets is calculated after deducting the residual value of the asset.

Only assets given for simple rental are deemed to have a residual value, as the useful life of assets used in operations is generally the same as their economic life.

Fixed assets are depreciated or amortised using the straight-line method over the useful life of the asset. Amortisation expenses are recognised in the income statement as charges by destination according to their use.

Where an asset consists of a number of components, which may require replacement at regular intervals, or which have different uses or generate economic benefits at different rates, each component is recognised separately and depreciated using a method appropriate to that component.

Software is amortised depending on its type, over a period of no more than eight years for infrastructure developments and over a three or five year period for software developed primarily for customer services.

Exclusive distribution agreements are amortised over the life of the distribution agreement, taking into account any residual value.

Fixed asset impairment tests

Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

Depreciable tangible and intangible assets are tested for impairment if there is an indication of potential impairment at the closing date.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount.

If the asset is found to be impaired, an impairment loss is recognised in the income statement as corresponding expenses in the fixed asset category.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment.

1.5.3 Gains and losses on disposals of fixed assets

Gains or losses on disposals of operating assets are recorded in the income statement under “Other current operating income and expenses”.

1.5.4 Operating properties

Operating properties are recognised as investment properties measured at amortised cost (see the paragraph “Real estate investment”).

In accordance with the recommendation of the *Conseil National de la Comptabilité* (National Accounting Council) working groups on the implementation of IFRS by insurance organisations (January 2007), internal rents and corresponding revenues recognised in the insurance companies’ financial statements are eliminated without effect on the policyholders’ benefit participation.

1.6 INSURANCE COMPANY INVESTMENTS

1.6.1 Real estate investments in unit-linked contracts

The “Real estate Investment” item includes all real estate assets, with the exception of shares of real estate companies used to support Unit-linked investment assets, which appear under the heading “Investments in unit-linked contracts” and shares of real estate companies, both listed and unlisted, classified as “Available-for-sale financial assets”.

Real estate investment

Investment properties correspond to real estate held directly by insurance companies and consolidated real estate companies. They consist of land, buildings and, in certain special cases, business assets acquired with the buildings.

Initial valuation of investment properties

Land and buildings appear on the balance sheet at their acquisition cost, which includes the directly attributable acquisition costs.

Under the component approach, the total cost of buildings is divided among its four different components: shell, facade, general and technical installations, fixtures and fittings, with each component being accounted for separately according to its useful life or the rate at which it provides economic benefits.

Real estate investments in the hotel industry can include acquired leaseholds rights that are non-depreciable and accessory to lands and constructions. Those leaseholds rights, under lease management or management contracts, constitute elements generating returns on insurance investments to cover insurance commitments.

Subsequent expenditure

Subsequent expenditures are capitalised if they can be measured reliably and are likely to generate future economic benefits.

Depreciation period of investment properties

The depreciation period of the components used by the Group, defined individually for each component, depends on the category of the building (prestige building or other buildings) and its intended use (offices, retail, housing, car parks).

The depreciation periods used by the Group are as follows:

- shell (depreciation period between 50 and 80 years);
- facades (25 to 30 years);
- general and technical installations (20 to 25 years);
- fixtures and fittings (12 to 15 years).

Subsequent valuation of investment properties

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation or amortisation and any impairment losses.

At the closing date, the fair value of the investment properties corresponds to their realisable value, which is determined on the basis of a five-year appraisal carried out by an independent expert approved by the national supervisory authorities (in France, the *Autorité de Contrôle Prudentiel et de Résolution* or ACPR). Between two appraisals, the realisable value is updated at least annually.

Creation of a provision for permanent impairment

If, at the closing date, the realisable value of the properties is more than 20% lower than their carrying amount, a special study is conducted to determine whether it is necessary to create a provision for permanent impairment.

The creation of a provision for permanent impairment makes it possible to reduce the carrying amount of the buildings to their realisable value and recognise the impairment loss through profit or loss.

If the realisable value of investment properties subsequently becomes higher than their carrying amount, the provision for permanent impairment is reversed through profit or loss.

Gains and losses on disposals of investment properties

Gains or losses on the sale of investment properties are recorded in the income statement under "Gains and losses on disposal of investment assets net of depreciation and amortisation reversals“.

Shares of listed real estate companies

The shares of non-consolidated listed real estate companies are classified as available-for-sale financial assets and follow the rules of IAS 39 applicable to that class of assets.

Shares of unlisted real estate companies

Shares of unlisted real estate companies and their related receivables (notably current accounts and advances from partners) are treated as a global investment and classified as available-for-sale financial assets. The amount of this investment is valued in relation to the market value of the underlying assets.

The impairment criteria are similar to those for financial investments.

Shares and equity of real estate companies related to unit-linked policies

Shares of real estate investment property (SCIs) and the shares or units in real estate mutual funds OPCI wich support unit-linked insurance contracts, are valued at their fair value (or its equivalent) at the reporting date, with changes in fair value recognised in the income statement.

If those companies are fully consolidated, the properties they own are valued at fair value through profit or loss as permitted by IAS 40 "real estate investment".

1.6.2 Financial investments

Financial investments of insurance activities are accounted for in accordance with the rules defined by IAS 39.

Classification of financial investments

IAS 39 classifies financial assets into four categories: held-to-maturity financial assets, financial investments at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity.

Assets in this category are accounted for at amortised cost using the effective interest method, which includes acquisition costs (where material) and amortisation of premiums and discounts (corresponding to the difference between the purchase price and redemption value of these securities).

Income earned on these securities is presented under "Investment income" in the income statement.

Financial investments at fair value through profit or loss

Excluding derivatives, the category of "Financial investments at market value through profit or loss" includes financial assets that the Group has chosen to recognise and measure at fair value through profit or loss from inception, in accordance the option offered by IAS 39 and in compliance with the conditions set by this standard, namely:

- hybrid financial instruments containing one or more embedded derivatives that would otherwise have to be extracted and accounted for separately;
- when the use of the option provided for by IAS 39 makes it possible to eliminate or significantly reduce an inconsistency in the measurement and recognition of assets and liabilities that would result from their classification in distinct accounting categories;
- when the group of financial assets and/or financial liabilities is managed and measured on the basis of its fair value, in accordance with a duly documented management and investment strategy.

Associates and joint ventures assessed at fair value are also included in this item.

Securities classified in this category are initially recognized at fair value. Acquisition costs are directly posted in the income statement.

At the closing date, they are valued at their fair value.

The changes in value observed in relation to the last valuation, established excluding interest accrued for fixed-income securities, excluding dividends for variable-income securities and excluding realised gains and losses, are presented, in the event of profit or loss, under "Net change in investments at fair value through profit or loss".

Income earned on fixed-income securities classified in this category is shown under "Investment Income".

Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as “Loans and receivables” when they do not meet the criteria to be classified as “Financial investments at fair value through profit or loss”.

In particular, subordinated notes that are not listed on an active market are included in "Loans and receivables".

Loans and receivables are initially measured at fair value or equivalent, which, generally, corresponds to the net amount initially disbursed.

Loans and receivables are subsequently measured at amortised cost using the effective interest method after deduction of capital repayments and any interest that may have accrued.

Interests are calculated using the effective interest rate method, which includes interests, transaction costs and commissions included in their initial value.

Available-for-sale financial assets

The category "Available-for-sale financial assets" includes fixed-income securities and variable-income securities that do not fall under the other three categories of financial assets defined by IAS 39.

Assets included in this category are initially recorded at fair value, plus acquisition costs where material.

At closing date, they are remeasured at fair value, with value changes (excluding accrued interest) shown on a separate line in shareholders’ equity.

Upon disposal, amounts previously recognised in shareholders’ equity are transferred to profit or loss under "Gains and losses on disposal of investment assets net of depreciation and amortisation reversals ". The same applies in the event of impairment.

Revenue recognised using the effective interest method for fixed-income securities in this category are presented in "Investment income". The same applies to dividends received for variable-income securities on the date of payment.

Impairment of held-to-maturity assets and loans and receivables

An impairment loss is recognised against held-to-maturity financial assets and loans and receivables where there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; since the event affects the amount or timing of future cash flows and the consequences of the event can be reliably measured.

Analysis for evidence of an impairment

Analysis for evidence of an impairment is conducted at the individual level. An objective indication of impairment is any observable data pertaining to the following events:

- the existence of arrears for at least three months;
- knowledge or indications of the borrower’s significant financial difficulties , such as it is possible to conclude that there is a proven risk regardless of whether the borrower has missed any payment;

- concessions granted to the loan terms, which would not have been made in the absence of financial difficulties of the borrower.

Impairment is measured as the difference between the carrying amount of the asset before impairment and the value of its components deemed recoverable (principal, interests, guarantees ...).

The recoverable amount is the present value at the original effective interest rate of the estimated future cash flows.

Recognition of impairment in the income statement

Changes in the value of the assets thus impaired are recorded in the income statement under section "Investment income excluding financing charges" and, depending on the nature of the asset concerned, under line "Net change in provisions for investments ".

Any subsequent reassessment of the asset due to an objective cause that occurred after its impairment is recognised through profit or loss, also under section "Net changes in provisions for investments".

Once an asset has been impaired, the theoretical income earned on the net carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under “Investment income” in the income statement.

Recognition of impairment of held-to-maturity assets and loans and receivables

Impairment losses on held-to-maturity assets and loans and receivables are recorded in a separate provision account, which reduces the original recorded asset amount.

Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is depreciated through an offsetting entry in the income statement when there is objective evidence of impairment because of one or more events occurring since acquisition.

Impairment of variable-income securities classified as available-for-sale financial assets

In the case of variable-income securities quoted in an active market, the control system allows to identify the participations likely to be impaired on a long-term basis using the following criteria: significant decline in quoted price below the acquisition cost or period over which an unrealized loss is observed, in order to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated based on the quoted price.

Beyond the identification criteria, the Group has defined three automatic impairment criteria, one being a significant decline in price, defined as a fall of more than 50% of the acquisition price, another being an unrealized loss over two consecutive years and the final one being a decline of at least 30% over an observation period of one year, on average. The Group believes that a period of two years is what is necessary for a moderate decline in price below the purchase cost to be considered as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but which represents a lasting phenomenon justifying an impairment.

A similar method is applied for variable-income securities not quoted on an active market. Any possible impairment is then determined based on the model value.

Impairment of fixed-income securities classified as available-for-sale financial assets

For fixed-income securities, the impairment criteria are identical to those applied to the impairment of loans and receivables.

For fixed-income securities listed on an active market, impairment is determined based on the listed price, for the others on model value.

Recognition of impairment in the income statement

The impairment recognised for a security classified as available-for-sale financial assets, whether fixed-income or variable-income is recognised under section "Investment income excluding financing expense" under "Net change in investments impairment".

When a security is impaired, any subsequent decline in fair value constitutes an additional impairment loss, recognised in the income statement.

Impairment of a variable-income security can only be reversed in the income statement on the date the security is sold.

Impairment of a fixed-income security may be reversed in the income statement if the market value of the security has appreciated due to an objective cause that occurred after the last impairment.

1.6.3 Repurchase agreements and securities lending/borrowing

Presentation of repurchase agreements on the balance sheet

Securities temporarily sold as part of a repurchase agreement are still recognised in the Group's balance sheet in their original portfolio, with the corresponding liability recognised under "Financial debt due to banking sector companies".

Presentation of reverse repurchase agreements on the balance sheet

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised under "Loans and receivables".

Securities lending and borrowing

Securities lending transactions do not result in derecognition of the lent securities, and securities borrowing transactions do not result in recognition of the borrowed securities on the balance sheet.

In cases where the borrowed securities are subsequently sold by the Group, the obligation to deliver the borrowed securities on maturity is recognised on the balance sheet under "Financial debt due to banking sector companies".

1.6.4 Derivatives

Derivatives are contracts included in the scope of IAS 39 that meet the following three conditions:

- their value fluctuates according to changes in one or more underlying factors (interest rate, price, exchange rate, price index, credit rating, any other similar variable);
- they do not require any initial net investment or a low initial net investment;
- such contracts are settled at a future date.

Initial recognition and subsequent valuation of derivatives

All derivatives are recognised in the balance sheet on the trading date at their transaction price.

At the closing date, they are revalued at their fair value.

Changes in market value between two valuations are recognised in the income statement under "Net change in investments at fair value through profit and loss", with the exception of derivatives designated as cash flow hedging instruments and net investments abroad.

Derivative instruments and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge and the accounting principles for derivatives and hedged instruments depend on the hedging strategy.

Objectives pursued

A fair value hedge is used to hedge the interest rate risk of fixed-rate assets or changes in share price.

A cash flow hedge is used in particular to hedge the interest rate risk of floating-rate and fixed-rate assets, including rollovers, and foreign exchange risks of initial flows and highly probable future flows in foreign currencies.

A nNet investment hedge in foreign currencies makes it possible to hedge the foreign exchange position of the Group in relation to its investments in foreign currencies abroad, investments in subsidiaries and branches in particular.

Formal documentation prepared at the inception of the hedge

At the inception of the hedge, the Group prepares formal documentation that details the hedging relationship, identifying the instrument, or portion of the instrument or of risk hedged, the hedging strategy and the type of risk hedged, designation of the hedging instrument and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group assesses, in consistency with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship.

Retrospective effectiveness tests for hedges

Retrospective effectiveness tests are designed to assess whether the ratio of actual changes in the fair value or cash flows of the hedging instrument and those in the hedged item is within a range of 80% to 125% (ratios applicable to fair value hedges and cash flow hedges).

Recognition of a derivative in fair value hedge

For a fair value hedging relationship, derivatives are revalued in the balance sheet at their fair value by counterparty in the income statement under "Investment income excluding financing expense", in line with the revaluation of the instruments hedged for the risk in question.

In the balance sheet, the revaluation of the hedged component is recognised in accordance with the classification of the hedged instrument for a hedging relationship for identified assets or liabilities.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging derivatives are transferred to the trading book and accounted for using the treatment applied to this category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge.

If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the income statement immediately.

Recognition of a carved-out fair-value hedge

A carved-out fair-value hedge is applied to hedge the interest rate risk of a fixed rate asset portfolio.

The hedge of financial assets reduces the change in value of portions of hedged items due to changes in interest rates.

Recognition of a derivative as a cash flow hedge

In a cash flow hedging relationship, the derivatives are revalued at fair value in the balance sheet, offset by a specific line in other comprehensive income "Changes in deferred value of derivatives used for hedging instruments".

Amounts in this item over the life of the hedge are transferred to the income statement under "Investment income excluding financing expense" as the cash flows of the hedged instrument impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the category to which they belong.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss or until it becomes clear that the transaction will not occur, at which point they are transferred to the income statement.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders' equity are immediately taken to the income statement.

Recognition of the ineffective portion of the hedge

Regardless of the hedging strategy adopted, the ineffective portion of a hedge is recognised in the income statement under "Net change in investments at fair value through profit or loss".

Net foreign investment hedges in subsidiaries or branches

Hedges of net foreign currency investments in subsidiaries or branches are accounted for in the same way as cash flow hedges. Hedging instruments may be currency derivatives or any other non-derivative financial instrument.

The gain or loss on a hedging instrument related to the effective portion of the hedge is recognised in shareholders' equity. The gain or loss related to the ineffective portion of the hedge is immediately recognised in the income statement.

Cumulative gains and losses in shareholders' equity are recorded in the income statement on the disposal of the foreign entity. In the case of a partial disposal, only the proportionate share of the corresponding cumulative exchange differences is included in the income statement.

Embedded derivatives

An embedded derivative is a component of a hybrid (composite) instrument that also includes a non-derivative host contract, which has the effect of making a portion of the cash flows of the compound instrument vary in a manner similar to a stand-alone derivative.

For financial contracts, the amendment to IAS 39 published by the IASB in 2005 and adopted by the European Commission allows a hybrid instrument (financial instrument with an embedded derivative) to be recognised in the category of financial instruments valued at fair value through profit or loss, without preliminary analysis of whether or not the embedded derivative has to be extracted.

The Group applies this accounting method and does not deconstruct structured securities with embedded derivatives, which are therefore measured at fair value through profit or loss on option.

1.6.5 Investments backing unit-linked contracts

Investments backing insurance or investment contracts whose financial risk is borne by policyholders (unit-linked contracts) are shown as a separate item in balance sheet assets under "Investments in Unit-linked investment assets", regardless of the nature of the assets backed by the liabilities (real estate investment, bonds, shares, etc.), in accordance with ANC Recommendation No 2013-05.

The corresponding liabilities are also presented as specific items in balance sheet liabilities under "Technical liabilities arising from unit-linked insurance contracts" and "Technical liabilities arising from unit-linked investment contracts".

1.6.6 Date of recognition for securities transactions

Regardless of their classification as assets in the balance sheet, securities are recognised on the trade date.

Temporary sales of securities and sales of borrowed securities are initially recognised at the settlement date.

For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognised between the trade date and the settlement date when the transactions are recognised, respectively, as “Loans and receivables” and “Financial debt due to banking sector companies”.

Securities transactions are maintained on the balance sheet until the Group’s rights to receive the related cash flows expire, or until the Group has substantially transferred all the risks and rewards related to ownership of the securities.

1.6.7 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- for a non-derivative financial asset which is no longer held for the purposes of selling it in the near-term, out of “Financial investments at fair value through profit or loss” and into:
  - “Loans and receivables” if the asset meets the definition for this category and the Group has the intention and ability to hold the asset for the foreseeable future or until maturity, or
  - Other categories only under rare circumstances when justified and provided that the reclassified assets meet the conditions applicable to the host portfolio;

- out of “Available-for-sale financial assets” and into:
  - “Loans and receivables” with the same conditions as set out above for “Financial investments at fair value through profit or loss”,
  - “Held-to-maturity financial assets”, for assets that have a maturity, or “Financial assets at cost”, for unlisted variable-income assets.

Financial assets are reclassified at fair value, or at the value calculated by a model, on the reclassification date. Any derivatives embedded in the reclassified financial assets are recognised separately and changes in fair value are recognised through profit or loss.

After reclassification, assets are recognised according to the provisions applied to the host portfolio. The transfer price on the reclassification date is deemed the initial cost of the asset for determining any impairment.

In the event of reclassification from “Available-for-sale financial assets” to another category, gains or losses previously recognised through equity are amortised to profit or loss over the residual life of the instrument using the effective interest method.

Any upward revisions to the estimated recoverable amounts are recognised through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the financial asset’s carrying amount.

1.6.8 Issues of debt securities

Financial instruments issued by the Group are qualified as debt instruments if the Group company issuing the instruments has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group is required to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or to deliver a variable number of the Group’s own equity instruments.

Issues of debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

1.6.9 Own equity instruments and own equity instrument derivatives

Treatment of "own equity instruments" and similar shares

The term "own equity instruments" refers to shares issued by the parent company (BNP Paribas SA) and by its fully consolidated subsidiaries. External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

Own equity instruments held by the Group, also known as treasury shares, are deducted from consolidated shareholders' equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated income statement. BNP Paribas Cardif does not hold its own shares.

When the Group acquires equity instruments issued by subsidiaries under the exclusive control and considered equivalent to equity instruments issued by the parent company, the difference between the acquisition price and the share of net assets acquired is recorded in the consolidated retained earnings Group share.

Treatment of "own equity instrument" derivatives

The liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings Group share.

Until these options have been exercised, the portion of net income attributable to minority interests is allocated to minority interests in the consolidated income statement. A decrease in the Group's interest in a fully consolidated subsidiary is recognised in the Group's financial statements as a change in shareholders' equity.

Own equity instrument derivatives are treated as follows, depending on the settlement method:

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued;
- as derivatives if they are settled in cash, or by choice by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the income statement.

If the contract includes an obligation for the Group, whether contingent or not, to repurchase its own shares, a debt is recognised at its present value with an offsetting entry in shareholders' equity.

1.6.10 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

The Group determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-

Scholes model and interpolation techniques). They maximise the use of observable inputs and minimise the use of unobservable inputs. These techniques are calibrated to reflect current market conditions. Valuation adjustments are applied where necessary, when factors such as model, liquidity and credit risks are not captured by the valuation techniques or parameters used, but are nevertheless taken into account by market participants when setting the market price.

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy:

- level 1: fair values are determined using directly quoted prices in active markets for identical assets and liabilities. Characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices;
- level 2: fair values are determined based on valuation techniques for which significant inputs are observable market data, either directly or indirectly. These techniques are regularly calibrated and the inputs are corroborated with information from active markets;
- level 3: fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to illiquidity of the instrument and significant model risk. A non-observable parameter is data for which no market information is available. It is therefore derived from internal assumptions about the data that would be used by other market participants. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgement

The level in the fair value hierarchy within which the asset or liability is categorised in its entirety is based upon the lowest level input that is significant to the entire fair value.

