NATIXIS
ASSURANCES
BEYOND BANKING

FINANCIAL REPORT 2019

This English translation of the 2019 financial statements is provided for information purposes only and only the French version is valid.

CONTENTS

1 MANAGEMENT report

Report on the consolidated financial statements and the parent company financial statements

1. 2019 MARKED AN IMPORTANT STAGE IN THE EXECUTION OF THE NEW DIMENSION STRATEGIC PLAN, WHICH SAW THE ROLLOUT OF MAJOR STRATEGIC PROJECTS RENDERING NATIXIS ASSURANCES' TRANSFORMATION TANGIBLE AND VISIBLE

In the life and personal protection insurance segment, a new individual personal protection insurance offering was launched in the Banque Populaire network in first-half 2019. Simplified, digitalized and more competitive, the new products - Assurance Famille and Assurance Obsèques – enjoyed a very positive start, reflected in strong growth in new production and higher amounts of capital guaranteed that were better suited to customer needs.

On December 19, 2019, the BPCE and CNP Assurances groups ratified the extension of the agreements signed in 2015 between BPCE, Natixis and CNP Assurances, by extending their term from December 31, 2022 to December 31, 2030. These amended agreements notably provide for Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances to move to a 50/50 co-insurance share on group payment protection policies and for CNP Assurances to reinsure 34% of individual payment protection policies underwritten by BPCE Vie, as from January 1, 2020.

The measures taken by Natixis Assurances for several years in response to low interest rates enabled the company to maintain a satisfactory level of solvency and profitability in 2019. The persistency of low interest rates led the company to further reduce policy return rates, increase the provision for policyholder bonuses and maintain a tight grip on expenses. Low interest rates will also make it necessary to review the life insurance business model in order to ensure its durability.

The ambition of making Groupe BPCE a fully-fledged bancassurer and creating a single non-life insurance operational model for individual and professional customers within Natixis Assurances led in May 2019 to the renewal of the partnership with Covéa as from January 1, 2020. This partnership will involve insuring the professional risks of Caisse d'Epargne and Banque Populaire customers. Starting in 2020, and thanks to the rollout of the #INNOVE2020 program, Natixis Assurances will insure new non-life insurance business for individual customers of the Banque Populaire banks in addition to those of the Caisse d'Epargne.

Elsewhere, the Purple#Care project geared to transforming and digitalizing claims management and thereby improving customer satisfaction, witnessed the deployment of a new solution for home, personal accident, auto and two-wheeler insurance products.

Lastly, as part of the #Pop'Timiz project geared to pooling non-life insurance middle- and back- office activities for the Banque Populaire and Caisse d'Epargne banks, the widespread rollout of the APS support platform was completed for all Banque Populaire banks in 2019.

2. UNCONVENTIONAL FINANCIAL CONDITIONS IN 2019

The second year of the New Dimension strategic plan in 2019 witnessed the launch of numerous strategic projects. It was also marked by robust business development in the individual personal protection segment, involving the continued rollout of solutions in the Caisse d'Epargne banks and the launch of the new offering for the Banque Populaire banks. In the payment protection segment, underlying business also retained healthy momentum, while activity levels remained high for life insurance - investment solutions. Non-life insurance business continued to expand at a faster pace than the market.

With €10.1 billion of premiums from direct business, life insurance inflow rose 5% during the year. Revenues therefore remained high, despite persistently low interest rates, a slight easing in inflation and the strong gains in financial markets throughout the year which lifted them to their highest levels since 2007.

Unit-linked (UL) premiums totaled €3.1 billion (-3%) and accounted for 31% of total gross inflow, down 2 percentage points year-on-year, but 3 points better than the market as a whole at end-December. Inflow invested in with-profits funds rose 9% to €7 billion.

Personal protection insurance and payment protection insurance premiums continued to expand at pace (€993 million, +12%). The latter posted a 12% growth rate, without sustaining any material impact from the Bourquin amendment.

In non-life insurance, the portfolio expanded 5% and reached 6.1 million policies. Earned premiums for the Banque Populaire and Caisse d'Epargne networks rose 6% to €1.2 billion. Revenues grew 10% for auto policies and 4% for multi-risk home policies.

2.1. LIFE AND PERSONAL PROTECTION INSURANCE BUSINESS - FRANCE & LUXEMBOURG

Turnover (€ million)	2018	2019	Change
Total investment solutions	**9,583**	**10,097**	**+5.4%**
Individual personal protection	217	244	+12.2%
Payment protection insurance	668	749	+12.1%
Total personal protection insurance	**886**	**993**	**+12.1%**
Total life & personal protection	**10,469**	**11,089**	**+5.9%**

Life insurance - Investment solutions

France

Due to the absence of a competing and really competitive savings offer in terms of taxation and risk/return (for with-profits products), growth in the French life insurance sector's total inflow amounted to 4% in 2019 (€145 billion versus €140 billion in 2018). Although returns on special savings products (PEL, Livret A, LDD accounts, etc.) fell to all-time lows, competition from Livret A accounts remained strong, with net inflow on this product reaching €13 billion in 2019 (+5% versus 2018). Despite the interest rate paid on Livret A accounts being restricted to 0.75% in 2019 (negative real return, with inflation having amounted to 1.5%), and due to be cut to 0.5% in February 2020, these products remain attractive for their liquidity and their guaranteed and tax-free returns

Paid benefits rose 0.4% to €119 billion. Assets under management in life insurance policies grew 5.6% to €1,787 billion for the overall market.

2020 brought record performances across all global stock markets, following a highly erratic and volatile 2018. Among the main indices, the CAC 40 climbed 26%, the Eurostoxx 50 25% and the S&P 500 29%. The CAC 40 neared 6,000 points at year-end, its highest level since June 2007.

Amid declining returns on with-profits funds (as in 2018), inflow invested in unit-linked products rose 2% to €39.6 billion for the whole of the market. The portion of inflow invested in these products represented 27% of the total (-0.4% versus 2018).

Against this backdrop, premiums collected by Natixis Assurances in France rose 4% to €9.3 billion (direct business).

Growth in Natixis Assurances' inflow was driven by the offering for the Caisse d'Epargne banks. Revenue from this source reached €5.754 billion (+4% versus 2018), with the number of policies in the portfolio exceeding 680,000, of which 91% concerned the high-end segment, primarily served by the Millevie Premium and Infinie products.

Natixis Assurances continued to generate high inflow from the Banque Populaire network on multi-instrument policies designed for Wealth Management clients (+2% to €1.948 billion), thanks to the Quintessa product, which was launched in 2015 and accounted for 93% of segment revenue, with the unit-linked portion standing at 30%.

At the same time, inflow into multi-instrument products designed for the General Public segment contracted 13% to €982 million, with the Horizéo product, launched at the end of 2013, declining to €298 million, with the unit-linked portion standing at 27%.

Solution Perp, the individual pension plan solution for the Banque Populaire and Caisse d'Epargne networks, generated €54 million in earned premiums, up 32% relative to 2018. Outstanding mathematical reserves under management rose 8% year-on-year to €624 million.

Luxembourg

Investment Solutions revenue advanced 26% relative to 2018:
- 15% increase in inflow invested in the with-profits fund;
- 37% increase in unit-linked revenue, with these products accounting for 52% of total inflow (-3 percentage points).

For both countries combined, total inflows reached €10.097 billion in 2019 (direct business), of which 30.6% was invested in unit-linked products (33.2% in 2018). Unit-linked inflows dipped 3% to €3.092 billion.

Including the acceptance via reinsurance of 10% of CNP's Caisse d'Epargne portfolio, Investment Solutions revenue amounted to €10.407 billion, of which the unit-linked share was 30.4%.

Furthermore, reflecting the entity's status as a bancassurer, 94% of 2019 (direct business) inflows came from Groupe BPCE's banking networks. The portion generated by external business providers increased slightly in 2019: with inflows of €629 million, this source represented 6% of premiums from Life Insurance - Investment Solutions direct business versus 5% in 2017.

Change in unit-linked/with-profits AuM and net benefits

The cost of benefits totaled €4.1 billion (direct business), up 8% increase year-on-year. The rate of benefits relative to AuM at the start of the year worked out to 6.8%, down 1.2% relative to 2018.

Consequently, net inflows from direct business were largely positive at €6.0 billion, of which unit-linked policies represented 27% versus 42% in 2018. As a result, policyholder AuM grew at a sustained pace of 14% year-on-year, outstripping the market and reaching €68.4 billion (€79.2 billion including the assets reinsured via the 10% stock treaty with CNP).

(€ million)	2018	2019	Change
With-profits AuM	46,082	51,088	+10.9%
Unit-linked AuM	14,026	17,300	+23.3%
Provision for policyholder bonuses - after incorporation	1,167	1,383	+18.4%
Total	**61,276**	**69,770**	**+13.9%**

The geographic breakdown is as follows:

	2018		2019	
(€ million)	France	Luxembourg	France	Luxembourg
With-profits AuM	42,985	3,097	47,673	3,415
Unit-linked AuM	12,328	1,698	15,165	2,134
Total	**55,313**	**4,795**	**62,838**	**5,549**

Personal protection insurance

Premium income grew significantly in 2019, buoyed by positive contributions from both individual personal protection and payment protection insurance.

(€ million)	2018	2019	Change
Individual personal protection insurance	217	244	+12.2%
Payment protection insurance - BP	342	343	+0.2%
Payment protection insurance - CE	310	381	+22.9%
Payment protection insurance - CFF	17	26	+54.8%
Total	**886**	**993**	**+12.1%**

Payment protection insurance

Since 2010, several regulatory measures have been introduced in order to enhance fluidity in the credit insurance market:

- Lagarde Law on consumer protection;
- Hamon Law (2014), which gave policyholders the option of terminating or renegotiating their policy on the first policy anniversary date;
- the Bourquin amendment of the Sapin 2 Law (early 2018) which enables policyholders to terminate their policies on each policy anniversary date subject to a two-month notice period;
- reinforcement of the Bourquin amendment and the information to be provided to borrowers (approved in October 2019 by the French senate).

To limit customer attrition stemming from these new regulations, the company introduced the Parade mechanism with a view to providing responses tailored to customer requests.

Payment protection insurance revenue rose 12% to €749 million. The momentum came from the development of pricing on the principal remaining due over two consecutive years, as well as healthy underlying lending activity.

In growth terms, the progress made by the two networks was affected by the change in co-insured shares applied as from the 2016 generation of policies (now 34% for Natixis Assurances for both networks). As a result, the Banque Populaire network was down slightly (-1%), while the Caisse d'Epargne network progressed by 13%.

Growth rates by type of insured loan varied: insurance of amortizing loans was highly robust, with premiums growing 13%, while premiums for insurance of revolving loans were more mixed (+2%). Overall, the majority of new business originated from amortizing loans, i.e. 90% of total payment protection policies, unchanged from 2018.

Individual personal protection insurance

Individual personal protection premiums continued to grow in 2019, expanding by 12% to €244 million. This progress primarily stemmed from the commercialization of the new offering within the Caisse d'Epargne network since 2016. 2019 also brought the launch of two new products - Assurance Famille and Assurances Obsèques - in the Banque Populaire network.

2.2. NON-LIFE INSURANCE - FRANCE

Gross policy sales increased 1% in 2019. The increase was fueled by good business momentum in the Banque Populaire network, where gross policy sales rose 6% during the year:

(thousands of policies)	2018	2019	Change
Multi-risk home insurance	457	473	+4%
Auto insurance	345	346	0%
Personal accident insurance	164	155	-5%
Health insurance	22	18	-18%
Legal insurance	113	136	+21%
Professional insurance	27	27	+2%
Two wheels	20	18	-13%
Other	84	71	-16%
Total	**1,231**	**1,245**	**+1%**

- production for the Caisse d'Epargne network dipped 1.4%. The main contributions came from multi-risk home and legal expenses policies which progressed by 2% and 15%, respectively. The rest of the range lost ground, particularly the Sécurmédia product (policies down 9,100), which took a toll on overall gross policy sales. For personal accident policies, commercial initiatives at the end of the year restricted the decline to 9% relative to 2018;

- production for the Banque Populaire network grew 6%, driven by firmer business momentum in the second half and greater sensitivity to property & casualty products with a view to the rollout of the #INNOVE2020 program. All core products recorded growth.

