CONSOLIDATED FINANCIAL STATEMENTS

BNP Paribas Cardif

31 December 2020

BNP PARIBAS CARDIF

The insurer for a changing world

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1. Balance sheet assets

In millions of euros	Notes	31 December 2020	31 December 2019
Goodwill	4.1	165	249
Value of acquired insurance company contract portfolios	4.2	277	307
Other intangible assets	4.3	306	257
Intangible assets		**749**	**813**
Real estate Investment	4.4	2,950	3,247
Held-to-maturity financial assets	4.5	1,440	1,911
Available-for-sale financial assets	4.6	131,419	128,890
Financial investments at fair value through profit or loss	4.7	40,856	39,112
Loans and receivables	4.8	1,759	1,716
Derivative instrument assets	4.9	1,263	935
Investments in equity-method investment entities	4.16	296	297
Unit-linked investment assets	4.10	76,588	74,340
Investments		**256,571**	**250,448**
Equity-method investments	4.16	**705**	**711**
Reinsurers' share in insurance and investment contracts liabilities		**2,788**	**2,939**
Tangible assets	4.17	487	512
Deferred acquisition costs and equivalent	4.18	1,192	1,446
Deferred tax assets	5.7	9	76
Receivables from direct insurance and reinsurance transactions	4.19	1,225	1,170
Current tax receivables		173	204
Other receivables	4.20	2,934	2,178
Other assets		**6,019**	**5,585**
Cash and cash equivalents		**2,067**	**2,119**
TOTAL ASSETS		268,898	262,615

2. Balance sheet liabilities

In millions of euros	Notes	31 December 2020	31 December 2019
Share capital	4.21	150	150
Additional paid-in capital		2,588	2,588
Changes in assets and liabilities recognised directly in equity		981	1,153
Non-distributed reserves		1,470	776
Net income for the period attributable to shareholders		565	2,293
Interim dividends		-	(1,164)
Shareholders' equity - Group share	5	**5,755**	**5,797**
Minority interests	5	**373**	**316**
TOTAL SHAREHOLDERS' EQUITY		**6,128**	**6,113**
Subordinated debt	4.22	5,002	5,337
Financial debt due to banking sector companies	4.22	3,047	2,076
Financing debts		**8,049**	**7,413**
Technical liabilities arising from insurance contracts	4.23	96,366	97,491
Technical liabilities arising from unit-linked insurance contracts	4.23	69,197	67,059
Technical liabilities arising from insurance contracts		**165,563**	**164,550**
Technical liabilities arising from investment contracts with discretionary profit sharing	4.23	40,916	40,722
Technical liabilities arising from unit-linked investment contracts	4.23	7,612	7,456
Technical reserves on investment contracts		**48,528**	**48,178**
Deferred profit sharing reserve	4.24	**21,953**	**19,578**
TECHNICAL RESERVES ON INSURANCE AND INVESTMENT CONTRACTS		**236,044**	**232,306**
Provisions for contingencies and charges	4.25	**403**	**299**
Deferred tax liabilities	5.7	168	326
Liabilities due to banking sector companies	4.26	10,841	8,760
Liabilities from direct insurance and reinsurance transactions	4.27	3,170	3,611
Current tax liabilities		197	160
Derivative instrument liabilities	4.9	1,303	898
Other debts	4.20	2,595	2,727
Other liabilities		**18,274**	**16,482**
TOTAL LIABILITIES		268,898	262,615

3. Profit and loss account

In millions of euros	Notes	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Gross written premiums		20,747	23,884
Change in unearned premiums reserves		165	(26)
Gross earned premiums		**20,913**	**23,857**
Income from other activities		**50**	**33**
Investment income		4,205	4,596
Investment expense		(744)	(690)
Gains and losses on disposed invested assets, net of depreciation and amortisation reversals		576	320
Share of net income from equity-method investment entities	4.16	(2)	9
Net change in investments at fair-value through profit or loss		877	10,758
Net change in investments impairment		(365)	(170)
Investment income excluding financing expenses	5.1	**4,547**	**14,822**
Technical charges related to contracts	5.2	(19,724)	(32,502)
Net result from ceded reinsurance	5.3	(141)	(56)
Expenses from other activities	5.4	(241)	(259)
Acquisition costs on contracts	5.4	(2,696)	(2,954)
Depreciation on acquired portfolios	4.2	(36)	(36)
Administration costs	5.4	(1,498)	(1,482)
Other current operating income and expense		(83)	36
Other current income and expense		**(24,418)**	**(37,252)**
Other non-current operating income and expense	5.5	31	1,430
Pre-tax operating income		**1,122**	**2,890**
Financing expenses	5.6	(151)	(155)
Share of net income from equity-method entities	4.16	(27)	35
Corporate income tax	5.7	(362)	(462)
NET CONSOLIDATED INCOME		582	2,308
Net income attributable to minority interests		17	16
Net income attributable to equity shareholders		**565**	**2,293**

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

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Net consolidated income	**582**	**2,308**
Changes in foreign translation adjustments	(97)	(19)
Changes in fair value of available-for-sale financial assets	2,035	4,363
Changes in fair value of available-for-sale financial assets reported in net income	(351)	(274)
Changes in deferred value of hedging instruments	14	(31)
Changes in shadow accounting adjustments, net of deferred tax	(1,757)	(3,480)
Changes in equity-method investments	(7)	42
Items that are or may be reclassified to profit or loss	**(163)**	**601**
Remeasurement gains (losses) related to post-employment benefits plans	(1)	(3)
Changes in equity method investments	(0)	0
Items that will not be reclassified to profit or loss	**(1)**	**(3)**
Changes in assets and liabilities recognised directly in equity	**(164)**	**598**
TOTAL NET INCOME AND CHANGES IN ASSETS AND LIABILITIES RECOGNISED DIRECTLY IN EQUITY	418	2,907
Attributable to equity shareholders	393	2,881
Attributable to minority interests	25	26

5. Statement of changes in shareholders' equity

In millions of euros	Group share: Share capital	Group share: Additional paid-in capital	Group share: Total changes recognised directly in equity	Group share: Non-distributed reserves	Total Group share	Minority interests	Total shareholders' equity
CAPITAL AND RETAINED EARNINGS AT 31 DECEMBER 2018	150	2,988	565	897	4,601	271	4,872
Change of method first application IFRS16	-	-	-	(3)	(3)	-	(3)
CAPITAL AND RETAINED EARNINGS AT 1ST JANUARY 2019	150	2,988	565	895	4,598	271	4,869
Changes in assets and liabilities recognised directly in equity (1)	-	-	588	-	588	10	598
Net consolidated income (2)	-	-	-	2,293	2,293	16	2,309
Total net income and changes in assets and liabilities recognised directly in equity (1) + (2)	-	-	**588**	**2,293**	**2,881**	**26**	**2,907**
interim dividend payments (a)	-	-	-	(1,283)	(1,283)	(5)	(1,289)
Movements in share capital	-	-	-	79	79	27	106
Changes in consolidation scope	-	-	-	(209)	(209)	-	(209)
Changes in the equity interests in companies without loss of control	-	-	-	127	127	(0)	127
Other movements	-	(400)	-	3	(397)	(2)	(399)
CAPITAL AND RETAINED EARNINGS AT 31 DECEMBER 2019	150	2,588	1,153	1,905	5,797	316	6,113
Changes in assets and liabilities recognised directly in equity (1)	-	-	(172)	-	(172)	8	(164)
Net consolidated income (2)	-	-	-	565	565	17	582
Total net income and changes in assets and liabilities recognised directly in equity (1) + (2)	-	-	**(172)**	**565**	**393**	**25**	**418**
interim dividend payments (a)	-	-	-	(433)	(433)	(4)	(437)
Movements in share capital	-	-	-	(2)	(2)	35	33
Changes in consolidation scope	-	-	(0)	(1)	(1)	0	(1)
Changes in the equity interests in companies without loss of control	-	-	(0)	1	1	(0)	1
Other movements	-	-	0	0	0	1	2
CAPITAL AND RETAINED EARNINGS AT 31 DECEMBER 2020	150	2,588	981	2,035	5,755	373	6,128

(a) of which € 1,164 million paid as interim dividends in 2019

(a) of which € 226 thousand paid as interim dividends in 2020

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 has used the indirect method to prepare the cash flow statement.

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Pre-tax operating income	**1,122**	**2,890**
Gain and losses on disposed investments	(681)	(1,529)
Net depreciation/amortisation expense	103	178
Change in deferred acquisition costs	148	(46)
Change in depreciation	372	92
Net addition to technical provisions for insurance and financial liabilities	1,695	15,428
Net addition to other provisions	117	67
Change in value of financial instruments at fair value through profit and loss (non-cash and cash equivalents)	2,084	(10,793)
Share in associates and joint-ventures investments	2	(9)
Other non-cash out in operating income	(932)	336
Correction of items included in operating income with no corresponding cash flows and reclassification of financing and investment flows	**2,907**	**3,725**
Dividends received from equity-method entities	12	33
Change in operating receivables and liabilities	(193)	2,030
Change in securities sold or received under repurchase agreements	(32)	5
Net cash generated by other assets and liabilities	(414)	207
Net taxes paid	(402)	(573)
Net cash not related to income from operating activities	**(1,030)**	**1,702**
NET CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES	**2,999**	**8,317**
Net cash related to movements in consolidation scope	**(146)**	**948**
Net cash on disposals and repayments of financial assets	**33,991**	**28,990**
Net cash related to acquisitions or issues of financial assets	**(39,333)**	**(35,923)**
Net cash related to acquisitions and disposals of tangible and intangible assets	**(254)**	**(75)**
NET CASH AND EQUIVALENTS GENERATED BY INVESTMENT ACTIVITIES	**(5,742)**	**(6,060)**
Issuance of capital instruments	33	(4)
Dividends paid	(437)	(1,289)
Net cash from transactions with shareholders and members	**(404)**	**(1,292)**
Cash generated by financing debts issuance	347	750
Cash allocated to financing debts repayments	2,793	(1,726)
Interest paid on financing debts	(151)	(155)
Net cash related to Group financing	**2,988**	**(1,130)**
NET CASH AND EQUIVALENTS GENERATED BY FINANCING ACTIVITIES	**2,584**	**(2,423)**
EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS	**(31)**	**20**
BALANCE OF CASH AND EQUIVALENTS AT THE START OF THE PERIOD	**1,485**	**1,631**
Net cash generated by operating activities	2,999	8,317
Net cash generated by investment activities	(5,742)	(6,060)
Net cash generated by financing activities	2,584	(2,423)
Effect of charges in foreign exchange rates on cash and cash equivalents	(31)	20
BALANCE OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD	1,295	1,485
Cash assets and cash equivalents	2,067	2,119
On demand debts	(777)	(637)
of which related debts	*5*	*3*
Cash liabilities and cash equivalents	(772)	(634)

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 20 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 2021.

Inclusion of publications and recommendations of regulators and standardizers in the current context of the Covid-19 pandemic for the preparation of the Year accounts 2020.

The World Health Organization has recognized the epidemic of coronavirus as pandemic on 11 March 2020. In this context, financial support measures for businesses and individuals have been taken by the governments of several states. In addition to government measures, financial organizations and insurers have taken private initiatives aimed at supporting their clients.

In the current context linked to the pandemic, the preparation of BNP Paribas Cardif’s half-yearly accounts has been carried out taking into account the recommendations of regulators and standardizers, especially the July 3 recommendations of ANC relative to the recognition of the event Covid-19 consequences in the accounts and situations established as of 1st January 2020, on the basis of judgments and assumptions making it possible to identify and evaluate the significant impacts of the pandemic on the accounts.

