

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## **BNP PARIBAS CARDIF**

### **Statutory auditors' report on the consolidated financial statements**

For the year ended 31 December 2023

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# **BNP PARIBAS CARDIF**

## **Statutory auditors' report on the consolidated financial statements**

For the year ended 31 December 2023

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To the annual general meeting of BNP Paribas Cardif,

**BNP PARIBAS CARDIF**  
1 Boulevard Haussmann  
75009 Paris

### **Opinion**

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of BNP Paribas Cardif (“the Group”) for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## **Basis for Opinion**

### **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

### **Independence**

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1, 2023 to the date of issue of our report, and in particular we did not provide any prohibited non-audit services referred to in Article 5, paragraph 1 of Regulation (EU) No 537/2014.

### **Observation**

Without qualifying the opinion expressed above, we draw your attention to the changes in accounting policy relating to the recognition of insurance contracts and financial instruments, described in note 1.1.3 to the Consolidated Financial Statements, which sets out the impact of the first-time adoption of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as from January 1, 2023.

## **Justification of Assessments – Key Audit Matters**

In accordance with the requirements of the Articles L. 821-53 and R. 821-180 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

### **Valuation of certain BNP Paribas Cardif financial assets classified in levels 2 and 3**

- **Description of risk**

As part of its activities, BNP Paribas Cardif group holds investments on its balance sheet. Financial investments measured at fair value are presented according to the hierarchy defined by IFRS 13.

Financial assets are classified as level 2 when the external prices offered by a reasonable number of active market makers are regularly observable, without being directly executable. These prices are derived in particular from market consensus publication services to which active market makers contribute, as well as indicative prices produced by active brokers or traders.

The fair value of financial assets classified in level 3 is determined using valuation techniques whose significant parameters used are unobservable or cannot be corroborated by market data, for example due to the lack of liquidity of the instrument, or a significant model risk. An unobservable parameter is data for which no market information is available. It therefore arises from internal assumptions about the data that would be used by other market participants. Evaluating the absence of liquidity or identifying a model risk involves the exercise of judgment.

Given the uncertainty of the economic environment, we considered that the valuation of instruments classified in level 2 and 3 was a key point of our audit which requires the exercise of judgment by management.

At December 31, 2023, financial assets classified as level 2 and level 3 of the BNP Paribas Cardif group amounted to € 70.1 billion (see note 1.5.7 and 6.7 of the appendices to the consolidated financial statements of BNP Paribas Cardif), representing 28% of total financial assets (€ 247.3 billion).

- **Procedures implemented in response to the risk identified**

Our audit approach consisted of implementing the following procedures:

- Review of the processes and controls put in place by BNP Paribas Cardif to identify, assess and record financial assets classified as level 2 and 3.

- Review of controls that we deemed key, such as review of price observability, independent verification of valuation parameters for venture capital funds and internal validation of valuation models for shares in non-equity companies and real estate securities held directly by BNP Paribas Cardif.
- For assets valued using internal valuation models, with the assistance of our financial instrument valuation specialists:
  - verification of the conformity of the assumptions, methods and parameters used with regard to market practices and the economic context.
  - assessment of the reasonableness of the valuations used and recognized as of December 31, 2023.
- For assets valued by management companies outside the BNP Paribas Cardif group and for real estate assets:
  - verification of the compliance of the valuations used as of December 31, 2023 with the reports sent by asset management companies and real estate experts.
  - for assets whose underlying activity is based on a market in economic difficulty due to the sanitary crisis: examination of how these impacts are taken into account in the valuation.
- For assets for which the valuation retained was established at a date prior to the closing: review of the analyses carried out by the group to verify the absence of a significant difference between the valuations used and the valuations at the closing date.
- Review of the sufficiency and appropriateness of the information in the appendix.

#### **Assessment of the impact of first-time adoption of IFRS 17 "Insurance Contracts" on opening balances and comparatives**

##### **▪ Description of risk**

The implementation of IFRS 17 "Insurance Contracts" from January 1, 2023 entails significant changes in accounting policies and valuation rules for insurance contracts, as well as changes in the presentation of financial statements. It has been applied retrospectively to insurance contracts in force at the transition date of January 1, 2022.