For financial instruments disclosed in level 3 of the fair value hierarchy, a difference between the transaction price and the fair value may arise at initial recognition. This “Day One Profit” is deferred and released to the income statement over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the income statement.

1.6.11 Derecognition of financial assets and financial liabilities

The Group derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when the Group transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Group retains the asset in its balance sheet and recognises a liability for the obligation created because of the transfer of the asset.

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

1.6.12 Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the balance sheet.

1.7 INVESTMENTS IN ENTITIES IN THE BANKING SECTOR AND OTHER SECTORS OF ACTIVITY

BNP Paribas Cardif does not consolidate companies in the banking sector but only companies in other sectors of activity.

The investments of those companies follow the classification, valuation and impairment rules defined by IAS 39. They are presented under a specific heading in balance sheet assets where material.

1.8 FOREIGN CURRENCY TRANSACTIONS

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Group, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

1.8.1 Monetary assets and liabilities expressed in foreign currencies

Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate.

Foreign exchange differences are recognised in the income statement, except for those arising from financial instruments designated as a cash flow hedge or a net foreign investment hedge (see paragraph "Derivative instruments and hedge accounting"), which are, recognised in shareholders' equity.

For French insurance companies, this treatment corresponds overall to the one used for assets and liabilities that create "operational" foreign exchange positions.

1.8.2 Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are converted using the exchange rate at the date of the transaction if they are measured at historical cost and at the closing rate if they are measured at fair value.

Foreign exchange differences on non-monetary assets denominated in foreign currencies and measured at fair value (variable-income securities) are recognised in the income statement if the asset is classified under “Financial investments at fair value through profit or loss”, and in shareholders’ equity if the asset is classified under “Available-for-sale financial assets”, unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the income statement.

1.9 REINSURANCE TRANSACTIONS

Reinsurance ceded

The premiums, claims and provisions ceded as part of reinsurance transactions are calculated according to reinsurance ceded treaties, using the accounting and assessment rules applicable to direct insurance contracts.

The reinsurers' share of liabilities related to insurance contracts is recorded in assets, under " Reinsurers' share in insurance and investment contracts liabilities" which represents the estimate of the risk transferred to the reinsurers in application of the reinsurance ceded treaties. In accordance with IFRS 4 and IAS 1, it is not offset by related insurance liabilities.

In accordance with IFRS 4, an impairment test is performed on assets held for reinsurance ceded. Assets for reinsurance ceded are impaired:

- if there is tangible evidence, as a result of an event occurring after initial recognition of the asset for reinsurance ceded, that the ceding company may not receive all amounts owed to it under the terms of the contract, and
- this event has a reliably measurable impact on the amounts that the disposing company will receive from the reinsurer.

No reinsurance ceded contracts come under IAS 39.

Reinsurance accepted

The premiums, claims and provisions received from the ceding parties as part of reinsurance acceptance transactions are immediately recognised, treaty by treaty, based on the information transmitted by the ceding parties. Information that has not been received is estimated.

Acceptance contracts are recognised as direct insurance contracts.

When the existence of a loss on the acceptance is known, a provision is constituted for the foreseeable amount of this loss.

No reinsurance accepted contracts come under IAS 39.

1.10 DEFERRED ACQUISITION COSTS OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

The direct costs related to the design of a new contract or the acquisition of an insurance or investment contract portfolio consist mostly of the remuneration of the contributors (agents, general agents, brokers), the cost of designing and issuing the contract, premium collection fees, etc. These costs are acquisition costs, the accounting treatment of which depends on the classification of the contract in question.

1.10.1 Deferred acquisition costs of contracts within the scope of IFRS 4

Expenses incurred in a given year for the acquisition of new origination (new contracts, additional payments on contracts in force, increase in guarantees) are generally covered by the premiums for the year. However, in some cases, they are recovered both on the income for the year in question and on subsequent revenues.

Since IFRS 4 authorises the recognition of assets and liabilities according to the standards existing before the application of IFRS, the deferred acquisition costs are therefore recognised according to the French consolidation rules applicable to insurance companies.

Life insurance contracts and investment contracts with discretionary participation feature

In life insurance, acquisition costs are deferred within the limits of the expected future net margins of the contracts at issue, including the duly justified financial margin, in particular when there is a difference between the discount rate used and the prudently evaluated projected rate of return for the assets.

They are amortised based on the recognition rate of those future margins thus determined and revalued at the end of each financial year.

If future margins become insufficient under the amortisation plan, deferred acquisition costs are subject to extraordinary amortisation.

This treatment is mainly applied to upfront discounted commissions of life insurance contracts sold abroad.

According to French consolidation rules, the acquisition expenses included in the premiums must be carried forward symmetrically to the deferred acquisition costs. BNP Paribas Cardif Group does not apply this rule when the acquisition costs are not carried forward.

Acquisition fees paid to affiliated companies of BNP Paribas Group are not carried forward, as the commissions paid are offset by the acquisition costs.

Non-Life Insurance Contracts

In non-life insurance, the deferred acquisition costs related to the borrowers' insurance contracts correspond solely to unvested commissions whose amortisation is carried out on a basis consistent with the one used for the deferral of unearned premiums.

1.10.2 Deferred acquisition costs of investment contracts without participation feature under IAS 39

Costs incurred at the inception of investment contracts without discretionary participation feature (additional external costs directly related to asset management services) are also recorded as balance sheet assets. These costs are amortised over the life of the contracts.

1.11 SHAREHOLDERS' EQUITY - GROUP SHARE

Changes in assets and liabilities recognised directly in equity

The item "Changes in assets and liabilities recognised directly in equity" in balance sheet liabilities includes differences arising from the revaluation at fair value of financial assets and the resulting cumulative impact of deferred taxes.

These differences correspond in particular to unrealised gains and losses resulting from the revaluation of available-for-sale financial assets carried out in accordance with the provisions defined by IAS 39, plus the cumulative impact of the shadow accounting expense or gain for those assets (see "Deferred participation benefits" below).

These differences also include the impacts of the revaluation of the derivatives used for cash flow hedges.

Finally, in accordance with IAS 21 "The effects of changes in foreign exchange rates", these differences also include the effects of the revaluation of derivatives used as net foreign investment hedges.

1.12 MINORITY INTERESTS

Minority interests, also called minority interests, represent the share held by third parties in the net assets and net income of fully consolidated Group companies whose capital is not fully owned, directly or indirectly, by the consolidating parent company.

1.13 SUBORDINATED DEBT

The classification of subordinated debt of indefinite duration as financing debt is based on the analysis of the contractual clauses and the criteria defined by IAS 32. These clauses specify that the issuing company reserves the right to repay its debt in advance.

Subordinated debt is measured at amortised cost, as are financing debt securities (see the paragraph "Issues of debt securities").

1.14 TECHNICAL LIABILITIES RELATED TO INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

1.14.1 Classification of contracts

The contracts issued by BNP Paribas Cardif Group fall into two categories:

- insurance and reinsurance contracts and investment contracts with discretionary participation feature, which fall under IFRS 4 "Insurance Contracts";
- investment contracts with no discretionary participation feature, which fall under IAS 39 "Financial Instruments: Recognition and Measurement".

Contracts within the scope of IFRS 4

Insurance and reinsurance contracts (acceptances)

IFRS 4 defines insurance contracts and the significant risk borne by insurers: "an insurance contract is a contract in which one party (the insurer) accepts a significant insurance risk from another party (the policyholder) by agreeing to indemnify the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder."

An insurance risk is significant if and only if the insured event can force the insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no noticeable effect on the economics of the transaction).

The main insurance risks relate to mortality (death coverage), longevity (life insurance, e.g. life annuities), morbidity (disability benefits), disability, health (medical coverage), unemployment and civil liability and damage to property.

These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, and statistical monitoring of insured populations and reinsurance programmes.

In the case of savings contracts, BNP Paribas Cardif distinguishes two types of risks that enable these contracts to be classified as insurance contracts in accordance with IFRS 4:

- risk of survival: in the event of a life annuity in service or of a deferred life annuity, if the annuity is compulsory;
- risk of death: if the death benefit is greater than the surrender value of the contracts.

BNP Paribas Cardif thus refers to the following criteria to define the classification of these contracts as insurance contracts:

- minimum death coverage for the General Fund, where the death benefit is at least equal to 105% of the surrender value;
- minimum coverage for unit-linked contracts to cover unfavourable changes in the financial markets; this guarantee is always qualified as insurance risk;
- annuities, if the annuity is in use or the annuity paid is optional after the accumulation phase but the rate is guaranteed at the time of the subscription, or the annuity paid is mandatory after the accumulation phase.

The following contracts meet the definition of an insurance contract and are considered as falling within the scope of IFRS 4:

- euro-denominated contracts backed by the General Fund with minimum coverage;
- multiple investments contracts with minimum coverage;
- unit-linked contracts with minimum coverage.

Investment contracts with discretionary participation feature

Investment contracts do not expose the insurer to significant insurance risk.

Discretionary participation is defined by IFRS 4 as the contractual right to receive, in addition to guaranteed benefits, complementary benefits:

- that probably represent a significant proportion of the total contractual benefits;
- whose amount or maturity is contractually at the discretion of the issuer; and
- that are contractually based on the performance of a specified set of contracts or a specified type of contract, for realised and/or unrealised investment returns on a portfolio of specified assets

held by the issuer or on the income statement of the company, a fund or other entity that issues the contract.

Savings contracts in euros and certain multiple investments contracts meet this definition and are therefore investment contracts with discretionary participation feature.

The following contracts qualify as investment contracts with discretionary participation and thus fall within the scope of IFRS 4:

- euro-denominated contracts backed by the General Fund with no minimum coverage;
- multiple investments contracts with a General Fund component without minimum coverage.

Financial guarantee contracts

Financial guarantee contracts fall under IAS 39, but may be measured and recognised in accordance with IFRS 4 if they are issued in the form of insurance contracts that comply with the requirements of both standards. BNP Paribas Cardif has chosen to treat these contracts under IFRS 4.

Contracts within the scope of IAS 39

Investment contracts without discretionary participation feature consist primarily of unit-linked contracts that do not meet the definition of insurance and investment contracts with discretionary participation.

1.14.2 Recognition of contracts under IFRS 4

General principles for recognising insurance liabilities under IFRS 4

Maintenance of accounting rules prior to transition to IFRS

IFRS 4 exempts an insurer temporarily (until the adoption of IFRS 17) from certain obligations arising from other IFRS, in particular regarding the accounting policies applicable to insurance contracts.

In general, IFRS 4 allows insurers to continue applying the accounting principles and methods related to insurance liabilities currently in force locally (CRC Regulation No. 2000-05 regarding the consolidated financial statements of insurance companies, whose provisions are based heavily on the French Insurance Code and ANC Regulation No 2015-11 regarding the annual financial statements of insurance companies), provided that they do not conflict with specific provisions of IFRS 4.

Specific provisions introduced by IFRS 4

IFRS 4 introduced specific rules that apply regardless of previous accounting standards.

Accordingly, IFRS 4 prohibits the recognition as a liability of provisions for future contingent claims (such as provisions for catastrophic risk and equalisation reserves) if such claims are generated by insurance contracts that have not yet been purchased, unless such provisions are contractually due to the policyholders or relate to contracts in progress on the closing date of the financial statements (see "Technical provisions for life insurance contracts and investment contracts with discretionary participation feature").

IFRS 4 also requires a liability adequacy test.

In addition, IFRS 4 requires insurers to keep insurance liabilities on its balance sheet until they are extinguished, cancelled, or expired.

Regarding reinsurance, the standard prohibits the offsetting of insurance liabilities with the corresponding reinsurance assets and the offsetting of reinsurance treaty income and expenses with the expenses or income arising from the corresponding insurance contracts and requires insurers to examine whether assets held for reinsurance ceded are impaired.

Finally, IFRS 4 allows an insurer to change its accounting policies for insurance contracts if and only if the change makes the financial statements more relevant and reliable.

Technical reserves for non-life insurance contracts

Technical reserves for non-life insurance contracts include provisions corresponding to the remaining guarantee period (provisions for unearned premiums, provisions for risks in progress and provisions for increasing risks) and provisions for claims incurred but not settled (claims reserves and mathematical reserves for annuities).

Unearned premium reserve

For all current contracts, the purpose of unearned premium reserve is to record the portion of premiums issued and premiums yet to be issued for the period between the inventory date and the next premium due date or the end of the contract.

Unexpired risk reserve

For all current contracts, the purpose of unexpired risk reserve is to cover the claims and contract expenses for the period between the inventory date and the first premium due date that may give rise to the revision of the premium or, failing that, between the inventory date and the end of the contract, for the part of that cost that is not covered by the provision for unearned premiums.

In the IFRS financial statements, these provisions are determined based on a projected estimate of expenses, contrary to the retrospective approach under French GAAP.

Increasing risk reserve

The increasing risk reserve relates to risks of illness and disability. It is created for contracts with constant regular premiums, for which the risk increases with the age of the policyholders. Its amount is equal to the difference between the present values of the commitments taken by the Group and by the policyholder respectively.

Outstanding Claims reserves

Claims reserves are the result of an estimate of the cost of all unpaid claims at the end of the year, whether they are reported or late, i.e. claims not yet reported or claims reported but whose valuation may be subject to subsequent changes. This estimate is either made by file or based on triangulation methods or, if the history of claims is not sufficient, according to fixed-parameter approaches.

Those reserves are increased by a claims management handling reserve that corresponds to the estimate of the operating expenses attached to the claims provisioned.

These provisions are reduced by the amount of the recoveries to be received estimated by reference to the recoveries observed in prior years.

Mathematical reserve for annuities

The mathematical reserve for annuities represents the present value of the company's commitments with respect to annuities and associated costs.

Technical reserves for life insurance and investment contracts with discretionary participation feature

Mathematical reserves

The mathematical reserves for life insurance and investment contracts with discretionary participation feature represent the difference between the present values of the commitments taken by the Group and the commitments taken by the insureds, i.e. the difference between the value of the benefits to be financed by the Group and the premiums yet to be paid by the policyholder on the day of the calculation of the reserves, this calculation taking into account the probability of realisation of those commitments.

The rates used by the Group for the discounting of commitments correspond to the rates authorised by regulation. These rates are broadly representative of rates that are at most equal to the conservatively estimated rate of return on the assets allocated to represent those commitments.

For some collective contracts covering life risks (mainly death) and issued in branches, detailed information for each insured person is not available as required for the calculation of technical reserves. In such cases, the mathematical reserve is approximated using a premium deferral approach applied contract by contract after deduction of acquisition costs.

Management reserve

Future management expenses of the contracts are covered by a management reserve if they are not covered by future resources.

Reserves for unit-linked contracts under IFRS 4

Technical reserves on variable insurance contracts are revalued based on the fair value of the unit-linked contract at the closing date.

The minimum coverage in the event of death is subject to a separate provision calculation.

Outstanding claims reserves

Outstanding claims reserves relate to claims incurred and reported. They are valued by applying the technical bases used for risk pricing and including the estimate of claims settlement costs.

Late reported claims are valued either using a fixed rate where the claims history is not adequate, or using triangulation methods.

Financial assets' insufficient yield reserve

The purpose of a provision for financial assets insufficient yield reserve is to offset a decline in the return on assets compared to guaranteed interest rate commitments on contracts other than unit-linked contracts.

Provisions for financial assets insufficient yield reserve recognised in the parent company financial statements are restated in the consolidated financial statements whenever the mathematical provisions are valued based on conservative discount rates lower than or equal to the conservatively estimated provisional rates of return of the assets allocated to represent them in each entity.

Reserves specific to diversified life contracts and Eurocroissance

For diversified contracts and Eurocroissance, a technical diversification reserve is created to absorb fluctuations in the values of the assets backing the contract, and over which each policyholder holds individual rights in the form of units. This provision is supplemented by all or part of the premiums paid by policyholders and by the share of the contract return that is not allocated as mathematical reserves or the deferred collective diversification reserve. It can also be supplemented by the recovery of the deferred collective diversification reserve. It is reduced by deduction of losses, fees charged, and withdrawals for benefits paid and by conversion of the policyholders' shares in mathematical reserves.

For Eurocroissance contracts, the purpose of the deferred collective diversification reserve is to smooth the value of contract repurchases. It can be supplemented by the part of the contract return that is not allocated in the form of a mathematical reserve or of a technical diversification reserve. This provision is reduced through the technical diversification reserve.

Participation benefit reserve

Due participating benefit reserve

At the closing date of the financial statements, a participation benefit reserve is created when remuneration exceeding the guaranteed minimum due to policyholders or subscribers is not distributed to them during the period.

Deferred participation benefits

Deferred participation benefits are recognised each time a temporary difference occurs between the future obligations towards policyholders as measured for statutory accounts purposes compared to their valuation for consolidated accounts purposes. Deferred participation benefits can be recorded in liabilities or assets.

There are two different types of deferred participation benefits recognised in the Group's financial statements:

- in accordance with the French consolidation procedures (CRC No 2000-05), unconditional policyholders' participation is recognised whenever there is temporary difference between the bases for calculating future policyholder benefits according to the individual financial statements and those resulting from the bases used in the consolidated financial statements;
- on the other hand, contingent policyholders' participation whose due date depends on a management decision or the occurrence of an event is recognised only if the management decision has been taken or if the event is highly probable. In the particular case of a restatement of the capitalisation reserve, only the amount likely to accrue to policyholders in certain extreme scenarios is kept in a deferred participation.

The deferred participation benefits also include the amounts resulting from the application of shadow accounting described in IFRS 4, which makes it possible to offset the effects of the market valuation of financial and real estate assets on the value of insurance liabilities (when the remuneration of contracts includes realised gains and losses), deferred acquisition costs and acquired contract portfolios.

The amount of deferred participation for shadow accounting corresponds to the estimated share of gains and losses on the sale of assets that would accrue to policyholders if these assets were sold. It is determined by application to unrealised gains and losses of an estimated average policyholders' participation rate determined by stochastic calculations that simulate the future allocation to policyholders of gains and losses under regulatory and contractual conditions in the context of studied scenarios.

The change in deferred participation on unrealised gains and losses on financial and real estate assets is recognised symmetrically with the change in the market value of the underlying assets (as the case may be, through profit or loss or in "other comprehensive income").

All deferred participation liabilities are taken into account.

Deferred participation assets are recognised only if their allocation to future, recognised or potential, benefit is highly probable. The recoverability of the policyholders' loss reserve is assessed prospectively, taking into account passive deferred participation benefits recognised elsewhere, capital gains on financial assets not recognized in the accounts due to the options retained for their recognition (held-to-maturity financial assets and real estate investments measured at cost) and the company's ability and intention to hold the assets carrying the unrealised loss. The participation asset is then recognised as an asset for its recoverable amount under « deferred participation benefits assets ".

Technical reserves related to unit-linked contracts

Technical reserves corresponding to commitments in units of account

Technical reserves for unit-linked contracts represent the Group's commitments to policyholders, which are expressed in units of account and valued based on the realisable value at the closing date of the parts of assets that are admissible in representation.

Minimum guaranteed death benefit reserve

If a minimum guaranteed death benefit is included in a unit-linked contract that guarantees to the beneficiary of the contract at least the initial capital invested regardless of changes in the value of the units of account, a minimum guaranteed death benefit reserve is created.

This reserve is determined based on actuarial methods (puts method or deterministic method depending on the entity).

Technical provisions restated in the IFRS financial statements

Equalisation reserve

In accordance with IFRS 4, the equalisation reserves recognised in the individual financial statements are eliminated in the IFRS consolidated financial statements since they do not represent a liability to policyholders.

Capitalisation reserve

A capitalisation reserve is set up in individual statutory financial statements of French life-insurance companies on the sale of amortisable securities in order to defer part of the net realised gain and hence -maintain the yield to maturity on the portfolio of assets.

This reserve is reclassified into a deferred participation benefits liability in the Group's consolidated balance sheet, to the extent that it is highly probable it will be used.

Capital losses on future assets sales reserve

The capital losses on future assets sales reserves recorded in the individual financial statements are eliminated in the IFRS consolidated financial statements.

Liability adequacy test

In accordance with IFRS 4, a liability adequacy test (LAT) is performed at each closing date for each consolidated insurance entity.

This test ensures that the liabilities of insurance contracts and investment contracts with discretionary participation benefits are adequate given current estimates of the future cash flows generated by those contracts.