Special attention has been paid to the valuation and depreciation of financial assets (due to market conditions), as well as the inclusion and accounting method of certain government measures, such as the contribution to the solidarity fund created by the State for VSEs following Covid-19, the recognition of assistance measures taken with regard to our policyholders, and all other impacts deemed significant with regard to the IFRS standards currently in force.

[1] https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

Established based on business continuity, BNP Paribas Cardif's consolidated accounts as at 31 December 2020 take into account the impact of these measures that have been recorded according to the accounting standards in force.

After a good start to activity at the start of the year, 2020 was then marked by a sharp slowdown due to the Covid-19 pandemic. From the second trimester, an important drop in gross savings inflows affected France and the international business. Nevertheless, in France, a gradual recovery in activity has been observed thanks to collection recovery plans put in place since the summer and accentuated in the last quarter. Protection activity is declining internationally while it is growing in France

With reference to the ANC recommendation for the insurance companies, the following accounting treatment has been adopted for specific measures related to the pandemic:

- The contribution to the solidarity fund of VSEs is recorded under "other current operating expenses";
- Waivers of premiums are recognized as a reduction of premiums for the period;
- Extensions of the duration of coverage of contracts granted without additional premiums have been included in the calculation of unearned premium reserves;
- Claims compensations related to the Covid-19 event are recorded under "contract service charges".

Impacts resulting from fluctuations in financial markets due to the Covid-19 event are shown in the disclosures to the various notes concerned if they are material or when this location seems more relevant (the late adequacy test is thus indicated with the detail of the technical reserves).

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 2020 and applicable from 1 January 2020

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" published by the IASB in July 2014 replaces IAS 39 "Financial Instruments: recognition and measurement" for the classification and measurement of financial instruments.

IFRS 9 defines new principles regarding financial instruments classification and evaluation, credit risk's depreciation on the invested assets and global hedge-accounting (or micro-hedge).

IFRS 9, which was adopted by the European Union on 22 November 2016, is mandatory for annual periods beginning on or after 1 January 2018 and is applicable by European companies in all business sectors, except for insurance companies, which are, as an option and under certain conditions, authorised to postpone its application.

Temporary exemption from the application of IFRS 9: so-called "deferral" approach

The amendment to IFRS 4, approved by the European regulation 2017-1988 of 3 November 2017, defines the following conditions to be followed by the insurance company in order to be eligible for the temporary exemption from the application of IFRS 9:

- The insurance company should never have applied any version of IFRS 9;
- Its activities must be mainly related to insurance; this constraint being evidenced if the accounting value of its liabilities linked with insurance business exceeds 90% of the total balance sheet liabilities.

BNP Paribas Cardif Group, which complied with these two conditions at 1 January 2016, therefore chose to defer the application of IFRS 9 during the first application of IFRS for the preparation of its consolidated financial statements at 31 December 2017.

Study of the implementation of IFRS 9 within BNP Paribas Cardif Group

The implementation of IFRS 9 in companies belonging to BNP Paribas Group relies on a project structure that covers the various aspects of the standard. Steering committees and technical committees dedicated to the several issues related to the implementation of the new standard have been established.

Accordingly, the project co-steered by the Finance Department and Risk Department with dedicated governance, covers the classification and measurement of financial assets, and the provisioning model. Work was conducted to analyse the business models and contractual characteristics of the assets of BNP Paribas Cardif Group. As a result, the methodology for the provisioning model was defined, in line with that selected by BNP Paribas Group.

After the application deferral was obtained, work took place to define how to provide the information required in the notes during the transitional period (period from 1 January 2018 to 31 December 2022 for a first time application on 1 January 2023[2]), in particular the information relating to assets that meet or exceed the SPPI ("Solely Payment of Principal and Interests") test and the information related to the credit quality of bond assets (excluding assets at fair value through profit or loss).

The preparatory work to implement IFRS 9 by BNP Paribas Cardif will continue throughout the deferral period and will be pursued consistently with the solutions adopted as part of the IFRS 17 implementation project. BNP Paribas Group's position will also be taken into consideration (notably with respect to hedge accounting) at the date when BNP Paribas Cardif first applies IFRS 9.

2 Initially planned up to 1st January 2021 at the latest, the temporary exemption from which insurance companies benefit has been deferred to 1st January 2022 in the exposure draft amendment to IFRS 17 published by IASB in June 2019. At the beginning of the month of March 2020, the IASB departments have proposed to defer the date of entry into force of IFRS 17 to 1st January 2023. This new deferral, following the postponement of the date of entry into force of IFRS 17 "Insurance Contracts", should enable the simultaneous application by insurance companies of IFRS 9 and IFRS 17.

Amendment to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 "Prepayment Features with Negative Compensation" was amended to clarify the classification of financial assets with prepayment options at the borrower's initiative when this repayment leads to the borrower receiving compensation from the other party. This amendment entered into mandatory application on 1 January 2019.

The option chosen by BNP Paribas Cardif Group to defer application of IFRS 9 (see above) implies that application of the amendment to IFRS 9 by the Group is also deferred to the IFRS 9 application date.

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

In September 2019, IASB has 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 Community on 15 January 2020, these amendments are mandatory applicable for the annual financial statements from 1 January 2020, with the possibility of an early application. Since their adoption, the BNP Paribas Cardif Group has chosen the option to apply these amendments early 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 1st January 2021, with the possibility of an anticipated application.

The BNP Paribas Group has chosen the anticipated application option in order to maintain its existing hedging relationships, modified due to the transition to the new reference rates.

In connection with the BNP Paribas Group, BNP Paribas Cardif has launched its transition project involving all the assets management units and the different functions. The objective of this project is the implementation of an active transition process from the previous interest benchmark rates towards the new rates and the valuation and analysis of the expected impacts.

IFRS 16 “Leases”

IFRS 16 « Leases », published in January 2016, replaces IAS 17 « Leases » and the interpretations linked with the accounting treatment of such contracts.

Adopted by the European Union on 31 October 2017, IFRS 16 became mandatory for financial years beginning on or after 1st January 2019.

IFRS 16 provides a new definition of lease contracts, which implies on one hand the identification of an asset and, on the other hand, the control by the lessee of the utilisation right of that asset.

From the point of view of the lessor, the impact is limited, the provisions retained remaining mainly unchanged compared to the previous standard IAS 17.

For the lessee, the standard requires recognition in the balance sheet of all leases, 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 lease term.

The right of use is amortized with the straight-line method and the financial debt will be discounted over the lease period.

For the first application of IFRS 16, as at 1 January 2019, the Group decided to apply the simplified retrospective method.

Most leases identified are real estate leases related to head offices or operating offices in France or abroad.

For the BNP Paribas Group, following impact analysis performed on the standard in 2018, the application of the standard, its principles and its interpretation had no significant impact on the 2020 financial statements.

On 26 November 2019, the IFRS Interpretation Committee has confirmed its position on the length of the following two types of contracts cancellable or renewable:

- contracts without length limitation, cancellable anytime without prior notice by the lessee or the lessor without penalty to pay,
- contracts concluded for a short initial length (12 months in principle), indefinitely renewable by tacit agreement for the same length, unless otherwise noted by the lessor or the lessee notified within the framework of a prior notice.

For these contracts, the enforceability can go beyond the prior notice period when one or the other of the two parties has a not negligible economic advantage not to cancel the lease contract.

The IFRS Interpretation Committee also confirmed that when an entity intends to use non-removable leasehold improvement works after the date on which the contract can be terminated, the existence of these improvements indicates that the entity can incur a not negligible economic penalty upon termination. In this case, the length used in the calculation of the right of use corresponds to the utilization length of the improvement works.

The application of this decision has been implemented in 2020 by the BNP Paribas Cardif Group and had no significant impact on the results.

1.1.4 IAS/IFRS standards published by the IASB and not adopted by the European Union on 31 December 2020

IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" that will replace the current IFRS 4, was initially issued by the IASB in May 2017, and then amended in June 2020 for a mandatory first application initially set at 1st January 2021 and then deferred to 1 January 2023.

The adoption process of the standard by the European Union, prior to its application in Europe, is underway (the Draft Endorsement Advice has been subject to comments until 29 January 2021 and the Final Endorsement Advice is expected to follow).

IFRS 17 establishes principles for the recognition, valuation and presentation of insurance contracts falling within its scope, as well as the provisions relating to the information to be provided about them. IFRS 17 provides that the liabilities relating to insurance contracts are measured on the basis of the best estimate of the future probable and discounted cash flows "Estimates of future cash flows" generally known as "Best Estimate"), extended with an adjustment for risk ("Risk Adjustment") covering the uncertainty of the estimates, and with a Contractual Service Margin (CSM) representing the expected future profits expected from the contract.

The above approach, corresponding to the general model, is adapted for the contracts with a discretionary participation that can use, under predefined conditions, a specific model, the "Variable Fee Approach" (VFA) in which the contractual service margin (CSM) captures simultaneously the impact of the change of estimate on the liabilities and on the underlying assets.

Short-term contracts may also use a simplified approach (the "Premium Allocation Approach"), which is similar to the deferral of premiums as currently practised for non-life policies.

This approach can also be applied to some longer-term contracts if it the results obtained are equal to those of the general model.

BNP Paribas Cardif's profit sharing contracts sold in Europe and certain of its contracts sold in Asia should be able to be assessed according to the Variable Fee Approach. The other participating contracts that do not comply with the VFA application conditions will be treated as indirect participating contracts. Borrowers' insurance contracts and the pension benefits should be eligible to the general model or to the simplified approach if the conditions are fulfilled.

In addition to the expected upcoming changes regarding the recognition of insurance liabilities and reinsurance assets, the new standard should generate significant changes regarding revenue recognition from insurance contracts and expenses linked with those into the other comprehensive income.

The preparatory work to implement IFRS 17, begun by BNP Paribas Cardif in 2017, continued in 2020. Studies necessary for the development or deployment of new tools (modelling, reporting...) or parameters necessary for their feeding were completed on schedule despite the Covid 19 crisis. At the end of 2020, a fourth "Dry Run" exercise planned for the second quarter of 2021 has thus been initiated. This work also helps to refine the assessment of the impacts of this new standard on the Group's consolidated financial statements. The implementation project will continue up to the date of first application of the standard.

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 profit and loss account 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 loss, the carrying amount of the investment consolidated under the equity method (including goodwill) is subject to an impairment test comparing the recoverable value of the company consolidated under the equity method (the higher of value-in-use and market value less costs to sell) 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 property 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 analysed the impact that this correction would have had for the entities for which the functional currency is the Argentine peso. This impact is not significant at 31 December 2020.

Differences arising from the conversion of balance sheet items and profit and 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 profit and loss account.

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 profit and loss account 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 conversion differences 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 1 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.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable 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 participating 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 real estate, 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

Softwares developed internally by BNP Paribas Cardif Group that fulfils the criteria for capitalisation are 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.

Softwares are amortised depending on their 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 profit and loss account 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 profit and loss account 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 insurance contracts, 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 and 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 "Capital gains and losses on disposal of investments net of reversals of impairments and amortisation".

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 (SCI or “société civile immobilière”) and the shares or units of real estate mutual funds (OPCI or “organisme de placement collectif en immobilier”) held in unit-linked insurance contract portfolios are valued at their fair value (or its equivalent) on the closing date, with changes in fair value booked into profit or loss.

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 assets 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 profit and loss account.

Financial instruments at fair value through profit or loss

Entities under significant influence or under joint control 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 profit and loss account.

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 "Changes in value of investments recognised 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 assets 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 "Capital gains and losses on disposal of investments net of reversals of depreciation and amortisation". 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 month;
- knowledge or indications that the borrower meets 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 profit and loss account

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

Any subsequent reassessment of the asset due to an objective cause that occurred after its impairment is recognised through profit and loss, also under section "Changes in impairments on 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 profit and loss account.