Non-life insurance earned premiums rose 6% to €1.557bn, thanks to growth of 7% in the Banque Populaire network and 6% in the Caisse d'Epargne network.

BPCE Assurances earned premiums (full consolidation)

(€ million)	2018	2019	Change
Multi-risk home insurance	321	335	+4%
Auto insurance	302	327	+8%
Personal accident insurance	99	105	+5%
Health insurance	80	78	-2%
Legal insurance	56	57	+1%
Professional insurance	12	12	-2%
Two wheels	1	6	*+487%*
Other	76	77	+1%
Total	**948**	**996**	**+5%**

Revenue was fueled by the core of the range: auto (+8%), multi-risk home (+4%) and personal accident (+5%). This growth stemmed from both higher volumes (+5%, +5% and +4%, respectively) and higher average premiums (+1.2% in auto and +0.7% in multi-risk home).

The number of policies in the portfolio rose 4% year-on-year to 4.1 million.

BPCE IARD earned premiums (equity method)

(€ million)	2018	2019	Change
Multi-risk home insurance	152	169	+11%
Auto insurance	192	208	+8%
Legal insurance	14	15	+11%
Professional insurance	62	67	+8%
Other	6	7	+11%
Total	**426**	**465**	**+9%**

Revenue advanced 9%, thanks to 7% portfolio growth and an increase in multi-risk home premium rates of around 2.5%.

The number of policies in the portfolio rose 7% to 1.7 million by the end of 2019.

BPCE Prévoyance earned premiums (full consolidation)

(€ million)	2018	2019	Change
Payment instrument guarantees	77	80	+3%
Personal accident insurance	29	32	+13%
Property & casualty insurance	3	3	+16%
Total	**108**	**115**	**+6%**

BPCE Prévoyance's property & casualty business primarily comprises payment instrument guarantees, which represented 70% of total premiums and recorded a 3% increase in earned premiums during the year. Elsewhere, personal accident business continued to progress at a sustained pace, rising by a further 13% after 16% growth in 2018, in line with expansion in the portfolio (impact of the new multi-risk personal accident product at end-2017).

2.3. ACTIVITIES OUTSIDE EUROPE

Activities outside Europe (excluding those in French overseas departments and territories) are limited to the 34% stake in Lebanese company Adir, a 66%-owned subsidiary of banking group Byblos. The stake is accounted for by the equity method in Natixis Assurances' financial statements.

The economic crisis in Lebanon had repercussions on Adir, the banking sector and Adir's financial investments.

The temporary suspension in lending activity sharply reduced Adir's payment protection insurance revenues.

Lebanon's liquidity crisis also had an impact on investment solutions business, triggering a steep increase in redemptions and a decline in inflows.

(US$ million)	2018	2019	Change
Life – Investment solutions	37	34	-7%
Life - Personal protection	15	13	-15%
Non-life (auto, fire, health, civil liability, theft, etc.)	25	23	-5%
Total	**77**	**71**	**-8%**

Written premiums in the life segment declined 9% to US$49 million; investment solutions and personal protection insurance account for over two thirds of Adir's total revenues.

Non-life insurance revenues contracted 5% in 2019, with earned premiums amounting to US$23 million.

3. 2019: SOLID RESULTS IN AN UNPRECEDENTED FINANCIAL ENVIRONMENT

As in the previous year, Natixis Assurances expanded its business amid satisfactory profitability conditions:

- in life insurance, where Natixis Assurances confirmed its ability to generate satisfactory margins despite historically low interest rates and thanks to equity markets reaching levels not seen since 2007;

- in personal protection insurance, where claims remained at reasonable levels overall and business grew at a healthy pace;

- in non-life insurance, where gross claims expense was adversely impacted by climate events during the year and an exceptional level of serious claims in auto insurance, although the combined ratio was kept well below 100%.

Against this backdrop, net insurance income (NII) from fully consolidated activities advanced 7% to €860 million

3.1. PROFITABILITY OF LIFE AND PERSONAL PROTECTION INSURANCE

Life insurance

Revenues performed in line with assets under management, which are the main basis for life insurance NII. Revenues rose 7% during the year (direct business - average AuM +12%)

Contractual margins on AuM, which are the main component of investment solutions NII, rose 10.5%, in line with growth in average AuM. Although the rate of return on fixed-income products continued to erode, the investment margin declined only slightly.

Excluding the returns incorporated in mathematical reserves at the beginning of the following year, the provision for policyholder bonuses was increased by €215 million to almost €1.383 billion at end-2019. This reserve amount, which must be incorporated within 8 years, represents the equivalent of an annual increase of 2.7% in with-profits AuM (2.9% for BPCE Vie).

Personal protection and payment protection insurance

Personal protection and payment protection NII rose 6%:

- individual personal protection increased revenues 9%, with a 12% increase in activity levels partly offset by a minor deterioration in the loss ratio;

- payment protection recorded 5% growth in NII, reflecting a 12% increase in revenue, a greater proportion of individual classical loans on which loss rates are higher and prudent provisioning on new generations.

3.2. PROFITABILITY OF NON-LIFE INSURANCE

Despite the many climate events that occurred in 2019, NII from non-life insurance activities rose 3%. The main points of note were as follows:

- 6% growth in premiums, in line with expansion in the portfolio and premium-rate increases;

- a 2.4-point deterioration in the gross loss ratio, primarily due to higher underlying auto claims and the impact of climate events;

- an exceptionally positive reinsurance result, reflecting losses related to climate events and the impact of serious claims (4 new cessions of serious auto claims in 2019);

- a 9% increase in investment income, primarily resulting from capital gains realized on equities in favorable conditions.

The combined ratio for non-life policies distributed by the Caisse d'Epargne and Banque Populaire networks worked out to 91.7% in 2019, better than the figure of 94% targeted in the strategic plan.

3.3. INVESTMENT MANAGEMENT POLICY AND INVESTMENT INCOME

Management of most of Natixis Assurances' assets (with the exception of BPCE IARD, accounted for by the equity method) is delegated to Ostrum Asset Management, a subsidiary of Natixis Investment Managers. Investment policy is aimed at guaranteeing the capital and the liquidity of the sums invested, while maximizing returns for policyholders, and also optimizing the return on the Group's capital, while safeguarding the solvency of the companies comprising the insurance scope

Macro-economic environment and monetary policies

Despite the slowdown in global growth (global GDP estimates revised down from 3.6% to 3.0%), all assets classes fared positively in 2019.

In Europe, internal demand remained firm in 2019. However, lower industrial activity in Germany impacted economic growth in the euro zone, which contracted from 1.9% at end-2018 to 1.2% at end-2019.

The early part of the year saw equity markets benefit from a reversal in the Fed's monetary policy designed to mitigate the worsening global economic climate caused by the US-China trade conflict. The key Fed Funds rate was cut from 2.50% to 1.75%. At the same time, the ECB continued its accommodating monetary policy, lowering its headline rate from -0.40% to -0.50%. These rate cuts largely fueled rises in equity markets throughout the year. In addition, the UK parliamentary vote in favor of the Brexit withdrawal agreement and the signature of the Sino-American trade agreement toward the end of the year enabled equity markets to finish 2019 at record highs.

All equity indices posted exceptional gains in 2019:
- CAC 40: +26%, its highest level for over 10 years;
- Eurostoxx 50: +25%;
- S&P 500: +29%, reaching an all-time high on December 27, 2019;
- Global equities: +27%.

In bond markets, 2019 brought a shift from a low-rate environment to a negative-rate environment, as a direct result of central bank action. The 10-year OAT yield dropped into negative territory and hit an all-time low of -0.44% on August 28, 2019. Averages rate on French 10-year government bonds dropped to 0.13% in 2019 from 0.79% in 2018, with a marked distinction between the first half (average of 0.40%) and the second (average of -0.14%).

Asset management policy

Natixis Assurances' investments amounted to €87 billion(1) at December 31, 2019.

In view of the negative-rate environment, Natixis Assurances continued to evolve its investment strategy by capturing more illiquidity premiums on the unlisted debt market (particularly infrastructure and real estate debt). Investments in private debt accounted for 20% of flows in the fixed-income category in 2019. This meant the private debt category continued to grow and accounted for close to 9% of assets managed in Natixis Assurances' general funds.

In contrast, investments in corporate bonds slowed so as to concentrate on higher-quality issues, primarily offering A ratings and with an average duration of 9.9 years. For BPCE Vie, which accounts for 90% of Natixis Assurances' investments, the long-term yield on investments narrowed from 1.95% to 1.45% during the year.

Exposure to equities neared 9% of Natixis Assurances' assets under management at end-2019. The strategy initiated in 2018 involved positioning on high-yielding and resilient equities. This category of equities now accounts for over 50% of exposures. At the same time, positions were arbitraged throughout the year to reinforce exposure to thematic equity strategies.

Exposure to physical assets backed by infrastructure and real estate was increased to 5%. These assets offer stable cash flows and less volatile valuations.

Regarding real estate, in view of the high prices of these assets, investment decisions were guided by a defensive strategy. In addition, interests were also taken in investment funds offering geographic and asset-type diversification (logistics, hotels, housing).

Development of the infrastructure asset class continued, notably via a first co-investment transaction conducted by Natixis Assurances in conjunction with a Natixis subsidiary on a large- scale project with a positive environmental impact.

Other interests were acquired in funds offering attractive risk/return pairings and geared to financing European infrastructure projects.

Responsible investment policy

Back in 2018, Natixis Assurances initiated a proactive approach to climate change, the target of which is to ensure by 2030 that its investment policies are aligned with the objectives of the 2°C trajectory fixed by the Paris Agreement. To attain this target, 10% of Natixis Assurances' annual investments must be made on "green" assets.

Natixis Assurances exceeded this threshold in 2019, with investments in green assets amounting to over €900m or 13% of total investments made during the year.

(1) At fair value including unmatured accrued coupons

Consolidated net investment income

Over 95% of net investment income - the basis for margins earned on life insurance business and the source of returns paid on life insurance policies - came from assets backing life insurance underwriting reserves.

Net investment income amounted to €3.342 billion in 2019, up sharply on 2018 and reflecting the following factors:

- the change in the fair value of instruments measured at fair value through profit and loss (+€1.841 billion). This balance increased sharply during the year and mainly comprised changes in the value of unit-linked assets (+€1.673 billion versus -€1.005 billion in 2018), though this had no impact on operating income (after accounting for the expense related to unit-linked adjustments of mathematical reserves);

- the rise in capital gains net of reversals of impairment provisions to €127 million, taking into account reversals of provisions and divestments in 2019, particularly on real estate.

Excluding these factors, net investment income declined 1%, reflecting lower bond yields against a backdrop of historically low interest rates.

3.4. CONSOLIDATED OPERATING EXPENSES

Total operating expenses rose 9% to €1.584 billion in 2019. Adjusted for commissions paid to business providers, capitalized costs and various items not representative of the division's recurrent operating structure, consolidated expenses increased 7% year-on-year to €452 million during the year.

This increase stemmed from business growth across all business lines, together with projects executed as part of the strategic plan, both in non-life insurance (Purple#Care and Innove#2020) and in life and personal protection insurance (IFRS17, Professionals and New Life), and the continued rollout in the Caisse d'Epargne network.

A breakdown of these expenses shows:
- a 9% increase in commissions paid to business providers;
- a 7% increase in IT expenses, reflecting the magnitude of strategic investments carried out and resources used in general.

3.5. CONTRIBUTION OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

BPCE IARD – 50.0%-owned:

BPCE IARD earned €25.5 million of income overall in 2019, down 16% year-on-year, and contributed €6.7 million to consolidated net income. The main movements between 2018 and 2019, excluding IFRS restatements, were as follows:

- revenue rose 9%, thanks to brisk growth in the portfolio. Auto and multi-risk home revenue advanced by 8% and 11%, respectively, driven by portfolio growth and premium-rate hikes (+2% on average for the two products). Products for professionals also fared well, with revenue climbing 8% during the year, primarily fueled by volume growth;

- the loss ratio deteriorated by 1.2 percentage points to 69.4% in 2018, due to less attractive liquidation of earlier-year events in the auto segment. However, the underlying claims expense improved, despite higher average costs in the auto segment;

- net investment income improved to €1.6 million, thanks to €2.7 million of capital gains realized on the equities category;

- a 5.0% increase in operating expenses (including commissions), in line with portfolio growth and the ensuing direct impact on claims management and paid commissions (+9% year-on-year). Operating expenses and commissions paid to business providers represented 24.5% of earned premiums, a 0.9-point improvement relative to 2018.