If the assessment indicates that the carrying amount of the insurance liabilities (net of deferred acquisition costs and related intangible assets) is inadequate with regard to estimated future cash flows, the total deficiency corresponding to potential losses is recognised in the income statement.

Recognition of revenue and expenses of contract in scope of IFRS 4

Earned premiums

Written premiums correspond to premiums for life insurance contracts, investment contracts with discretionary participation benefits, non-life insurance contracts and accepted reinsurance contracts in force during the year.

These include premiums net of cancellation but gross of disposals to reinsurers, corrected for reductions and rebates granted, and changes in premiums not yet issued and premiums to be cancelled.

Written premiums adjusted for changes in provisions for unearned premiums constitute earned premiums.

Technical expenses for contracts

Benefit expenses for life insurance contracts and investment contracts with discretionary participation benefits include:

- all benefits if they have been the subject of a payment to the beneficiary;
- technical interest and policyholders' participation that may be included in those benefits;
- changes in technical reserves;
- all costs incurred in the management and payment of benefits.

Non-life insurance benefits expenses mainly include benefits and expenses paid, as well as the change in outstanding claims reserves.

1.14.3 Recognition of investment contracts under IAS 39

Investment contracts without participation benefits feature fall under IAS 39. Most of these are pure unit-linked insurance contracts, with no guaranteed minimum coverage. They are recognised as deposits.

As a result, the premiums collected for these contracts are recorded directly in the balance sheet as deposits received, without going through the income statement. Similarly, benefits paid and claims settled are recognised on the balance sheet in the form of deposit refunds, without impact on the income statement.

Incidental costs directly related to investment management of these investment contracts are also recognised as assets if they can be separately identified and reliably measured and may be recovered.

They are then amortised over the contract management period symmetrically with the recognition of the corresponding profit.

Charges and operating expenses relating to investment contracts without participation feature are recognised in the income statement. The same applies to earned income, spread over the estimated duration of the contract.

For unit-linked contracts, at the inventory date, the commitments related to those contracts are valued at the realisable value of the underlying reference assets at that date.

1.15 PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions for contingencies and charges are intended to cover clearly identified risks and expenses made probable by events that have occurred or are in progress at the end of the financial year but whose timing and amount are uncertain.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and when a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted to determine the amount of the provision as soon as the impact of discounting is significant.

At the closing date, provisions for contingencies and charges are determined based on the best estimate of the expenditure required to extinguish the obligation existing at that date.

Provisions recorded under liabilities in the Group’s balance sheet, other than those relating to financial instruments, employee benefits and insurance contracts, mainly relate to restructuring, litigation, fines and penalties.

1.16 EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- Short-term benefits, such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- Long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- Termination benefits;
- Post-employment benefits, including retirement bonuses in France and pension plans in other countries, some of which are operated through pension funds.

1.16.1 Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

1.16.2 Long-term benefits

These are benefits, other than short-term benefits, post-employment benefits and termination benefits. This relates, in particular, to compensation deferred for more than 12 months and not linked to the BNP Paribas share price, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that the revaluation items are recognised in the income statement and not in equity.

1.16.3 Termination benefits

Termination benefits are employee benefits payable in exchange for the termination of an employee's contract as a result of either a decision by the Group to terminate a contract of employment before the legal retirement age, or a decision by an employee to accept voluntary redundancy in exchange for compensation.

Termination benefits due more than 12 months after the closing date are discounted.

1.16.4 Post-employment benefits

Defined-contribution plans and defined-benefit plans

In accordance with IFRS, BNP Paribas Group draws a distinction between defined-contribution plans and defined-benefit plans.

Defined-contribution plans do not give rise to an obligation for the Group and do not require a provision. The amount of the employer's contributions payable during the period is recognised as an expense.

Only defined-benefit schemes give rise to an obligation for the Group. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which determines whether the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Valuation and recognition of post-employment benefit obligations under defined-benefit plans

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take demographic and financial assumptions into account.

The net liability recognised with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets.

The present value of the defined-benefit obligation is measured based on the actuarial assumptions applied by the Group, using the projected unit credit method.

This method takes into account various parameters, specific to each country or Group entity, such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. These parameters are specified in the note relating to obligations under defined-benefit plans and other post-employment benefits.

When the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for the Group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The annual expense recognised in the income statement under “Salaries and employee benefits”, with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability (asset), the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

In the case of plans that provide for progressive rights to benefits that will only be paid upon actual retirement, but where the number of years for which the rights can be taken into account is capped, the rights to benefits are recognised on a straight-line basis, taking into account the number of capped years up to the date of retirement.

Remeasurements of the net defined-benefit liability (asset) are recognised in shareholders’ equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any changes in the effect of asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

1.17 SHARE-BASED PAYMENTS

Share-based payment transactions are payments based on shares issued by the Group, whether the transaction is settled in the form of equity or cash of which the amount is based on changes in the share price.

BNP Paribas Group grants employees stock subscription option plans and deferred share-based or share price-linked cash-settled compensation plans, and offers them the possibility to purchase specially issued BNP Paribas shares at a discount, on condition that they retain the shares for a specified period.

Some BNP Paribas Cardif employees have benefited from such plans in the past.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the share-based payment granted to employees.

1.18 CURRENT AND DEFERRED TAXES

1.18.1 Current taxes

The current income tax charge is determined based on the tax laws and tax rates in force in each country in which the Group operates during the period in which the income is generated.

1.18.2 Deferred taxes

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of the Group, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the near future.

Deferred tax assets are recognised for all deductible temporary differences and unused carry forwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Deferred tax assets and liabilities are offset when they arise within the same tax group, they fall under the jurisdiction of a single tax authority, and there is a legal right to offset

1.18.3 Recognition of current taxes and deferred taxes

Current and deferred taxes are recognised as tax income or expenses in the income statement, except for current and deferred taxes relating to a transaction or an event directly recognised in shareholders' equity, which are also charged to shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the income statement under "Corporate income tax".

1.19 LEASES

Group companies may either the lessee or the lessor in an operating lease.

1.19.1 Lessors under operating leases

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The main contracts in which BNP Paribas Cardif acts as lessor are leases on investment properties. Rents for investment properties are presented in "Investment income" and depreciation thereof in "Investment expense".

1.19.2 Lessees under operating leases

Lease contracts concluded by the Group, with the exception of contracts whose term is shorter than or equal to 12 months and low-value contracts, are recognized in the balance-sheet in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right of use asset is amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the lease period. Dismantling costs corresponding to specific and significant fittings and fixtures are included in the initial right-of-use estimation, by offsetting the provisions for liabilities.

1.20 INCOME FROM REGULAR ACTIVITIES IN CONTRACTS WITH CUSTOMERS

Income from services enters into the scope of application of IFRS 15 “Revenue from Contracts with Customers”. The Group records the revenue in profit or loss as the service is rendered, i.e. in proportion to the costs incurred (or the statistical estimate of these costs) for car maintenance contracts.

1.21 ANALYSIS OF EXPENSES BY DESTINATION

Overheads for entities in the "Other activities" segment are recognised by type, whilst those for insurance companies are recognised by destination (intended use).

Recognition of expenses by their intended use is carried out individually for expenses that can be directly allocated to one category. An expense item with more than one destination or that cannot be directly allocated is split between categories using an allocation key. The allocation of expenses to their intended use is performed using what is known as the cash generating units method, which consists of analysing each consolidated company by cost centres that are allocated to the various classifications.

Expenses related to insurance activity are broken down in the IFRS financial statements as follows:

- claims settlement costs are presented in "Technical charges related to contracts";
- contracts acquisition costs are presented separately;
- administration costs are presented separately;
- investment management fees are presented in "Investment expense";
- other technical expenses and expenses incurred for activities outside the scope of insurance activities are included in "Other current operating income and expenses";
- transactions that by their nature are non-recurring and non-operating are included in “Other non-current operating income and expenses”.

Overheads of “Other businesses” are presented separately.

As provided under IAS 1, a comparison is shown in the notes with expenses by type according to the following breakdown:

- Commissions;
- Staff costs;
- Taxes;
- Other current operating expenses;
- Depreciation, amortisation and provisions.

1.22 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately in the balance sheet, on the line “Non-current assets held for sale”. Any liabilities associated with these assets are also shown separately in the balance sheet, under “Liabilities associated with non-current assets held for sale”.

Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are no longer amortised. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the income statement. Impairment losses may be reversed.

In addition, w here a group of assets and liabilities held for sale represents a cash-generating unit, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resell.

All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from revaluation at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

1.23 USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires that the managers rely on their judgement and use information available at the date of the preparation of the financial statements when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates, mainly according to market conditions. This may have a material impact on the financial statements.

The following examples are among the exogenous factors that may influence future results:

- national and international financial market activities;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- changes in laws or regulations;
- behaviour of policyholders;
- demographic changes.
-

The main balance sheet items requiring the exercise of judgement and the formulation of assumptions for their valuation include, but are not limited to:

- goodwill and securities in acquired portfolios at first recognition and for subsequent valuations;
- mark-to-market financial instruments based on models, including non-consolidated investments;
- insurance and financial contracts liabilities;
- pension plans and other post-employment benefits;
- long-term impairments of available-for-sale securities and held-to-maturity financial assets;
- provisions for contingencies and charges;
- deferred tax assets;
- deferred participation benefits.

1.24 CASH FLOW STATEMENT

The Cash Flow statement is prepared using the indirect method in accordance with ANC Recommendation No. 2013-05. The indirect method is the method generally used by insurance groups.

1.24.1 Classification of cash flows related to investing activities

Pursuant to ANC Recommendation No 2013-05, all investment-related flows, including flows of securities classified as available-for-sale securities, are presented as investment transactions in the cash flow statement.

This classification differs from the one adopted for the income statement, in which, in accordance with the approach commonly used by insurance groups, income from financial investments is presented in operating income. This presentation, which is consistent with the one adopted by banking sector groups pursuant to ANC Recommendation No. 2013-04 relating to the format of consolidated financial statements of banking sector institutions, allows for more consistent cash flow statement presentation for bancassurance groups.

1.24.2 Classification of dividends and interest received

In accordance with the provisions of IAS 7 "Statement of Cash Flows" for financial institutions, dividends and interest received are presented as operating cash flows.

1.24.3 Presentation of investment activities

In addition to the flows related to investments broken down into acquisitions and disposals, this heading includes:

- acquisitions and disposals of intangible assets and tangible assets (excluding investment properties), including revenues (net of expenses) for those investments;
- changes in the scope of consolidation.

1.24.4 Presentation of financing activities

This section includes only financing transactions, excluding investment-related transactions.

NOTE 2 SCOPE OF CONSOLIDATION

2.1 SCOPE OF CONSOLIDATION

Name	Country	31 December 2022				31 December 2021			
		Consolidation method	Control (%)	Interest (%)	Ref.	Consolidation method	Control (%)	Interest (%)	Ref.
HOLDINGS									
BNP Paribas Cardif	France	Consolidating company	100.0	100.0		Consolidating company	100.0	100.0	
Cardif Nordic AB	Sweden	Full	100.0	100.0		Full	100.0	100.0	
Cardif Pinnacle Insurance Holdings PLC	UK	Full	100.0	100.0		Full	100.0	100.0	
Icare Holding SA	France	Full	100.0	100.0		Full	100.0	100.0	
NCVP Participacoes Societarias SA	Brazil	Full	100.0	100.0		Full	100.0	100.0	
Pinnacle Pet Holdings Ltd	UK	EM	30.0	30.0	(E)				
INSURANCE									
BNP Paribas Cardif Emeklilik AS	Turkey	Full	100.0	100.0		Full	100.0	100.0	
BNP Paribas Cardif General Insurance Co Ltd	Korea	NI	-	-	(S)	EM *	94.5	94.5	(V)
BNP Paribas Cardif Compania de Seguros y Reaseguros SA	Peru	EM *	100.0	100.0		EM *	100.0	100.0	
BNP Paribas Cardif Life Insurance Co Ltd	Korea	Full	85.0	85.0		Full	85.0	85.0	
BNP Paribas Cardif Pojistovna AS	Czech Republic	Full	100.0	100.0		Full	100.0	100.0	
BNP Paribas Cardif Seguros de Vida SA	Chile	Full	100.0	100.0		Full	100.0	100.0	
BNP Paribas Cardif Seguros Generales SA	Chile	Full	100.0	100.0		Full	100.0	100.0	
BNP Paribas Cardif Sigorta Anonim Sirketi	Turkey	EM *	100.0	100.0		EM *	100.0	100.0	
BNP Paribas Cardif TCB Life Insurance Company Ltd	Taiwan	EM	49.0	49.0		EM	49.0	49.0	
BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazioni SPA	Italy	Full	100.0	100.0		Full	100.0	100.0	
BOB Cardif Life Insurance Co Ltd	China	EM	50.0	50.0		EM	50.0	50.0	
Cardif Assurances Risques Divers (succ. Allemagne)	Germany	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Autriche)	Austria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Belgique)	Belgium	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Bulgarie)	Bulgaria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Espagne)	Spain	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Italie)	Italy	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Pay-Bas)	Netherlands	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Pologne)	Poland	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Portugal)	Portugal	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Roumanie)	Romania	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Suisse)	Switzerland	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Taiwan)	Taiwan	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Allemagne)	Germany	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Autriche)	Austria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Belgique)	Belgium	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Bulgarie)	Bulgaria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Espagne)	Spain	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Italie)	Italy	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Pays-Bas)	Netherlands	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Portugal)	Portugal	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Roumanie)	Romania	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Suisse)	Switzerland	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Taiwan)	Taiwan	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif Biztosito Magyarorszag Zartkoruen	Hungary	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Colombia Seguros Generales SA	Colombia	Full	100.0	100.0		Full	100.0	100.0	
Cardif do Brasil Seguros e Garantias SA	Brazil	Full	100.0	100.0		Full	100.0	100.0	
Cardif Do Brasil Vida e Previdencia SA	Brazil	Full	100.0	100.0		Full	100.0	100.0	
Cardif El Djazair	Algeria	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Forsakring AB	Sweden	Full	100.0	100.0		Full	100.0	100.0	(V)
Cardif Forsakring AB (succ. Danemark)	Denmark	Full	100.0	100.0		Full	100.0	100.0	(V)
Cardif Forsakring AB (succ. Norvège)	Norway	Full	100.0	100.0		Full	100.0	100.0	(V)
BNP Paribas Cardif Hayat Sigorta Anonim Sirketi Vie	Turkey	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif IARD	France	Full	66.0	66.0		Full	66.0	66.0	
Cardif Insurance Co LLC	Russia	Full	100.0	100.0		Full	100.0	100.0	
Cardif Life Insurance Japan	Japan	Full	75.0	75.0		Full	75.0	75.0	
Cardif Livforsakring AB	Sweden	Full	100.0	100.0		Full	100.0	100.0	(V)
Cardif Livforsakring AB (succ. Danemark)	Denmark	Full	100.0	100.0		Full	100.0	100.0	(V)
Cardif Livforsakring AB (succ. Norvège)	Norway	Full	100.0	100.0		Full	100.0	100.0	(V)
Cardif Lux Vie	Luxembourg	Full	66.7	66.7		Full	66.7	66.7	
Cardif Mexico Seguros de Vida SA de CV	Mexico	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Mexico Seguros Generales SA de CV	Mexico	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Non Life Insurance Japan	Japan	Full	100.0	75.0		Full	100.0	75.0	
Cardif Polska Towarzystwo Ubezpieczen Na Zycie SA	Poland	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Retraite	France	Full	100.0	100.0	(E)				
Cardif Seguros SA	Argentina	EM *	100.0	100.0		EM *	100.0	100.0	(V)
Icare Assurance	France	Full	100.0	100.0		Full	100.0	100.0	
Luizaseg	Brazil	EM	50.0	50.0		EM	50.0	50.0	
Natio Assurance	France	Full	100.0	100.0		Full	100.0	100.0	
Pinnacle Insurance PLC	UK	NI	-	-	(S)	Full	100.0	100.0	
Poistovna Cardif Slovakia AS	Slovakia	EM *	100.0	100.0		EM *	100.0	100.0	

Name	Country	31 December 2022				31 December 2021			
		Consolidation method	Control (%)	Interest (%)	Ref.	Consolidation method	Control (%)	Interest (%)	Ref.
OTHER ACTIVITIES									
BNP Paribas Cardif BV	Netherlands	Full	100.0	100.0		Full	100.0	100.0	
BNP Paribas Cardif Services SRO	Czech Republic	EM *	100.0	100.0		EM *	100.0	100.0	
BNP Paribas Cardif Servicios y Asistencia Ltda	Chili	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Ltda	Brazil	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Pinnacle Insurance Management Services PLC	UK	NI	-	-	(S)	Full	100.0	100.0	
Cardif Service AEIE	Portugal	Full	100.0	100.0		Full	100.0	100.0	
Cardif Servicios SAC	Peru	EM *	100.0	100.0		EM *	100.0	100.0	
GIE BNP Paribas Cardif	France	Full	99.4	99.4		Full	99.4	99.4	(V)
Paris Management Consultant Co Ltd	Taiwan	EM *	100.0	100.0		EM *	100.0	100.0	
Karapass Courtage	France	EM *	100.0	100.0		EM *	100.0	100.0	
INSURANCE INVESTMENTS									
AEW Immocommercial	France	MV	20.5	20.5		MV	20.5	20.5	
Agathe Retail France	France	MV	33.3	33.3		MV	33.3	33.3	
Assu-vie (Société Francaise d'Assurances sur la Vie)	France	EM	50.0	50.0		EM	50.0	50.0	
Batipart Participations SAS	Luxembourg	MV	29.7	29.7		MV	29.7	29.7	
Cardimmo	France	Full	100.0	100.0		Full	100.0	100.0	
Carma Grand Horizon SARL	France	Full	100.0	100.0		Full	100.0	100.0	
Centre Commercial Francilia	France	MV	21.7	21.7	(E)				
CFH Capital France Hôtel	France	Full	98.5	98.5		Full	98.5	98.5	(V)
CFH Algonquin Management Partners France	Italy	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Bercy	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Bercy Hotel	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Bercy Intermédiaire	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Berlin HoldCo SARL	Luxembourg	Full	100.0	98.5		Full	100.0	98.5	(E) (V)
CFH Boulogne	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Cap d'Ail	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Hibernia	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH HVP SAS	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Milan Holdco SRL	Italy	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Montmartre	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Montparnasse	France	Full	100.0	98.5		Full	100.0	98.5	(V)
CFH Astridplaza	Belgium	Full	100.0	98.5		Full	100.0	98.5	(V)
C-Santé OPPCI	France	Full	100.0	100.0		Full	100.0	100.0	
EP L SAS	France	MV	34.3	34.3		MV	34.3	34.3	
FDI Poncelet SAS	France	Full	100.0	100.0		Full	100.0	100.0	
Fleur SAS	France	MV	33.3	33.3		MV	33.3	33.3	
Foncière partenaires	France	MV	20.0	20.0		MV	20.0	20.0	
Fonds Investissements Immobiliers pour le commerce et la distribution FONDIS	France	MV	25.0	25.0		MV	25.0	25.0	
Fundamenta	Italy	Full	100.0	100.0		Full	100.0	100.0	
Harewood Helena 2 Ltd	UK	Full	100.0	100.0		Full	100.0	100.0	
Horizon GmbH	Germany	MV	33.3	33.3		MV	33.3	33.3	
ID Cologne A1 GmbH	Germany	MV	34.6	34.6		MV	34.6	34.6	(E)
ID Cologne A2 GmbH	Germany	MV	34.6	34.6		MV	34.6	34.6	(E)
Korian et Partenaires Immobilier 1 SCI	France	MV	24.5	24.5		MV	24.5	24.5	
Korian et Partenaires Immobilier 2 SAS	France	MV	24.5	24.5		MV	24.5	24.5	
OC Health Real Estate GmbH	Germany	MV	35.0	23.3		MV	35.0	23.3	(E)
Opéra Rendement SCPI	France	Full	99.8	99.8		Full	99.8	99.8	
Powerhouse OPPCI	France	MV	47.5	47.5		MV	47.5	47.5	
Rubin SARL	Luxembourg	MV	50.0	50.0		MV	50.0	50.0	
SAS Defense CB3	France	MV	25.0	25.0		MV	25.0	25.0	
SAS EP1 Grands Moulins	France	MV	34.3	34.3		MV	34.3	34.3	
SAS Preim Healthcare	France	MV	24.4	24.4		MV	24.4	24.4	