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 profit and loss account

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 charges" under "Change in provisions on investments".

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

Impairment of a variable-income security can only be reversed in the profit and loss account on the date the security is sold.

Impairment of a fixed-income security may be reversed in the profit and loss account 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 liabilities to companies in the banking sector".

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 liabilities to companies in the banking sector".

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 profit and loss account under "Changes in value of investments recognised at fair value through profit or 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[3] is used to hedge the interest rate risk of fixed-rate assets or changes in share price.

Cash flow hedges[4] are 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.

Net investment hedges in foreign currencies make 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 profit and loss account under "Financial income excluding financing charges", 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 d is 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 profit and loss account 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 hedge of future income streams

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 purposes".

Amounts in this item over the life of the hedge are transferred to the profit and loss account under "Investment income excluding financing charges" as the cash flows of the hedged instrument impact profit and 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 profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders’ equity are immediately taken to the profit and loss account.

Recognition of the ineffective portion of the hedge

Regardless of the hedging strategy adopted, the ineffective portion of a hedge is recognised in the profit and loss account under "Change in value of investments recognised 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 profit and loss account.

Cumulative gains and losses in shareholders' equity are recorded in the profit and loss account 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 profit and loss account.

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.

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 contracts", 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 "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 “Liabilities to companies in the banking sector”.

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 instruments 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 instruments 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 profit and loss account. BNP Paribas Cardif does not hold its own shares.

When the Group acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders.

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 attributable to BNP Paribas shareholders.

Until these options have been exercised, the portion of net income attributable to minority interests is allocated to minority interests in the profit and loss account. A decrease in the Group's interest in a fully consolidated subsidiary is recognised in the Group's accounts 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 profit and loss account.

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. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the exit 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. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgment.

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 profit and loss account 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 profit and loss account.

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 profit and loss account, 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 profit and loss account if the asset is classified under “Financial assets 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 profit and loss account.

1.9 SHARE OF REINSURERS IN LIABILITIES RELATED TO INSURANCE AND INVESTMENT CONTRACTS

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 "Share of reinsurers in the liabilities related to insurance contracts and investment contracts" 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 POLICIES 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 charges constitute acquisition costs for which the accounting treatment depends on the classification of the contract.

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 profit sharing

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 profit sharing under IAS 39

Costs incurred at the inception of investment contracts without discretionary participation (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 fair value of assets and liabilities recognised directly in equity

The item “Changes in fair value of 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 “Policyholders' surplus reserve” below).

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

Finally, in accordance with IAS 21 "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 NON-CONTROLLING INTERESTS

Non-controlling 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 undated subordinated debt 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, which fall under IFRS 4 “Insurance Contracts”;
- investment contracts with no discretionary participating, which fall under IAS 39 "Financial Instruments: Recognition and Measurement".

Contracts falling under 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 under IFRS 4:

- euro 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 profit sharing

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
- those 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 profit and loss account 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 profit sharing.

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

- euro 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 falling under IAS 39

Investment contracts without discretionary profit sharing 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 profit sharing").

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 premiums reserves 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 risks reserve

For all current contracts, the purpose of unexpired risks 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 in force in French GAAP.

Increasing risks reserve

The increasing risks reserve relates to risks of illness and disability. They are 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.

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 reserves for annuities

The mathematical reserves for annuities represent 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 profit sharing

Mathematical reserves

The mathematical reserves for life insurance and investment contracts with discretionary profit sharing 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.

Handling expenses reserve

Future management expenses of the contracts are covered by a handling expenses 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.

Provisions 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.

Participating benefit reserve

Due participating benefit reserve

At the closing of the financial statements, a participating 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 and 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 active participation is then recognised as an asset for its recoverable amount under «active deferred participation benefits ".

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 accounts 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 admissible assets.

In the consolidated financial statements, this reserve is reclassified into passive deferred participation benefits on the liabilities side of the 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 profit and loss account.

Recognition of revenue and expenses of contract covered by 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 since 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 profit sharing 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 booked directly in the balance sheet as deposits received, without going through the profit and loss account. Similarly, benefits paid and claims settled are recognised on the balance sheet in the form of deposit refunds, without impact on the profit and loss account.

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 profit sharing are recognised in the profit and loss account. 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 this update 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 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 profit and loss account 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 these benefits.

Termination benefits due more than 12 months after the balance sheet 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 profit and loss account 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.

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 trends in the value of BNP Paribas shares.

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 the employee.

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 profit and loss account, 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 profit and loss account 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 expenses".

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 assets 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, in counterparty of a provision liability.

1.20 PRODUCTS OF 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 function or cannot be directly allocated is split between categories using an allocation keys. 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 expenses for contracts";
- contracts acquisition costs are presented separately;
- administration costs are presented separately;
- investment management fees are presented in "Investment expenses";
- 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;
- salary and employee benefit expenses;
- taxes;
- other current operating expenses;
- net charges/reversals to 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 depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. 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 profit and loss account, 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 profit and loss account 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 achievements:

- 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 unconsolidated 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 profit and loss account, 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 2020				31 December 2019			
		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	
BNP Paribas Cardif BV	Netherlands	Full	100.0	100.0		Full	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	
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	EM *	92.5	92.5	(V)	EM *	91.3	91.3	
BNP Paribas Cardif Levensverzekeringen NV	Netherlands	Full	100.0	100.0		Full	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 Schadeverzekeringen NV	Netherlands	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 Servicios y Asistencia Ltda	Chile	EM *	100.0	100.0		EM *	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 (Germany branch)	Germany	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Austria branch)	Austria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Belgique branch)	Belgium	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Bulgaria branch)	Bulgaria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Spain branch)	Spain	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Italy branch)	Italy	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Luxembourg branch)	Luxembourg	NI	-	-	(S)	Full	100.0	100.0	
Cardif Assurances Risques Divers (succ. Netherlands)	Netherlands	Full	100.0	100.0	(E)				
Cardif Assurances Risques Divers (Pologne branch)	Poland	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Portugal branch)	Portugal	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Roumanie branch)	Romania	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Zurich branch)	Switzerland	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurances Risques Divers (Taiwan branch)	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 (Germany branch)	Germany	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (Austria branch) Other	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 (Bulgaria branch)	Bulgaria	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (Italy branch)	Italy	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (succ. Netherlands)	Netherlands	Full	100.0	100.0	(E)				
Cardif Assurance Vie (Portugal branch)	Portugal	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (Spain branch)	Spain	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. Taiwan)	Taiwan	Full	100.0	100.0		Full	100.0	100.0	
Cardif Assurance Vie (Zurich branch)	Switzerland	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 Zartkrouen	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	
BNPP Cardif Compania de Seguros y Reaseguros SA	Peru	EM *	100.0	100.0		EM *	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	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Forsakring AB (Denmark branch)	Denmark	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Forsakring AB (Norway branch)	Norway	EM *	100.0	100.0		EM *	100.0	100.0	
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 Life Insurance Japan	Japan	Full	75.0	75.0		Full	75.0	75.0	
Cardif Livforsakring AB	Sweden	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Livforsakring AB (Denmark branch)	Denmark	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Livforsakring AB (Norway branch)	Norway	EM *	100.0	100.0		EM *	100.0	100.0	
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 Seguros SA	Argentina	Full	100.0	100.0		Full	100.0	100.0	
Cargeas Assicurazioni SPA	Italy	Full	100.0	100.0		Full	100.0	100.0	
Icare Assurance	France	Full	100.0	100.0		Full	100.0	100.0	
Karapass Courtage	France	EM *	100.0	100.0	(E)				
LLC Insurance Company Cardif	Russia	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	Full	100.0	100.0		Full	100.0	100.0	
Poistovna Cardif Slovakia AS	Slovakia	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Seguros Rentas Vitalicias (ex:Scotia Seguros de Vida SA)	Chile	NI	-	-	(E) (S)				
Vietcombank Cardif Life Insurance Co Ltd	Vietnam	NI	-	-	(S)	EM	55.0	55.0	(V)

		31 December 2020				31 December 2019			
Name	Country	Consolidation method	Control (%)	Interest (%)	Ref.	Consolidation method	Control (%)	Interest (%)	Ref.
OTHER ACTIVITIES									
BNP Paribas Cardif Services SRO	Czech Republic	EM *	100.0	100.0	(E)				
Cardif Ltda	Brazil	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Pinnacle Insurance Management Services PLC	UK	Full	100.0	100.0		Full	100.0	100.0	
Cardif Service AEIE	Portugal	Full	100.0	100.0		Full	100.0	100.0	(E)
Cardif Servicios SAC	Peru	EM *	100.0	100.0		EM *	100.0	100.0	
Cardif Servicios SA	Argentina	NI	-	-	(S)	EM *	100.0	100.0	
GIE BNP Paribas Cardif	France	Full	99.5	99.5		Full	99.5	99.5	
Paris Management Consultant Co Ltd	Taiwan	EM *	100.0	100.0		EM *	100.0	100.0	(E)
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	
CFH Capital France Hôtel	France	Full	98.4	98.4		Full	98.4	98.4	
CFH Algonquin Management Partners France	Italy	Full	100.0	98.4		Full	100.0	98.4	
CFH Bercy	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Bercy Hotel	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Bercy Intermédiaire	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Boulogne	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Cap d'Ail	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Hibernia	France	Full	100.0	98.4		Full	100.0	98.4	
CFH HVP SAS	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Milan Holdco SRL	Italy	Full	100.0	98.4		Full	100.0	98.4	
CFH Montmartre	France	Full	100.0	98.4		Full	100.0	98.4	
CFH Montparnasse	France	Full	100.0	98.4		Full	100.0	98.4	(E)
CFH Astridplaza	Belgium	Full	100.0	98.4		Full	100.0	98.4	(E)
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	(E)				
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	(E)
High Street Retail	UK	MV	26.2	26.2	(V)	MV	23.8	23.8	(E)
Korian et Partenaires Immobilier 1 SCI	France	MV	24.5	24.5	(E)				
Korian et Partenaires Immobilier 2 SAS	France	MV	24.5	24.5	(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	(V)
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	(E)				
SAS Preim Healthcare	France	MV	24.4	24.4		MV	24.4	24.4	
SAS Velizy	France	MV	33.3	33.3		MV	33.3	33.3	
SCI 68/70 rue de Lagny-Montreuil	France	Full	100.0	100.0		Full	100.0	100.0	
SCI Alpha Park	France	MV	50.0	50.0		MV	50.0	50.0	
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 Hémisphére	France	MV	20.0	20.0		MV	20.0	20.0	(E)
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 Liberté	France	MV	50.0	50.0		MV	50.0	50.0	
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	(E)				
SCI Paris Turenne	France	Full	100.0	100.0		Full	100.0	100.0	(E)
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	(V)
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	23.3	23.3	(E)				
Société Immobilière du Royal Building SA	Luxembourg	Full	100.0	66.7		Full	100.0	66.7	