Adir – 34%-owned

The economic crisis in Lebanon had repercussions on Adir, the banking sector and Adir's financial investments.

The upsurge in interest rates and concerns over the Lebanese pound also impacted the fixed-interest assets in the portfolio managed by the company, triggering sizeable capital losses on Lebanese securities.

As a result, Adir's contribution to consolidated income dropped 36% to €3.2 million from €5.6 million in 2018.

3.6. CONSOLIDATED NET INCOME

In conditions of profitable business development, consolidated operating income advanced 6.5% to €444 million.

Tax expense amounted to €152 million and rose faster than pre-tax income, due to an adverse movement in the tax base. Tax expense equated to 36.6% of pre-tax income.

Consolidated net income (group share) eased 3% to €263 million.

3.7. POST-CLOSING EVENTS

Coronavirus pandemic

After breaking out in China, the Covid-19 virus then spread around the world in early 2020. On March 11, 2020, the World Health Organization reclassified the Covid-19 epidemic as a pandemic. In France, measures to reduce face-to-face contacts and travel to the strict minimum were taken on March 16, 2020 and a confinement mechanism was imposed on the whole of the country. The decisions of different governments to completely shut down certain activities and limit international exchanges notably triggered steep falls in equity markets from the end of February 2020.

The main impacts identified for the Group are a loss in value concerning a portion of its financial investments, a risk of excess losses related to death benefit and work cessation coverage (individual personal protection and payment protection policies), as well as a risk of lower business activity. Following the review of these elements performed on March 19, 2020, they are estimated to have a relatively limited impact on Natixis Assurances' net income.

Adir subsidiary – payment default in Lebanon

Natixis Assurances owns 34% of the Lebanese bancassurer Adir which is accounted for by the equity method in the group's consolidated accounts. Unable to honor upcoming repayment instalments on its debt, Lebanon declared itself in default on 7 March 2020. This payment default is likely to have a highly significant impact on Adir: write-downs will have to be taken on a large portion of its financial investments (Lebanese government bonds, term deposits and cash). The exact impact was unknown as of March 27, 2020, as negotiations between Lebanon and its creditors were still ongoing.

The equity-accounted interest in Adir is recorded on the group's balance sheet with a value of €22 million under Investments in affiliates. A partial or full impairment provision is likely to be recognized in the accounts for the 2020 fiscal year.

3.8. 2020 OUTLOOK

In financial terms, continued low interest rates are liable to again exert pressure on insurers' investment margins, thereby lending weight to the continuation of the diversification strategy pursued in recent years to limit dilution of returns. Regarding equity markets, the year will be impacted by the falls recorded in the first quarter as a result of the Covid-19 crisis.

As the final year of the 2018-2020 strategic plan, 2020 is set to see the completion of the plan's last major strategic projects, particularly the rollout of a single operational model for the Groupe BPCE networks in the non-life insurance field, the launch of the Caisse d'Epargne banks' activities in Luxembourg and the development of solutions for the professionals market.

4. THE NATIXIS ASSURANCES' COMPANY'S BUSINESS REPORT

4.1. ACTIVITY AND NET INCOME

In line with its corporate purpose, the company's activity remains limited to the management and financing of its shareholdings.

The activity of the main subsidiaries was discussed in the Management Report on the group's activity for fiscal year 2019.

Almost all the company's income consists of the €276 million in dividends received from its subsidiaries and affiliates (€197 million in 2018), which can be broken down as follows:

(in € thousands)	2018	2019
BPCE Vie	100,919	170,452
BPCE Prévoyance	12,657	15,976
BPCE Assurances	71,924	75,935
BPCE IARD	3,058	3,553
Adir	2,188	2,452
Natixis Life	6,100	7,700
Total	**196,846**	**276,067**

The company also recorded €25 million in interest income on loans to subsidiaries and incurred €28 million in financial expenses on loans, resulting in overall investment income of €273 million

Operating income, consisting mainly of holding company expenses and investment management fees, came out at -€4.0 million versus -€5.4 million in 2018.

Net income advanced 42% to €268 million, versus €189 million in 2018.

4.2. APPROPRIATION OF EARNINGS

A proposal was made for the sum comprised of:

- income for the period €268,115,812.74
- plus retained earnings.. €276,153.47

making a total amount available
for distribution of €268,391,966.21

to be distributed as follows:

- distribution of a dividend of €268,286,869.98
- legal reserve €0.00
- balance to retained earnings €105,096.23

making distributed earnings of €268,391,966.21

The proposed dividend would result in a payment of €13.83 for each of the 19,398,906 shares making up the share capital.

Shareholders' funds at the close of fiscal 2019, after appropriation of 2019 earnings, would total €1,286,735,694.74.

In accordance with the law, we hereby inform you that the following dividends were paid in respect of the past three fiscal years:

	2016	2017	2018
No. of shares receiving dividends	19,398,906	19,398,906	19,398,906
Dividend per share	€6.50	€7.95	€9.75
Total amount of dividends	**126,092,889**	**154,221,303**	**189,139,333**

4.3. INFORMATION CONCERNING THE SHARE CAPITAL

Natixis Assurances' share capital amounted to €148,013,652.78 at December 31, 2019.

The share capital comprised 19,398,906 shares with a nominal value of €7.63.

In accordance with the provisions of Article L. 233.13 of the French Commercial Code, it is specified that 99.999% of the share capital and voting rights at Shareholders' Meetings are held by Natixis.

Shareholder	Number of shares
Natixis SA	19,398,905
Other physical persons	1
Total	**19,398,906**

4.4. ANALYSIS OF DEBT POSITION (ART. 225-100 OF THE FRENCH COMMERCIAL CODE)

Natixis Assurances' debt position is the result of the investment management policy and the strict capital allocation policy adopted by its shareholder, under which all earnings and available reserves are distributed.

As such, loans are not issued for the purpose of funding the operation of companies belonging to the Group (these companies possess substantial cash flows), but only to meet the regulatory solvency capital requirements necessary for the development of assets under management and insured risks.

The detailed presentation of subordinated loans issued by the companies is given in the notes to the consolidated financial statements. At December 31, 2019, Natixis Assurances had:

- credit facilities totaling €16 million and granted by Natixis;
- medium-term senior loans totaling €402 million of which €392 million granted by Natixis and €10 million by BPCE Vie;
- €22 million of perpetual subordinated loans and €433 million of dated subordinated loans granted by Natixis;
- a perpetual subordinated bond of €251 million.

The interest expense incurred by Natixis Assurances came to €28.3 million in 2019 (€28.6 million in 2018).

4.5. LUXURY EXPENSES

In accordance with the provisions of Article 223 quater of the French General Tax Code, we inform you that the company did not incur any of the expenses or expenditures referred to in section 4 of Article 39 of the said code during the fiscal year.

4.6. INFORMATION RELATING TO CUSTOMER AND TRADE PAYABLES

Pursuant to the Fédération Française de l'Assurance circular of May 29, 2017, the information shown in the table below does not include transactions related to insurance and reinsurance policies.

According to Articles L 441-6-1 and D 441-4 of the French Commercial Code, we inform you that the amount of customer payables was zero and that the amount of trade payables recorded in the balance sheet for the year ended December 31, 2019 (excluding invoices yet to be received) was €1k, broken down as follows:

(in € thousands)	Number of invoices	Payables due > 60 days	Payables due from 30 to 60 days	Payables due < 30 days	Payables falling due < 30 days	Payables falling due from 30 to 60 days	Balance
Total	**1**	**1**					**1**

4.7. CONSOLIDATION METHODS AND TAX CONSOLIDATION

Natixis Assurances is a 99.99%-owned subsidiary of Natixis. As such, it is fully consolidated in its shareholder's financial statements, and in the financial statements of BPCE, the majority shareholder of Natixis.

Natixis Assurances and the subsidiaries in which it holds more than 95% of the share capital are members of the tax group established by Natixis pursuant to Articles 223-A and following of the French General Tax Code. Their income is determined as if they were taxed separately. The tax consolidation agreement in force at Natixis is based on the principle of neutrality, whereby each subsidiary determines its tax and contributes to the group's tax as if it were not consolidated. The tax expense owed by each subsidiary is not amended as a result of its tax consolidation.

On December 14, 2018 the subsidiary BPCE Vie and Natixis signed a rider to the tax consolidation agreement. The rider stipulates that in the event of a tax deficit, the subsidiary shall definitively receive from the parent company a sum equal to the corporate income tax saving recorded by the tax group.

Any tax savings or expenses generated by consolidation are recognized by the parent company, Natixis.

4.8. RESEARCH & DEVELOPMENT

The company does not have any R&D operations.

4.9. EMPLOYEE SHAREHOLDING

In accordance with the provisions of Article R. 225-102 of the French Commercial Code, this report includes a statement of the company's earnings for each of the past five fiscal years.

4.10. STATEMENT OF EARNINGS

In accordance with the provisions of Article R. 225-102 of the French Commercial Code, this report includes a statement of the company's earnings for each of the past five fiscal years.

5. SOCIAL AND ENVIRONMENTAL INFORMATION

Companies under the control of a company that includes them in its consolidated financial statements in accordance with article L. 233-16 of the French Commercial Code are not obliged to publish a statement of non-financial performance if the company that controls them is established in France and publishes a consolidated statement of non-financial performance in accordance with part II of the said article or if the company that controls them is established in another European Union member state and publishes a corresponding statement pursuant to the legislation applicable to it.

6. CORPORATE GOVERNANCE REPORT

France's ordinance n°2017-1162 of July 12, 2017 and decree n°2017-1174 of July 18, 2017 provide for a corporate governance report to be prepared by the Board and attached to the management report. As permitted by article L. 225-37 of the French Commercial Code, the elements contained in this report are included in this dedicated section of the management report.

6.1. METHODS OF EXERCISING SENIOR MANAGEMENT

Pursuant to article L. 225-37-4 of the French Commercial Code, we inform you that the Board of Directors chose one of the two methods of exercising senior management provided for in article L. 225-51-1 of the Commercial Code.

As a result, in accordance with legislation and article 14 of the company's articles of association, Natixis Assurances' senior management is assumed under the responsibility of a Chief Executive Officer, appointed by the Board of Directors; the Board also appointed two Deputy Chief Executive Officers.

6.2. INFORMATION ON CORPORATE OFFICERS

List of corporate offices

In accordance with the provisions of Article L. 225-37-4 of the French Commercial Code, the list of all the corporate offices held in any company by each of Natixis Assurances' corporate officers during the fiscal year is provided in Annex 1 of this report.

Compensation paid to corporate officers and directors' fees

The company's articles of association provide for attendance fees to be apportioned among the members of the Board of Directors according to the governance rules in force within Groupe BPCE.

The members of the Board of Directors of Natixis Assurances received a total sum of zero (€0) in respect of attendance fees for fiscal year 2019.

In accordance with the governance rules applied by BPCE and Natixis, the offices held by BPCE and Natixis employees, as well as Natixis in the capacity of legal entity, do not entitle the officers to attendance fees. Consequently, no attendance fees were paid to employees for their participation in Natixis Assurances board meetings.

Terms of offices of the directors

We inform you that no corporate office held by a director is due to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2019.

Terms of offices of the statutory auditors

We inform you that no office held by a statutory auditor is due to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2019.

6.3. RELATED-PARTY AGREEMENTS

We inform you that several agreements subject to article L. 225-38 of the French Commercial Code were concluded during the fiscal year ended December 31, 2019.

On April 19, 2019, the Board of Directors approved the following agreements as part of the renewal of the partnership with Covéa:

- conclusion of the Partnership Framework Agreement between Groupe BPCE and the Covéa Group specifying the conditions for placing different BPCE IARD policy lots in run-off, the operational conditions regarding BPCE IARD, the compensation principles in the event of large-scale termination of in-force policies subscribed for by Banques Populaires with BPCE IARD and a new subscription with BPCE Assurances;

- conclusion of the Shareholders' Agreement between Natixis Assurances and Covéa Participations regarding the ownership of BPCE IARD and which is notably designed to determine the conditions under which Covéa may exercise its faculty to sell shares in BPCE IARD to Natixis Assurances and to maintain the current government principles.