Name	Country	31 December 2022				31 December 2021			
		Consolidation method	Control (%)	Interest (%)	Ref.	Consolidation method	Control (%)	Interest (%)	Ref.
INSURANCE INVESTMENTS									
SAS Velizy	France	MV	33.3	33.3		MV	33.3	33.3	
Schroder European Operating Hotels Fund 1	Luxembourg	MV	18.2	17.7		MV	18.2	17.7	(E)
SCI 68/70 rue de Lagny-Montreuil	France	Full	100.0	99.9		Full	100.0	100.0	
SCI Alpha Park	France	MV	50.0	50.0		MV	50.0	50.0	
SCI Batipart Chadesrent	France	MV	20.0	20.0		MV	20.0	20.0	(E) (V)
SCI BIV Malakoff	France	MV	23.3	23.3		MV	23.3	23.3	(E)
SCI BNP Paribas Pierre I	France	Full	100.0	100.0		Full	100.0	100.0	
SCI BNP Paribas Pierre II	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Bobigny Jean Rostand	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Bouleragny	France	MV	50.0	50.0		MV	50.0	50.0	
SCI Cardif Logement	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Citylight Boulogne	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Clichy Nuovo	France	MV	50.0	50.0		MV	50.0	50.0	
SCI Corosa	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Défense Etoile	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Défense Vendôme	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Etoile du Nord	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Fontenay Plaisance	France	Full	100.0	100.0		Full	100.0	100.0	
SCI GPInvest 10	France	MV	50.0	50.0		MV	50.0	50.0	(E)
SCI Hémisphère	France	MV	20.0	20.0		MV	20.0	20.0	
SCI Imefa Vélizy	France	MV	21.8	21.8		MV	21.8	21.8	
SCI Le Mans Gare	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Pantin Les Moulins	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Nanterre Guilleraies	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Nantes Carnot	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Odyssée	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Paris Batignolles	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Paris Cours de Vincennes	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Paris Grande Armée	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Paris Turenne	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Portes de Claye	France	EM	45.0	45.0		EM	45.0	45.0	
SCI Reumal Investissements	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Rue Moussorgski	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Rueil Ariane	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Rueil Caudron	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Saint-Denis Jade (Ex- SCI Porte d'Asnières)	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Saint Denis Landy	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Saint Denis Mitterrand	France	Full	100.0	100.0		Full	100.0	100.0	
SCI SCOO (Société des Centres d'Oc et d'Oil)	France	EM	46.4	46.4		EM	46.4	46.4	
SCI Valeur Pierre Epargne	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Vendôme Athènes	France	MV	50.0	50.0		MV	50.0	50.0	
SCI Villeurbanne Stalingrad	France	Full	100.0	100.0		Full	100.0	100.0	
SECAR (Centre d'Affaires Régional de Rungis)	France	MV	55.1	55.1		MV	55.1	55.1	
Seniorenzentren Deutschland Holding SARL	Luxembourg	MV	20.0	13.3		MV	20.0	13.3	
Seniorenzentren Reinbek-Oberursel-München Objekt GmbH	Germany	MV	35.0	23.3		MV	35.0	23.3	
Seniorenzentrum Butzbach Objekt GmbH	Germany	MV	35.0	23.3		MV	35.0	23.3	
Seniorenzentrum Heilbronn Objekt GmbH	Germany	MV	35.0	23.3		MV	35.0	23.3	
Seniorenzentrum Kassel Objekt GmbH	Germany	MV	35.0	23.3		MV	35.0	23.3	
Seniorenzentrum Wolfratshausen Objekt GmbH	Germany	MV	35.0	23.3		MV	35.0	23.3	
SNC Batipart Poncelet	France	MV	25.0	25.0		MV	25.0	25.0	(V)
SNC Batipart Mermoz	France	MV	25.0	25.0		MV	25.0	25.0	(E)
Société Immobilière du Royal Building SA	Luxembourg	Full	100.0	66.7		Full	100.0	66.7	

Name	Country	31 December 2022			31 December 2021		
		method	method	Ref.	method	method	Ref.
Structured entities							
Becquerel	France	Full	Full Consolidation		Full	Full Consolidation	(E)
BNPP Diversiflex	France	Full	Full Consolidation	(E)			
BNPP CP Cardif Alternative	France	NI	Non Integrated	(S)	Full	Full Consolidation	
BNPP CP Cardif Private Debt	France	Full	Full Consolidation		Full	Full Consolidation	
BNPP France Crédit	France	Full	Full Consolidation		Full	Full Consolidation	
BNPP Moderate Focus Italia	France	Full	Full Consolidation		Full	Full Consolidation	
BNPP Monétaire Assurance	France	Full	Full Consolidation		Full	Full Consolidation	(S) (E)
Camgestion Obliflexible	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif Alternatives Part I	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif BNPP AM Emerging Bond	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif BNPP IP Convertibles World	France	NI	Non Integrated	(S)	Full	Full Consolidation	
Cardif BNPP IP Global Senior Corporate Loans	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif BNPP IP Signatures	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif BNPP IP Smid Cap Euro	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif BNPP IP Smid Cap Europe	France	NI	Non Integrated	(S)	Full	Full Consolidation	(E)
Cardif CPR Global Return (Ex- Cardif CPR Base Credit)	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif Edrim Signatures	France	Full	Full Consolidation		Full	Full Consolidation	
Cardif Vita Convex Fund Eur	France	Full	Full Consolidation		Full	Full Consolidation	
Eclair	France	Full	Full Consolidation		Full	Full Consolidation	(E)
FP Cardif Convex Fund USD	France	Full	Full Consolidation		Full	Full Consolidation	
G C Thematic Opportunities II	France	Full	Full Consolidation		Full	Full Consolidation	
Natio Fonds Athènes Investissement 5	France	Full	Full Consolidation	(V)	Full	Full Consolidation	
Natio Fonds Colline International	France	Full	Full Consolidation		Full	Full Consolidation	
Natio Fonds Collines Investissement 1	France	Full	Full Consolidation		Full	Full Consolidation	
Natio Fonds Collines Investissement 3	France	Full	Full Consolidation		Full	Full Consolidation	
Natio-Fonds Ampère 1	France	Full	Full Consolidation		Full	Full Consolidation	
New Alpha Cardif Incubator Fund	France	Full	Full Consolidation		Full	Full Consolidation	
Permal Cardif Co Investment Fund	France	Full	Full Consolidation		Full	Full Consolidation	
Sanso Carbon Initiative Trends	France	Full	Full Consolidation		Full	Full Consolidation	
Tikehau Cardif Loan Europe	France	Full	Full Consolidation		Full	Full Consolidation	
Valtitres FCP	France	Full	Full Consolidation		Full	Full Consolidation	

The percentage of interest reflects the direct and indirect participation of the Group in the company concerned, in accordance with the presentation of our parent company BNP Paribas. The holding rate of structured entities is not indicated.

(E) Entry from perimeter
*(EM *) Controlled entities subject to simplified consolidation using the equity method due to their insignificant nature*
(NI) No intégrated entities
(S) Exit from perimeter
(V) Variation of rates or consolidatin method
(VM) Participation in an entity under significant influence or joint control valued at market value through profit or loss

The consolidation of Cardif Retraite is linked to its demerger from Cardif Assurance Vie after the official creation of an FRPS in the fourth quarter of 2022.

2.2 SIGNIFICANT RESTRICTIONS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

2.2.1 Significant restrictions related to the ability of entities to transfer cash to BNP Paribas Cardif Group

The ability of entities to pay dividends or to repay loans and advances depends, *inter alia*, on local regulatory requirements for capitalisation and legal reserves, and their financial and operating performance.

During 2022 and 2021, no BNP Paribas Cardif Group entity was subject to significant restrictions other than those related to regulatory requirements.

2.2.2 Significant restrictions related to BNP Paribas Cardif Group's ability to use assets pledged as collateral or under repurchase agreements

The financial instruments pledged by BNP Paribas Cardif Group as collateral or under repurchase agreements are presented in the notes "Transfers of financial assets" (note 4.14) and "Financing and guarantee commitments" (note 4.29).

2.3 MAIN MINORITY INTERESTS

The assessment of the materiality of minority interests is based on the contribution of the relevant subsidiaries to the Group balance sheet and BNP Paribas Cardif Group income statement.

In connection with the acquisition of certain entities, BNP Paribas Cardif Group granted minority shareholders put options on their holdings.

					31 December 2022
In millions of euros	Percentage of equity securities owned by minority shareholders	Percentage of voting rights held by minority shareholders	Total Balance Sheet (1)	Net income attributed to minority interests of the subsidiary	Dividends paid to minority shareholders
Cardif Lux Vie and subsidiaries	33.3%	33.3%	31,507	10	(11)
Cardif Insurance Japan (companies Life and No Life)	25.0%	25.0%	855	11	(6)
Cardif IARD	34.0%	34.0%	520	(7)	-
Other minority interests	-	-	559	1	-

(1) Amounts before elimination of intercompany

					31 December 2021
In millions of euros	Percentage of equity securities owned by minority shareholders	Percentage of voting rights held by minority shareholders	Total Balance Sheet (1)	Net income attributed to minority interests of the subsidiary	Dividends paid to minority shareholders
Cardif Lux Vie and subsidiaries	33.3%	33.3%	34,105	14	(29)
Cardif Insurance Japan (companies Life and No Life)	25.0%	25.0%	495	12	(5)
Cardif IARD	34.0%	34.0%	679	(9)	-
Other minority interests	-	-	647	2	-

(1) Amounts before elimination of intercompany

NOTE 3 BUSINESS COMBINATIONS

Transactions completed in 2022

Pinnacle Pet Holdings Ltd

Following approval from the UK regulator on 17 June 2022, a partnership between JAB group and BNP Paribas Cardif was agreed on 30 June 2022. A new company, Pinnacle Pet Holdings Ltd was created at the same time as the disposal by BNPP Cardif to JAB of Pinnacle Insurance Plc, Cardif Pinnacle Insurance Management Service Plc and Everypaw Ltd.

This company is owned 70% by JAB and 30% by BNP Paribas Cardif through Cardif Pinnacle Holding, with the objective of developing the fast growing Pan-European pet insurance market ("Pet").

As a result of this transaction, provisional goodwill was recognised, which may be revised within the next 12 months.

BNP Paribas Cardif General Insurance Co Ltd

On 30 June 2022, BNPP Cardif General Insurance Co.Ltd was sold to Shinhan Financial Group Co.Ltd, one month after receiving authorisation for the disposal from the Korean local authorities. This transaction generated a loss on disposal of EUR 18 million.

Transactions completed in 2021

Cargeas Assicurazioni SPA

On 21 February 2021, BNP Paribas Cardif signed a memorandum of understanding with Intesa San Paolo with the prospect of a sale in the first half of 2021 of 100% of the shares in the subsidiary Cargeas Assicurazioni SPA, a non-life bancassurance player, operating in the Italian market. The sale took place on 27 May 2021, following the authorisation granted by the local regulator. This transaction generated a gain on disposal of 86 million euros.

CFH Berlin HoldCo

On 30 June 2021, Cardif Assurance Vie, through its investment subsidiary Capital France Hotel ("CFH"), created a new entity CFH Berlin HoldCo under Luxembourg law, in order to acquire 94.9% of the shares of three real estate companies that own and operate hotels located in Berlin (Germany).

NOTE 4 NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1 GOODWILL

In millions of euros	31 December 2022	31 December 2021
CARRYING AMOUNT AT START OF PERIOD	141	165
Disposals	(15)	(25)
Effect of movements in exchange rates	-	1
CARRYING AMOUNT AT END OF PERIOD	126	141
Gross carrying amount	177	192
Accumulated impairment recognised at the end of period	(51)	(51)

Goodwill split by cash-generating unit is as follows:

	Carrying amount		Impairment recognised during the period		Acquisitions during the period	
In millions of euros	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
France	37	37	-	-	-	-
Italy	88	88	-	-	-	-
Rest of Europe	-	15	-	-	-	-
Asia	1	1	-	-	-	-
TOTAL GOODWILL	126	141	-	-	-	-

Goodwill valuation tests can be based on three distinct valuation methods, one based on the observation of transactions carried out on entities with comparable activities, the second consisting in researching the market parameters derived from the quotations of entities with comparable activities, finally the third resulting from expected future profitability ("discounted cash flow method" or DCF).

If one of the two methods based on comparable- activities indicates the need for impairment, or in the absence of available market parameters, the DCF method is used.

The DCF method is based on a few assumptions about projected revenues, expenses and capital requirements based on medium-term plans.

Cash flows are projected from 5 to 15 years and beyond, on the basis of a perpetual growth rate.

The discount rate is determined on the basis of a risk-free rate and a risk-weighted market risk premium specific to each country. The values of these parameters are obtained from internal and external information sources.

The growth rate to perpetuity used is 2% for homogeneous group of entities.

The level of capital is determined, for each homogeneous group, according to the required solvency levels as defined by the insurance regulation, in line with the capital management policies of the legal entities that constitute the cash-generating unit.

4.2 VALUE OF PORTFOLIOS OF ACQUIRED INSURANCE CONTRACTS

In accordance with the IFRS 4 option, the value of the acquired insurance contract portfolios recorded as intangible assets in balance sheet assets represents the difference between the fair value of the contractual insurance rights acquired and the insurance obligations assumed and the liability measured according to BNP Paribas Cardif Group accounting methods.

Consequently, BNP Paribas Cardif Group presents the amortisation expense for the portfolio securities acquired on a separate line of the income statement (“Amortisation of acquired portfolios”).

In millions of euros	31 December 2022	31 December 2021
Value of portfolios of acquired insurance contracts - gross	239	238
Value of portfolios of acquired insurance contracts - amortisation	(103)	(83)
TOTAL VALUE OF PORTFOLIOS OF ACQUIRED INSURANCE CONTRACTS	136	155

4.3 OTHER INTANGIBLE ASSETS

The table below presents the intangible assets other than goodwill and the value of insurance company portfolios acquired.

	31 December 2022			31 December 2021		
in Euro million	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
Purchased software	176	(147)	30	174	(139)	35
Internally-developed software	525	(367)	158	510	(351)	159
Other intangible assets	163	(41)	123	102	(38)	64
OTHER INTANGIBLE ASSETS	865	(554)	310	785	(528)	257

Other intangible assets include leasehold rights, concessions, rights and patents, intangible business assets and intangible assets in progress acquired by BNP Paribas Cardif Group.

The amount of depreciation and amortisation net of reversals recorded in the 2022 financial year is EUR 56 million, compared with a net expense of EUR 3 million in the 2021 financial year. This change is mainly due to the disposal of the Pinnacle Group entities this year, which results in the reversal of a stock of depreciation and amortisation of EUR 22 million.

The amount of net reversals of impairment losses on intangible assets taken into profit or loss is EUR 2 million for the year 2022, compared to net impairment of EUR 4 million for the year 2021. This change is related to the disposal of the Pinnacle Group entities this year, which resulted in a reversal of provision of EUR 1 million.

4.4 REAL ESTATE INVESTMENT

The “Real Estate Investment” item corresponds to land, buildings and intangible business assets acquired with the properties and which are not allocated to unit-linked contracts presented under

“Investments in Unit-linked Contracts”. This item is representative of assets invested in the life insurance business.
The amortisation expense net of reversal for 2022 is EUR 43 million, compared to a net expense of 50 EUR million in 2021. Provisions for impairment for the 2022 financial year amounted to EUR 5 million compared to EUR 3 million for the 2021 financial year.

	31 December 2022				31 December 2021			
In millions of euros	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Market value	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Market value
TOTAL REAL ESTATE INVESTMENT	3,666	(722)	2,944	4,565	3,639	(674)	2,965	4,741
of which insurance companies investments	*3,666*	*(722)*	*2,944*	*4,565*	*3,639*	*(674)*	*2,965*	*4,741*

4.5 HELD-TO-MATURITY FINANCIAL ASSETS

	31 December 2022		31 December 2021	
In millions of euros	Carrying amount	of which impairment	Carrying amount	of which impairment
Listed government bonds	967	-	978	-
Other listed bonds	-	-	-	-
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	967	-	978	-
of which insurance companies investments	*967*		*978*	

4.6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2022			31 December 2021		
In millions of euros	Carrying amount	of which impairment	of which changes in value taken directly to equity	Carrying amount	of which impairment	of which changes in value taken directly to equity
Equities and other variable-income securities	9,311	(698)	2,048	11,219	(664)	3,252
Bonds and other fixed-income securities	96,118	-	(11,784)	116,547	-	9,314
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	105,429	(698)	(9,736)	127,766	(664)	12,566
of which insurance companies investments	*105,338*			*127,680*		
of which investments from other activities	*91*			*86*		

At 31 December, 2022, EUR 887 million of assets available for sale are reclassified on the balance sheet under Assets held for sale, compared to EUR 1,320 million at 31 December 2021.

Changes in value of assets taken directly to equity are detailed as follows:

In millions of euros	31 December 2022			31 December 2021		
	Fixed-income securities	Equities and other variable-income securities	Total	Fixed-income securities	Equities and other variable-income securities	Total
Non-hedged changes in value of securities, recognised in "Available-for-sale financial assets"	(11,784)	2,048	(9,736)	9,314	3,252	12,566
Deferred tax linked to these changes in value	3,130	(540)	2,591	(2,494)	(846)	(3,340)
Insurance policyholders' surplus profit from insurance entities, after deferred tax	7,651	(1,439)	6,212	(6,184)	(2,170)	(8,354)
Group share of changes in value of available-for-sale securities owned by entities consolidated under the equity method, after deferred tax and deferred profit-sharing	6	(29)	(24)	19	73	92
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	-	-	-	-	-	-
TOTAL [(1)]	(997)	40	(956)	655	309	964

[(1)] *This total is included in the category "Total changes recognised directly in equity" of the summary table 5 Statement of changes in shareholders' equity*

4.7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item includes financial assets valued at fair value through profit or loss.

In millions of euros	31 December 2022	31 December 2021
Equities and variable income securities	32,556	36,874
Bonds and other fixed-income securities	6,631	7,770
TOTAL FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	39,188	44,644
of which insurance companies investments	*38,936*	*44,503*
of which investments from other activities	*252*	*141*

4.8 LOANS AND RECEIVABLES

In millions of euros	31 December 2022		31 December 2021	
	Carrying amount	of which impairment	Carrying amount	of which impairment
LOANS AND RECEIVABLES	1,750	(1)	1,815	-
of which insurance companies investments	*1,710*	-	*1,789*	-
of which investments from other activities	*40*	-	*26*	-

4.9 DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES

The positive or negative fair value of derivative financial instruments classified in the trading portfolio represents the replacement value of those instruments.

4.9.1 Fair value by derivative financial instrument

The fair value of derivative instruments on the assets and liabilities sides of the balance sheet breaks down as follows:

In millions of euros	31 December 2022		31 December 2021	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate derivatives	1,557	299	790	459
Foreign exchange derivatives	423	1,217	309	141
Equity derivatives	149	455	153	560
DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES	2,130	1,972	1,251	1,160
of which insurance companies investments	*2,082*	*1,972*	*1,201*	*1,160*
of which investments from other activities	*47*	*-*	*50*	*-*

These amounts correspond to the fair values of the derivative financial instruments used for hedging foreign exchange, as detailed in the table below:

In millions of euros	31 December 2022		31 December 2021	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Cash flow hedges	0	348	53	56
Net foreign investment hedges	62	59	49	2
DERIVATIVES USED FOR HEDGING PURPOSES	62	407	102	59

4.9.2 Notional amounts of derivative financial instruments

The notional amounts of derivative financial instruments are merely an indication of the volume of BNP Paribas Cardif Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

The table below presents the notional amounts of derivative financial instruments.

In millions of euros	31 December 2022			31 December 2021		
	Exchanges	Over the counter	Total	Exchanges	Over the counter	Total
Interest rate derivatives	4,119	20,251	24,370	7,253	17,150	24,403
Foreign exchange derivatives	-	15,396	15,396	-	18,960	18,960
Equity derivatives	-	8,652	8,652	-	9,534	9,534
DERIVATIVES (NOTIONAL AMOUNTS)	4,119	44,299	48,418	7,253	45,644	52,897

The total notional amount of derivatives used for hedging purposes stood at EUR 9,068 million at 31 December 2022, compared with EUR 9,912 million at 31 December 2021.