Name	Country	31 December 2020 Consolidation method	Control (%)	Interest (%)	Ref.	31 December 2019 Consolidation method	Control (%)	Interest (%)	Ref.
Structured entities									
BNPP CP Cardif Alternative	France	Full	100.0	100.0		Full	100.0	100.0	
BNPP CP Cardif Private Debt	France	Full	100.0	100.0		Full	100.0	100.0	
BNPP France Crédit	France	Full	100.0	100.0		Full	100.0	100.0	
BNPP Moderate Focus Italia	France	Full	100.0	100.0	(E)				
BNPP Monétaire Assurance	France	Full	100.0	100.0	(E)				
Camgestion Oblifexible	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif Alternatives Part I	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif BNPP AM Emerging Bond	France	Full	100.0	100.0	(E)				
Cardif BNPP IP Convertibles World	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif BNPP IP Equity Frontier Markets USD	France	NI	-	-	(S)	Full	100.0	100.0	
Cardif BNPP IP Global Senior Corporate Loans	France	Full	100.0	100.0	(E)				
Cardif BNPP IP Signatures	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif BNPP IP Smid Cap Euro	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif BNPP IP Smid Cap Europe	France	NI	-	-	(S)	Full	100.0	100.0	
Cardif CPR Global Return (Ex- Cardif CPR Base Credit)	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif Edrim Signatures	France	Full	100.0	100.0		Full	100.0	100.0	
Cardif Vita Convex Fund Eur	France	Full	100.0	100.0		Full	100.0	100.0	
Elegia septembre 2028	France	Full	100.0	100.0	(E)				
FP Cardif Convex Fund USD	France	Full	100.0	100.0		Full	100.0	100.0	
G C Thematic Opportunities II	Ireland	Full	100.0	100.0		Full	100.0	100.0	
Natio-Fonds Ampère 1	France	Full	100.0	100.0	(E)				
Natio Fonds Athènes Investissement 5	France	Full	100.0	89.6		Full	100.0	89.6	
Natio Fonds Colline International	France	Full	100.0	100.0		Full	100.0	100.0	
Natio Fonds Collines Investissement 1	France	Full	100.0	100.0		Full	100.0	100.0	
Natio Fonds Collines Investissement 3	France	Full	100.0	100.0		Full	100.0	100.0	
New Alpha Cardif Incubator Fund	France	Full	100.0	100.0		Full	100.0	100.0	
Permal Cardif Co Investment Fund	France	Full	100.0	100.0		Full	100.0	100.0	
Sanso Carbon Initiative Trends	France	Full	100.0	100.0		Full	100.0	100.0	
Tikehau Cardif Loan Europe	France	Full	100.0	100.0		Full	100.0	100.0	
Valtitres FCP	France	Full	100.0	100.0		Full	100.0	100.0	

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

(VM) Participation in an entity under significant influence or joint control valued at market value through profit or loss

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 2019 and 2020, 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 5.14) 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 profit and loss account.

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

					31 December 2020
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%	30,247	10	-
Cardif Insurance Japan (Life and Non Life companies)	25.0%	25.0%	847	15	(4)
Cardif IARD	34.0%	34.0%	483	(4)	-
Other minority interests			225	(3)	-

(1) Amounts before elimination of intercompany

					31 December 2019
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%	29,948	7	(1)
Cardif Insurance Japan (Life and Non Life companies)	25.0%	25.0%	791	12	(4)
Cardif IARD	34.0%	34.0%	489	(5)	-
Other minority interests			212	3	-

(1) Amounts before elimination of intercompany

NOTE 3 BUSINESS COMBINATIONS

Transactions completed in 2020

Korian and Partenaires Immobilier

On 30 December 2020, the BNPP Cardif Group, through its subsidiaries Cardif Assurance Vie and Cardimmo, subscribed to 24.5% shares in real estate vehicles of the Korian Group in the capital of SCI Korian and Partenaires Immobilier 1 and of SAS Korian and Partenaires Immobilier 2

FDI Poncelet SAS

On 28 September 2020, Cardif Assurance Vie subscribed for 100% of the shares in the capital of FDI Poncelet SAS. On 7 October 2020, this fund acquired 23.26% of SNC Batipart Poncelet, owner of a building in the future state of completion.

Karapass Courtage

On 3 July 2020, BNP Paribas Cardif acquired 100% of the shares of Karapass Courtage, a brokerage and claims management company, until now the main manager of BNPP Cardif affinity programs in France.

Scotia Seguros de Vida SA

On 29 May 2020, Cardif Seguros de Vida and Cardif Seguros Generales, subsidiaries of BNP Paribas Cardif in Chile, have acquired Scotia Seguros de Vida SA. This transaction was realize on the part of the strategic alliance signed by BNP Paribas Cardif and Scotiabank in Latin America. The 15-years agreement provides for the development of provident and insurance solutions for Scotiabank's 9 million customers in Chile, Colombia, Mexico and Peru. On 5 December 2020, following an agreement with the Chilean regulator, the BNPP Cardif Group merged and absorbed the latter by the controlled subsidiary Cardif Seguros de Vida..

SCI Paris Grande Armée (Paris 17)

On 15 April 2020, Cardif Assurance Vie and Cardimmo subscribed respectively 70% and 30% of the shares in the capital of SCI Paris Grande Armée amounting to EUR 82 million. The Company's activity is the management of real estate assets.

Transactions completed in 2019

State Bank of India Life Insurance Co Ltd

During the first half of 2019, three successive transfers of 9.2%, 5.1% and 2.5% of the capital of State Bank of India Life Insurance Co Ltd (SBI Life) took place on the Indian market.

At 30 June 2019, the Group ceased to exercise significant influence over SBI Life following the resignation of the last representative. The remaining 5.2% stake held by BNP Paribas Cardif Holding is now recognised as available-for-sale financial assets.

All these transactions generated an overall capital gain of EUR 1,452 million before tax accounted in "Other non-current operating income and expenses".

Astridplaza

On 16 April 2019, Cardif Assurance Vie, via its investment subsidiary, Capital France Hôtel ("CFH"), acquired 100 % of the shares in the Belgian company, Astridplaza NV ("Astridplaza"), which owns and operates the Radisson Blu Astrid and Park Inn by Radisson Antwerp hotels located in Antwerp (Belgium).

NOTE 4 NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1 GOODWILL

In millions of euros	31 December 2020	31 December 2019
CARRYING AMOUNT AT START OF PERIOD	249	249
Depreciation recognized during the period	(83)	-
Effect of movements in exchange rates	(1)	(1)
CARRYING AMOUNT AT END OF PERIOD	165	248
Gross carrying amount	248	248
Accumulated impairment recognised at the end of period	(83)	-

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 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
France	37	37	-	-	-	-
Italy	113	196	(83)	-	-	-
Rest of Europe	14	15	-	-	-	-
Asia	1	1	-	-	-	-
TOTAL GOODWILL	165	249	(83)	-	-	-

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 ACQUIRED INSURANCE COMPANY CONTRACT PORTFOLIOS

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 profit and loss account ("Depreciation on acquired portfolios").

In millions of euros	31 December 2020	31 December 2019
Value of acquired portfolios of insurance contracts - gross	367	361
Value of acquired portfolios of insurance contracts - amortisation	(90)	(54)
TOTAL VALUE OF ACQUIRED INSURANCE COMPANY CONTRACT PORTFOLIOS	277	307

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 2020			31 December 2019		
in Euro million	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
Purchased software	208	(168)	40	229	(174)	55
Internally-developed software	520	(377)	143	390	(323)	67
Other intangible assets	176	(53)	123	199	(64)	135
OTHER INTANGIBLE ASSETS	904	(598)	306	818	(561)	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.

Net depreciation and amortisation expense for the year ended 31 December 2020 was EUR 54 million compared with EUR 49 million for the year ended 31 December 2019.

Net impairment reversal on intangible assets taken to the profit and loss account for the financial year 2020 amounted to EUR 2 million, compared to a net impairment reversal of EUR 1 million for the financial year 2019.

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”. These are representative of the assets invested as part of the life insurance business.

	31 December 2020				31 December 2019			
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	3,572	(622)	2,950	4,560	3,845	(598)	3,247	4,829

The amortisation expense for the year ended 31 December 2020 was EUR 68 million, offset by a reversal of EUR 68 million due to the disposal of buildings during the year, against an allocation net of reversal of EUR 67 million in 2019.
Net impairment expenses on real estate investment recognised for the financial year 2020 amounted to EUR 10 million, identical to 2019.

4.5 HELD-TO-MATURITY FINANCIAL ASSETS

	31 December 2020		31 December 2019	
In millions of euros	Carrying amount	of which impairment	Carrying amount	of which impairment
Listed government bonds	1,440	-	1,897	-
Other listed bonds	-	-	14	-
TOTAL HELD-TO-MATURITY FINANCIAL ASSETS	1,440	-	1,911	-
of which insurance companies investments	*1,440*		*1,911*	

4.6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2020			31 December 2019		
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	9,268	(696)	2,110	7,828	(417)	2,009
Bonds and other fixed-income securities	122,151	-	14,822	121,062	-	12,603
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	131,419	(696)	16,932	128,890	(417)	14,612
of which insurance companies investments	*130,839*	-	-	*128,200*		
of which investments from other activities	*580*	-	-	*690*		

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

In millions of euros	31 December 2020			31 December 2019		
	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"	14,822	2,110	16,932	12,603	2,009	14,612
Deferred tax linked to these changes in value	(3,968)	(541)	(4,510)	(3,385)	(491)	(3,876)
Insurance policyholders' surplus profit from insurance entities, after deferred tax	(9,747)	(1,384)	(11,132)	(8,166)	(1,222)	(9,388)
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	16	68	84	8	36	44
Unamortised changes in value of available-for-sale securities reclassified as loans and receivables	(6)	-	(6)	(6)	-	(6)
TOTAL [1]	1,117	253	1,370	1,054	332	1,386

[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 and loss.

In millions of euros	31 December 2020	31 December 2019
Equities and variable income securities	32,782	31,411
Bonds and other fixed-income securities	8,075	7,701
TOTAL FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	40,856	39,112
of which insurance companies investments	*40,844*	*39,079*
of which investments from other activities	*12*	*34*

4.8 LOANS AND RECEIVABLES

In millions of euros	Carrying amount	of which impairment	Carrying amount	of which impairment
LOANS AND RECEIVABLES	1,759	-	1,716	-
of which insurance companies' investments	*1,730*	-	*1,694*	-
of which investments from other activities	*29*	-	*22*	-

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

	31 December 2020		31 December 2019	
In millions of euros	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Interest rate derivatives	772	574	757	574
Foreign exchange derivatives	366	440	71	154
Equity derivatives	124	288	107	170
DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES	1,263	1,303	935	898
of which insurance companies investments	*1,262*	*1,274*	*926*	*898*
of which investments from other activities	*1*	*29*	*9*	*1*

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

	31 December 2020		31 December 2019	
In millions of euros	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Cash flow hedges	255	15	44	138
Net foreign investment hedges	5	49	6	14
DERIVATIVES USED FOR HEDGING PURPOSES	260	64	49	152

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.

	31 December 2020			31 December 2019		
In millions of euros	Exchange-traded	Over the counter	Total	Exchange-traded	Over the counter	Total
Interest rate derivatives	5,689	20,050	25,739	590	24,727	25,317
Foreign exchange derivatives	-	16,347	16,347	-	13,832	13,832
Equity derivatives	-	5,919	5,919	-	3,538	3,538
DERIVATIVES (NOTIONAL AMOUNTS)	5,689	42,316	48,004	590	42,097	42,687

The total notional amount of derivatives used for hedging purposes stood at EUR 8,544 million at 31 December 2020, compared with EUR 7,240 million at 31 December 2019.