These agreements were unanimously approved by the Board of Directors, except for the Partnership Framework Agreement for which François Riahi did not take part in the vote, and for the Shareholders' Agreement for which Jean-François Lequoy did not take part in the vote.

We also inform you that with respect to agreements concluded previously by the company and subject to article L. 225-38 of the Commercial Code, the following agreements continued to produce their effects in fiscal 2019:

- the General Framework Agreement signed between CNP Assurances (acting in its name and on its own behalf and in the name of and on behalf of its subsidiaries), BPCE (acting in its name and on its own behalf and/or depending on the case (i) in the name of and on behalf of members of the Caisse d'Epargne network in its capacity of central institution of the Caisse d'Epargne network (ii) in the name of and on behalf of members of the Banque Populaire network in its capacity of central institution of the Banque Populaire network, and/or (iii) in the name and on behalf of its subsidiaries), Natixis (acting in its name and on its own behalf and/or depending on the case, in the name and on behalf of its subsidiaries), Natixis Assurances, BPCE Vie (formerly ABP Vie) and BPCE Prévoyance (formerly ABP Prévoyance);

- the Shareholders' Agreement on Ecureuil Vie Développement signed by CNP Assurances, Natixis Assurances and BPCE, in the presence of Ecureuil Vie Développement;

- the Secondment Agreement providing for the secondment of CNP Assurances staff to Ecureuil Vie Développement, signed between CNP Assurances and Ecureuil Vie Développement, in the presence of Natixis Assurances and BPCE Vie (formerly ABP Vie).

6.4. DELEGATIONS GRANTED BY THE GENERAL SHAREHOLDERS' MEETING TO THE BOARD OF DIRECTORS

No delegations subject to articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code were granted by the General Shareholders' Meeting to the Board of Directors in respect of the fiscal year ended December 31, 2019.

7. PROCEDURES USED TO PREPARE AND VERIFY ACCOUNTING AND FINANCIAL INFORMATION

7.1. OBJECTIVES OF THE PROCESS

The process of preparing and verifying accounting and financial information serves two purposes:

- ensuring the accuracy and existence of assets and liabilities;

- producing appropriate and sufficient financial information regarding changes in assets and liabilities during the fiscal year in question.

Attaining these objectives relies on:

- continuous monitoring of day-to-day production operations and particularly accounting production;

- the process of closing the accounts and producing summary financial information, including that for the notes to the accounts.

7.2. RESOURCES EMPLOYED

7.2.1 Organization of staff devoted to the process

Preparation of accounting and financial information is primarily the responsibility of the financial departments of Natixis Assurances' two business lines (Life and Personal Protection Insurance, and Non-Life Insurance). This responsibility is upheld via the functions they assume in terms of accounting, budget control, financial reporting and steering, and design and steering of IT systems used to produce financial information.

In addition, the financial department of the Life and Personal Protection Insurance business line is responsible for preparing Natixis Assurances' consolidated financial information. This information is established according to Natixis' rules for translating IFRS rules and interpretations as adopted by the European Union.

Furthermore these financial departments process essential information that is prepared and/or validated by organizational entities housed within the two business lines and holding various responsibilities in the actuarial, investment portfolio management and risk management fields.

The reliability and consistency of the work of each of these entities are therefore necessary conditions for the quality of the financial information process. More generally, accounting period-ends require the intervention of most business-line departments as well as contractors in charge of delegated activities.

7.2.2 Financial Department

7.2.2.1 Accounting

Accounting activity is structured according to the type of work performed:

- technical accounting teams, which are responsible for processing the issuance of premiums, benefits and fees/commissions, along with the associated banking movements;

- teams responsible for preparing individual (non-consolidated) financial statements, and tasked with centralizing accounting and account construction for the establishment's various entities and the preparation of annual tax results and various prudential reports;

- teams responsible for processing operations relating to employed resources, i.e. recording and payment of "supplier" and "client" invoices, recording and monitoring of fixed assets, recording and control of personnel expenses, quarterly operating-expense account closes, tax declarations and payment of indirect taxes. These teams work in close collaboration with budget control and analytical accounting teams, particularly on period-end work;

- service in charge of accounting and reporting on investments and investment income. The team is tasked with exercising detailed control over the situation and accounting of the Life and Personal Protection Insurance business line's investment portfolios, this function having been outsourced since end-2008 to Caceis Fund Administration, the subsidiary of Caceis Bank specialized in administration, accounting and valuation services for UCITS and institutional portfolios. It is also responsible for establishing the inventory of investments and the investment income account for each entity, as well as contributing to the preparation of associated financial information concerning investments held by insurance companies.

- service in charge of consolidation, whose remit is to produce consolidated financial statements for the Natixis Assurances group according to IAS/IFRS and Solvency 2.

7.2.2.2 Management control

These teams' responsibilities cover the following two areas overall:

- analytical accounting and budget steering for the business lines' resources.

For the Life and Personal Protection Insurance business, costs are allocated and analyzed using the Activity-Based Costing (ABC) method and underpinned by SAP's Profit & Cost Management (PCM) software; for the Non-Life Insurance business line, a module focused more on operating expenses and analytical accounting has been developed using Essbase (Oracle);

- steering of results on the Natixis Assurances scope, via the production of consolidated financial statements. In this respect, the teams are tasked with analyzing changes in business activity and calculating margin formation, as well as helping to steer the different companies' profit.

7.2.2.3 Implementation of rule changes

A team devoted to analyzing IFRS and local rules and standards, and to examining their impacts on information processes and systems is operational within the Financial Department of the Life and Personal Protection Insurance business line.

7.2.3 Customer Relations and Expertise Center (CERC)

The Center's Customer Accounts, Banking & Recovery Department is responsible for all processes related to the monitoring of incoming and outgoing monetary flows on insurance operations (investment solutions & individual personal protection). More specifically, its responsibilities are to:

- control automatic incoming and outgoing monetary flows;
- manage payment incidents: rejected transfers/direct debits;
- receive incoming transfers on regulated PEP savings and PERP pension plans and other premiums;
- handle manual outgoing payments (international transfers, fund advances, etc.);
- analyze and monitor opens items concerning insurance operations (documents in progress).
- the department also includes a recovery activity which is tasked with recovering sums paid out incorrectly on all activities (including on payment protection insurance).

7.2.4 Investment Department

The team is responsible for implementing investment policy on all asset classes, steering joint decision-making bodies with investment management firms, checking to ensure adherence to investment management mandates, and participating in financial production work (analysis of securities showing losses and assessment of the obligation to proceed with impairments on the securities considered) during accounting period-ends.

7.2.5 Product Actuary and Inventory Departments

Dedicated functions operate within each business line in order to handle problems that are specific to the business line in question.

During inventories, actuarial and technical steering teams are in charge of controlling and validating underwriting reserves associated with commercialized products (reserve for claims payable, reserve for unearned premiums, predicted recoveries, reserves for management expenses, reserves for existing risks, etc.).

7.2.6 Data quality

Each team involved in producing data used to prepare financial information contributes to the implementation and translation of the data governance process. This process responds to the regulatory requirements applicable to the quality of data used in Solvency 2 calculations and reporting. More specifically, the process is notably geared to ensuring the accuracy, completeness and relevance of data.

7.3. IT SYSTEMS DEVOTED TO PROCESSES & DATA QUALITY

The business lines' IT system comprises various business-line or transversal applications, the main types being described below.

7.3.1 Applications for inventorizing commitments and determining underwriting results

Policy management systems comprise various programs for calculating Life, Personal Protection and Property & Casualty underwriting reserves.

These applications first record the premium and benefit flows input by agencies or internal and external policy back-offices, then calculate interest and underwriting reserves based on general and particular contractual terms and conditions, subject to the rules set out in France's Insurance Code.

7.3.2 Data feed and general accounting applications

As far as is possible given the characteristics of each company's activity, operational processes are unified for the purposes of security and business efficiency. However, the existence or maintenance of distinct processes is warranted by differences that exist in terms of ranges of products and insurance risks, policy management methods, history or development prospects.

Life and personal protection insurance business line

Focus on the Matisse Assurance accounting software:

This People Soft GL solution entered production on January 1, 2009. One of Matisse Assurance's particularities is the ability to enhance recorded accounting entries via an information key that allow for multi-standard accounting (local standards, IFRS and Solvency 2).

As in previous years, operating conditions were satisfactory in 2019.

Focus on Finance's Life Insurance and Personal Protection Maintenance Committee:

This body steers operation of the different components of the Financial Department's IT system. It examines the operating conditions of the different transcoding, data feed and accounting interpretation modules located between policy management systems and accounting systems, as well as of general accounting software, reconciliation and clearing software, accounting decision-making software, accounting reporting software and, more generally, all applications devoted to the financial function.

The type and frequency of the errors identified in respect of the fiscal year were not liable to undermine the reliability of applications.

Application for recording operations on investment portfolios:

The task of recording and accounting for transactions on the companies' investment portfolios are outsourced to Caceis Fund Administration.

The recording process is largely automated within an STP process, starting with Ostrum Asset Management's front office (investment management is delegated to OAM) and ending with transaction accounting in GP3, a market software tool developed by Neoxam. Only complex financial instruments that are fairly uncommon and whose type and volumes do not warrant mass processing, are processed manually.

Divisional accounting is exported automatically to central accounting on a daily basis.

Natixis Assurances' teams perform review and control work. These reviews notably concern the following control points:

- cash and securities reconciliations;
- controls to check correct account allocation;
- controls on actuarial rates of acquisitions;
- controls on the valuation and recording of accrued coupons and premiums/discounts;
- coherency controls on the capitalization reserve and capital gains;
- coherency controls between individual company accounting, IFRS accounting and tax declarations;
- coherency controls on movements and stock;
- analytical review of investment income;
- reconciliations between management tools and accounting ERP software;
- justification of various equalization accounts.

Focus on the portfolio valuation process:

In order to estimate the fair value of securities in difficult conditions, securities are valued by applying a process that combines, in order of preference:

- use of the last quoted price on a regulated market when this price is very recent and concerns significant transactions on a market that is sufficiently liquid;
- use of databases largely employed by market participants and institutional investors (Reuters, Bloomberg, Fininfo, Markit, etc.);
- interrogation of counterparties, so as to obtain a bid quote;
- very infrequently, in the absence of prices or quotes deemed relevant, re-calculation of a valuation using observable inputs on markets or reconstituted inputs.

The valuation process relies on the joint intervention of:
- investment managers, the securities database team and the risk management team of the company holding the financial management mandate for the portfolios held;
- the company in charge of accounting and valuation for the mandate.

Non-life insurance business line

BPCE Assurances possesses its own accounting system, Coda, which is interfaced with production tools and underpinned with proprietary management tools (Web XL, Yooz, Essbase and Microstrategy).

All accounting entries linked to the BPCE Assurances structure were made via the Coda tool, which received accounting flows from the various production tools.

The Yooz tool is used to control, validate and book all the company's commitments via a workflow system.

7.3.3 Accounting reporting applications

Life and personal protection insurance business line

Accounts are centralized using the Open Executive tool. Open Executive inventory data is exported to Copernic in a fully automated manner via Datalink.

Non-life insurance business line

The reporting tool used is Assurétat. The business line exports its consolidation reports to Copernic.

Accounts are consolidated using the Copernic Finance tool. Copernic Finance is capable of responding both to the reporting obligations of business lines subject to banking regulations and of those subject to insurance regulations.

In terms of internal control, this organization method ensures native coherency of the financial statements at the Natixis Assurances level with those of Natixis, while also enhancing the ability of the consolidators to analyze the results of the said level.

7.4. CONTINUOUS MONITORING OF ACCOUNTING PRODUCTION OPERATIONS

Continuous monitoring is geared to verifying that day-to-day transactions are booked in a way which accurately and exhaustively reflects the transactions performed and that they are completely unwound within intended timescales or timescales consistent with those of management operations situated upstream.

Controls operations notably rely on automatic account justification and reconciliation software packages. These tools are used for all third-party accounts and bank accounts, as well as for policyholder advance accounts and provisions for future benefits.

The work notably involves checking that transactions are consistent with the amount credited to or debited from the company's bank accounts. This is notably the purpose of justification, then clearing operations on policyholder accounts and bank accounts, as well as banking reconciliations performed with accounts open in credit establishments.