4.10 UNIT-LINKED INVESTMENTS

Assets representing unit-linked contracts are valued at their fair value on the closing date. They are broken down as follows:

In millions of euros	31 December 2022	31 December 2021
Equities and variable income securities	31,283	34,259
Share of real estate companies	3,731	3,479
Treasury bills	1,218	983
Government Bonds	23	26
Other bonds	1,907	1,262
UCIT bonds and shares	43,728	49,229
Financial instruments	**81,891**	**89,238**
Real estate investments in unit-linked contracts	**1,695**	**1,835**
TOTAL UNIT-LINKED INVESTMENTS	83,586	91,073

At 31 December 2022, EUR 839 million of unit-linked investments are reclassified on the balance sheet under "Assets held for sale", compared to EUR 943 million at 31 December 2021.

4.11 DETERMINATION OF MARKET VALUE OF FINANCIAL INSTRUMENTS

The principle of BNP Paribas Cardif Group is to have a single and integrated process for producing and monitoring the valuation of financial instruments. This process is used for day to day risk management and financial reporting purposes. All these processes are based on a common economic valuation which is a core component of BNP Paribas Cardif business decisions and risk management strategies.

In its regular assessment of asset valuation, BNP Paribas Cardif Group has defined a "Level Policy" for allocating levels, a reference document containing the criteria to be taken into account for the positioning of financial instrument levels.

4.11.1 Description of main instruments in each level

As detailed in the note "Accounting principles and methods", financial instruments at market value are divided into three levels. This hierarchy is also applied to financial instruments, both assets and liabilities, which are recognised at amortised cost.

	31 December 2022				31 December 2021			
In millions of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial instruments at market value								
Available-for-sale financial assets	94,908	9,988	533	105,430	114,424	12,889	454	127,766
Financial instruments at fair value through profit or loss (1)	68,137	40,443	12,499	121,079	83,982	41,815	8,085	133,881
Derivatives and separate embedded derivatives	5	2,125	-	2,130	1	1,251	-	1,252
Fair value of financial instruments at amortised cost								
Loans and receivables	-	1,753	-	1,753	-	1,826	-	1,826
Held-to-maturity financial assets	1,014	-	-	1,014	1,147	-	-	1,147
FINANCIAL ASSETS	164,064	54,309	13,032	231,406	199,554	57,780	8,539	265,872
Financial instruments at market value								
Derivative liability instruments	1	1,971	-	1,972	-	1,160	-	1,160
Fair value of financial instruments at amortised cost								
Subordinated debt	1,674	3,211	-	4,885	1,886	3,412	-	5,298
Repurchase agreements granted	-	8,154	-	8,154	-	9,202	-	9,202
Loans from credit institutions	-	5,030	-	5,030	-	5,370	-	5,370
FINANCIAL LIABILITIES	1,675	18,366	-	20,041	1,886	19,144	-	21,030

(1) *including investments in unit-linked contracts*

Market value of financial instruments recognised at fair value

The following section provides a description of the criteria used to allocate the instruments in each level in the hierarchy.

- Level 1: this level includes all securities and derivatives that are listed on stock exchanges or quoted continuously in other active markets.

  This category notably includes liquid shares and bonds. It includes shares of funds and mutual funds whose net asset value is calculated daily.

- Level 2: this level is composed of securities which are less liquid than those in the level 1. They are classified in level 2 notably when external prices for the same security can be regularly observed from a reasonable number of active market makers, but those prices do not represent directly quoted prices. These prices are derived in particular from the market consensus publication services to which active market makers contribute, as well as indicative prices produced by active brokers or traders.

  This category includes:

  - shares listed on a regulated market but whose quotation is more than weekly,
  - certain government or company bonds whose valuations are infrequent (less than one quotation per month),
  - shares of funds and mutual funds with a valuation at least quarterly,
  - derivatives on an over-the-counter market.

- Level 3: level 3 securities consist primarily of fund shares and unlisted equities, other than those classified in level 2, which mainly comprise shares in venture capital companies and funds;

  Unlisted level 3 equities and other variable-income securities are valued using one of the following methods: share of revalued net assets, multiples of equivalent companies, discounting of future cash flows generated by the company's business, multi-criteria approach.

Fair value of financial instruments carried at amortised cost

The information regarding the market value of financial instruments recognised at amortised cost should be used and interpreted with the greatest caution for the following reasons:

- these fair values are an estimate of the value of the relevant instruments at 31 December 2022. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately;
- the revaluation of financial instruments carried at historical cost often involves the use of valuation models, conventions and assumptions that may vary from one institution to another; Consequently, the comparison of the market values presented, for financial instruments recognized at historical cost, by different financial institutions is not necessarily relevant.

The valuation techniques and assumptions used ensure a consistent measure of the fair value of the financial assets and liabilities recognised at amortised cost within BNP Paribas Cardif Group: if prices listed on an active market are available, they are used to determine fair value. Otherwise, the fair value is determined using valuation techniques, such as discounting estimated future cash flows for loans, debts and held-to-maturity financial assets, or specific cash flow models for other financial instruments. The fair value used for loans, debts and held-to-maturity assets with an initial maturity of less than one year is the recognised value.

4.11.2 Table of movements in Level 3 financial instruments

For level 3 financial instruments, the following movements occurred during the financial year:

	Financial Assets		
In millions of euros	Available-for-sale financial instruments	Financial instruments at fair value through profit or loss	Total
Position as at 1 January 2021	**454**	**8,085**	**8,539**
Purchases	292	3,701	3,993
Sales	(372)	(2,875)	(3,246)
Settlements	(4)	(393)	(397)
Reclassification	(1)	-	(1)
Transfers to Level 3	248	2,423	2,670
Transfers from Level 3	(80)	(41)	(121)
Gains recognised in the income statement (assets +)	10	1,945	1,956
Losses recognised in the income statement (assets -)	(6)	(345)	(351)
Items related to exchange rate movements	(0)	(1)	(1)
Changes in assets recognised in equity	(6)	-	(6)
Deconsolidations	-	-	-
Position as at 31 December 2020	**533**	**12,499**	**13,032**

Transfers between levels may occur when an instrument fulfils the criteria defined in the new level, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. Transfers have been reflected as if they had taken place at the beginning of the reporting period.

4.12 INFORMATION REQUIRED DUE TO THE DEFERRED IFRS 9

The following notes are published from the 2018 financial year, in accordance with the Group obtaining the deferred application of IFRS 9 (note 1.1.3).

4.12.1 Value of financial assets meeting the contractual cash flow characteristics

The fair value of financial assets with contractual cash flows corresponding only to payments of principal and interest on principal is presented in detail in the table below:

	31 December 2022	31 December 2021	
In millions of euros	Market value	Market value	Variation
Treasury bills and government bonds	47,169	56,258	(9,089)
Other obligations	43,995	51,386	(7,391)
Total	**91,164**	**107,644**	**(16,480)**

4.12.2 Value of financial assets which do not meet the criterion of cash flows and assets not eligible for testing

The fair value of other financial assets corresponding to all instruments that do not meet the previously mentioned criteria is presented below:

In millions of euros	31 December 2022 Market value	31 December 2021 Market value	Variation
Equities and variable income securities (including UCI)	41,867	48,093	(6,226)
Treasury bills and government bonds	425	352	73
Other obligations	12,673	17,944	(5,271)
Derivatives	2,068	1,150	918
UL Investments	83,586	91,073	(7,487)
Total	140,619	158,611	(17,992)

4.12.3 Credit quality of financial assets meeting the cash flow criterion

Ratings In millions of euros	31 December 2022 Gross value	31 December 2021 Gross value
AAA	10,984	7,219
AA	28,523	36,931
A	22,093	29,693
BBB	26,666	30,770
< BBB (*)	2,852	2,861
Total	91,118	107,475

(*)including unrated securities

4.12.4 Value of financial assets whose credit quality is less than BBB *(Non Investment Grade)*

Ratings	31 December 2022		31 December 2021	
In millions of euros	Gross value	Market value	Gross value	Market value
BB+	1,322	1,322	1,222	1,222
BB	108	108	74	74
BB-	173	173	158	158
B	9	9	18	18
Not listed	1,240	1,240	1,390	1,390
Total	2,852	2,852	2,861	2,861

4.13 CLASSIFICATION OF FINANCIAL INSTRUMENTS INITIALLY RECOGNISED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS

The amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008 permit, under certain conditions, the reclassification of instruments initially held as available-for-sale within other asset categories.

There were no reclassifications during the year that could have a material impact on net income. In fact, the last LR security held was sold in January 2021, resulting in a balance of zero at the end of 2021.

4.14 TRANSFERS OF FINANCIAL ASSETS

4.14.1 Transfers of financial assets that have not been de-recognised

Temporary sales of securities made under repurchase agreements are included under “Transfers of assets that have not been derecognised”. The debt representing securities sold under repurchase agreements is included in the liabilities side of the balance sheet under “Liabilities due to banking sector companies”.

	31 December 2022		31 December 2021	
In millions of euros	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities lending	-	-	-	-
Available-for-sale financial assets	7,497	8,136	9,125	9,202
Repurchase agreements	**7,497**	**8,136**	**9,125**	**9,202**

Securities lending and repurchase agreements concern securities at fair value through profit or loss, securities classified as loans and receivables and available-for-sale financial assets.

4.14.2 Sale transactions resulting in an outflow of assets

BNP Paribas Cardif Group has not carried out any significant transfers leading to partial or full derecognition of financial assets and a continuing involvement in them.

4.15 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables present the amounts of financial assets and liabilities before and after offsetting. This information, required by IFRS 7, aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

"Amounts offset on the balance sheet" have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when, and only when, BNP Paribas Cardif Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

"Financial instruments given or received as collateral" include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

					31 December 2022
In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Financial instruments given / received as guarantees	Net amounts
Loans and receivables due from credit institutions	2,338	-	2,338	-	2,338
of which repurchase agreements	70	-	70	-	70
Loans and receivables due from customers	1,674	-	1,674	-	1,674
Derivatives on organised markets	2,130	-	2,130	-	2,130
Settlement accounts for securities transactions	116	-	116	-	116
TOTAL ASSETS	**6,257**	**-**	**6,257**	**-**	**6,257**
Debts due to credit institutions	13,184	-	13,184	(7,497)	5,687
of which repurchase agreements	8,154	-	8,154	(7,497)	657
Due to customers	10,380	-	10,380	-	10,380
Derivatives on organised markets	1,972	-	1,972	-	1,972
Settlement accounts for securities transactions	290	-	290	-	290
TOTAL LIABILITIES	**25,825**	**-**	**25,825**	**(7,497)**	**18,329**

					31 December 2021
In millions of euros	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Financial instruments given / received as guarantees	Net amounts
Loans and receivables due to credit institutions	3,502	-	3,502	-	3,502
of which repurchase agreements	60	-	60	-	60
Loans and receivables due to customers	1,528	-	1,528	-	1,528
Derivatives on organised markets	1,251	-	1,251	-	1,251
Settlement accounts for securities transactions	423	-	423	-	423
TOTAL ASSETS	**6,705**	**-**	**6,705**	**-**	**6,705**
Debts due to credit institutions	14,572	-	14,572	(9,125)	5,447
of which repurchase agreements	9,202	-	9,202	(9,125)	77
Due to customers	10,764	-	10,764	-	10,764
Derivatives on organised markets	1,160	-	1,160	-	1,160
Settlement accounts for securities transactions	154	-	154	-	154
TOTAL LIABILITIES	**26,650**	**-**	**26,650**	**(9,125)**	**17,526**

4.16 EQUITY-METHOD INVESTMENTS

Cumulated financial information of associates and joint ventures is presented in the following table:

In millions of euros	Year to 31 Dec 2022			31 December 2022	Year to 31 Dec 2021			31 December 2021
	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Equity-method investments	Share of net income	Share of changes in assets and liabilities recognised directly in equity	Share of net income and changes in assets and liabilities recognised directly in equity	Equity-method investments
Joint ventures	7	(7)	(0)	254	8	48	56	251
Associates [1]	2	(18)	(16)	515	(60)	40	(20)	410
EQUITY METHOD FIRMS	9	(24)	(16)	769	(52)	89	37	660
Investment entities	(0)	1	0	292	5	3	8	295
EQUITY METHOD INVESTMENT ENTITIES	(0)	1	0	292	5	3	8	295

[1] Including controlled but non material entities consolidated under the equity method

Securities representing insurance investments consolidated under the equity-method are presented in insurance activity investments.

The carrying amount of BNP Paribas Cardif Group's investment in the main joint ventures and associates is presented in the following table:

In millions of euros	Country of registration	Category of entity consolidated under the equity method	31 December 2022		31 December 2021	
			Interest (%)	Equity-method investments	Interest (%)	Equity-method investments
JOINT VENTURES						
BoB Cardif Life Insurance Company	China	Corporate	50	232	50	231
ASSOCIATES						
Pinnacle Pet Holdings Ltd	Royaume-Uni	Investment entity	30	181		
SCI SCOO (Société des Centres d'Oc et d'Oïl)	France	Investment entity	46	177	46	178
BNP Paribas Cardif TCB Life Insurance Company Ltd	Taiwan	Corporate	49	161	49	214

4.17 TANGIBLE ASSETS

In millions of euros	31 December 2022			31 December 2021		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
Land and buildings [1]	581	(161)	419	587	(150)	437
Equipment, furniture and fixtures [1]	22	(11)	11	17	(12)	6
Other property, plant and equipment [1]	75	(58)	17	83	(63)	20
TANGIBLE ASSETS	677	(230)	448	688	(224)	464
of wich rate of use tangible assets	*115*	*(66)*	*49*	*118*	*(61)*	*57*

Net depreciation and amortisation expense for the year ended 31 December 2022 amount to EUR 12 million, compared with EUR 16 million for the year ended 31 December 2021.

4.18 DEFERRED ACQUISITION COSTS AND EQUIVALENT

In millions of euros	31 December 2022	31 December 2021
Deferred acquisition costs on Life activities	105	105
Deferred acquisition costs on Non-Life activities	842	895
TOTAL DEFERRED ACQUISITION COSTS AND EQUIVALENT	946	1,000

4.19 RECEIVABLES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS

IFRS 4 requires that assets received on ceded reinsurance should not be offset against the corresponding insurance liabilities. However, this restriction mainly concerns the offsetting of gross technical reserves and provisions transferred to reinsurers.

Receivables from accepted (inward) reinsurance and ceded (outward) reinsurance are presented on a single line in the balance sheet.

In millions of euros	31 December 2022							
	Overnight and demand	from overnight to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Premiums earned not yet written	0	0	2	3	5	0	1	10
Other receivables from insurance transactions	411	154	53	73	2	0	1	694
Receivables from accepted reinsurance transactions	4	3	3	4	-	-	-	15
Receivables from insurance intermediaries	392	141	150	28	5	13	4	731
Provisions for receivables from insurance and accepted reinsurance transactions	-	-	(0)	-	-	-	(1)	(1)
Receivables from direct insurance and accepted reinsurance transactions	**808**	**298**	**207**	**108**	**11**	**13**	**4**	**1,449**
Receivables from reinsurers	23	19	33	13	-	-	0	88
Provisions for receivables from reinsurers	-	-	-	-	-	-	-	-
Receivables from reinsurance ceded	**23**	**19**	**33**	**13**	**-**	**-**	**0**	**88**
RECEIVABLES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	831	317	240	121	11	13	4	1,537

In millions of euros	31 December 2021							
	Overnight and demand	from overnight to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Premiums earned not yet written	0	0	0	3	6	0	1	10
Other receivables from insurance transactions	264	113	40	32	1	0	0	451
Receivables from accepted reinsurance transactions	3	3	1	2	0	0	0	10
Receivables from insurance intermediaries	346	141	125	74	9	10	4	708
Provisions for receivables from insurance and accepted reinsurance transactions	(0)	-	(0)	-	-	-	(0)	(1)
Receivables from direct insurance and accepted reinsurance transactions	**613**	**257**	**166**	**111**	**16**	**10**	**4**	**1,177**
Receivables from reinsurers	35	16	29	6	0	0	-	87
Provisions for receivables from reinsurers	-	-	-	-	-	-	-	-
Receivables from reinsurance disposals	**35**	**16**	**29**	**6**	**0**	**0**	**-**	**87**
RECEIVABLES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	649	274	195	117	16	10	4	1,265

4.20 OTHER RECEIVABLES AND OTHER DEBTS

In millions of euros	31 December 2022	31 December 2021
Tax and social security receivables	694	689
Receivables related to investments and securities settlement accounts	120	428
Deposits and guarantees paid	69	7
Other receivables and accruals	2,237	1,813
TOTAL OTHER RECEIVABLES	3,119	2,936
Social security and tax debts	602	465
Related debt and and securities settlement accounts	332	230
Deposits and guarantees received	1	7
Other payables and accruals	2,104	2,284
TOTAL OTHER DEBTS	3,039	2,987

4.21 SHARE CAPITAL

4.21.1 Changes in share capital

BNP Paribas Cardif's share capital amounted to EUR 149,959,051 at 31 December 2022 (unchanged compared to 31 December 2021).

4.21.2 Capital management objectives, policies and procedures

Since 1 January 2016, BNP Paribas Cardif Group has been subject to the Solvency II regulation, a new standard for calculating the solvency coverage ratio (Directive 2009/138/EC as transposed into French law).

The objective of Solvency II is:

- to improve risk management systems matching them more closely with the actual risks to which insurance companies are exposed;
- to harmonise the insurance regulatory regimes across Europe;
- to give more power to supervisory authorities.

Solvency II is divided into three pillars:

- Pillar 1: to assess solvency using what is known as an economic capital-based approach;
- Pillar 2: to introduce qualitative requirements, i.e. governance and risk management rules that include a forward-looking approach to risk assessment. This assessment is called ORSA "Own Risk & Solvency Assessment";
- Pillar 3: to improve the transparency of the insurance business by making solvency the cornerstone of disclosures to the public and the supervisory authority.

The BNP Paribas Cardif Group complies with this regulation both in terms of risk management and governance, as well as calculation and reporting. Solvency II data are available in BNP Paribas Cardif Group solvency and financial position report[6].

Solvency II provides for two capital requirements:

- the "Solvency Capital Requirement" (SCR);
- the "Minimum Capital Requirement" (MCR) or, for groups, Group Minimum SCR.

The SCR is the level of own funds required to absorb a series of significant losses after accounting for the correlation between risks. It is calibrated to cover such an event with a probability of occurrence of once in every 200 years within a one-year horizon "Value at Risk" of 99.5%. BNP Paribas Cardif Group SCR is evaluated using the standard formula.

The Capital Management Policy of BNP Paribas Cardif Group aims in particular to ensure that the prudential solvency requirements are met, to cover at least 100% of the SCR defined within the scope of the ORSA assessment and to structure own funds so that the best balance can be found between the share capital, subordinated debt and other own funds elements, complying with the limits and levels laid down by regulations.

[6] *See corporate website https://www.bnpparibascardif.com*

4.22 FINANCING DEBTS

4.22.1 Detail of subordinated debt at amortised cost and financing debt securities

BNP Paribas Cardif Group's financing debts consist solely of subordinated debt valued on the balance sheet at their nominal amount.