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 2020	31 December 2019
Equities and variable income securities	28,944	29,087
Share of real estate companies	3,127	2,716
Treasury bills	941	935
Government Bonds	31	36
Other bonds	1,517	1,158
UCIT bonds and shares	40,541	38,866
Financial instruments	**75,101**	**72,798**
Real estate investments in unit-linked contracts	**1,487**	**1,542**
TOTAL UNIT-LINKED ASSETS	76,588	74,340

4.11 DETERMINATION OF MARKET VALUE OF FINANCIAL INSTRUMENTS

BNP Paribas Cardif Group has retained the fundamental principle that it should have a single and integrated processing chain for producing and controlling the valuation of financial instruments that are used for the purpose of daily risk management and financial reporting. 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 2020				31 December 2019			
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	116,704	14,505	211	131,419	107,585	21,056	250	128,890
Financial instruments at fair value through profit or loss (1)	85,877	23,215	6,865	115,957	85,133	19,462	7,315	111,910
Derivatives and separate embedded derivatives	-	1,263	-	1,263	-	935	-	935
Fair value of financial instruments at amortised cost								
Loans and receivables	65	1,724	-	1,790	121	1,611	18	1,750
Held-to-maturity financial assets	1,683	-	-	1,683	2,221	-	-	2,221
FINANCIAL ASSETS	204,329	40,706	7,076	252,112	195,060	43,065	7,582	245,707
Financial instruments at market value								
Derivative liability instruments	0	1,303	-	1,303	-	898	-	898
Fair value of financial instruments at amortised cost								
Subordinated debt	1,902	3,365	-	5,267	-	5,659	-	5,659
Repurchase agreements granted	-	9,391	-	9,391	-	7,418	-	7,418
Loans from credit institutions	-	4,497	-	4,497	-	3,418	-	3,418
FINANCIAL LIABILITIES	1,902	18,556	-	20,458	-	17,393	-	17,393

(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. This comprises, amongst other, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers.

  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 as at 31 December 2019. 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;
- estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank; this means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful.

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 1st January 2020	**250**	**7,315**	**7,564**
Purchases	25	1,878	1,903
Sales	(20)	(1,672)	(1,692)
Settlements	(13)	(224)	(237)
Reclassification	(2)	-	(2)
Transfers to Level 3	0	11	11
Transfers from Level 3	(22)	(867)	(889)
Gains recognised in the income statement (assets +)	3	554	557
Losses recognised in the income statement (assets -)	(1)	(129)	(129)
Items related to exchange rate movements	(0)	(0)	(1)
Changes in assets recognised in equity	(10)	-	(10)
Position as at 31 December 2020	**211**	**6,865**	**7,076**

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 OF 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 2020	31 December 2019	
In millions of euros	Market value	Market value	Variation
Treasury bills and government bonds	57,937	58,287	(350)
Other obligations	57,991	59,631	(1,640)
Total	115,928	117,918	(1,990)

4.12.2 Value of financial assets which respond to 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:

	31 December 2020	31 December 2019	
In millions of euros	Market value	Market value	Variation
Equities and variable income securities (including UCI)	42,049	39,239	2,810
Treasury bills and government bonds	474	662	(188)
Other obligations	16,014	12,928	3,086
Derivatives	1,003	886	117
UL Investments	76,588	74,340	2,248
Total	**136,128**	**128,055**	**8,073**

4.12.3 Credit quality of financial assets fulfilling the cash flow criterion

Notations	31 December 2020	31 December 2019
In millions of euros	Gross value	Gross value
AAA	6,625	8,078
AA	39,962	39,405
A	33,171	34,970
BBB	33,204	32,782
< BBB (*)	2,688	2,353
Total	**115,650**	**117,588**

(*)including unrated securities

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

Notations	31 December 2020		31 December 2019	
In millions of euros	Gross value	Market value	Gross value	Market value
BB+	704	704	279	279
BB	200	200	21	21
BB-	161	161	212	212
B	16	16	21	21
Not listed	1,607	1,607	1,820	1,820
Total	**2,688**	**2,688**	**2,353**	**2,353**

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.

The reclassifications did not have any material impacts on the net income and changes in value recognised directly in equity for the 2019 and 2020 financial years.

	31 December 2020		31 December 2019	
In millions of euros	Carrying value	Market value	Carrying value	Market value
Available-for-sale financial assets held to maturity reclassified as assets valued at amortised cost	49	65	100	121

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 2020		31 December 2019	
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 loan	-	-	-	-
Available-for-sale financial assets	9,399	9,391	7,321	7,418
Repurchase agreements	**9,399**	**9,391**	**7,321**	**7,418**

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 the 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 set off 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 set off 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 2020				
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	2,626	-	2,626	-	2,626
of which repurchase agreements	66	-	66	-	66
Loans and receivables due from customers	1,670	-	1,670	-	1,670
Derivatives on organised markets	1,263	-	1,263	-	1,263
Settlement accounts for securities transactions	347	-	347	-	347
TOTAL ASSETS	**5,906**	**-**	**5,906**	**-**	**5,906**
Debts due to credit institutions	13,888	-	13,888	(9,399)	4,489
of which repurchase agreements	9,391	-	9,391	(9,399)	(8)
Due to customers	9,718	-	9,718	-	9,718
Derivatives on organised markets	1,303	-	1,303	-	1,303
Settlement accounts for securities transactions	291	-	291	-	291
TOTAL LIABILITIES	**25,200**	**-**	**25,200**	**(9,399)**	**15,801**

	31 December 2019				
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	2,744	-	2,744	-	2,744
of which repurchase agreements	18	-	18	-	18
Loans and receivables due to customers	1,696	-	1,696	-	1,696
Derivatives on organised markets	935	-	935	-	935
Settlement accounts for securities transactions	88	-	88	-	88
TOTAL ASSETS	**5,463**	**-**	**5,463**	**-**	**5,463**
Debts due to credit institutions	10,836	-	10,836	(7,321)	3,515
of which repurchase agreements	7,418	-	7,418	(7,321)	98
Due to customers	9,827	-	9,827	-	9,827
Derivatives on organised markets	898	-	898	-	898
Settlement accounts for securities transactions	468	-	468	-	468
TOTAL LIABILITIES	**22,029**	**-**	**22,029**	**(7,321)**	**14,708**

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. 2020			31 December 2020	Year to 31 Dec. 2019			31 December 2019
	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	(0)	23	23	206	12	1	13	199
Associates [(1)]	(27)	57	30	499	23	37	60	512
EQUITY METHOD FIRMS	(27)	80	53	705	35	38	74	711
Investment entities	(2)	4	3	296	9	5	14	297
EQUITY METHOD INVESTMENT ENTITIES	(2)	4	3	296	9	5	14	297

[(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 2020		31 December 2019	
			Interest (%)	Equity-method investments	Interest (%)	Equity-method investments
JOINT VENTURES						
BoB Cardif Life Insurance Company	China	Corporate	50	186	50	171
ASSOCIATES						
SCI SCOO (Société des Centres d'Oc et d'Oïl)	France	Investment entity	46	177	46	177
BNP Paribas Cardif TCB Life Insurance Company	Taiwan	Corporate	49	208	49	185

4.17 TANGIBLE ASSETS

In millions of euros	31 December 2020			31 December 2019		
	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation and impairment	Carrying amount
Land and buildings [(1)]	589	(131)	458	612	(130)	482
Equipment, furniture and fixtures [(1)]	17	(11)	6	16	(10)	6
Other property, plant and equipment [(1)]	83	(60)	23	77	(52)	24
TANGIBLE ASSETS	689	(203)	487	705	(193)	512
of wich rate of use tangible assets	*137*	*(60)*	*77*	*141*	*(57)*	*84*

Net depreciation and amortisation expense for the year ended 31 December 2020 was EUR 18 million, compared with EUR 14 million for the year ended 31 December 2019.

4.18 DEFERRED ACQUISITION COSTS AND EQUIVALENT

In millions of euros	31 December 2020	31 December 2019
Deferred acquisition costs on Life activities	154	202
Deferred acquisition costs on Non-Life activities	1,037	1,243
TOTAL DEFERRED ACQUISITION COSTS AND EQUIVALENT	1,192	1,446

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.

								31 December 2020
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
Premiums earned not yet written	0	2	8	3	6	0	1	21
Other receivables from insurance transactions	288	123	116	11	3	1	1	543
Receivables from accepted reinsurance transactions	6	3	0	1	0	0	0	11
Receivables from insurance intermediaries	235	150	117	49	11	5	4	572
Provisions for receivables from insurance and accepted reinsurance transactions	(0)	-	-	(0)	-	-	(1)	(1)
Receivables from direct insurance and accepted reinsurance transactions	**529**	**279**	**242**	**64**	**20**	**6**	**5**	**1,145**
Receivables from reinsurers	31	13	33	4	0	-	-	82
Provisions for receivables from reinsurers	(2)	-	-	-	-	-	-	(2)
Receivables from ceded reinsurance	**30**	**13**	**33**	**4**	**0**	-	-	**81**
RECEIVABLES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	559	292	275	68	20	6	5	1,225

								31 December 2019
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
Premiums earned not yet written	0	5	2	16	5	0	1	30
Other receivables from insurance transactions	260	40	138	11	6	1	1	458
Receivables from accepted reinsurance transactions	32	3	1	1	0	0	0	38
Receivables from insurance intermediaries	216	178	143	23	7	4	4	573
Provisions for receivables from insurance and accepted reinsurance transactions	(1)	-	-	(0)	(0)	-	(1)	(2)
Receivables from direct insurance and accepted reinsurance transactions	**508**	**226**	**285**	**52**	**17**	**5**	**4**	**1,097**
Receivables from reinsurers	16	11	45	4	0	-	-	76
Provisions for receivables from reinsurers	(3)	-	-	-	-	-	-	(3)
Receivables from ceded reinsurance	**13**	**11**	**45**	**4**	**0**	-	-	**73**
RECEIVABLES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	521	237	330	56	18	5	4	1,170

4.20 OTHER RECEIVABLES AND OTHER DEBTS

In millions of euros	31 December 2020	31 December 2019
Tax and social security receivables	718	561
Receivables related to investments and securities settlement accounts	354	88
Deposits and guarantees paid	12	7
Other receivables and accruals	1,850	1,522
TOTAL OTHER RECEIVABLES	2,934	2,178
Social security and tax debts	444	308
Related debt and and securities settlement accounts	291	488
Deposits and guarantees received	4	5
Other payables and accruals	1,857	1,926
TOTAL OTHER DEBTS	2,595	2,727

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 2020 (unchanged compared to 31 December 2019).

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[1].

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 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.

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[1] *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 2020

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
SSPN	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%	12
RSN	Cardif Assurance Risques Divers	BNP Paribas	28/06/2016	28/06/2026	28/06/2021	Euribor 3 Months + 3,15%	Euribor 3 Months + 3,15%	200
RSN	Cardif Assurance Vie	BNP Paribas	27/09/2016	27/09/2026	27/09/2021	Euribor 3 Months + 2,71%	Euribor 3 Months + 2,71%	650
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%	746
RSN	BNP Paribas Cardif	BNP Paribas	29/11/2017	29/11/2024	29/11/2022	1,12%	1,12%	4
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
Total subordinated debt - Nominal amount								**5 006**
Related debt and amortised debt issuance costs								(5)
TOTAL SUBORDINATED DEBT								**5 002**

Transactions carried out in 2020

On 24 March 2020, Cardif IARD issued a Redeemable Subordinated Note (RSN) with a nominal value of EUR 2.72 million with a maturity of 10 years. This title was subscribed by MATMUT. It offers a fixed remuneration of 2.14%.

On 8 December 2020, Cardif IARD issued a Redeemable Subordinated Note (RSN) with a nominal value of EUR 4.76 million with a maturity of 10 years. This title was subscribed by MATMUT. It offers a a fixed-rate coupon of 1.20%.

On 18 December 2020, Cardif Assurance Vie repaid a Redeemable Subordinated Loan (RSL) issued on December 18, 2015 with a nominal value of EUR 182 million. This issue offered the subscriber, BNP Paribas SA, Euribor 3-month variable compensation + 2.46%.