The impact of the first-time application of IFRS 17 for the BNP Paribas Cardif Group is an impact of € 534 million on opening shareholders' equity at January 1, 2022 (refer to the Statement of changes in shareholders' equity) and has led to the recognition of a contractual service margin of € 13.8 billion. Note 1.1.3 of the appendices of the consolidated financial statements describes the accounting methods chosen (mainly application of the modified retrospective approach (MRA) by BNP Paribas Cardif and the specific assumptions made by the Group at the transition date, depending on the type of contract (Protection or Life/Savings) and the methods used to measure liabilities under IFRS 17 (general model, simplified model or variable fee approach).

The application of IFRS 17 involves new accounting and actuarial estimates that call for greater judgment on the part of management in selecting the appropriate accounting methods at the time of transition and in determining the key assumptions and parameters to reflect the most likely estimated future situation. These include, at the transition date:

- Determining the transition approach applicable to each group of insurance contracts, and in particular assessing cases where full retrospective application (FRA) is possible (requiring

recalculation of accounting aggregates from the origin of the contracts and subject to available historical data);

- The methodologies and assumptions used to calculate the initial contractual service margin, depending on the transition approach adopted for groups of insurance contracts. This amount has mainly been estimated using the modified retrospective approach, due to the lack of information of sufficient granularity to apply the full retrospective method, which led management to make certain simplifications, notably in terms of grouping contracts, discount rates and reconstitution of past margins.

Given the significance of the changes in the measurement and recognition of insurance contract liabilities resulting from this new accounting standard, the choice of accounting methods and the significant nature of the judgments made by management in determining certain key valuation assumptions, we have considered the assessment of the impact of the first-time adoption of IFRS 17 "Insurance Contracts" on the opening balances and comparatives of the Group's consolidated financial statements to be a key audit issue.

▪ **Procedures implemented in response to the risk identified.**

With the assistance of our specialists in actuarial modelling and the accounting of financial instruments, we performed the following audit procedures:

- Review and assess the processes and controls defined by management to determine the impact of the adoption of IFRS 17 on the consolidated financial statements at January 1, 2022 and on the comparative financial statements at December 31, 2022;
- Assess the appropriateness of the accounting policies and judgments used by management with regard to the provisions of IFRS 17.
- Appraise the parameters and assumptions used in the transition methods applied to calculate the contractual service margin (under the modified retrospective approach). In this context, we assessed the criteria used to document the impossibility of implementing the full retrospective approach and the methods for measuring and recognizing the contractual service margin at January 1, 2022 ;
- Assess, with the help of our actuarial modeling specialists, the methodologies and key judgments used in determining the actuarial valuation models (including in particular those relating to the determination of the contractual service margin and the key discount rate parameters used by management) in light of the provisions of IFRS 17. We have verified the application of these methods and assumptions as part of our audit procedures on the comparative information for the 2022 financial year.
- Carry out tests, based on sampling and our risk assessment, on the data, key modeling assumptions and parameters and on the restatements made and used in calculating the opening balances and comparative statements presented.
- Assess the appropriateness of the disclosures in the notes to the consolidated financial statements relating to the transition to the new IFRS 17 with respect to the requirements of IAS 8.

**Valuation of technical provisions for "Life/Savings" insurance contracts**

▪ **Description of risk**

As of December 31, 2023, the Group has recognized liabilities relating to "Life/Savings" insurance contracts amounting to €212 billion, as presented in note "9.5.2" of the appendices of the consolidated financial statements.

As explained in note 1.12.2 of the appendices of the consolidated financial statements, the Cardif Group has assessed the eligibility of groups of insurance contracts for the accounting valuation models defined by IFRS 17. The Group therefore considered that liabilities relating to insurance contracts in the "Life/Savings" lines corresponded to directly participating insurance contracts and are specifically valued using the "variable fees" accounting model.

The valuation of insurance liabilities under this accounting model involves determining the best estimate of the present value of cash flows to be paid or received to meet contractual obligations to policyholders, an adjustment for non-financial risk based on a confidence level selected by the Group and taking into account risk diversification, and a contractual service margin representing unearned profit that will be recognized as services are rendered.

The valuation of these insurance liabilities using the variable fee approach is based on complex actuarial models that call on data and assumptions relating to future periods, such as the determination of the discount rate, policyholder behavior laws, future management decisions, the adjustment for non-financial risk or the definition of so-called real-world financial asset return assumptions, used for the release of the contractual service margin into income. Changes and updates in the parameters used are likely to have a significant impact on the amount of insurance liabilities in the Life/Savings segment.