Breakdown of subordinated debt as at 31 December 2022

In millions of euros	Issuer	Subscriber	Issue date	Maturity	Call date	Interest rate before call date	Rate after 1st call date	Nominal value
SPN	BNP Paribas Cardif	Third party	25/11/2014	Undetermined	25/11/2025	4.03%	Euribor 3 Months + 3,93%	1,000
SPN	Cardif Lux Vie	BGL BNP Paribas	17/12/2014	Undetermined	17/12/2025	4.03%	Euribor 3 Months + 4,50%	16
SPN	BNP Paribas Cardif	BNP Paribas	27/06/2019	Undetermined	27/06/2029	Euribor 3 Months + 4,20%	Euribor 3 Months + 4,20%	450
RSL	Cardif Life Insurance Japan	Third party	20/03/2018	20/03/2028	20/03/2023	Swap Tibor + 0,90%	Tibor 6 Months + 1,90%	11
RSN	BNP Paribas Cardif	BNP Paribas	26/09/2017	26/09/2047	26/09/2027	Euribor 3 Months + 2,68%	Euribor 3 Months + 2,68%	760
RSN	BNP Paribas Cardif	BNP Paribas	29/09/2017	29/09/2047	29/09/2027	Euribor 3 Months + 2,73%	Euribor 3 Months + 2,73%	710
RSN	BNP Paribas Cardif	Third party	29/11/2017	29/11/2024	29/11/2022	1.12%	1.12%	748
RSN	BNP Paribas Cardif	BNP Paribas	29/11/2017	29/11/2024	29/11/2022	1.12%	1.12%	2
RSN	BNP Paribas Cardif	BNP Paribas	14/12/2017	14/12/2047	14/12/2027	Euribor 3 Months + 1,80%	Euribor 3 Months + 1,80%	170
RSN	Cardif Lux Vie	BGL BNP Paribas	21/12/2018	21/12/2028	20/12/2023	2.55%	2.55%	29
RSN	Cardif Lux Vie	BGL BNP Paribas	26/11/2019	25/11/2029	26/11/2024	1.39%	1.39%	35
RSN	Cardif Lux Vie	BGL BNP Paribas	26/11/2019	25/11/2026	26/11/2024	0.70%	0.70%	17
RSN	BNP Paribas Cardif	BNP Paribas	27/06/2019	27/06/2049	27/06/2029	Euribor 3 Months + 2,72%	Euribor 3 Months + 2,72%	200
RSN	Cardif IARD	Third party	24/03/2020	24/03/2030	24/03/2025	Euribor 3 Months + 2,72%	Euribor 3 Months + 2,72%	3
RSN	Cardif IARD	Third party	08/12/2020	08/12/2030	08/12/2025	Euribor 3 Months + 2,72%	Euribor 3 Months + 2,72%	5
RSN	Cardif IARD	Third party	10/12/2021	10/12/2031	10/12/2026	1.60%	1.60%	4
RSN	BNP Paribas Cardif	BNP Paribas	28/03/2022	28/03/2042	28/03/2032	Euribor 3 Months + 2,76%	Euribor 3 Months+ 2,76%	850
RSN	Cardif Lux Vie	BGL BNP Paribas	15/12/2022	15/12/2032	15/12/2027	Euribor 3 Months + 3,29%	Euribor 3 Months + 3,29%	43
Total subordinated debt - Nominal amount								**5,053**
Related debt and amortised debt issuance costs								(2)
TOTAL SUBORDINATED DEBT								**5,051**

Transactions carried out in 2022

On 28 March 2022, Cardif Assurances Risques Divers redeemed a Redeemable Subordinated Note (RSN) with a nominal value of EUR 200 million and a maturity of 10 years subscribed at BNP Paribas on 28 June 2016.

On 28 March 2022, Cardif Assurance Risques Divers issued a Redeemable Subordinated Note (RSN) with a nominal value of 200 million euros and a maturity of 10 years. This RSN was subscribed by BNP Paribas Cardif.

On 28 March 2022, Cardif Assurance Vie redeemed a Redeemable Subordinated Note (RSN) with a nominal value of EUR 650 million and a maturity of 10 years. This RSN was subscribed at BNP Paribas Cardif on 27 September 2016.

On 28 March 2022, Cardif Assurance Vie issued a Redeemable Subordinated Note (RSN) with a nominal value of EUR 650 million and a maturity of 10 years. This RSN was subscribed by BNP Paribas Cardif.

On 28 March 2022, BNP Paribas Cardif issued a Redeemable Subordinated Note (RSN) with a nominal value of EUR 850 million and a maturity of 20 years. This RSN was subscribed by BNP Paribas Cardif.

On 15 December 2022, Cardif Lux Vie issued a Redeemable Subordinated Note (RSN) with a nominal value of EUR 130 million and a maturity of 10 years. This RSN was subscribed by each one of its shareholders up to their share of equity, respectively BNP Paribas Cardif for 67% and BGL for 33%.

Transactions carried out in 2021

On 10 December 2021, Cardif IARD issued a Redeemable Subordinated Note (RSN) for an amount of EUR 12.5 million with a maturity of 10 years with an early redemption option after 5 years. This security was subscribed by BNP Paribas Cardif for EUR 8.25 million and by MATMUT in the amount of EUR 4.25 million. It offers a fixed-rate coupon of 1.60%.

4.22.2 Schedule of equity instruments

	31 December 2022					31 December 2021				
In millions of euros	< 5 years	5 to 10 years	> 10 years	Undetermined	Total	< 5 years	5 to 10 years	> 10 years	Undetermined	Total
Redeemable subordinated debt	2,537	1,050	-	-	3,587	1,702	1,840	-	-	3,542
Undated subordinated debt	3	-	-	1,461	1,464	4	-	-	1,461	1,465
TOTAL SUBORDINATED DEBT	**2,540**	**1,050**	-	**1,461**	**5,051**	**1,706**	**1,840**	-	**1,461**	**5,007**

4.22.3 Financial debt due to banking sector companies

This includes foreign currency borrowings to cover equity investments in subsidiaries outside the Euro zone.

4.23 TECHNICAL LIABILITIES FROM INSURANCE POLICIES AND INVESTMENT CONTRACTS

In accordance with ANC Recommendation No. 2013-05, liabilities arising from insurance and reinsurance contracts are broken down into technical liabilities related to insurance contracts under IFRS 4 and technical liabilities relating to investment contracts, which fall in principle under IAS 39, but are subdivided into discretionary profit-sharing contracts recognised in accordance with IFRS 4 and deposits relating to investment contracts recognised in accordance with IAS 39.

Under these two headings, the liabilities related to unit-linked contracts are kept separate.

The breakdown of insurance and investment contract liabilities under IFRS 4 and IAS 39 is as follows:

	31 December 2022			31 December 2021		
In millions of euros	Gross value of reinsurance	Reinsurance sold	Net value of reinsurance	Gross value of reinsurance	Reinsurance sold	Net value of reinsurance
Unearned premium reserve	1,682	172	1,510	1,809	224	1,585
Claim reserves	1,705	204	1,501	1,700	257	1,443
Defered participation reserve	6	-	6	3	-	3
Other Technical reserves	239	3	236	238	3	235
Non-Life Insurance Contracts	**3,631**	**378**	**3,253**	**3,750**	**484**	**3,266**
Mathematical reserves arising from insurance contracts	86,435	1,280	85,154	85,242	1,400	83,842
Mathematical reserves arising from unit-linked insurance contracts [1]	74,631	520	74,111	81,614	582	81,031
Mathematical reserves arising from investment contracts with discretionary participating feature	39,729	-	39,729	41,850	-	41,850
Technical liabilities arising from unit-linked investment contracts without discretionary participating feature [1]	8,255	-	8,255	8,873	-	8,873
Benefits payable (claims, buybacks, terms)	1,810	91	1,719	1,959	111	1,848
Defered participation reserve	6,522	-	6,522	6,571	-	6,571
Other Technical reserves	120	1	119	161	1	159
Life insurance contracts and investment contracts	**217,502**	**1,893**	**215,610**	**226,270**	**2,095**	**224,176**
TOTAL TECHNICAL LIABILITIES FROM INSURANCE AND INVESTMENT CONTRACTS	**221,134**	**2,271**	**218,863**	**230,021**	**2,578**	**227,442**
of which technical liabilities from insurance contracts	*173,149*	*2,271*	*170,878*	*179,297*	*2,578*	*176,719*
of which technical liabilities from investment contracts	*47,984*	-	*47,984*	*50,723*	-	*50,723*

As of 31 December 2022, EUR 904 million of mathematical reserves for insurance contracts in euros and EUR 839 million of mathematical reserves for unit-linked insurance contracts are reclassified on the balance sheet under Assets held for sale, compared respectively to EUR 1,219 million and EUR 943 million for 2021.

Changes in non-life insurance contract claim reserves

The table below details the non-life insurance claims reserves and presents their change during the financial year by distinguishing between the gross reinsurance values and ceded reinsurance values.

In millions of euros	31 December 2022			31 December 2021		
	Gross value of reinsurance	Reinsurance sold	Net value of reinsurance	Gross value of reinsurance	Reinsurance sold	Net value of reinsurance
Claim reserves at 1 January	**1,700**	**257**	**1,443**	**1,931**	**293**	**1,638**
Claims expense for the current year	1,099	87	1,012	820	125	695
Surpluses/deficits for previous years	(199)	(24)	(175)	(103)	(16)	(88)
Total claim expense	**900**	**63**	**836**	**717**	**109**	**607**
Claims payments for the current year	(408)	(53)	(355)	(482)	(73)	(409)
Claims payments for previous years	(490)	(64)	(427)	(462)	(70)	(392)
Total payments	**(899)**	**(117)**	**(782)**	**(944)**	**(143)**	**(801)**
Currency effect	4	-	4	(4)	(3)	(1)
CLAIM RESERVES at 31 December	**1,705**	**204**	**1,501**	**1,700**	**257**	**1,443**

Occurrence of claims

The table below shows changes in claims reserves, from their initial valuation at claims' occurrence through to the financial year in which their cost uncertainty was removed. This period cannot exceed ten years.

However, given the nature of the guarantees granted to BNP Paribas Cardif, the uncertainty horizon chosen does not exceed five years.

In millions of euros	2018	2019	2020	2021	2022
Gross claims reserves occurring as originally presented	**1,794**	**1,854**	**1,931**	**1,700**	**1,705**
Gross claims reserves occurring adjusted with the exchange rate and scope occurring in N	**1,559**	**1,943**	**2,071**	**1,700**	
Cumulative payments made					
one year later	352	504	482	408	
two years later	525	811	675		
three years later	639	987			
four years later	760				
five years later					
Re-estimated final cost					
one year later	1,028	1,745	1,828	1,501	
two years later	1,535	1,891	1,963		
three years later	1,502	1,871			
four years later	1,524				
five years later					
Surplus (deficiency) of the initial reserves compared to the final re-estimated cost (gross)					
Amount	35	72	108	199	
Percentage	2%	4%	6%	12%	

Changes in mathematical reserves of life insurance contract and investment contract with discretionary profit sharing

The table below details life insurance mathematical reserves and presents changes in them during the financial year by distinguishing between the gross and ceded reinsurance values.

In millions of euros	31 December 2022			31 December 2021		
	Gross value of reinsurance	Reinsurance sold	Net value of reinsurance	Gross value of reinsurance	Reinsurance sold	Net value of reinsurance
MATHEMATICAL RESERVES at 1 January	**208,706**	**1,984**	**206,722**	**193,992**	**2,102**	**191,890**
Premiums	21,077	(10)	21,087	22,482	67	22,415
Reduction in liabilities related to benefits (payments, buybacks)	(20,093)	99	(20,191)	(17,512)	(209)	(17,303)
Revaluation of mathematical provisions	2,474	(51)	2,525	1,320	(38)	1,358
Change in values of unit-linked admissible investments	(9,725)	74	(9,799)	8,245	61	8,184
Currency effect	(194)	(0)	(194)	521	2	519
Changes in actuarial methods and technical rates	-	-	-	3	2	1
Change in scope	-	(38)	38	-	-	-
Other changes	(1,451)	(257)	(1,194)	(344)	(3)	(340)
MATHEMATICAL RESERVES at 31 December	200,795	1,801	198,994	208,706	1,984	206,722

4.24 DEFERRED PROFIT SHARING RESERVE

In millions of euros	31 December 2022			31 December 2021		
	policyholders' surplus reserve – asset	policyholders' surplus reserve – liability	Total	policyholders' surplus reserve – asset	policyholders' surplus reserve – liability	Total
Deferred profit-sharing recognised throught income statement	2,886	8,759	11,646	-	9,092	9,092
Deferred profit-sharing recognised throught shareholders' equity	-	(8,759)	(8,759)	-	11,422	11,422
TOTAL	2,886	-	2,886	-	20,514	20,514

The provision for deferred participation results from the application of "shadow accounting": it represents the share of the policyholders of the life insurance subsidiaries in the unrealised capital gains and losses and impairments recorded on assets, when the remuneration of the contracts is linked to their yield. It is determined from stochastic calculations modelling the unrealised gains and losses attributable to policyholders as a function of economic scenarios, as well as assumptions about rates of return and premium income.

4.25 PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	31 December 2021	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other	Change of consolidation scope	31 December 2022
Provision for employee benefits	83	24	(19)	(15)	(2)	-	71
Provisions for litigations	11	2	(0)	-	1	-	14
Other provisions for contingencies and charges	306	46	(2)	-	1	-	351
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	401	72	(21)	(15)	(1)	-	436

4.26 LIABILITIES DUE TO BANKING SECTOR COMPANIES

In millions of euros	31 December 2022	31 December 2021
Repurchase agreements	8,154	9,202
On demand accounts	583	1,828
Loans	1,240	802
TOTAL LIABILITIES DUE TO BANKING SECTOR COMPANIES	9,977	11,832

4.27 LIABILITIES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS

								31 December 2022
In millions of euros	Overnight and demand	from overnight to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Liabilities from direct insurance transactions	578	21	85	189	1	10	3	887
Liabilities from accepted reinsurance transactions	6	7	5	7	-	-	-	24
Liabilities owed to insurance intermediaries	506	147	196	169	14	13	2	1,047
Liabilities from direct insurance and accepted reinsurance transactions	**1,090**	**175**	**286**	**365**	**15**	**22**	**5**	**1,958**
Liabilities owed to reinsurers	1,148	50	79	33	1	10	5	1,326
Liabilities from reinsurance ceded	**1,148**	**50**	**79**	**33**	**1**	**10**	**5**	**1,326**
TOTAL LIABILITIES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	2,239	224	364	397	17	33	11	3,285

								31 December 2021
In millions of euros	Overnight and demand	from overnight to 1 month (excl. overnight)	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Liabilities from direct insurance transactions	290	52	117	158	5	4	2	627
Liabilities from accepted reinsurance transactions	7	6	1	5	-	-	-	19
Liabilities owed to insurance intermediaries	479	135	253	120	14	10	2	1,012
Liabilities from direct insurance and accepted reinsurance transactions	**776**	**193**	**372**	**282**	**19**	**13**	**3**	**1,658**
Liabilities owed to reinsurers	1,197	61	88	21	5	18	7	1,396
Liabilities from reinsurance ceded	**1,197**	**61**	**88**	**21**	**5**	**18**	**7**	**1,396**
TOTAL LIABILITIES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	1,973	254	459	303	24	31	10	3,054

4.28 MATURITIES OF FINANCIAL INSTRUMENTS

2In millions of euros, at 31 December 2022	Undetermined maturity	Overnight and on demand	Overnight (excluded) to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Held-to-maturity financial assets	-	-	*36*	*24*	*367*	*444*	*97*	*967*
Available-for-sale financial assets	9,312	-	782	3,953	5,539	20,431	65,413	105,430
Financial investments at fair value through profit and loss	*39,188*	-	-	-	-	-	-	*39,188*
Loans and receivables	-	371	8	1,194	50	0	127	*1,750*
Derivatives and separate embedded derivatives	2,130	-	-	-	-	-	-	2,130
FINANCIAL ASSETS	**50,629**	**371**	**826**	**5,171**	**5,956**	**20,875**	**65,637**	**149,465**
Subordinated debt	1,461	-	-	17	29	2,495	1,050	5,052
Financing and operating debt due to banking sector companies	-	516	15	1,291	3,208	-	-	5,030
Due to credit institutions - Repurchase agreements	-	5	687	2,104	5,357	-	-	8,154
Derivatives	1,972	-	-	-	-	-	-	1,972
FINANCIAL LIABILITIES	**3,433**	**521**	**702**	**3,412**	**8,594**	**2,495**	**1,050**	**20,207**

In millions of euros, at 31 December 2021	Undetermined maturity	Overnight and on demand	Overnight (excluded) to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Held-to-maturity financial assets	-	-	-	24	-	857	98	978
Available-for-sale financial assets	11,219	-	379	2,889	3,740	29,960	79,578	127,766
Financial investments at fair value through profit and loss	44,644	-	-	-	-	-	-	44,644
Loans and receivables	-	421	12	1,238	16	4	124	1,815
Derivatives and separate embedded derivatives	1,251	-	-	-	-	-	-	1,251
FINANCIAL ASSETS	**57,114**	**421**	**391**	**4,151**	**3,756**	**30,821**	**79,801**	**176,455**
Subordinated debt	1,461	-	-	655	748	304	1,840	5,007
Financing and operating debt due to banking sector companies	-	1,822	129	770	2,617	32	-	5,370
Due to credit institutions - Repurchase agreements	-	10	3,784	3,490	1,918	-	-	9,202
Derivatives	1,160	-	-	-	-	-	-	1,160
FINANCIAL LIABILITIES	**2,621**	**1,831**	**3,913**	**4,915**	**5,283**	**337**	**1,840**	**20,739**

4.29 FINANCING AND GUARANTEE COMMITMENTS

In millions of euros	31 December 2022	31 December 2021
Securities received as collateral reinsurers	523	645
Other financing commitments received	1,465	1,468
COMMITMENTS RECEIVED	**1,988**	**2,113**
Endorsements, deposits and guarantees given	458	357
Other guarantee commitments given	2,440	2,199
Financial Instruments given in guarantee	7,497	9,125
of which securities given through repurchases	*7,497*	*9,125*
COMMITMENTS GIVEN	**10,394**	**11,681**

NOTE 5 NOTES TO THE INCOME STATEMENT

5.1 INVESTMENT INCOME EXCLUDING FINANCING EXPENSES

“Investment income excluding financing expenses” corresponds to the definition of investment income given by ANC Recommendation No. 2013-05, which excludes financing expenses from current operating income.

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Investment income	3,179	2,983
Investment expenses	(259)	(279)
Change in impairments on investments	(78)	(9)
Capital gains and losses on disposal of investments net of reversals of impairments and amortisation	(701)	441
Total income from the available-for-sale financial assets portfolio	**2,140**	**3,136**
Investment income	68	74
Investment expenses	(13)	(13)
Total income from the held-to-maturity financial assets portfolio	**54**	**61**
Investment income	82	96
Investment expenses	(50)	(32)
Change in impairments on investments	(1)	-
Capital gains and losses on disposal of investments net of reversals of impairments and amortisation	-	16
Total income from asset portfolio – Loans and receivables	**31**	**80**
Investment income	1,060	904
Investment expenses	(1)	-
Changes in market value of investments recognised at fair value through profit or loss	(13,756)	11,067
Total income from the asset portfolio at market value through profit or loss	**(12,697)**	**11,972**
Investment income	82	66
Investment expenses	(166)	(225)
Change in fair value	1,545	(557)
Income from currency instruments and derivatives	**1,462**	**(716)**
Rental income - real estate investments	187	138
Gains and losses on investments - real estate investments	11	8
Change in fair value - unit-linked real estate	(37)	45
Change in provisions on investments - real estate investments	(68)	(65)
Total income from real estate investments	**93**	**126**
Share in associates and joint ventures representing investments	**(0)**	**5**
Investment management fees	(72)	(17)
Other income and expenses related to investments	(318)	(209)
TOTAL FINANCIAL INCOME, EXCLUDING FINANCING EXPENSES	**(9,307)**	**14,438**

5.2 TECHNICAL CHARGES FOR INSURANCE CONTRACTS AND INVESTMENT CONTRACTS UNDER IFRS 4

Technical charges related to contracts include benefit expenses related to insurance contracts and investment contracts with discretionary participation (including the remuneration of policyholders) under IFRS 4.

In the specific case of investment contracts, these expenses include the remuneration of policyholders and also changes in the value of contracts, particularly those relating to unit-linked contracts.

	Year to 31 Dec 2022			Year to 31 Dec 2021		
In millions of euros	Life	Non-life	Total	Life	Non-life	Total
Benefit expenses	(19,512)	(1,043)	(20,555)	(17,730)	(1,081)	(18,810)
Change in provisions on insurance contracts	7,777	(40)	7,737	(11,684)	18	(11,666)
Change inreserves on investment contracts with discretionary participating feature	2,121	-	2,121	(934)	-	(934)
Change in other technical reserves	3,307	(0)	3,307	(2,402)	26	(2,376)
Change in technical reserves	**(6,306)**	**(1,083)**	**(7,390)**	**(32,749)**	**(1,036)**	**(33,785)**
Other technical income and expenses	**22**	**(95)**	**(73)**	**13**	**(69)**	**(56)**
Technical interest	(434)	(2)	(436)	(435)	(3)	(438)
Profit-sharing	(2,317)	(18)	(2,336)	(1,693)	(12)	(1,705)
Participation benefit	**(2,751)**	**(21)**	**(2,772)**	**(2,128)**	**(14)**	**(2,143)**
TOTAL TECHNICAL CHARGES RELATED TO CONTRACTS	(9,035)	(1,199)	(10,234)	(34,864)	(1,120)	(35,984)

5.3 NET RESULT FROM CEDED REINSURANCE

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Ceded premiums (including Change in premium reserves)	(469)	(503)
Benefits and costs ceded (including Change in claims reserves)	276	399
Other technical reserves ceded	(151)	(123)
Commissions received from/paid to reinsurers	144	163
TOTAL NET RESULT FROM REINSURANCE CEDED	(200)	(63)

5.4 RECONCILIATION OF EXPENSES BY FUNCTION AND BY TYPE

5.4.1 Breakdown of expenses by function

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Other technical expenses	(190)	(156)
Expenses from other activities	(216)	(251)
Acquisition costs	(2,656)	(2,536)
Administration costs	(1,575)	(1,584)
Investment management fees	(375)	(227)
Claims settlement costs	(196)	(225)
TOTAL EXPENSES BY FUNCTION	(5,208)	(4,979)

5.4.2 Breakdown of expenses by type

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Commissions	(3,856)	(3,646)
Staff costs	(721)	(717)
Taxes	(95)	(84)
Other current operating expenses	(489)	(449)
Depreciation, amortisation and impairment	(47)	(82)
TOTAL EXPENSES BY TYPE	(5,208)	(4,979)

5.5 OTHER NON-CURRENT OPERATING INCOME AND EXPENSE

In 2022, other non-current operating income and expenses correspond to the capital gain on the sale of Pinnacle Insurance in Great Britain, to the capital gain on the sale of Cardif GI in Korea, to the provisions for contingencies of Cardif Insurance Company in Russia plus the recognition of the hyperinflation impact in Turkey. (Application of IAS 29 as of 30 June 2022).