On 23 December 2020, Cardif Assurance Vie reimbursed two Undetermined Subordinated Loans issued on 23 December 2004, which were the subject of amendments on 23 December 2014 with a nominal value respectively of EUR 125 million and EUR 32 million. These issues offered the subscriber, BNP Paribas SA, a fixed remuneration of 2.498%.

Transactions carried out in 2019

On 27 June 2019, BNP Paribas Cardif issued two Subordinated Loans:

- A Redeemable Subordinated Note (RSN) with a nominal value of EUR 200 million and a maturity of 30 years. This loan offers a variable rate coupon of 3-month Euribor + 2.72%.

- An Undated Super Subordinated Note with a nominal value of EUR 450 million and perpetual maturity. This loan offers a variable rate coupon of 3-month Euribor +4.20%.

These two subordinated loans were fully subscribed by BNP Paribas. The coupon is paid quarterly. These loans may be redeemed after 10 years.

On 26 November 2019, Cardif Lux Vie issued two Redeemable Subordinated Loans:

- A RSN with a nominal value of EUR 17 million and a maturity of 7 years. The loan was subscribed by BGL and offers a fixed-rate coupon of 0.70%.

- A RSN with a nominal value of EUR 35 million and a maturity of 10 years. The loan was subscribed by BGL and offers a fixed-rate coupon of 1.39%.

The coupons for these two RSN loans are paid annually. These loans may be redeemed after five years.

4.22.2 Schedule of equity instruments

	31 December 2020					31 December 2019				
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	1,697	1,840	-	-	3,537	1,872	1,840	-	-	3,712
Undated subordinated debt	4	-	-	1,461	1,465	8	-	-	1,618	1,626
TOTAL SUBORDINATED DEBT	1,701	1,840	-	1,461	5,002	1,879	1,840	-	1,618	5,337

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 2020			31 December 2019		
In millions of euros	Gross value of reinsurance	Ceded Reinsurance	Net value of reinsurance	Gross value of reinsurance	Ceded Reinsurance	Net value of reinsurance
Unearned premium reserve	2,249	282	1,968	2,566	292	2,274
Claim reserves	1,931	293	1,638	1,854	319	1,535
Deferred profit sharing reserve	2	-	2	2	-	2
Other Technical reserves	209	3	206	183	3	179
Non-Life Insurance Contracts (1)	**4,392**	**578**	**3,814**	**4,605**	**614**	**3,990**
Mathematical reserves arising from insurance contracts	83,879	1,589	82,290	85,418	1,730	83,688
Mathematical reserves arising from unit-linked insurance contracts	69,197	513	68,684	67,059	498	66,561
Mathematical reserves arising from investment contracts with discretionary profit sharing	40,916	-	40,916	40,722	-	40,722
Technical liabilities arising from investment contracts without discretionary profit sharing	7,612		7,612	7,456		7,456
Benefits payable (claims, buybacks, terms)	1,902	105	1,797	1,721	93	1,627
Deferred profit sharing reserve	6,025	-	6,025	5,556	-	5,556
Other Technical reserves	168	4	165	190	4	187
Life insurance contracts and investment contracts	**209,699**	**2,210**	**207,489**	**208,124**	**2,325**	**205,799**
TOTAL TECHNICAL LIABILITIES FROM INSURANCE AND INVESTMENT CONTRACTS	214,091	2,788	211,303	212,728	2,939	209,789
of which technical liabilities from insurance contracts	*165,563*	*2,788*	*162,775*	*164,550*	*2,939*	*161,610*
of which technical liabilities from investment contracts	*48,528*	-	*48,528*	*48,178*	-	*48,178*

(1) of wich Euros 509 million for the entity Cargeas

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 2020			31 December 2019		
	Gross value of reinsurance	Ceded Reinsurance	Net value of reinsurance	Gross value of reinsurance	Ceded Reinsurance	Net value of reinsurance
Claim reserves at 1st January	**1,854**	**319**	**1,535**	**1,794**	**293**	**1,501**
Claims expense for the current year	1,120	171	949	537	93	444
Surpluses/deficits for previous years	(109)	(16)	(93)	502	86	415
Total claim expense	**1,012**	**155**	**857**	**1,039**	**180**	**859**
Claims payments for the current year	(504)	(76)	(428)	(161)	(28)	(134)
Claims payments for previous years	(431)	(65)	(366)	(818)	(141)	(677)
Total payments	**(935)**	**(142)**	**(793)**	**(979)**	**(169)**	**(810)**
Currency effect	-	(39)	39	-	15	(15)
Claim reserves at 31 December	**1,931**	**293**	**1,638**	**1,854**	**319**	**1,535**

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	2016	2017	2018	2019	2020
Gross claims reserves occurring as originally presented	**1,231**	**1,535**	**1,794**	**1,854**	**1,931**
Gross claims reserves occurring adjusted with the exchange rate and scope occurring in N	**1,265**	**1,357**	**1,687**	**1,854**	
Cumulative payments made					
one year later	367	301	352	504	
two years later	464	507	525		
three years later	594	617			
four years later	693				
five years later					
Re-estimated final cost					
one year later	1,162	1,194	1,028	1,745	
two years later	1,197	1,209	1,535		
three years later	1,231	1,224			
four years later	1,170				
five years later					
Surplus (deficiency) of the initial reserves compared to the final re-estimated cost (gross)					
Amount	95	133	152	109	
Percentage	8%	9%	8%	6%	

Changes in mathematical life insurance 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.

	31 December 2020			31 December 2019		
In millions of euros	Gross value of reinsurance	Ceded Reinsurance	Net value of reinsurance	Gross value of reinsurance	Ceded Reinsurance	Net value of reinsurance
MATHEMATICAL RESERVES AT 1st JANUARY	193,200	2,228	190,972	180,576	2,272	178,304
Premiums	14,903	48	14,855	17,597	98	17,499
Reduction in liabilities related to benefits (payments, buybacks)	(15,622)	(145)	(15,477)	(15,806)	(174)	(15,632)
Revaluation of mathematical provisions	1,371	(31)	1,402	2,426	(5)	2,431
Change in values of unit-linked admissible investments	828	8	820	8,540	-	8,540
Currency effect	(271)	(2)	(269)	220	1	219
Changes in actuarial methods and technical rates	(115)	0	(115)	56	(0)	57
Perimeter variation	-	-	-	-	(0)	0
Other changes	(301)	(4)	(297)	(409)	36	(445)
MATHEMATICAL RESERVES AT 31 DECEMBER	193,992	2,102	191,891	193,200	2,228	190,972

4.24 DEFERRED PROFIT SHARING RESERVE

	31 December 2020			31 December 2019		
In millions of euros	policyholders' profit sharing reserve – asset	policyholders' profit sharing reserve – liability	Total	policyholders' profit sharing reserve – asset	policyholders' profit sharing reserve – liability	Total
Deferred profit-sharing recognised throught profit and loss account	-	6,715	6,715	-	6,727	6,727
Deferred profit-sharing recognised throught shareholders equity	-	15,238	15,238	-	12,851	12,851
TOTAL	-	21,953	21,953	-	19,578	19,578

The deferred profit sharing reserve arises from the application of shadow accounting, which represents the share of policyholders within life insurance subsidiaries in unrealised gains and losses and impairment losses on assets where the benefit paid under the policy is linked to the return on those assets. It is determined from stochastic calculations modelling the unrealized gains or losses attributable to policyholders according to economic scenarios, as well as assumptions for rates served and collection. Thus, for France, the profit-sharing rate applied increases in 2020 to 92% against a rate of 90% in 2019.

4.25 PROVISIONS FOR CONTINGENCIES AND CHARGES

In millions of euros	31 December 2019	Net additions to provisions	Provisions used	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	Change of consolidation scope	31 December 2020
Provision for employee benefits	72	15	(8)	1	(0)	-	80
Provisions for litigations	14	2	(8)	-	(1)	-	7
Other provisions for contingencies and charges	213	120	(7)	-	(10)	-	316
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	299	136	(23)	1	(11)	-	403

4.26 LIABILITIES DUE TO BANKING SECTOR COMPANIES

In millions of euros	31 December 2020	31 December 2019
Repurchase agreements	9,391	7,418
On demand accounts	777	637
Loans	673	705
TOTAL LIABILITIES DUE TO BANKING SECTOR COMPANIES	10,841	8,760

4.27 LIABILITIES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS

	31 December 2020							
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	246	25	299	14	14	1	1	601
Liabilities from accepted reinsurance transactions	4	6	2	5	-	-	-	18
Liabilities owed to insurance intermediaries	437	134	249	93	18	4	2	937
Liabilities from direct insurance and accepted reinsurance transactions	**688**	**165**	**551**	**113**	**32**	**4**	**3**	**1 555**
Liabilities owed to reinsurers	1 372	86	106	14	3	25	7	1 614
Liabilities from ceded reinsurance	**1 372**	**86**	**106**	**14**	**3**	**25**	**7**	**1 614**
TOTAL LIABILITIES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	2 060	251	656	127	35	30	10	3 170

	31 December 2019							
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	318	52	278	16	13	1	2	679
Liabilities from accepted reinsurance transactions	23	5	38	7	-	-	-	73
Liabilities owed to insurance intermediaries	521	166	286	97	11	8	2	1 092
Liabilities from direct insurance and accepted reinsurance transactions	**862**	**223**	**602**	**120**	**25**	**9**	**4**	**1 845**
Liabilities owed to reinsurers	1 476	7	143	6	5	120	8	1 766
Liabilities from ceded reinsurance	**1 476**	**7**	**143**	**6**	**5**	**120**	**8**	**1 766**
TOTAL LIABILITIES FROM DIRECT INSURANCE AND REINSURANCE TRANSACTIONS	2 338	230	745	126	30	129	12	3 611

4.28 MATURITIES OF FINANCIAL INSTRUMENTS

In millions of euros, at 31 December 2020	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	-	-	-	*34*	*440*	*867*	*99*	*1,440*
Available-for-sale financial assets	9,282	-	904	2,215	3,429	27,673	87,916	131,419
Financial investments at fair value through profit and loss	*40,856*	-	-	-	-	-	-	*40,856*
Loans and receivables	-	446	11	1,128	11	66	97	*1,759*
Derivatives and separate embedded derivatives	1,263	-	-	-	-	-	-	1,263
FINANCIAL ASSETS	**51,401**	**446**	**916**	**3,377**	**3,880**	**28,605**	**88,112**	**176,737**
Subordinated debt	1,461	-	-	5	200	1,497	1,840	5,003
Financing and operating debt due to banking sector companies	-	1,083	115	640	2,620	39	-	4,497
Due to credit institutions - Repurchase agreements	-	-	2,263	2,484	4,643	-	-	9,391
Derivatives	1,303	-	-	-	-	-	-	1,303
FINANCIAL LIABILITIES	**2,764**	**1,083**	**2,379**	**3,129**	**7,463**	**1,536**	**1,840**	**20,194**

In millions of euros, at 31 December 2019	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	-	-	-	166	329	901	515	1,911
Available-for-sale financial assets	7,828	-	1,318	3,331	7,199	31,941	77,272	128,890
Financial investments at fair value through profit and loss	39,112	-	-	-	-	-	-	39,112
Loans and receivables	-	497	5	987	77	10	141	1,716
Derivatives and separate embedded derivatives	935	-	-	-	-	-	-	935
FINANCIAL ASSETS	**47,876**	**497**	**1,323**	**4,484**	**7,605**	**32,852**	**77,928**	**172,564**
Subordinated debt	1,618	-	-	8	182	1,690	1,840	5,338
Financing and operating debt due to banking sector companies	-	1,010	558	449	1,355	45	-	3,418
Due to credit institutions - Repurchase agreements	-	-	3,393	1,277	2,749	-	-	7,418
Derivatives	898	-	-	-	-	-	-	898
FINANCIAL LIABILITIES	**2,516**	**1,010**	**3,951**	**1,734**	**4,287**	**1,735**	**1,840**	**17,072**