7.5. PERIOD-END AND REPORTING PROCESS

The period-end accounting procedure is conducted within the dual environments of the Insurance business and Natixis.

A period-end process is performed on the accounts of each company every quarter, in conditions similar to a year-end process.

This period-end process comprises a plan that stipulates period-end dates, the documents needed and the elementary tasks to be carried out, as well as the allocation of responsibilities between the different departments participating in the period-end process. This allocation primarily concerns tasks to be performed, but also implies responsibility for validating the items essential for entities' earnings formation.

Quarterly accounts are presented by the Financial Department to the company's senior management.

The overall quality of the period-end process relies on:

• the coherency of the work performed by each contributing department and particularly on verifying the coherency of:

- flows recorded in accounting with those used by actuarial inventory for calculating inventory data, whether estimates of premiums, reserves or revaluations, etc.

- flows estimated during the period-end process with those estimated in budget forecasts;

• an analytical review of balance sheet and profit data, the level of detail of this analysis varying according to the importance and degree of sensitivity of the aggregate concerned;

This phase notably involves:
- justifying changes in income statement and balance sheet line items with reference to events occurring during the period;
- analyzing profit by type of margin and checking coherency with average contractual conditions or with earlier periods;
- checking the coherency of profits with forecasts and justifying discrepancies.

Elsewhere, within the framework of Solvency 2, the business lines rolled out tools and processes required by Pillar 3 reporting. This involved introducing reporting tools and enhancing the consolidation tool by incorporating prudential aspects.

7.6. ACCOUNTING CONTROL AND REVIEW PROCESS

The accounting review function is in charge of analyzing the quality and relevancy of the documentation concerning loss and profit entries recognized on unusual transactions, analyzing open items, preparing a report showing open items by level of risk, mapping accounting risks, reviewing justifications of balance-sheet accounts, controlling accounting/management reconciliations performed by the business lines, reviewing tax returns, controlling provisions set aside for various risks, analyzing justifications of manual entries by type, monitoring progress with the implementation of recommendations issued by control bodies, etc.

Within each business line, the function reports hierarchically to the Chief Financial Officer and functionally to the Chief Compliance Officer.

The two business lines' Review teams prepare summary memos for their management bodies. Recommendations are issued to business lines following intermittent or regular controls performed by Review teams. A control plan is prepared annually and formally validated by the person to whom the Review teams report. The function is integrated into Natixis' Review support function.

2 Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS (in € thousands)	Notes	12/2019	12/2018
Goodwill		17,647	17,647
Portfolios of insurance company policies	7.1	-	-
Other intangible assets		171,852	158,222
INTANGIBLE ASSETS		**189,499**	**175,869**
Investment property	5.1	1,141,449	1,042,520
Unit-linked investment property		456,030	428,103
Held-to-maturity investments		*940,136*	*1,325,487*
Available-for-sale investments		*48,676,007*	*45,214,002*
Investments measured using the fair value option and held for trading purposes		*5,187,081*	*6,896,468*
Loans and receivables		*13,917,983*	*13,059,488*
Financial investments	5.1	**68,721,207**	**66,495,445**
Unit-linked financial investments	5.5	16,713,441	13,403,300
Derivatives and separate embedded derivatives	5.2	17,785	17,368
INSURANCE BUSINESS INVESTMENTS	5	**87,049,912**	**81,386,736**
INVESTMENTS IN AFFILIATES		**119,192**	**108,021**
SHARE OF CESSIONAIRES AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS	6	**14,785,567**	**12,608,404**
Buildings used for operational purposes and other property, plant and equipment		93,043	19,919
Deferred acquisition costs		282,927	301,834
Deferred policyholder bonus assets	4.2	-	-
Deferred tax assets[1]		67,992	99,303
Receivables arising from insurance or accepted reinsurance operations	7.1	798,020	700,229
Receivables arising from reinsurance cession operations		47,446	75,139
Tax receivable		87,510	150,745
Other receivables		208,466	128,726
OTHER ASSETS		**1,585,404**	**1,475,895**
AVAILABLE-FOR-SALE ASSETS AND DISCONTINUED OPERATIONS		**-**	**-**
CASH AND CASH EQUIVALENTS		**464,811**	**740,070**
TOTAL ASSETS		**104,194,385**	**96,494,995**

BALANCE SHEET

LIABILITIES (in € thousands)	Notes	12/2019	12/2018
Share capital or equivalent funds		148,014	148,014
Issue, merger and contribution premiums		1,097,937	1,097,937
Revaluation reserve net of shadow accounting adjustments		432,699	242,665
Other reserves and OCI that cannot be recycled to the income statement		37,486	38,797
Cumulative earnings		258,258	178,906
Consolidated net income for the year		**263,246**	**271,794**
Translation adjustments		1,830	1,452
SHAREHOLDERS' EQUITY (GROUP SHARE)		**2,239,469**	**1,979,565**
MINORITY INTERESTS		**189**	**188**
TOTAL SHAREHOLDERS' EQUITY		**2,239,658**	**1,979,753**
PROVISIONS FOR CONTINGENCIES	7.1	**28,834**	**28,750**
Subordinated debt		1,034,186	1,034,222
Financial debt securities		-	-
Other financial debt		480,369	485,571
FINANCIAL DEBT	5.3	**1,514,555**	**1,519,793**
Underwriting liabilities related to insurance policies		46,927,877	41,987,091
Underwriting liabilities related to unit-linked insurance policies		12,163,652	9,845,117
Underwriting liabilities related to insurance policies	6.1	**59,091,529**	**51,832,208**
Underwriting liabilities related to financial contracts with discretionary policyholder bonus		20,189,904	20,146,725
Underwriting liabilities related to financial contracts without discretionary policyholder bonus		-	-
Underwriting liabilities related to unit-linked financial contracts		4,947,984	3,968,876
Underwriting liabilities related to financial contracts	6.1	**25,137,888**	**24,115,601**
Separate contract derivatives		-	-
Deferred policyholder bonus – Liabilities	4.2	4,037,793	2,113,812
LIABILITIES RELATED TO CONTRACTS	6	**88,267,210**	**78,061,621**
Deferred tax liabilities		35,504	22,104
Amounts payable to consolidated UCITS unitholders		16	660,254
Operating debt securities		-	-
Operating debts payable to banking sector companies		56,739	25,333
Payables arising from insurance or accepted reinsurance operations	7.1	393,541	321,669
Payables arising from transferred reinsurance operations		9,869,867	9,263,880
Tax payable		8,421	5,224
Derivative liabilities and amounts payable on derivatives	5.2	62,438	15,004
Other payables		1,717,602	4,591,610
OTHER LIABILITIES		**12,144,128**	**14,905,078**
LIABILITIES OF AVAILABLE-FOR-SALE OR DISCONTINUED OPERATIONS		**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**104,194,385**	**96,494,995**

INCOME STATEMENT

(in € thousands)	Notes	12/2019	12/2018
Written premiums		12,534,633	12,032,277
Change in unearned premiums		*(22,890)*	*(25,463)*
Earned premiums	7.3	12,511,743	12,006,814
Revenue or income from other activities		-	-
Other operating income		162,282	120,514
Investment income		*1,687,236*	*1,523,145*
Investment expenses		*(311,975)*	*(135,875)*
Capital gains and losses on disposal of investments (net of reversals, impairments and amortization)		*182,460*	*91,406*
Change in fair value of investments measured at fair value through profit or loss		*1,841,093*	*(1,022,811)*
Change in write-downs on investments		*(55,886)*	*(88,597)*
Investment income (net of expenses)	5.1	**3,342,928**	**367,268**
Benefits paid to policyholders	6.1	**(14,154,506)**	**(10,794,809)**
Reinsurance cession income		*2,715,978*	*2,786,855*
Reinsurance cession expenses		*(2,663,548)*	*(2,723,243)*
Net income and expenses from reinsurance cessions	6.1	**52,430**	**63,612**
Expenses from other activities		-	-
Policy acquisition costs	7.3	(715,940)	(654,223)
Amortization of portfolio values and related items		-	-
Administrative costs	7.3	(585,612)	(548,100)
Other recurring operating income and expenses	7.3	(168,908)	(143,659)
Other non-recurring operating income and expenses		-	-
OPERATING INCOME		**444,417**	**417,417**
Financing costs		(38,718)	(39,313)
Share in income of associates		9,903	14,618
Income tax	7.3	(152,286)	(120,918)
After-tax income from discontinued activities		-	-
CONSOLIDATED NET INCOME	7.3	**263,316**	**271,804**
Non-controlling interests		70	10
Net income (group share)		263,246	271,794
Earnings/(loss) per share in €		13.57	14.01
Diluted earnings/(loss) per share in €		13.57	14.01

STATEMENT OF NET INCOME/(LOSS), GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY

(in € thousands)	12/2019	12/2018
NET INCOME	**263,316**	**271,804**
Translation adjustments	377	1,135
Revaluation of available-for-sale financial assets	2,072,250	(1,327,750)
Revaluation of hedging derivatives	(4,750)	(6,733)
Revaluation of fixed assets	-	-
Actuarial gains or losses on defined-benefit schemes	(1,655)	(58)
Share of gains and losses recorded directly in the equity of associates	9,656	(4,738)
Shadow accounting adjustment before deferred tax	(1,818,137)	1,179,103
Tax	(68,621)	57,620
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**189,121**	**(101,421)**
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**452,437**	**170,383**
o/w group share	452,435	170,380
o/w attributable to non-controlling interests	2	3

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € thousands)	Group Share					Attributable to noncontrolling interests	Total shareholders' equity
	Share capital or equivalent funds	Additional paid-in capital	Total gains and losses recognized directly in equity	Cumulative earnings	Total group share		
Situation at 12/31/2017	**148,014**	**1,097,937**	**343,405**	**376,057**	**1,965,413**	**21**	**1,965,435**
Change in IAS 8 method and error corrections	-	-	-	-	-	-	-
Share capital at 12/2017 (corrected)	**148,014**	**1,097,937**	**343,405**	**376,057**	**1,965,413**	**21**	**1,965,434**
Gains and losses recognized directly in equity (1)	-	-	(100,193)	-	(100,193)	(10)	(100,203)
Consolidated net income for the fiscal year (2)	-	-	-	271 794	271,794	10	271,804
Total net income and gains and losses recognized directly in equity (1) + (2)	**-**	**-**	**(100,193)**	**271,794**	**171,601**	**-**	**171,601**
Dividends paid	-	-	-	(154,221)	(154,221)	(1)	(154,222)
Changes in share capital	-	-	-	-	-	171	171
Equity component of share-based payment plans	-	-	-	-	-	-	-
Variations de périmètre	-	-	-	-	-	-	-
Changes in scope	-	-	(1,221)	(2,007)	(3,228)	(3)	(3,231)
Situation at 12/31/2018	**148,014**	**1,097,937**	**241,991**	**491,624**	**1,979,565**	**188**	**1,979,753**
Change in IAS 8 method and error corrections	-	-	-	-	-	-	-
Situation at 12/2018 (corrected)	**148,014**	**1,097,937**	**241,991**	**491,624**	**1,979,565**	**188**	**1,979,753**
Gains and losses recognized directly in equity (1)	-	-	189,189	-	189,189	(68)	189,121
Consolidated net income for the fiscal year (2)	-	-	-	263,246	263,246	70	263,316
Total net income and gains and losses recognized directly in equity (1) + (2)	**-**	**-**	**189,189**	**263,246**	**452,435**	**2**	**452,437**
Dividends paid	-	-	-	(189,139)	(189,139)	-	(189,139)
Changes in share capital	-	-	-	-	-	-	-
Equity component of share-based payment plans	-	-	-	-	-	-	-
Changes in scope	-	-	-	*(1,593)*	*(1,593)*	-	*(1,592)*
Other changes	-	-	-	*(1,800)*	*(1,800)*	(1)	*(1,801)*
Situation at 12/31/2019	**148,014**	**1,097,937**	**431,180**	**562,337**	**2,239,469**	**189**	**2,239,658**