In 2021, other non-current operating income and expenses mainly correspond to the capital gain on the sale of Cargeas and the disposal of the Compania Seguros de Vida Cardif portfolio of annuity contracts in Chile, plus a commission paid to Cardif Forsaking.

5.6 FINANCING EXPENSES

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Interest expense on subordinated debt at amortised cost	(143)	(126)
Interest expense on borrowings	(21)	(2)
TOTAL FINANCING EXPENSES	(165)	(128)

5.7 CORPORATE INCOME TAX

5.7.1 Reconciliation of the effective tax expense

In millions of euros *Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in France*	Year to 31 Dec 2022		Year to 31 Dec 2021	
	Amount	Tax rate	Amount	Tax rate
Theoretical tax expense on net profit before tax[1]	**(253)**	**26.0%**	**(320)**	**28.4%**
Impact of differently taxed foreign profits	(1)	0.0%	16	-1.4%
Impact of the securities taxation	(11)	2.0%	51	-4.6%
Effets des différences temporelles non activées et des déficits non activés	(66)	7.0%	(81)	7.2%
Effect linked to the economy of the Tax Group	38	-4.0%	76	-6.8%
Other effects	(29)	3.0%	(49)	4.3%
Profit tax expense	**(320)**	**33%**	**(306)**	**27%**
of which current year tax expense	*(299)*		*(336)*	
of which deferred tax expense or income for the year	*(23)*		*48*	
of wich tax charges or income related to AFS RF Securities	*9*		*(10)*	
of wich tax charges or income related to AFS RF Securities	*(8)*		*(8)*	

[1] Restated for income from companies accounted for by the equity method

The deferred tax assets recognised in respect of tax loss carry forwards generated in 2022 stood at EUR 10 million compared to EUR 14 million in 2021.

5.7.2 Change in deferred tax assets and liabilities by type

In millions of euros	31 December 2021	Change recognized in income	Change recognized in recyclable equity	Change recognized in non-recyclable equity	Change in scope, translation differences and miscellaneous	31 December 2022
Available-for-sale financial assets	(3,331)	-	5,934	-	(7)	2,596
Profit-sharing for reserves of available-for-sale financial assets	3,039	-	(5,295)	-	2	(2,254)
Provisions for employee benefit obligations	24	1	-	(3)	2	24
Other items	282	(20)	-	-	(1)	261
Tax loss carryforwards	21	(2)	-	-	-	19
NET DEFERRED TAXES	**35**	**(20)**	**639**	**(3)**	**(3)**	**647**
Deferred tax assets	*139*	*(832)*	*605*	*(3)*	*740*	*648*
Deferred tax liabilities	*103*	*(811)*	*(34)*	-	*743*	*1*

NOTE 6 SALARIES AND EMPLOYEE BENEFITS

6.1 SALARIES AND EMPLOYEE BENEFIT EXPENSE

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Fixed and variable remuneration, incentive bonuses and profit-sharing	(483)	(481)
Employee benefit expense	(197)	(197)
Payroll taxes	(41)	(40)
TOTAL SALARIES AND EMPLOYEE BENEFIT EXPENSE	(721)	(717)

6.2 POST-EMPLOYEMENT BENEFITS

IAS 19 distinguishes between two categories of plans, each of which is treated differently depending on the risk borne by the company. When the company's commitment consists solely of paying a defined amount (expressed as a percentage of the beneficiary's annual salary, for example) to an external organisation, which ensures the payment of benefits according to the assets available to each participant in the plan, it is qualified as a defined contribution plan. On the other hand, when the commitment consists of the company managing the financial assets financed by the collection of contributions from employees and assuming the cost of the benefits itself - or guaranteeing the final amount subject to future contingencies - it is qualified as a defined benefit plan. The same applies if the company mandates an external body to manage the collection of contributions and the payment of benefits, but retains the risk associated with the management of the assets and/or the future development of benefits.

6.2.1 Defined-contribution pension plans for BNP Paribas Cardif Group entities

BNP Paribas Cardif Group has implemented over the past few years a voluntary campaign of converting defined-benefit plans into defined-contribution plans.

Thus, in France, BNP Paribas Cardif Group pays contributions to various nationwide basic and top-up pension schemes. BNP Paribas Cardif and certain subsidiaries have set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

The amount paid into defined-contribution post-employment plans for the year to 31 December 2022 was EUR 29 million, compared with EUR 27 million for the year to 31 December 2021.

The breakdown by major contributors is determined as follows:

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
France	(22)	(21)
Outside France	(7)	(6)
TOTAL CONTRIBUTIONS	(29)	(27)

6.2.2 Main defined-benefit pension plans for BNP Paribas Cardif Group entities

Defined-benefit pension plans

Defined-benefit pension plans were all closed to new entrants and transformed into additive-type plans. The amounts allocated to residual beneficiaries, subject to their presence within BNP Paribas Cardif Group at retirement, were fixed when these schemes were closed. These pension plans were outsourced to insurance companies.

Other post-employment benefits

BNP Paribas Cardif Group employees also receive various other contractual post-employment benefits, such as indemnities payable on retirement, determined according to minimal legal requirements (Labour Code, collective agreements) or according to specific company-level agreements. In France, the obligations for these benefits are funded through a contract held with a third-party insurer. At 31 December 2022, this obligation was 69% covered by financial assets, compared with 55% at 31 December 2021.

Outside France, the gross obligations related to these other benefits correspond to vested rights until 31 December 2006, as the plans have been transformed, since that date, into a defined-contribution plan.

The IFRIC decision of May 2021 led to impacts on the commitment relating to post-employment benefits in France, some of the scales applicable in Cardif Group companies being either capped in terms of seniority or at the vesting right level, or both. The total impact at 1 January 2021, recognised in the reserve at that date, was a gain of EUR 0.4 million.

6.2.3 Obligations under defined-benefit plans and other post-employment benefits

Assets and liabilities recognised on the balance sheet

In millions of euros, at 31 December 2022	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Net obligation	of which obligation recognised in the balance sheet for defined-benefit plans
France	36	-	36	(25)	11	11
Outside France	8	11	19	(7)	12	12
TOTAL	**44**	**11**	**55**	**(32)**	**23**	**23**

In millions of euros, at 31 December 2021	Defined-benefit obligation arising from wholly or partially funded plans	Defined-benefit obligation arising from unfunded plans	Present value of defined-benefit obligation	Fair value of plan assets	Net obligation	of which obligation recognised in the balance sheet for defined-benefit plans
France	45	-	45	(25)	20	20
Outside France	8	12	20	(7)	13	13
TOTAL	**53**	**12**	**65**	**(32)**	**33**	**33**

Change in the present value of the defined-benefit obligation

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT START OF PERIOD	**65**	**64**
Current service cost	5	5
Interest cost	1	-
Actuarial gains/(losses) on change in financial assumptions	(14)	(2)
Actuarial gains/(losses) on experience gaps	1	1
Benefits paid directly by the employer	(1)	(1)
Benefits paid to beneficiaries of financial benefits	(1)	-
Exchange rate gains/(losses) on obligation	(1)	-
Others	-	(2)
PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT END OF PERIOD	**55**	**65**

Changes in the fair value of plan assets

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
FAIR VALUE OF PLAN ASSETS AT START OF PERIOD	**32**	**31**
Actuarial gains/(losses) on assets	1	1
Benefits paid to beneficiaries of funded benefits	(1)	-
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**32**	**32**

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Service costs	5	5
Current service cost	5	5
Net financial expense	1	-
TOTAL RECOGNISED IN SALARY AND EMPLOYEE BENEFIT EXPENSE	6	5

Other items recognised directly in equity

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Other items recognised directly in equity	**14**	**2**
Actuarial (losses)/gains on plan assets or reimbursement rights	1	1
Actuarial (losses)/gains of financial assumptions on the present value of obligations	14	2
Experience (losses)/gains on obligations	(1)	(1)

Main actuarial assumptions used to calculate obligations

Ranges of interest rate

For the Euro zone, BNP Paribas Cardif Group discounts its obligations using the yield of high-quality corporate bonds, with a term consistent with the duration of the obligations.

The ranges of rates used are as follows:

In percentage	31 December 2022		31 December 2021	
	Discount rate	Compensation increase rate (1)	Discount rate	Compensation increase rate (1)
France	3.8%	2.20% - 3.45%	1.00%	2.00% - 3.25%
Outside France	0.20%-3.10%	1.80% - 3.30%	0.20%-0.80%	1.80% - 2.90%

(1) Including price increases (inflation)

For the Euro zone, the average discount rate observed was 3.50% at 31 December 2022 compared to 0.95% at 31 December 2021.

Impact of a change in discount rates on the present value of post-employment benefit obligations

The impact of a 100 bp change in discount rates on the present value of post-employment benefit obligations is as follows:

Change in present value of obligations In millions of euros	31 December 2022		31 December 2021	
	Discount rate -100 bp	Discount rate +100 bp	Discount rate -100 bp	Discount rate +100 bp
France	5	(4)	7	(6)
Outside France	1	(1)	2	(1)

Inflation rate

The inflation assumption used to calculate the group's obligations is centrally determined.

The average inflation rate weighted by the value of obligations in the euro zone is 2.22% for the year to 31 December 2022, compared with 1.98% for the year to 31 December 2021.

The impact of a 100 pb increase in inflation rates on the value of post-employment benefit obligations is as follow:

En millions d'euros	31 December 2022 Inflation rate +100 bp	31 December 2021 Inflation rate +100 bp
France	6	7
Outside France	-	-

In percentage	Year to 31 Dec 2022	Year to 31 Dec 2021
France	2.57%	2.00%
Outside France	2.84%	2.57%

BNP Paribas Cardif Group has set up an asset management governance for assets backing defined-benefit pension plan obligations, the main objectives of which are the management and control of investment risks.

It sets out investment principles, in particular, by defining an investment strategy for plan assets, based on financial objectives and financial risk management, to specify the way in which plan assets have to be managed, via financial management servicing contracts.

The investment strategy is based on an assets and liabilities management analysis that should be conducted at least every three years for plans with assets in excess of EUR 100 million and on a regular basis for plans with assets of between EUR 20 and EUR 100 million.

6.3 OTHER LONG-TERM BENEFITS

BNP Paribas Cardif Group offers its employees various long-term benefits, which may include long-service awards and the ability to save up paid annual leave in time savings accounts.

The net corresponding provision amounted to EUR 34 million at 31 December 2022 compared to EUR 35 million at 31 December 2021.

Annual deferred compensation plans are set up for certain employees whose contribution to the performance of BNP Paribas Cardif Group is significant or pursuant to special regulatory frameworks. Under these plans, payment of variable compensation is deferred over time and is subject, if applicable, to performance conditions for BNP Paribas Cardif Group.

Since 2013, BNP Paribas has introduced a Group loyalty scheme with a cash payment, at the end of a three-year vesting period, which fluctuates according to the Group's intrinsic performance. The aim of this loyalty scheme is to make different categories of managerial staff partners in BNP Paribas Group's development and profitability objectives. These personnel are representative of BNP Paribas Cardif Group's talent and its managerial framework i.e.: senior managers, managers in key positions, line managers or experts, high-potential managers, high-performing young executives with good career development prospects, and key contributors to BNP Paribas Group results.

The amounts granted under this plan are 80% indexed to the BNP Paribas Group's operating performance over the entire term of the plan, and 20% indexed to the achievement of the BNP Paribas

Group's Corporate Social Responsibility (CSR) objectives. These objectives, of which there are 10, are in line with the 4 pillars forming the basis of the BNP Paribas Group's CSR policy. In addition, the final payment is subject to a condition of continuous presence in the BNP Paribas Group between the grant date and the payment date, provided that BNP Paribas Group's operating income and pre-tax income in the year preceding the payment are strictly positive.

The net obligation related to BNP Paribas Cardif Group's variable compensation plans and loyalty schemes amounts to EUR 9.4 million at 31 December 2022 compared to EUR 9.1 million at 31 December 2021.

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Net provisions for other long-term benefits	43	44
of which obligation recognised in the balance sheet under other long-term benefits	*43*	*44*

6.4 SHARE-BASED PAYMENTS

As part of the variable compensation policy implemented within BNP Paribas, annual deferred compensation plans established for the benefit of certain employees, whose contribution to the performance of the BNP Paribas Cardif Group is significant, or in application of specific regulatory provisions, provide for variable compensation over a multi-year period and payable in cash indexed to the increase or decrease in the BNP Paribas share price, the payment being deferred over several years.

Expense of share-based payments

in thousands of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Prior deferred compensation plans	(456)	386
Deferred compensation plans for the year	1,112	1,291
TOTAL	**656**	**1,677**

NOTE 7 OTHER INFORMATION

7.1 BNP PARIBAS CARDIF GROUP INTERNAL CONTROL SYSTEM

7.1.1 Internal control definition, objectives and standards

The Executive Management of the BNP Paribas Cardif Group has set up an internal control system, whose main aim is to ensure the overall control of risks and provide reasonable assurance that the Company's goals in this area will being achieved.

The implementation of this control system relies on three levels:

- The operational entities are the first line of defense and implement the risk control framework for the activities under their responsibilities.
- Functions exercising second-level control define the general normative framework under which they perform risk management and are responsible for the supervision of its current implementation.
- The third line of defense notably ensures the audit of the efficiency and the quality of permanent control process.

The BNP Paribas Cardif's Internal Control and operational risk management policy, used on the basis of the BNP Paribas Group's internal control charter, specifies the scope of this system and is the reference base for internal control. It aims to contain operational risk within acceptable limits through actions to reduce, transfer or avoid risks while maintaining a balance between the risks taken and the cost of the management system. It is the deployment for BNP Paribas Cardif of the internal control policy of the BNP Paribas Group, and recalls first of all the objectives of internal control which aim to ensure:

- the development of a risk culture among employees;
- the effectiveness and quality of the company's internal operations;
- the reliability of internal and external information;
- the security of transactions ;
- compliance with applicable laws, regulations and internal policies.

The policy then lays down the rules relating to the organisation, lines of responsibility and remit of the various players involved in internal control, and establishes the principle that the different control functions (primarily Internal Audit, Compliance, Legal, Actuarial and Risk Management) must operate independently.

7.1.2 Scope of internal control

One of the fundamental principles of internal control is that it must be exhaustive in scope: it applies to risks of all kinds, to all activities and to all entities fully or jointly controlled by BNP Paribas Cardif. It also extends to core services or essential operational activities that have been outsourced, in accordance with regulatory requirements.

7.1.3 Fundamental principles of internal control

BNP Paribas Cardif' internal control system is based on BNP Paribas values and the code of conduct as well as the principles of the following additional actions:

- clearly identified responsibilities: internal control is the responsibility of every employee, irrespective of their seniority or responsibilities. The exercise of a managerial function carries the additional responsibility of ensuring the proper implementation of the internal control system within the scope subject to regulation;
- a structured risk identification, assessment and management system (involving, among others, a decision-making system, delegation, organisational principles, controls, reporting and alert mechanism, etc.);
- control and oversight that is independent of risk: the heads of the operational activities have the ultimate responsibility for those risks created by their activities, and as such, the foremost responsibility of implementing and operating a system that identifies, assesses and manages risk. The internal control system provides for mandatory intervention, and as early as possible, of functions exercising independent control under a second level of control. This intervention takes the following forms:
  - defining the overall normative framework for risk identification, assessment and management,
  - defining cases where a second prior review by a function exercising a second-level control shared with the operational entity is necessary for decision-making,
  - independent controls, called second-level controls, carried out by said function on the system implemented by the heads of the operational activities and on their operation (result of the risk identification and assessment process, relevance and conformity of the risk control systems and in particular, compliance with the limits set);
- separation of duties: it is a key element of the risk control system. It consists of assigning certain operational tasks that contribute to the performance of a single process to stakeholders at various hierarchical levels or to separate these tasks by other means, in particular by electronic means;
- proportionality of risks: the internal control system must be implemented under an approach and with an intensity that is proportionate to the risks involved. This proportionality is determined based on one or more criteria:
  - risk intensity,
  - amount of allocated capital and/or ratios in terms of solvency,
  - complexity of the products designed or marketed and/or services provided,
- appropriate governance: the internal control system is subject to governance involving the different stakeholders and covering the various aspects of internal control, both organisational and monitoring and oversight;
- requirement for formalisation and traceability: internal control relies on the instructions of Executive Officers, written policies and procedures and audit trails. The related controls, their results, their implementation and the feedback from the entities to the higher levels of the group's governance are documented and traceable;
- duty of transparency: all employees, irrespective of their position, have a duty to communicate, in a transparent manner, that is, spontaneously and promptly, to a higher level within the organisation to which they belong:
  - any information required for a proper analysis of the situation of the entity in which the employee operates, and which may impact the risks or the reputation of the entity or the group,

  - any question that the employee could not resolve independently in the performance of his duties,
  - any anomaly of which he becomes aware;

  In addition, he or she has a duty to alert, under the protection of confidentiality, as provided for by the BNP Paribas Group code of conduct and exercised within the framework of the whistleblowing system established by Compliance;

- continuous adaptation of the system in response to changes: the internal control system must be actively managed by its various stakeholders. This adjustment in response to changes of any kind that the BNP Paribas Group must face must be done according to a periodic cycle defined in advance but also continuously as soon as events so justify.

Compliance with these principles is verified on a regular basis, in particular through assignments carried out by the periodic control teams (Internal Audit).

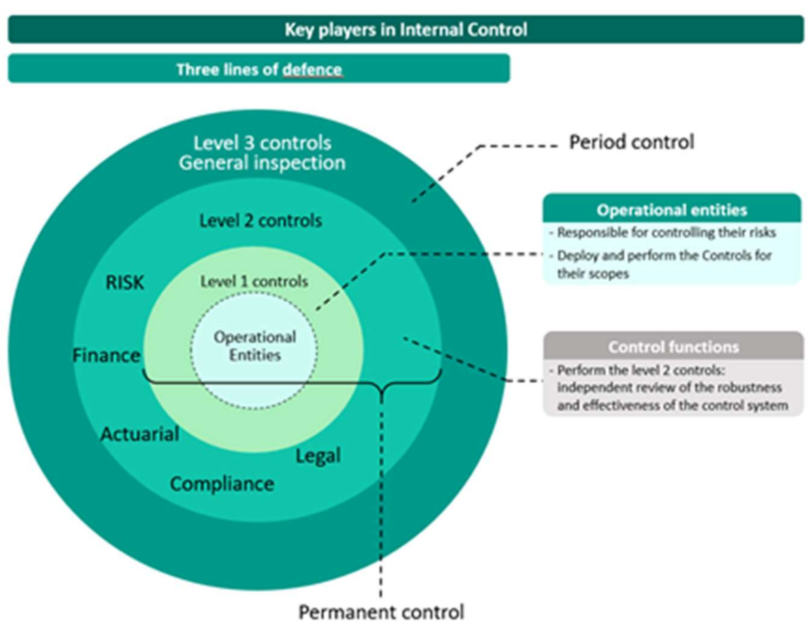
7.1.4 Organisation of internal control

BNP Paribas Cardif's internal control system is organised around three lines of defense, under the responsibility of Executive Officers and under the oversight of the Board of directors.

Permanent control is the ongoing implementation the risk management system and is provided by the first two lines of defense. Periodic control, provided by the third line of defense, is an audit and assessment function that is performed according to its own audit cycle.