4.29 FINANCING AND GUARANTEE COMMITMENTS

In millions of euros	31 December 2020	31 December 2019
Securities received as collateral reinsurers	532	539
Other financing commitments received	1,635	287
COMMITMENTS RECEIVED	2,166	826
Endorsements, deposits and guarantees given	603	428
Other guarantee commitments given	1,749	1,561
Financial Instruments given in guarantee	9,399	7,321
of which securities given through repurchases	*9,399*	*7,321*
COMMITMENTS GIVEN	11,751	9,311

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 million of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Investment income	3,111	3,378
Investment expenses	(299)	(290)
Change in impairments on investments	(276)	(112)
Capital gains and losses on disposal of investments net of reversals of impairments and amortisation	349	349
Total income from the available-for-sale financial assets portfolio	**2,885**	**3,325**
Investment income	94	138
Investment expenses	(13)	(16)
Change in impairments on investments	-	-
Total income from the held-to-maturity financial assets portfolio	**82**	**122**
Investment income	98	102
Investment expense	(35)	(39)
Change in impairments on investments	-	-
Capital gains and losses on disposal of investments net of reversals of impairments and amortisation	2	-
Total income from asset portfolio – Loans and receivables	**64**	**63**
Investment income	665	738
Investment expense	-	-
Changes in market value of investments recognised at fair value through profit or loss	1,835	11,314
Total income from the asset portfolio at market value by income	**2,500**	**12,052**
Income from currency instruments and derivatives	**(981)**	**(641)**
Rental income - real estate investments	154	174
Gains and losses on investments - real estate investments	225	(30)
Change in fair value - unit-linked real estate	(49)	24
Change in provisions on investments - real estate investments	(78)	(48)
Total income from real estate investments	**251**	**120**
Share in associates and joint ventures representing investments	**(2)**	**9**
Investment management fees	(19)	(10)
Other income and expenses related to investments	(233)	(217)
TOTAL INVESTMENTS INCOME, EXCLUDING FINANCING EXPENSES	**4,547**	**14,822**

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.

In millions of euros	Year to 31 Dec. 2020			Year to 31 Dec. 2019		
	Life	Non-life	Total	Life	Non-life	Total
Benefit expenses	(16,677)	(1,037)	(17,714)	(15,957)	(1,027)	(16,983)
Change in provisions on insurance contracts	731	(100)	630	(8,578)	(44)	(8,623)
Change inreserves on investment contracts with discretionary profit sharing	(194)	-	(194)	(2,119)	-	(2,119)
Change in other technical reserves	(4)	(31)	(35)	(2,183)	(9)	(2,192)
Change in technical reserves	**(16,145)**	**(1,168)**	**(17,313)**	**(28,837)**	**(1,080)**	**(29,917)**
Other technical income and expenses	**(91)**	**(152)**	**(243)**	**(3)**	**(146)**	**(149)**
Technical interest	(451)	(3)	(454)	(491)	(3)	(494)
Profit-sharing	(1,704)	(10)	(1,715)	(1,931)	(10)	(1,942)
Profit sharing benefit	**(2,155)**	**(14)**	**(2,168)**	**(2,423)**	**(13)**	**(2,436)**
TOTAL TECHNICAL CHARGES RELATED TO CONTRACTS	(18,391)	(1,334)	(19,724)	(31,262)	(1,239)	(32,502)

5.3 NET RESULT FROM CEDED REINSURANCE

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Ceded premiums (including Change in premium reserves)	(485)	(560)
Benefits and costs sold (including Change in claims reserves)	316	387
Other technical reserves ceded	(124)	(46)
Commissions received from/paid to reinsurers	152	163
TOTAL NET RESULT FROM CEDED REINSURANCE	(141)	(56)

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. 2020	Year to 31 Dec. 2019
Investment management fees	(232)	(212)
Acquisition costs	(2,696)	(2,954)
Administration costs	(1,498)	(1,482)
Other technical expenses	(357)	(214)
Claims settlement costs	(188)	(199)
Expenses from other activities	(241)	(259)
TOTAL EXPENSES BY FUNCTION	(5,212)	(5,321)

5.4.2 Breakdown of expenses by type

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Commissions	(3,679)	(3,916)
Staff costs	(676)	(677)
Taxes	(100)	(106)
Other current operating expenses	(564)	(504)
Depreciation, amortisation and impairment	(194)	(118)
TOTAL EXPENSES BY TYPE	(5,212)	(5,321)

5.5 OTHER NON-CURRENT OPERATING INCOME AND EXPENSE

In 2020, other non-current operating income and expense correspond to the capital gain on the sale of Vietcombank Cardif Life Insurance Co Ltd and the portfolio sales operated by Cardif Lux Vie in Luxembourg and BNPP Cardif Levensverzekeringen NV in the Netherlands.

In 2019, other non-current operating income and expense mainly corresponds to the capital gains from the successive disposals of State Bank of India Life Insurance Co Ltd (SBI Life) and the allocations to provisions for the increased risk on BNP Paribas Cardif General Insurance Co Ltd. securities.

5.6 FINANCING EXPENSES

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Interest expense on subordinated debt at amortised cost	(139)	(130)
Interest expense on borrowings	(12)	(25)
TOTAL FINANCING EXPENSES	(151)	(155)

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. 2020		Year to 31 Dec. 2019	
	Amount	Tax rate	Amount	Tax rate
Theoretical tax expense on net profit before tax[(1)]	**(311)**	**32.0%**	**(942)**	**34.4%**
Impact of differently taxed foreign profits	19	-1.9%	46	-1.7%
Impact of the securities taxation	(4)	0.4%	450	-16.4%
Impact of activating loss carryforwards and prior time differences	(94)	9.7%	(46)	1.7%
Effect linked to the economy of the Tax Group	64	-6.6%	35	-1.3%
Other effects	(35)	3.7%	(4)	0.2%
Profit tax expense	**(362)**	**37.0%**	**(462)**	**16.9%**
of which current year tax expense	*(474)*		*(374)*	

(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 2020 stood at EUR 9 million at 31 December 2020 compared to EUR 6.8 million at 31 December 2019.

5.7.2 Change in deferred tax assets and liabilities by type

In millions of euros	31 December 2019	Change recognized in income	Change recognized in recyclable equity	Change recognized in non-recyclable equity	Change in scope, translation differences and miscellaneous	31 December 2020
Available-for-sale financial assets	(3,865)	-	(634)	-	2	(4,496)
Profit-sharing for reserves of available-for-sale financial assets	3,448	-	621	-	(0)	4,070
Provisions for employee benefit obligations	20	6	(0)	0	(3)	24
Other items	130	101	(2)	-	(7)	222
Tax loss carryforwards	15	5	-	-	2	22
NET DEFERRED TAXES	**(250)**	**112**	**(15)**	**0**	**(7)**	**(159)**
Deferred tax assets	*76*	*116*	*53*	*0*	*(236)*	*9*
Deferred tax liabilities	*326*	*4*	*67*	*-*	*(229)*	*168*

NOTE 6 SALARIES AND EMPLOYEE BENEFITS

6.1 SALARIES AND EMPLOYEE BENEFIT EXPENSE

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Fixed and variable remuneration, incentive bonuses and profit-sharing	(458)	(444)
Employee benefit expense	(183)	(196)
Payroll taxes	(35)	(38)
TOTAL SALARY AND EMPLOYEE BENEFIT EXPENSE	**(676)**	**(677)**

6.2 POST-EMPLOYEMENT BENEFITS

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to paying a fixed amount, stated as a percentage of the beneficiary's annual salary, for example, to an external entity handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of contributions from employees and to bear the cost of benefits itself or to guarantee the final amount subject to future events, it is described as a defined benefit plan. The same applies, if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and/or from future changes in the 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 wide 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 2020 was EUR 24 million, compared with EUR 22 million for the year to 31 December 2019.

The breakdown by major contributors is determined as follows:

Contribution amount *In millions of euros*	Year to 31 Dec. 2020	Year to 31 Dec. 2019
France	(20)	(19)
Outside France	(4)	(3)
TOTAL CONTRIBUTIONS	**(24)**	**(22)**

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 2020, this obligation was 58% covered by financial assets, compared with 66% at 31 December 2019.

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

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 December 31, 2020	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	41	-	41	(24)	17	17
Outside France	8	15	23	(7)	16	16
TOTAL	49	15	64	(31)	33	33

In millions of euros, at December 31, 2019	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	(24)	12	12
Outside France	8	14	22	(6)	16	16
TOTAL	44	14	58	(30)	28	28

Change in the present value of the defined-benefit obligation

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT START OF PERIOD	58	53
Current service cost	5	4
Interest cost	-	1
Actuarial gains/(losses) on change in financial assumptions	3	2
Actuarial gains/(losses) on experience gaps	(1)	-
Benefits paid directly by the employer	(2)	(2)
Benefits paid to beneficiaries of financial benefits	-	(1)
Others	1	1
PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT END OF PERIOD	64	58

Changes in the fair value of plan assets

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
FAIR VALUE OF PLAN ASSETS AT START OF PERIOD	30	30
Asset interest income	-	1
Actuarial gains/(losses) on assets	1	-
Benefits paid to beneficiaries of funded benefits	-	(1)
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	31	30

Components of the cost of defined-benefit plans

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Service costs	5	4
Current service cost	5	4
Net financial expense	-	-
Expense related to updating commitments	-	1
Interest income from plan assets	-	(1)
TOTAL RECOGNISED IN SALARY AND EMPLOYEE BENEFIT EXPENSE	5	4

Other items recognised directly in equity

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Other items recognised directly in equity	**(1)**	**(2)**
Actuarial (losses)/gains on plan assets or reimbursement rights	1	-
Actuarial (losses)/gains of financial assumptions on the present value of obligations	(3)	(2)
Experience (losses)/gains on obligations	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:

	31 December 2020		31 December 2019	
In %	Discount rate	Compensation increase rate [(1)]	Discount rate	Compensation increase rate [(1)]
France	0.30%	1,7% - 2,95%	0.80%	1,7% - 2,95%
Outside France	0,00% - 0,80%	1,80% - 2,60%	0,30% - 0,80%	1,80% - 2,70%

[(1)] *Including price increases (inflation)*

For the Euro zone, the average discount rate observed was 0.38% at 31 December 2020 compared to 0.80% at 31 December 2019.

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:

	31 December 2020		31 December 2019	
Change in present value of obligations *In millions of euros*	Discount rate -100 bp	Discount rate +100 bp	Discount rate -100 bp	Discount rate +100 bp
France	7	(6)	7	(5)
Outside France	2	(1)	2	(1)

Effective return on plan assets during the period

In %	Year to 31 Dec. 2020	Year to 31 Dec. 2019
France	3.35%	3.45%
Outside France	3.32%	3.11%

Asset and liability management strategies

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 31.7 million at 31 December 2020 (compared to EUR 30.6 million at 31 December 2019).

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 allocated under this plan linked to changes in BNP Paribas Group's operational performance over three years (for 80%) and to the achievement of BNP Paribas Group's Corporate Social Responsibility (CSR) targets (for 20%). These nine targets are in line with the four pillars on which BNP Paribas Group's CSR policy based. In addition, the final payment is subject to continuous service within BNP Paribas Group between the grant date and the payment date, provided that BNP Paribas Group's operating income and pre-tax income for the year prior to payment are strictly positive.