STATEMENT OF CASH FLOWS

(in € thousands)	12/2019	12/2018
Operating income before tax	**444,417**	**417,417**
- Capital gains and losses on sales of investments	(182,460)	(91,406)
+ Net allowances for depreciation and amortization	288,493	73,380
+ Change in deferred acquisition costs	18,907	19,656
+ Change in impairments	55,886	88,597
+ Net allowances for insurance underwriting provisions and liabilities related to financial contracts	6,210,289	4,501,862
+ Net allowances for other provisions	(5,748)	(1,426)
- Change in fair value of financial instruments measured at fair value through profit and loss	(1,841,093)	1,022,811
- Other items without cash outflows included in operating income	4,458	1,818
Correction of items included in operating income that do not correspond to monetary flows and reclassification of financial and investment flows	***4,548,732***	***5,615,292***
+ Change in operating receivables and payables	635,444	97,453
+ Change in securities sold under repurchase agreements or bought under resale agreements	(2,826,400)	1,270,908
+ Cash flows from other assets and liabilities	(78,045)	66,677
- Net taxes paid	(157,933)	(146,767)
Net cash provided/(used) by operating activities	**2,566,216**	**7,320,980**
- Acquisitions of subsidiaries and joint ventures, net of cash acquired	-	-
+ Disposals of subsidiaries and joint ventures, net of cash disposed	-	-
- Investments in associates	(903)	-
+ Disposals of investments in associates	-	-
Cash flows generated by changes in scope	***(903)***	***-***
+ Disposals of financial investments (including unit-linked contracts) and derivatives	26,085,498	20,218,076
+ Disposals of investment property	2,659	122,375
+ Disposals of investments and derivatives in activities other than insurance	-	-
Cash flows generated by disposals and redemptions of financial assets	***26,088,157***	***20,340,451***
- Acquisitions of financial investments (including unit-linked contracts) and derivatives	(28,514,206)	(27,152,166)
- Acquisitions of investment property	(93,862)	(87,205)
- Acquisitions and/or issuance of investments and derivatives in other activities	-	-
Cash flows generated by acquisitions and issuance of financial assets	(28,608,068)	***(27,239,371)***
+ Disposals of property, plant and equipment and intangible assets	-	-
- Interest paid on financial debt	(47,174)	(40,283)
Cash flows generated by Group funding	***(47,174)***	***(40,283)***
Net cash provided/(used) by financing operations	**(2,567,989)**	**(6,939,203)**
+ Membership fees	-	-
+ Issuance of capital instruments	-	-
- Redemptions of capital instruments	-	(20)
+ Transactions in own shares	-	-
- Dividends paid	(189,139)	(154,221)
Cash flows generated by transactions with shareholders and cooperative shareholders	***(189,139)***	***(154,241)***
+ Cash generated by issuance of financial debt	30,000	-
- Cash allocated to redemptions of financial debt	(107,000)	(42,000)
- Interest paid on financial debt	(38,718)	(39,313)
Cash flows generated by Group funding	***(115,718)***	***(81,313)***
Net cash provided/(used) by financing operations	**(304,857)**	**(235,554)**
Cash and cash equivalents at January 1	**714,737**	**568 538**
+ Net cash provided/(used) by operating activities	2,566,216	7,320,980
+ Net cash provided/(used) by investing operations	(2,567,989)	(6,939,203)
+ Net cash provided/(used) by financing operations	(304,857)	(235,554)
+ Impact of changes in exchange rates on cash and cash equivalents	(35)	(23)
Cash and cash equivalents at December 31	**408,072**	**714,737**
o/w cash and cash equivalents	464,811	*740,070*
o/w operating debts payable to banking sector companies	(56,739)	*(25,333)*

Notes to the consolidated financial statements

1. SIGNIFICANT EVENTS OF 2019

Partnership agreement with CNP Assurances

On December 19, 2019, the BPCE and CNP Assurances groups ratified the extension of the agreements signed in 2015 between BPCE, Natixis and CNP Assurances, by extending their term from December 31, 2022 to December 31, 2030. These amended agreements notably provide for Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances to move to a 50/50 co-insurance share on group payment protection insurance policies and for CNP Assurances to reinsure 34% of individual payment protection insurance policies underwritten by BPCE Vie, as from January 1, 2020. The agreement also gave rise to a rider to the reinsurance treaty on new business – Tranche 1. The rider provides for the extension - by two years until the end of 2021 – of the cession of a 40% share of with-profits guarantees for policies commercialized through the Caisse d'Epargne network, as well as the removal of the 0.40% commission applied to new business on these new generations.

Partnership agreement with Covéa Coopération

As part of the renewal of the partnership between BPCE and Covéa Coopération and in order to simplify BPCE IARD's shareholder structure, Natixis Assurances purchased 52 BPCE IARD shares from other Groupe BPCE entities (primarily Natixis SA), thereby increasing its percentage interest from 49.48% to 50.00%.

The partnership agreement also set up an irrevocable purchase promise effective from January 1, 2020, which provides for Natixis Assurances to purchase BPCE IARD shares owned by Covéa, primarily in the event that BPCE IARD's revenues fall below €200 million.

First-time application of IFRS 16

Regarding the first-time application of IFRS 16 concerning leases, Natixis Assurances recorded as from January 1, 2019 the amount of €72 million for rights of use (presented in the Intangible fixed assets line), and a corresponding amount of €72 million for lease liabilities (presented in the Other financial debt line). On reporting date, rights of use are amortized on a straight-line basis and financial debt is amortized on an actuarial basis over the residual term of the lease. The interest expense on financial debt and the amortization expense on rights of use are recorded separately in the income statement.

Companies of the Natixis Assurances Group are lessees of several buildings and do not lease any fixed assets to third parties.

Financing

In July 2019, Natixis Assurances proceeded with a partial €77 million repayment on the €93 million credit line granted by Natixis. In December, it then subscribed for two 10-year loans: a €30 million subordinated loan from Natixis and a €10 million senior loan from BPCE Vie. These two new loans are used to finance the loans granted to BPCE Vie and BPCE Prévoyance - €30 million and €10 million consecutively – in order to cover their capital requirements.

Climate events

Major climate events occurred in 2019. The overall impact of these events was estimated at €13.2 million at December 31. The non-life subsidiary's reinsurance result increased from income of €1.5 million to €8.9 million at December 31, 2019. This variation primarily stemmed from the cession of sizeable claims linked to natural catastrophes.

2. IFRS

2.1. SET OF STANDARDS APPLIED

The financial statements are prepared in accordance with:

- IFRS as adopted by the European Union;

- CRC (French Accounting Regulation Committee) Regulation No. 2000-05 on the rules for consolidating companies governed by the French Insurance Code and on the French Insurance Code for insurance policies and reinsurance treaties subject to the provisions of IFRS 4.

The financial statements are also prepared with reference to:

- the summary of the work carried out by the CNC's working groups on the specific conditions of IFRS implementation by insurance entities, updated in January 2007;

- CNC Recommendation No. 2013-05 of November 7, 2013 on the format of the financial statements of insurance entities under international accounting standards;

- CNC Recommendation published on December 19, 2008 on the conditions for recognizing deferred policyholder bonus assets in the consolidated financial statements of insurance entities;

- Accounting Regulatory Committee (ANC) recommendation n° 2016-01 of December 2, 2016 concerning information to be mentioned in the notes to consolidated financial statements prepared according to international standards.

2.2. TEXTS APPLICABLE SINCE JANUARY 1, 2019

IFRIC 23 Uncertainty over income tax treatments

The IFRIC 23 interpretation Uncertainty over income tax treatments was adopted by the European Commission on October 23, 2018 and became effective on January 1, 2019. This interpretation specifies the details for recording and assessing amounts of due and deferred tax when uncertainty exists over the tax treatment applied by the entity.

The IFRIC 23 interpretation did not have any impact on Natixis Assurances' financial statements at December 31, 2019.

IAS 19 Plan amendment, curtailment or settlement

The IAS 19 amendment Plan amendment, curtailment or settlement was adopted by the European Commission on March 13, 2019. It became effective for Natixis Assurances on January 1, 2019.

The amendment specifies that in the occurrence of an event that amends, curtails or settles a plan, the cost of services and the amount of net interest subsequent to these events are calculated using actuarial assumptions updated on the date of the change.

The application of the amendment did not have any impact on Natixis Assurances' financial statements at December 31, 2019.

Amendment concerning Annual improvements to IFRS 2015-2017 cycle

The amendment was adopted by the European Commission on March 14, 2019 and became effective on January 1, 2019. The amendment forms part of the annual improvement process aimed at simplifying and clarifying international accounting standards.

The following standards were amended: IAS 12 Income taxes; IAS 23 Borrowing costs; IFRS 3 Business combinations; IFRS 11 Joint arrangements

The amendment did not have any impact on Natixis Assurances' financial statements.

Amendments to IFRS 9, IAS 39, and IFRS 7 Interest rate benchmark reform – Phase 1

The amendments to IAS 39, IFRS 9 and IFRS 7, adopted by the European Commission on January 15, 2020 are to be applied retrospectively and mandatorily from January 1, 2020. Early adoption is permitted.

These amendments seek to define exceptions to the criteria for applying hedge accounting.

They were adopted early by Natixis Assurances. Following analysis, it was determined that Natixis Assurances was not concerned.

2.3. IMPACTS OF FIRST-TIME APPLICATION OF IFRS 16 ON JANUARY 1, 2019

On January 1, 2019, IFRS 16 Leases became effective as a replacement for IAS 17 Leases.

IFRS 16 primarily concerns lease accounting for holders of operating leases.

According to IFRS 16, for a contract to be defined as a lease, it must be possible to identify the asset and establish the lessee's control of the right of use over the asset.

Control is established when the lessee possesses the following two rights throughout the term of use:

- the right to obtain almost all of the economic benefits arising from use of the asset;
- the right to decide the use of the asset.

From the lessor's point of view, no impacts were recorded from the first-time application of IFRS 16 on January 1, 2019, since the measures remaining substantially unchanged from those of IAS 17.

For the lessee, IFRS 16 requires all leases consistent with the definition established by IFRS 16 to be recognized in the balance sheet in the form of a right of use on the leased asset (recognized in fixed assets), and a financial debt in respect of lease payments and other payments to be made during the course of the lease (recognized in liabilities).

Natixis Assurances makes use of the exceptions provided for in IFRS 16 by making no change to the accounting treatment of shorter-term leases (under 12 months) or leases concerning low-value underlying assets.

The expenses on these leases are recognized in general operating expenses during the period concerned.

The detailed accounting principles applicable to lessees are presented in point 4.2.4

1) Details and impacts of first-time application

The introduction of IFRS 16 primarily concerns property assets leased for operating needs as offices.

The modified retrospective method was applied for first-time application.

According to this method, the amounted of lease liabilities is calculated on the base of residual payments on the transaction date, by applying discount rates associated with the residual terms of the leases.

In particular, Natixis Assurances employs the option of not recognizing in the balance sheet leases with residual terms under 12 months at January 1, 2019 and excludes initial direct costs from the measurement of rights of use. Rights of use are measured with reference to the amount of lease liabilities calculated on the application date.

During initial recognition, no deferred taxes were recorded, since the value of the asset was equal to the value of the liability.

For future recognitions, a deferred tax will be recorded in respect of the net temporary differences arising from variations in the amounts recognized for rights of use and lease liabilities. No impacts on the amount of Natixis Assurances' shareholders' funds were observed in the opening balance sheet on application of IFRS 16.

2) Lease liabilities at January 1, 2019

In respect of the first-time application of IFRS 16, the value of lease liabilities recorded in Other financial debt in the consolidated balance sheet amounts to €74.7 million. This amount equates to the present value of the lease payments due over the term of the lease (in the IFRS 16 sense) at January 1, 2019. The weighted average discount rate used on this date was 0.5%.

The impact of lease liabilities can be reconciled to the information relating to future minimum payments on operating leases and finance leases, by taking into account the following differences:

- lease payments on leases already signed, but for which the underlying assets were not yet available for use on the IFRS 16 transition date, were not included in the calculation of rights of use and lease liabilities. These lease payments are nevertheless included in off-balance sheet commitments;
- lease liabilities are initially determined by discounting lease payments over the terms of the leases in accordance with IFRS 16. Lease payments included in off-balance sheet commitments are not discounted;
- lease liabilities are initially calculated on the basis of lease payments excluding VAT (whether this is recoverable or not). Lease payments included in off-balance sheet commitments include non-recoverable VAT;
- leases concerning low-value assets and short-term leases (including short-term leases on IFRS 16 transition date) are excluded from the calculation of lease liabilities in accordance with the exemptions provided for in IFRS 16. Short-term leases are nevertheless included in off-balance sheet commitments.