Given the long-term nature of commitments related to "Life/Savings" insurance contracts, their high sensitivity to the economic and financial environment—which may impact policyholder behavior—and the significant degree of management judgment involved in selecting data and assumptions, as well as the use of complex commitment modeling techniques to reflect the most likely estimated future situation, we considered the valuation of technical provisions for "Life/Savings" insurance contracts to be a key audit matter.

- **Procedures implemented in response to the risk identified.**

With the assistance of our specialists in actuarial modelling and International Financial Reporting Standards accounting principles, we performed the following audit procedures:

- Review the processes and methodologies defined by Group management to determine, in accordance with IFRS 17, the best estimate of the present value of future cash flows required to settle contractual obligations towards policyholders under Life/Savings contracts.
- Perform audit procedures on the internal control environment of the information systems involved in data processing, the determination of estimates, and actuarial calculations concerning the valuation of commitments related to "Life/Savings" insurance contracts.
- Assess the eligibility of insurance contracts in the "Life/Savings" lines of business for the "variable fees" accounting valuation model and evaluate management's correct application of these valuation methods to "Life/Savings" insurance contracts in accordance with the provisions of IFRS 17.
- Assess and test the key controls implemented by management. Specifically, we evaluated the control systems relating to the methodologies, judgments, and key assumptions formulated by management, as well as those concerning governance and controls over the processes and validation of actuarial models for projecting discounted future cash flows applied to "Life/Savings" insurance contract commitments. We also

assessed the appropriateness of any changes in assumptions, parameters, or actuarial modeling processes used in the valuation of future cash flows.

- Test, on a sample basis, the principal methodologies, assumptions, and key actuarial parameters used in determining estimates of discounted future cash flows, the adjustment for non-financial risks, and the margin on contractual services. We assessed, on a sample basis, the reasonableness of these estimates.
- Perform an independent best estimate cash flow calculation on a sample basis of Life/Savings insurance liabilities.
- Test, on a sample basis, the reliability of the underlying data used in projection models and calculations of the best estimate of discounted future cash flows.
- Carry out analytical procedures on developments to identify any significant inconsistent or unexpected variations.
- Assess the appropriateness of the information disclosed in the notes to the consolidated financial statements.

## **General IT controls**

### **▪ Description of risk**

The reliability of IT systems is key for BNP Paribas Cardif, as it is for all financial institutions given the high volume of transactions processed every day. We pay particular attention to access controls for the main IT systems supporting the production of financial information, as well as to the management of changes to these systems.

We thus deemed the assessment of the general IT controls and the application controls specific to the information processing chains that contribute to the preparation of accounting and financial information to be a key audit matter.

In particular, a system for controlling access rights to IT systems and authorisation levels based on employee profiles represents a key control for limiting the risk of inappropriate changes to application settings or underlying data.

### **▪ Procedures implemented in response to the risk identified**

For the main systems used to prepare accounting and financial information, assisted by our IT specialists, our work consisted primarily in:

- obtaining an understanding of the systems, processes and controls which underpin accounting and financial data ;
- assessing the general IT controls (application and data access management, application changes/developments management and IT operations management) on material systems (in particular accounting, consolidation and automatic reconciliation applications) ;
- examining the control for the authorisation of manual accounting entries.

We implemented additional diligences given that certain accounts have extended system rights and undertook additional procedures consisting mainly, depending on the situations and risks identified, of:



- examining compensatory controls put in place by BNP Paribas Cardif;
- increasing the size of the samples in our control and substantive tests (testing of accounting entries, reconciliation of the characteristics of transactions with external supporting materials such as contracts, transaction advice notices and third-party confirmations, etc.) ;
- data analysis work in order to identify and analyse atypical transactions on premiums.

## **Specific Verifications**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

## **Other Legal and Regulatory Verifications or Information**

### **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of BNP Paribas Cardif by the annual general meeting held on 11 May 2012 for Deloitte & Associés and on 14 May 2007 for PricewaterhouseCoopers.

As at 31 December 2023, Deloitte & Associés and PwC were in the 12th year and 17th year of total uninterrupted engagement including four years for both firms since the entity fell within the scope of public interest entities as defined by European legislation.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## **Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

### **Objectives and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit

evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

#### **Report to the Audit Committee**

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.821-27 to L.821-34 of the French Commercial Code and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, 17 juin 2024

PricewaterhouseCoopers

Deloitte & Associés

Gérard Courrèges

Estelle Sellem

Laurence Dubois