The net obligation related to deferred compensation plans and loyalty schemes amounts to EUR 8 million as at 31 December 2020 (EUR 7.6 million at 31 December 2019).

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Net provisions for other long-term benefits	40	38
of which obligation recognised in the balance sheet under other long-term benefits	*40*	*38*

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 regulatory provisions specific, 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 payment

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
Prior deferred compensation plans	(244)	(639)
Deferred compensation plans for the year	1,171	(355)
TOTAL	**927**	**(993)**

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 are 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 their responsabilities 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. The policy initially recalls the objectives of internal control, which aims at ensuring:

- 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 exercise 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 a clean audit cycle.

The functions exercising the second and third lines of defense are so-called Functions exercising independent control. They report directly to the Executive Officers. 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 specialized committees.

Exchanges 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 full compliance with the independence of periodic control.

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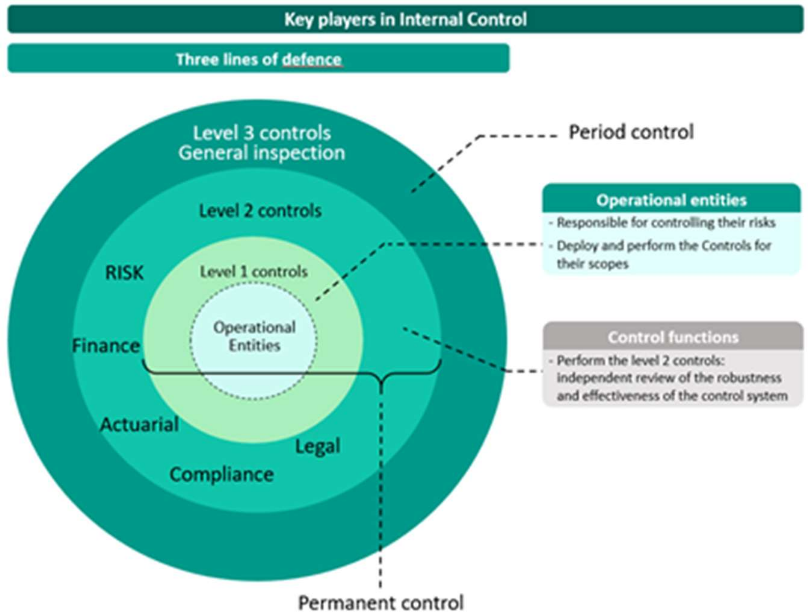

7.2 BNP PARIBAS CARDIF GROUP RISK MANAGEMENT SYSTEM

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 regulatory capital requirement;
- the forward-looking solvency ratios under the medium-term plan;
- the resilience of those ratios in stress tests cases.

Depending on the observed solvency ratio levels 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. Depending on the type of insurance business (life, non-life), this risk 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 fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the BNP Paribas Cardif group is exposed. 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, personnel or information systems, 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 180.0 billion at net book value *i.e.* EUR 181.9 billion at market value, through its subsidiaries in France, mainly Cardif Assurance Vie, representing EUR 141.7 billion, through its subsidiaries in Italy, mainly Cardif Vita, representing EUR 25.2 billion and its subsidiary in Luxembourg, Cardif Lux Vie (EUR 9.8 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 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. All of these policies give rise to an interest rate and asset value risk, corresponding to the risk that the return on admissible assets (i.e. assets acquired by investing premiums) is less than the contractual return payable to policyholders. In France, the average rate guaranteed by Cardif Assurance Vie in 2020 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 2020, 2019, or 2018, 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 profit and loss account 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.).

Exposure to liquidity is appraised by way of studies carried out by the Actuarial Division on forecasted cash flows expected on the assets and liabilities of BNP Paribas Cardif general fund.

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

Limits by issuer and rating type (investment grade, non-investment grade) are monitored regularly and are broken down as follows:

Exposure by rating	31 December 2020			31 December 2019		
	States	Companies	Total	States	Companies	Total
AAA	2.9%	2.6%	5.5%	3.3%	3.4%	6.7%
AA	24.1%	7.4%	31.5%	23.2%	7.9%	31.1%
A	6.2%	24.9%	31.1%	6.8%	25.4%	32.2%
BBB	10.6%	17.1%	27.7%	11.0%	15.9%	26.8%
< BBB (*)	0.2%	4.0%	4.2%	0.3%	2.9%	3.2%
Total	**44.0%**	**56.0%**	**100.0%**	**44.5%**	**55.5%**	**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.

The sensitivity analyses performed on the main Cardif Assurance Vie general funds consisted of measuring the impact of a change in the equity market and a change in risk-free interest rates on the revaluation of financial assets recognised as reserves and in the profit and loss account.

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 2020			31 December 2019		
	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
More 10% change in the equity market	1,144	14	97	1,307	96	35
Less 10% change in the equity market	(1,144)	(14)	(97)	(1,307)	(96)	(35)
More 10% change in the property market	883	17	71	1,421	15	126
Less 10% change in the property market	(883)	(17)	(71)	(1,421)	(15)	(126)
More 1% change in bond rates	(6,520)	(76)	(548)	(6,122)	(66)	(540)
Less 1% change in bond rates	6,869	89	566	6,660	66	593

7.4 UNDERWRITING RISK

The underwriting risk arises from the surrender risk in the savings business line, and in credit insurance contracts for the protection business.

7.4.1 Risk of surrender

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.

The surrender risk is limited, however, as:

- 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. Changes in assets and liabilities are projected over periods of up to forty years, in order to identify treasury mismatches and over or under covered maturities giving rise to a liquidity risk. These analyses are then used to determine the choice of maturities for new investments and the assets to be sold ;
- the guaranteed revaluation of policies is completed by a profit sharing partly discretionary, 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 be protected through the use of hedging instruments.

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

Annual average repurchase rate observed (*)	2020	2019
France	5.5%	5.3%
Italy	7.6%	7.7%
Luxembourg	7.5%	5.2%

(*) 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 11.1 million at 31 December 2020 (versus EUR 7.7 million at 31 December 2019).

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.

Creditor insurance mainly covers death, disability, critical illness, work disability, loss of employment and financial loss risks for revolving credit, personal loans and mortgage loans. The insurance book comprises a very large number of policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs. The term of these contracts is usually equal to the term of the underlying loan and the premium is either deducted once upon issuance of the policy (single premium) or deducted regularly throughout the term of the policy (regular or periodic premiums).

Other contracts (individual death and disability, extended warranty, theft, accidental damage, and annuity policies in France) are either for personal risk (death, accidental death, hospitalisation, critical illness, and healthcare expenses) or property & casualty risk (accidental damage, breakdown or theft of consumer goods or vehicles). The individual sums insured under these contracts are generally low, whether they are indemnities or lump-sum payment.

Lastly, principally through its developing entities in France, Cardif IARD, and in Italy, CARGEAS, motor contracts (material damage, civil liability) and comprehensive household coverage are also underwritten. This type of insurance coverage is also developing in the international market, namely in Latin America.

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 certain threshold, called “full retention”. In personal insurance, this threshold is currently set at EUR 2 million per life. The reinsurance of peak risk may take the form of surplus or excess of loss treaties;
- the disaster risk associated with exposure to a single low occurrence event, but with very strong 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 mutualisation, 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.

Sensitivity analyses are regularly carried out, and the main scenarios tested cover significant variation in sales, loss experience and margin rates. The Liability Adequacy Test (LAT) evidences that the reserves for insurance contracts and investment contracts with a discretionary profit sharing are sufficient in view of current estimations.

The liabilities maturity schedule of undiscounted cash flows is as follows:

Source : LAT 2020	Breakdown of the projected liability flows at 12/31/2020 by estimated maturity			
In millions of euros	less than 1 year	from 1 to 10 years	over 10 years	TOTAL
Amount liabilities	7,435	47,941	66,988	122,364

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.

As at 31 December 2020, outstanding assets amounted to EUR 68,413 million compared with EUR 66,267 million as at 31 December 2019.

7.6 OTHER RELATED PARTIES

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 and BNL BC) are important distribution channels for life insurance and provident policies, and BNP Paribas Personal Finance (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.

As at 31 December 2020, these investments totalled EUR 4,522 million compared to EUR 6,008 million as at 31 December 2019.

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. As at 31 December 2020, this financing represents a total nominal value of EUR 3,241 million compared to EUR 3,578 million as at 31 December 2019.

In connection with investments in its subsidiaries and branches, BNP Paribas Cardif Group contracts loans with the banking entities of BNP Paribas Group. As at 31 December 2020, the amount of financing and operating borrowings contracted for this purpose amounted to EUR 3,713 million compared with EUR 2,761 million as at 31 December 2019.

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. As at 31 December 2020, the amount of repurchase agreements with BNP Paribas Group amounted to EUR 2,550 million compared with EUR 1,497 million as at 31 December 2019.

Profit and loss impact of relationships with BNP Paribas Group companies

All of these relationships with BNP Paribas Group companies generated a net expense of EUR 1,327 million in 2020, compared to EUR 1,654 million in 2019, 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.

As at 31 December 2020, transactions with companies consolidated under the equity method in the BNP Paribas and the BNP Paribas Cardif Groups represent a net profit of EUR 62 million, compared with EUR 22 million in 2019.

7.7 EVENT AFTER THE REPORTING PERIOD

A press release dated 8 February 2021 informed the market of the possible sale by BNP Paribas Cardif of 100% of the company Cargeas to the bank Intesa Sanpaolo.

Intesa Sanpaolo Vita has signed a memorandum of understanding with BNP Paribas Cardif, which contains the essential elements of a future agreement concerning the sale of 100% of its subsidiary Cargeas, a non-life bancassurance player operating on the Italian market for an amount of EUR 390 million.

The signing of the agreement between the parties took place on 21 February 2021, while the transaction is expected to be finalised in the first half of 2021, subject to obtaining Italian regulatory approvals (IVASS and the Competition Authority).

As of 31 December 2020, this disposal did not appear to be highly probable and the assets and liabilities of Cargeas were therefore not presented in accordance with the provisions of IFRS 5. However, the conditions for such a classification appear to have been met. from the date of market information.

In the absence of financial information as of 8 February 2021, the assets and liabilities of Cargeas held for sale as valued at 31 December 2020 would have represented the following amounts:

In Euro million	31 December 2020		31 December 2020
ASSETS		**LIABILITIES**	
Intangible assets	142	Shareholder's equity	285
Investments (1)	511	Financial debts	-
Reinsurers' share in insurance and investment contracts	40	Technical reserves on insurance and investment contracts (2)	509
Other assets	191	Provisions for contingencies and charges	4
Cash and cash equivalents	25	Other liabilities	111
ASSETS DESTINED TO BE CEDED	**909**	**LIABILITIES DESTINED TO BE CEDED**	**909**
TOTAL ASSETS BNP Paribas Cardif	**268 898**	**TOTAL LIABILITIES BNP Paribas Cardif**	**268 898**

(1) Of which Assets available for sale for EUR 492 million.
(2) Correspond to non-life technical provisions in note 4.23 Technical liabilities related to insurance contracts and investment contracts.

Given the uncertainties at the closing date as to a possible disposal and the price that could be obtained, the recoverable amount of Cargeas used for the annual impairment test of goodwill at the level of the cash-generating unit Italy does not take into account the sale price communicated after the closing in January 2021, which led to the recognition of a partial impairment of the goodwill of this cash-generating unit allocated to Cargeas for EUR 32 million.

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 8.28 million for 2020 versus EUR 8.33 million for 2019.

7.9 FEES PAID TO THE STATUTORY AUDITORS

In millions of euros	Year to 31 Dec. 2020	Year to 31 Dec. 2019
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	(5)	(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.