The functions exercising the second and third lines of defense are so-called functions exercising independent control. With respect to Compliance, Risk, Actuarial and Internal Audit functions, they report on the performance of their duties to the Board of directors or to its specialised committees.

Discussions between permanent control and periodic control regularly takes place to enhance the flow of information, to coordinate each action and to improve the efficiency of internal oversight in strict compliance with the independence of periodic control.



7.2 BNP PARIBAS CARDIF GROUP RISK MANAGEMENT SYSTEM

Risk management is a process that allows to identify, gauge, monitor, manage and report on the risks arising from both outside the BNP Paribas Cardif Group and intrinsically from within. The objective is to guarantee the solvency, the continuity of business and the development of the BNP Paribas Cardif group under satisfactory conditions of risk and profitability.

Within the provision of article L354-2 of the French Insurance Code, the BNP Paribas Cardif group conducts a forward looking assessment of its solvency and risks every year under the Solvency II framework, in particular:

- the definition and evaluation of capital requirement specific to the risk profile;
- the level of capital that the BNP Paribas Cardif Group wishes to hold to cover this specific requirement;
- the forward-looking solvency ratios under the medium-term plan;
- the resilience of these ratios in stress tests cases.

Depending on the observed solvency ratios and the forecasts made under ORSA (Own Risk and Solvency Assessment), remedial actions may be undertaken to adjust own capital.

The risk typology adopted by the BNP Paribas Cardif Group is changing in pace with methodological work and regulatory requirements. It is presented according to the main categories as follows:

- **Underwriting risk** is the risk of a financial loss caused by a sudden, unexpected increase in insurance claims compared to the priced risk that may result from inadequate pricing or provisioning assumptions due to internal or external factors, including sustainability risks. Depending on the type of insurance business (life, non-life), it may be statistical, macroeconomic or behavioural, or may be related to public health issues or disasters.
- **Market risk** is the risk of a financial loss arising from adverse movements of financial markets. These adverse movements are notably reflected in prices (foreign exchange rates, bonds, equity and commodities, derivatives, real estate, etc.) and derived from fluctuations in interest rates, credit spreads, volatilities and correlations.
- **Liquidity risk** is the risk of being unable to fulfil current or future foreseen or unforeseen cash requirements coming from insurance commitments to policyholders, because of an inability to sell assets in a timely manner, and at an acceptable cost without a significant impact on market prices; and / or get access to alternative financing instruments in a timely manner;
- **Credit risk** is the risk of loss or adverse change in the financial situation resulting from the credit quality of issuers of securities, counterparties and any debtors to which the BNP Paribas Cardif Group is exposed as a counterparty. Among the debtors, risks related to financial instruments (including the banks in which the BNP Paribas Cardif group holds deposits) and risks related to receivables generated by the underwriting activities (premium collection, reinsurance recovering, etc.) are divided into two categories: asset credit risk and liabilities credit risk.
- **Operational risk** is the risk of loss resulting from the inadequate or failed internal processes, information systems, IT failure, or from external events, whether deliberate, accidental or natural. It includes legal, tax and compliance risks, but excludes risks arising from strategic decisions and reputational risks.

The BNP Paribas Cardif Group is exposed mainly to credit, underwriting, and market risks. The BNP Paribas Cardif Group closely monitors its exposures and profitability, taking into account these various risks and the adequacy of its capital with regard to regulatory solvency requirements. It endeavours to contain potential losses in adverse scenarios at acceptable levels.

7.3 MARKET RISK

Market risk arises mainly in the Savings business, where technical reserves represent most of the BNP Paribas Cardif group subsidiaries' liabilities.

Interest rate risk management for the general insurance funds and the asset diversification policy have driven investment in real estate assets, equities and fixed-income securities, including government bonds particularly in the Euro zone countries.

The BNP Paribas Cardif Group managed EUR 153.0 billion at net carrying amount *i.e.* EUR 154.6 billion at market value, through its subsidiaries in France, mainly Cardif Assurance Vie, representing EUR 121.8 billion, through its subsidiaries in Italy, mainly Cardif Vita, representing EUR 20.3 billion and its subsidiary in Luxembourg, Cardif Lux Vie (EUR 8.6 billion).

Market risk falls into four categories:

- interest rate risk;
- liquidity risk;
- spread risk;
- change in the value of assets.

7.3.1 Interest rate risk

Euro-denominated funds in underwritten life insurance policies are measured based on either a contractual fixed rate or a variable rate, with or without a minimum guaranteed return. Whatever the type of contract, it is appropriate to manage the interest rate and asset value risk that would result from a return on investments made in return for premiums received that is less than the contractual remuneration obligation or a remuneration defined taking into account market expectations and the positioning of other market participants. In France, the average rate guaranteed by Cardif Assurance Vie in 2022 is below 0.1%.

In France, to cover for future potential financial losses, estimated over the lifetime of the policies, a financial assets' insufficient yield reserve (*provision pour aléas financiers*) is booked when total amount of technical interest plus the guaranteed return payable to policyholders through technical reserves is not covered by 80% of the return on the admissible assets. No provision for future adverse deviation was booked at 31 December 2022, 2021, and 2020, as the returns guaranteed by the insurance subsidiaries were low and the guarantees were for short periods, resulting in only limited exposure.

7.3.2 Liquidity risk

Liquidity risk with a 24-month horizon is managed by the Asset Management unit. Asset-liability matching analyses over the medium to long term are also carried out regularly by Asset-Liability Management in order to supplement the measurement of the financial risks incurred. They are based on medium and/or long-term income statement and balance sheet projections prepared using a range of economic scenarios. The results of these reviews are analysed in order to determine any adjustments to required assets (through strategic allocation, diversification, use of derivatives, etc.).

Stress tests are regularly carried out as part of asset and liability management studies. These stress tests make it possible to check the ability of BNP Paribas Cardif to honour its undertakings in negative financial market situations, by taking account of the impact of these situations on the behaviour of policyholders.

The latest sensitivity reviews show that the main general funds of BNP Paribas Cardif hold sufficient liquid assets.

The table of financial obligations by maturity is available in note 4.27 – Liabilities from direct insurance and reinsurance transactions.

7.3.3 Spread risk

The limits by issuer and by type of rating ("Investment Grade", "Non-Investment Grade") are monitored periodically and break down as follows:

Exposure by rating	31 December 2022			31 December 2021		
	Governments	Companies	Total	Governments	Companies	Total
AAA	6.9%	3.8%	10.7%	4.0%	2.1%	6.1%
AA	22.0%	6.1%	28.0%	23.7%	6.2%	29.9%
A	5.4%	19.6%	25.0%	6.6%	21.4%	28.0%
BBB	10.9%	16.4%	27.3%	10.4%	16.9%	27.3%
< BBB (*)	0.3%	8.6%	8.9%	0.2%	8.4%	8.6%
Total	**45.5%**	**54.5%**	**100.0%**	**44.9%**	**55.1%**	**100.0%**

(*) Incorporating unrated securities.

7.3.4 Change in the value of assets

The exposure to the risk of a fall in asset values (interest rate, spread, equities and real estate) is mitigated by the mechanism of the deferred participating benefit, attached to the insurance contracts containing a profit sharing clause.

These analyses on the financial assets of Cardif Assurance Vie general funds shows the following variation:

Sensitivity of PS's gross financial assets and derivative instruments (In millions of euros)	31 December 2022			31 December 2021		
	Impact on the fair value of investments	Impact on the result	Impact on equity	Impact on the fair value of investments	Impact on the result	Impact on equity
Greater than 10% change in the equity market	841	55	29	1,640	116	48
Less than 10% change in the equity market	(841)	(55)	(29)	(1,640)	(116)	(48)
Greater than 10% change in the property market	907	16	74	853	16	69
Less than 10% change in the property market	(907)	(16)	(74)	(853)	(16)	(69)
Greater than1% change in bond rates	(4,979)	(50)	(444)	(5,754)	(44)	(528)
Less than 1% change in bond rates	4,979	50	444	6,034	5	595

NB : PS = Profit Sharing

7.4 UNDERWRITING RISK

The Underwriting risk relates mainly to surrender risk, longevity risk and mortality risk for savings activities, and creditor insurance for protection business.

7.4.1 Risk of surrender

Risk of surrender is closely monitored,savings contracts include a surrender clause allowing policyholders to request reimbursement of all or part of their accumulated savings. The insurer is thus exposed to the risk of surrender volumes being higher than the forecasts used for asset and liability management purposes, leading to potential losses on assets disposals needed to finance excess surrenders.

Expected short-, medium- and long-term liability flows are regularly estimated and any liquidity gaps with expected asset flows are identified and controlled in order to reduce the risk of huge instant asset disposals.

The studies focus in particular on projected flows of liabilities and assets over periods of up to 40 years. They aim to determine projected cash mismatches and identify over- or under-hedged maturities representing a liquidity risk in order to guide the choice of maturities for new investments and arbitrage to be carried out;

The guaranteed revaluation of policies is completed by a partly discretionary profit sharing, that raises the total return to a level in line with market benchmarks and reduces the risk of an increase in surrenders. The policyholders' surplus reserve is the mechanism in France that enables the surplus actually paid out to be pooled and spread between generations of policyholders and the performance of contracts to be managed over time;

The return on financial assets may also be protected through the use of hedging instruments.

Average surrender rates for BNP Paribas Cardif Group general funds in France, Italy and Luxembourg

Annual average surrender rate observed (*)	2022	2021
France	6.5%	5.4%
Italy	9.4%	8.3%
Luxembourg	22.5%	8.5%

(*) Individual savings

7.4.2 Unit-linked contracts with a minimum coverage

The insurer's liabilities are covered by the assets held, that are used as a valuation reference. The consistency of this coverage is controlled at monthly intervals.

Certain unit-linked commitments provide for the payment of a death benefit at least equal to the cumulative premiums invested in the contract, whatever the conditions on the financial markets at the time of the insured's death. The risk on these contracts is both statistical (probability of a claim) and financial (market value of the units).

The capital guarantee is generally subject to certain limits. In France, for example, most contracts limit the guarantee to one year (renewable annually), an age limit of eighty to benefit from the guarantee and a maximum of EUR 1 million per insured.

The minimum guaranteed benefit reserve is (re)assessed every quarter and takes into account the probability of death, based on a deterministic scenario, and stochastic analyses of changing financial market prices. The reserve amounted to EUR 18.9 million at 31 December 2022 (versus EUR 7.2 million at 31 December 2021).

7.4.3 Protection

These risks result mainly from the sale of creditor insurance, as well as personal risk insurance (individual death and disability, extended warranty, theft, accidental damage, third party liability, annuity policies in France), with geographic coverage in many countries.

Borrower insurance contracts mainly cover the risks of death, disability, critical illness, inability to work, loss of employment and financial loss on permanent, personal and real estate loans. This activity is based on a multitude of contracts with low risk amounts and premiums, the profitability of which depends on the size of the contract base and the effective pooling of risks, as well as the control of management costs. The term of coverage of these contracts is generally equal to the term of the underlying loans, with the premium either being paid in one lump sum when the policy is issued (single premium) or on a regular basis throughout the term of the policy (regular premiums or periodic premiums).

Other activities (individual death and disability, extended warranty, theft or damage to property, annuity policies in France, civil liability, health) relate to personal risk (death, accidental death, hospitalisation, critical illness, healthcare expenses) or to property and/or liabilities (accidental damage, breakdown or theft of consumer goods or automobiles, civil liability …). The characteristic of these contracts is that individual insured sums are generally small, whether they are indemnities or lump sums.

Lastly, mainly through its Cardif IARD entity in France, motor vehicle coverage (material damage, civil liability, assistance, etc.) and multiple residential risks are also underwritten. These forms of coverage are also growing internationally, particularly in Latin American countries.

7.4.4 Risk management and monitoring

The governance set up to prevent and control actuarial risks in France and internationally is based on guidelines and tools that describe the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, the tasks to be performed and their reporting obligation. It also sets out the practices that are excluded or that are allowed only if certain conditions are met.

Risks underwritten must comply with delegation limits set at various local and central levels depending on the estimated maximum acceptable losses, the estimated Solvency II capital requirements and the estimated margins on the policies concerned. The experience acquired in managing geographically diversified portfolios is used to regularly update risk pricing databases comprising a wide range of criteria such as loan type for creditor insurance, the type of guarantee and the insured population. Each contract is priced by reference to the profitability and return-on-equity targets set by the Executive Management of the BNP Paribas Cardif Group.

Reinsurance is a complementary element of the underwriting risk management system. Its objective is to protect the BNP Paribas Cardif Group against three main risks:

- the so-called "peak” risk, linked to exposure to an individual risk exceeding a specified threshold, called "full retention”. The peak risk may be managed by reinsurance, which may take the form of surplus or excess of loss treaties;
- the so-called “accumulation risk”, mainly shown through the catastrophe risk associated with exposure to a single low occurrence event, but with a very high financial impact (concentration risk). This risk can be reinsured in the form of a catastrophe excess of loss treaty;
- the risk on new products, linked to insufficient pooling, wrong definition of the technical basis or to uncertainty over the insured portfolio data. This risk can be reinsured in the form of quota share, stop loss or excess of loss treaties, depending on the level of risk identified.

Risk exposures are monitored periodically by the Executive Committee of the BNP Paribas Cardif Group through the Commitment Monitoring Committees that are based on a two-pronged approach:

- quarterly monitoring of loss ratios at each accounting quarter end;
- supplemented by monitoring of the portfolio characteristics according to a schedule based on the type of product (monthly, quarterly or annually).

Contract pricing for annuity contracts are based on mortality tables applicable under insurance regulations, adjusted in some cases by portfolio specific data which is certified by independent actuaries. The result is a low annuity risk.

Underwriting risks are covered by various technical reserves:

- the mathematical reserves in Life insurance;
- the unearned premiums reserves for non-Life underwriting, generally calculated on an accruals basis, possibly supplemented by reserves for current risks;
- the reserves for increasing risk in certain cases (long-term policies with constant periodic premiums and increasing risk);
- the outstanding claims reserves, determined by reference to reported claims;
- the IBNR (claims incurred but not reported) reserves, determined on the basis of either observed settlements or the expected number of claims and the average cost per claim;
- the reserves for claims management, generally calculated pro rata to the claims reserves.

The level of prudence adopted for the overall assessment of claims incurred but not reported in IFRS corresponds to the 90% quantile.

The “Liability Adequacy Test” (LAT), provided for by IFRS 4, carried out by portfolio of contracts, consists of comparing the provisions recognised (net of deferred acquisition costs) with a prospective assessment of discounted cash flows. At 31 December 2022, this test does not reveal any insufficiency.

The provisional maturity schedule of projected liability cash flows is as follows:

	Breakdown of the projection of liability flows at 12/31/2022 by estimated maturity			
In millions of euros	inf at 1 year	from 1 to 10 years	sup at 10 years	TOTAL
Amount of liabilities	7,384	47,122	89,670	144,176

7.5 STRUCTURED ENTITIES

Consolidated structured entities

Consolidated structured entities correspond to all funds dedicated to the insurance business.

These Fund shares are designed for the needs of the BNP Paribas Cardif Group, which is the sole investor.

Unconsolidated structured entities

As part of the asset, allocation strategy corresponding to investments related to the premiums for unit-linked contracts or for the general fund, BNP Paribas Cardif Group subscribes to units of structured entities.

These short- or medium-term investments are held for their financial performance and meet the risk diversification criteria inherent to the business. For all of these investments, BNP Paribas Cardif Group does not act as a manager and does not have the option to interfere in the investment decisions of the management companies.

At 31 December 2022, outstanding assets amounted to EUR 65,628 million compared with EUR 78,069 million at 31 December 2021.

7.6 RELATED PARTY DISCLOSURES

Within the meaning of IAS 24 “Related Party Disclosures”, parties are related if an entity has direct or indirect exclusive control or significant influence over another entity, or both entities are under the control or significant influence of a third-party entity or natural person.

According to this definition, the parties related to BNP Paribas Cardif Group consist of the companies of BNP Paribas Group and the senior managers of BNP Paribas Cardif Group. Entities managing the post-employment benefit plans offered to employees (except for multi-employer and multi-industry schemes) are also referred to as related parties.

7.6.1 Relationships with BNP Paribas Group companies

BNP Paribas Cardif Group’s relationships with BNP Paribas Group companies mainly concern the marketing and management of its insurance products, investment policy and refinancing policy.

Marketing and management of insurance products

In some countries, BNP Paribas Cardif Group distributes a significant portion of its insurance products through BNP Paribas Group’s commercial networks.

For example, BNP Paribas’ Retail Banking in France (FRB) and its international banking networks (including BNP Paribas Fortis in Benelux and BNL BC in Italy) are important distribution channels for life insurance and provident policies, and BNP Paribas Personal Finance (BNPP,Cetelem brand) mostly markets borrower insurance contracts.

These commercial networks are remunerated by fees from business introducers whose rate differs according to the product marketed and the missions entrusted (acquisition, contract management), and in some cases, by a variable commission according to the results of the business underwritten, with all terms of remuneration being negotiated so as to apply market conditions to policyholders.

BNP Paribas Cardif Group’s investment policy

BNP Paribas Cardif Group may invest the funds paid by policyholders in mutual funds (or similar funds) managed by the asset management entities of BNP Paribas Group, in particular BNP Paribas Asset Management.

As representation of the General Fund’s commitments, BNP Paribas Cardif Group also underwrites negotiable debt securities issued by BNP Paribas Group.

At 31 December 2022, these investments totalled EUR 3,556 million compared to EUR 4,538 million at 31 December 2021.

Finally, as part of investment hedging strategies (whether designated or not as such under IFRS), BNP Paribas Cardif Group transacts forward financial instruments, mainly swaps and options, for which BNP Paribas Group's banking entities, mainly BNP Paribas SA, act as intermediaries to enable BNP Paribas Cardif Group companies to enter the market.

BNP Paribas Cardif Group's refinancing policy

To ensure its long-term financing, BNP Paribas Cardif Group contracts subordinated loans or issues subordinated securities underwritten in full by the entities of BNP Paribas Group. At 31 December 2022, this financing represents a total nominal value of EUR 3,284 million compared to EUR 3,238 million at 31 December 2021.

In connection with investments in its subsidiaries and branches, BNP Paribas Cardif Group borrows from the banking entities of BNP Paribas Group. At 31 December 2022, the amount of financing and operating borrowings contracted for this purpose amounted to EUR 4,394 million compared with EUR 3,488 million at 31 December 2021.

As part of the management of its General Fund and in compliance with the French Insurance Code, which defines the maximum amount of repurchase transactions that a French insurance company may carry out with its parent company, BNP Paribas Cardif Group, in particular Cardif Assurance Vie and Cardif Assurance Risques Divers, carries out repurchase agreements with BNP Paribas Group. At 31 December 2022, the amount of repurchase agreements with BNP Paribas Group amounted to EUR 1,241 million compared with EUR 2,975 million at 31 December 2021.

Profit or loss impact of relationships with BNP Paribas Group companies

All of these relationships with BNP Paribas Group companies generated a net expense of EUR 1,668 million in 2022, compared to EUR 1,876 million in 2021, mainly from marketing fees and financing expenses as well as structural expenses invoiced by BNP Paribas Group (IT services and back office costs), which were partially offset by net investment income.

7.6.2 Relationships between BNP Paribas Cardif Group consolidated companies

Note 2.1 "Scope of consolidation" presents the list of companies consolidated by BNP Paribas Cardif Group.

Transactions and outstanding amounts at the end of the period between the fully consolidated companies of BNP Paribas Cardif Group are fully eliminated in the preparation of the consolidated financial statements.

At 31 December 2022, transactions with equity method companies in the BNP Paribas and the BNP Paribas Cardif Groups represent a net profit of EUR 21 million, compared with EUR 34 million in 2021.

7.7 EVENT AFTER THE REPORTING PERIOD

There are no significant post-closing events, known to date.

7.8 REMUNERATION OF SENIOR EXECUTIVES

The total amount of remuneration awarded to the Chairman and all members of the Executive Committee amounts to EUR 9.64 million for 2022 versus EUR 9.23 million for 2021.

7.9 FEES PAID TO THE STATUTORY AUDITORS

In millions of euros	Year to 31 Dec 2022	Year to 31 Dec 2021
Statutory audits and contractual audits	(5)	(5)
Services other than those required for their statutory audit engagement	(1)	(1)
TOTAL FEES PAID TO STATUTORY AUDITORS	**(6)**	**(6)**

Services other than the certification of financial statements this year mainly include tasks related to regulatory requirements (Solvency 2 & IFRS 17), and missions related to projects on international markets as well as missions on tax and IT issues.