TABLE SHOWING THE TRANSITION BETWEEN IAS 17 AND IFRS 16 (IN € THOUSANDS)

Future minimum payments on operating leases at 12/31/2018	95,480
Future minimum payments on finance leases at 12/31/2018	0
Commitments on leases yet to begin	0
Exemption for short-term leases	278
Exemption for low-value leases	194
Other method differences (assessment of the duration of leases, VAT and other effects)	18,858
Gross value of lease liabilities at 01/01/2019	**76,150**
Discounting effect*	(1,465)
Lease liabilities recognized in the balance sheet at 01/01/2019	**74,685**

* This amount corresponds to the total amount of interest on rental liabilities of leases recognized under IFRS 16 as of FTA date

3) Rights of use at January 1, 2019

The initial value of the asset representative of the right of use was €74.7 million at January 1, 2019.

TANGIBLE AND INTANGIBLE FIXED ASSETS, AND INVESTMENT PROPERTY

	12/2019			12/2018		
(in € thousands)	Gross value	Amortization and impairments	Net value	Gross value	Amortization and impairments	Net value
Tangible fixed assets						
Land and buildings	1,566	(606)	960	1,566	(520)	1,046
Rights of use under leases (1)	81,963	(1,365)	71,598	-	-	-
o/w property	*81,963*	*(10,365)*	*71,598*	-	-	-
o/w other tangible assets	-	-	-	-	-	-
Others	*40,417*	*(19,932)*	*20,485*	*34,809*	*(15,936)*	18,873
Intangible fixed assets						
Lease rights	-	-	-	-	-	-
Software	423,623	254,301	169,322	380,460	(224,811)	155,649
Others	5,036	(2,506)	2,530	4,841	(2,268)	2,573
Total	**634,568**	**(298,075)**	**336,493**	**421,676**	**(243,535)**	**178,141**

(1) Data restated relative to the 2018 financial statements.

CHANGE IN TANGIBLE AND INTANGIBLE FIXED ASSETS DURING THE YEAR

(in € thousands)	Gross Value 12/31/2018	Impact IFRS 16 FTA	Gross Value 01/01/2019	Increases	Decreases	Changes in scope and others	Destined non-recurring assets[1]	Gross Value 12/31/2019
Tangible fixed assets								
Land and buildings	1,566	-	1,566	-	-	-	-	1,566
Rights of use under leases [1]	-	74,685	74,685	7,278	-	-	-	81,963
o/w property	-	*74,685*	*74,685*	*7,278*	-	-	-	*81,963*
o/w other tangible assets	-	-	-	-	-	-	-	-
Others	*34,809*	-	*34,809*	*5,636*	*(28)*	-	-	40,417
Intangible fixed assets		-						
Lease rights	-	-	-	-	-	-	-	-
Software	380,460	-	380,460	56,995	(13,832)	-	-	423,623
Others	4,841	-	4,841	209	(14)	-	-	5,036
Total	**421,676**	**149,369**	**571,045**	**77,397**	**(13,874)**	**-**	**-**	**634,568**

(1) Data restated relative to the 2018 financial statements.

LEASES – LESSEE

(in € thousands)	12/2019
Interest expenses on lease liabilities	331
Allowances for amortization on rights of use	10,368
Variable lease payments not recorded in the measurement of lease liabilities	-
LEASE EXPENSES related to leases recorded in the balance sheet	**10,699**

(in € thousands)	12/2019
Lease expenses on short-term contracts	1,139
Lease expenses on low-value assets	478
Lease ***expenses related to lease contracts not recorded in the balance sheet***	**1, 617**

Lease expenses on low-value leases and short-term leases are recorded in *Expenses from other activities* in the consolidated income statement.

INCOME FROM SUB-LEASING RIGHTS OF USE ON ASSETS

Natixis Assurances did not record any income from sub-leasing rights to use assets at December 31, 2019.

BREAKDOWN OF LEASE LIABILITIES BY CONTRACTUAL MATURITY

(in € thousands)	12/2019						
	<3 months	3-6 months	6 months - 1 year	1-2 years	2-5 years	>5 years	Total
Lease liabilities	2,696	2,670	5,347	10,746	32,244	18,097	**71,800**

(in € thousands)	12/2019						
	<3 months	3-6 months	6 months - 1 year	1-2 years	2-5 years	>5 years	Total
Signed leases for which underlying assets are not yet available	-	-	-	-	-	-	-

Natixis Assurances did not have any signed leases for which the underlying assets were not yet available for use at December 31, 2019.

2.4. STANDARDS AND INTERPRETATIONS NOT USED

The standards and interpretations published by the International Accounting Standards Board (IASB), adopted by the European Union and of mandatory application in 2019 were applied in the financial statements at December 31, 2019, notably the texts that came into force in 2019.

2.5. IMPACT OF SOON-TO-BE APPLICABLE STANDARDS

IFRS 9. Financial instruments

Natixis Assurances is preparing for the entry into force of IFRS 9, which will mandatorily replace IAS 39. This new standard was adopted by the European Commission and deals with the following subjects:

- classification and measurement of financial assets and liabilities;
- impairment based on credit risk;
- hedge accounting.

Main impacts of changes in classification principles

IFRS 9 sets out a logic for classifying assets according to their type:

- equity instruments are measured at fair value through profit and loss, unless the option to classify them at fair value through non-recyclable equity is used at the time of purchase (no recycling of realized gains or losses to income);
- shares in funds are measured at fair value through profit and loss;
- debt instruments are recorded according to their management model and their contractual characteristics:
  • if the management model is to retain the assets so as collect contractual cash flows and if the SPPI criterion (described below) is respected, then the instruments are measured at amortized cost,
  • if the management model is geared both to collecting contractual cash flows and to selling the instruments so as to register gains and if the SPPI criterion is respected, then the instruments are measured at fair value through equity,
  • in other cases, the instruments are recognized at fair value through profit and loss.

The Solely Payments of Principal and Interest (SPPI) criterion is verified when the contractual flows from the debt instrument solely comprise repayment of the principal initially lent and payment of the interest on this principal, with remuneration essentially based on the passage of time and credit risk.

Application of the classification and measurement chapter of IFRS 9 should lead to a higher proportion of securities being measured at fair value through profit and loss, as the majority of equities, shares in funds and debt securities do not satisfy the SPPI criterion.

Main impacts of the new approach to impairment

IFRS 9 introduces a new model concerning impairment for credit risk based on projected losses. This model will apply to debt instruments and to loans valued at amortized cost or at fair value through recyclable equity.

Whereas the IAS 39 impairment model is founded on proven credit losses, IFRS 9 requires recognition at least of the credit losses projected over the next 12 months and, in the event of any significant increase in credit risk since initial recognition of such losses, recognition of the credit losses projected at maturity. The amount of projected credit losses incorporates the probability of default as well as exposure at default.

Application of this new impairment model is liable to lead to an increase in impairments for credit risk booked against income. In view of their more prospective nature, these impairments will be more volatile than the impairments booked under IAS 39.

Option to defer application of the standard

In accordance with regulation (EU) 2017/1988 of November 3, 2017, insurance entities, as well as insurance sectors of financial conglomerates, may now opt under certain conditions to defer application of the IFRS 9 rule until January 2022, whereas it was previously mandatory as from January 1, 2018. In this respect, after analyzing the ratio of insurance liabilities relative to consolidated liabilities, Natixis Assurances opted to defer application of IFRS 9 to January 1, 2022. However, the company is already conducting work on analyzing the standard and reviewing the portfolio.

IFRS 17. Insurance contracts

IFRS 17 should become applicable on January 1, 2022. Nevertheless, application date remains uncertain both with respect to the IASB and at European level: during first-quarter 2020, the IASB is due to examine a possible deferral of the application date to January 1, 2023, while the standard has yet to be adopted at European level (although the IASB's application date of January 1, 2022 remains unchanged, Europe could possibly define a different application date, such as January 1, 2023, for example). The standard including the amendments approved by the IASB and the definitive application date should be published in mid-2020, while the process of adoption at European level will continue in 2020.

IFRS 17 will replace IFRS 4 and notably defines:

- the level at which contracts are aggregated (contracts issued within a maximum interval of one year, subject to similar risks and managed together) for the purposes of estimating their profitability;

- the accounting model applicable according to the contract's characteristics: (i) simplified approach for contracts whose hedging period is less than or equal to one year, (ii) variable fee approach for "direct participating" contracts, (iii) general model for contracts not covered by the two previous categories;

- the presentation in the financial statements and the information to be provided in the notes.

IFRS 17 is set to substantially change the way of measuring and recognizing insurance contracts.

Despite the uncertainties still affecting the standard (application date, adoption by the IASB of amendments to the standard), Natixis Assurances set up project structures consistent with the magnitude of the changes induced by the standard and continued the implementation work begun in 2018, which concerns examination and documentation of choices associated with the standard, modeling, adaptation of systems and organizations, production of accounts and strategy for the switchover, financial communication and change management.

3. CONSOLIDATION SCOPE AND METHODS

3.1. CONSOLIDATION METHODS

Consolidation and equity method accounting

The consolidation methods used are:
- full consolidation of controlled entities, within the meaning of IFRS 10;
- recognition of assets and liabilities for joint operations, within the meaning of IFRS 11;
- equity method accounting for joint ventures, within the meaning of IFRS 11 and in accordance with IAS 28;
- equity method accounting for associated companies under notable influence, within the meaning of IAS 28.

Reciprocal transactions

Reciprocal transactions between fully-consolidated companies are eliminated and notably include the following:

- intra-group dividends received;

- capital gains or losses on consolidated UCITS;

- acceptances, cessions and retrocessions in reinsurance;

- intra-group receivables, payables and provisions, as well as reciprocal income and expenses.

Foreign-currency translation of the financial statements of foreign subsidiaries and affiliates

Consolidated companies keep all their statements in euros, with the exception of ADIR, which is accounted for by the equity method and keeps its statements in Lebanese pounds.

In accordance with IAS 21, the financial statements are translated from the functional currency to the presentation currency according to the closing price method. Translation differences are taken to equity.

Consolidation of structured entities

IFRS 10 defines a single control model applicable to all entities, whether structured or not. The control of an entity must now be analyzed using three cumulative criteria: influence over relevant activities of the entity, exposure to the entity's variable returns and the ability to influence variable returns obtained by the entity.

3.2. CONSOLIDATION SCOPE

Entity	Method	Head office	12/2019		12/2018		Date of consol./ deconsol.
			% controlled	% int. held	% controlled	% int. held	
Full consolidation (FC)							
BPCE Vie	FC	30, avenue Pierre Mendès France 75013 PARIS	100%	100%	100%	100%	1997
BPCE Prévoyance	FC	30, avenue Pierre Mendès France 75013 PARIS	100%	100%	100%	100%	1997
BPCE Assurances	FC	88, avenue Pierre Mendès France 75013 PARIS	100%	100%	100%	100%	2014
Natixis Life	FC	51, avenue J.F. Kennedy, 1855 LUXEMBOURG	100%	100%	100%	100%	1998
BPCE APS	FC	88, avenue Pierre Mendès France 75013 PARIS	53%	53%	53%	53%	2014
GIE BPCE Relation Assurances	FC	30, avenue Pierre Mendès France 75013 PARIS	100%	100%	100%	100%	2015
SCI Fructifoncier	FC	22, rue du Docteur Lancereaux, 75008 PARIS	100%	100%	100%	100%	2004
SPPICAV Nami Investment	FC	22, rue du Docteur Lancereaux, 75008 PARIS	100%	100%	100%	100%	2009
FCP Réaumur Actions	FC	43, avenue Pierre Mendès France 75013 PARIS	100%	100%	100%	100%	2005
FCP Ostrum Ultra Short Term	REMOVED	43, avenue Pierre Mendès France 75013 PARIS	0%	0%	30%	30%	2013/2019
FCP ABP Vie Mandat	REMOVED	5-7, rue de Monttessuy 75340 PARIS Cedex 07	0%	0%	100%	100%	2016/2019
FCT TULIP NOTES	FC	41, rue Delizy, 93500 PANTIN	100%	100%	100%	100%	2018
FCT NA F ECO IMM II	FC	41, rue Delizy, 93500 PANTIN	100%	100%	0%	0%	2019
Equity method (EM)							
BPCE IARD	EM	Chauray, 79000 NIORT Cedex	50%	50%	49%	49%	1997
Adir	EM	Banque Byplos, avenue Elias Sarkis, BEIRUT	34%	34%	34%	34%	2001
Ecureuil Vie Développement	EM	Héron Building, 66, avenue du Maine 75014 PARIS	51%	51%	51%	51%	2015
SCI DUO Paris	EM	28-32, avenue Victor Hugo 75116 PARIS	50%	50%	50%	50%	2017

Entry to scope

- Full consolidation on a retrospective basis of FCT NA F ECO IMM II, a euro zone mortgage fund.

Removals from scope

- Deconsolidation on January 1, 2019 of FCP Ostrum Ultra Short Term, following the sale of shares that reduced the interest held to below consolidation thresholds;
- Deconsolidation on April 1, 2019 of the ABP Vie Mandat private equity fund following a sizeable decrease in the fund's net assets.

Changes in percentage interests

- Purchases of BPCE IARD shares from Groupe BPCE minority interests: the percentage owned in BPCE IARD rose to 50%, but the central management body remains Covéa Coopération and the interest continues to be accounted for by the equity method.

3.3. COMPANIES EXCLUDED FROM THE CONSOLIDATION SCOPE

UCITS and real-estate long-term investment holdings

As a first approach, the criterion used for including UCITS and real-estate long-term investment holdings in the scope of consolidation is as follows:

- according to IFRS 10 and IFRS 11, control over a fund is deemed to exist when Natixis Assurances has the ability to influence the fund's returns due to its power over the entity. Only substantial rights, that is when Natixis Assurances has the practical ability to exercise them, are taken into account;
- balance sheet total or net equity of the UCITS exceeds 0.5% of Natixis Assurances' investments;
- the total of entities excluded from the scope does not exceed 5% of total investments.

3.4. NON-CONSOLIDATED ENTITIES

The following list presents Natixis Assurances' non-consolidated entities. Investment vehicles whose net equity is higher than 0.5% of the total value of Natixis Assurances' investments - €401 million at December 31, 2019 – and in which Natixis Assurances owns more than a 25% interest, are presented in the table below:

Name of entity	% ownership 2019	Head office	Comments on consolidation criteria
SCPI ATLANTIQUE MUR REGIONS	80%	22 rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
SELECTIZ	55%	43 avenue Pierre Mendès France, 75013 PARIS	Control over fund or entity not established
OPCI FRANCEEUROP IMMO P	54%	22 rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
SELECTIZ PLUS	53%	43 avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
SCPI IMMO EVOLUTIF	50%	22 rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
ALLOCATION PILOTÉE ÉQUILIBRE	39%	43 avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
AAA ACTIONS AGR ALIMENTAIRE	36%	43 avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
MIROVA EUROPE ENVIRONNEMENT C	34%	59 avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
SÉLECTION PROTECTION 85 R FCP 4DEC	28%	43 avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established

3.5. NON-CONSOLIDATED LONG-TERM INVESTMENT HOLDINGS

Non-consolidated long-term investment holdings at December 31, 2019 were as follows:

Name of entity	% ownership 2019	Head office	Comments on consolidation criteria
INTER MUTUELLE ASSISTANCE	2%	118 Avenue de Paris 79000 Niort	Control over fund or entity not established
SURASSUR	2%	534 Rue de Neudorf 2220 Luxembourg LUXEMBOURG	Control over fund or entity not established
SCI FONCIERE 2	100%	22 rue du Docteur Lancereaux 75008 PARIS	Materiality threshold not reached
SCI FLI	7%	22 rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
AEDIFEX LIFE	100%	Avenue du Port 86C/320 1000 Bruxelles BELGIUM	Materiality threshold not reached

3.6. SIGNIFICANT MINORITY INTERESTS HELD IN GROUP SUBSIDIARIES

Natixis Assurances did not have any significant minority interests at December 31, 2019.

3.7. INTERESTS HELD IN AFFILIATES

The BPCE IARD, Adir and Ecureuil Vie Développement affiliates, which are accounted for by the equity method, impacted Natixis Assurances' consolidated financial statements by €119 million in balance sheet terms (Investments in affiliates) and €10 million in net income terms.

The real-estate trust SCI Tour Duo is also accounted by the equity method, but is recognized in the Investment property section as an investment linked to the insurance business. It impacted Natixis Assurances' consolidated financial statements by €99 million in balance sheet terms and did not have any meaningful impact in net income terms.

3.8. INTERESTS HELD IN NON-CONSOLIDATED STRUCTURED ENTITIES

The non-consolidated structured entities held by Natixis Assurances are all investment vehicles backing underwriting commitments or shareholders' equity.

The table below presents the carrying value of Natixis Assurances' interests in non-consolidated structured entities, as well as the maximum exposure to the risk of loss attributable to these interests. Maximum exposure to risk of loss corresponds to the cumulative amount of the interests recorded in balance sheet assets plus commitments given. The size of the structured entities corresponds to the total issues of securitization vehicles recorded in balance sheet liabilities plus the net asset value of investment funds.

(in € millions)	Securitizations	Asset Management
Financial assets at FV through profit and loss (incl. unit-linked contracts)	0	8,661
Available-for-sale financial assets	557	4,314
Loans and receivables	0	0
Total Assets	**557**	**12,976**
Financing commitments given	53	623
Maximum exposure to risk of loss	**610**	**13,599**
Size of structured entities	**1,579**	**201,447**

3.9. FINANCIAL SUPPORT FOR STRUCTURED ENTITIES

Natixis Assurances did not grant any financial support to consolidated or non-consolidated structured entities in conditions of financial difficulty.

4. ACCOUNTING PRINCIPLES AND METHODS

4.1. USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE FINANCIAL STATEMENTS

Preparation of the financial statements requires certain estimates and assumptions; it also calls for the use of judgment in applying the accounting principles described hereafter. The main balance sheet items concerned are goodwill (tested for impairment), financial instruments measured at fair value not listed on an active market, liabilities related to insurance policies and financial contracts, deferred policyholder bonuses assets (tested for recoverability), contingency provisions and deferred tax assets.

The associated estimates and assumptions are mainly determined based on past experience, regulations, and the usual actuarial principles; they are subject to sensitivity analyses where required by standards or where doing so enables Natixis Assurance to exercise its judgment. These estimates and assumptions are regularly re-examined

4.2. BALANCE SHEET

4.2.1. Goodwill

Goodwill is not amortized. It is tested annually for impairment and a provision recorded if necessary; this impairment test most often uses the DCF method.

Concerning goodwill of entities acquired before January 1, 2004, the initial value retained under IFRS equates to the net carrying value that they had under French GAAP at that date.

Treatment of goodwill related to equity-accounted entities

Pursuant to IAS 28.32 and IAS 28.42, goodwill related to an equity-accounted entity is not presented separately and cannot be subject to a separate impairment test. In this case, the entire carrying amount of the investment is tested as a single asset.

Treatment of goodwill related to equity-accounted entities

Pursuant to IAS 28.32 and IAS 28.42, goodwill related to an equity-accounted entity is not presented separately and cannot be subject to a separate impairment test. In this case, the entire carrying amount of the investment is tested as a single asset.

Treatment of goodwill related to jointly-controlled entities

In accordance with IAS 27 and the method applied by Natixis for business combinations placed under long-term joint control, goodwill related to the acquisition of these entities is booked against consolidated shareholders' equity.

4.2.2. Capitalization of IT developments

Internally developed software meeting the criteria defined by IAS 38 is capitalized. It is amortized over its useful life, which is determined on a case-by-case basis according to a selection process common to all Natixis Group companies. For the main software developments, this useful life usually ranges from 1 to 13 years.

4.2.3. Investment property

In accordance with IAS 40.32A, Natixis Assurances opted for the fair value recognition of its investment property, with changes in the fair value of such property recognized in profit and loss. The investment property concerned is that of SCI Fructifoncier, SCI Duo Paris and SPPICAV Nami Investment.

4.2.4. Lease transactions

For the lessee, IFRS 16 requires all leases consistent with the definition established by IFRS 16 to be recognized in the balance sheet in the form of a right of use on the leased asset, recognized in fixed assets, and a financial debt in respect of lease payments and other payments to be made during the course of the lease, recognized in liabilities.

Natixis Assurances makes use of the exceptions provided for in IFRS 16 by making no change to the accounting treatment of shorter-term leases (under 12 months) or leases concerning low-value underlying assets.

Determining the asset representing the right of use

On the commencement date of the lease, the asset associated with the right of use must be measured at cost.

This measurement comprises

- the initial amount of the leased asset;
- where applicable, the lease payments made on or before the lease commencement date, less lease incentives received;
- where applicable, the initial direct costs incurred by the lessee;
- an estimate of the costs that the lessee will incur for dismantling and removing the underlying asset as well as for restoring the site or for returning the underlying asset in the condition demanded by the terms and conditions of the lease.

The value of the right of use is liable to be adjusted later on if the lease is amended, if the term of the lease is re-estimated or in order to take account of contractual changes in lease payments related to the application of indices or rates.

Term of the lease

The right of use is amortized on a straight-line basis and the financial debt is amortized on an actuarial basis over the term of the lease.

In accordance with IFRS 16, the term of the lease corresponds to the leasing period during which cancellation is not possible, plus, where appropriate, periods covered by an extension option if exercise of that option by the lessee is reasonably certain and periods covered by a termination option if exercise of that option by the lessee is not reasonably certain. In general, the term is 9 years for French-law 3/6/9-type property leases. It is specified that the lease is no longer enforceable when the lessee and the lessor each have the right to terminate without the other party's permission, while incurring only a negligible penalty for doing so.

The concept of "reasonably" certain is assessed by taking into account all relevant factors determining whether Natixis Assurances has an economic benefit in exercising an option or not, such as:

- the conditions of exercising these options with respect to market conditions;
- important building/remodeling work conducted in the leased premises;
- the costs associated with terminating the lease;
- the leased asset's importance for Natixis Assurances, taking into account its specific nature or location;
- historic data concerning renewals on similar assets, but also strategy regarding the future use of assets.

Determining lease debt

On the lease commencement date, the payments taken into account to calculate the lease debt comprise sums payable that are related to the right to use the underlying asset over the term of the lease. These payments exclude value-added tax and occupancy tax, as these taxes are included in the scope of application of the IFRIC 21 interpretation Levies charged by public entities or authorities, as well as property ownership tax and any insurance premiums re-invoiced by the lessor, as these represent variable lease payments (on condition that the amounts reimbursed are not contractually pre-determined).

According to IFRS 16, payments are discounted either at the lease's implicit rate or the lessee's incremental rate, this latter rate being that at which the lessee would have to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment. Natixis Assurances applies the incremental rate to payments on its leases.

Presentation

The interest expense related to financial debt and the amortization of the right of use are recorded in the income statement on the Financing costs line and the Other recurring operating income and expenses line. Rights of use are presented in the fixed asset lines of the consolidated balance sheet where assets of the same category owned on a freehold basis are recorded. Lease debt is taken to the Other financial debt line in consolidated balance sheet liabilities.

4.2.5. Financial investments

Classification of financial invetsments

The classification of investment securities can be summarized as follows:

- **Held-to-maturity assets (HTM):** fixed-rate government bonds, some fixed-rate bonds without embedded derivatives, in particular those whose credit risk was deemed low and with sensitivity exceeding 3.7[1]. These assets are measured at amortized cost;
- **Available-for-sale assets (AFS):** some fixed-rate bonds without embedded derivatives, fixed-rate and fixed-plus-variable rate bonds, index-linked OATs (French treasuries), UCITS and SCPIs. These assets are measured at fair value, with the change in fair value over the period taken directly to shareholders' equity;
- **Assets held for trading purposes (trading):** money-market funds held for short-term cash management purposes; these assets are measured at fair value, with the change in fair value over the period taken directly to net income;
- **Assets under the fair value option (FVO):** financial instruments with embedded derivatives (convertible bonds, index-linked bonds and structured securities), as the embedded derivatives are not

(1) Except for bonds held by BPCE Prévoyance which are classified in AFS

separated from the host contracts; these assets are measured at fair value, with the change in fair value over the period taken directly to net income;

- **Investments backing unit-linked policies:** in order to avoid any discrepancy between assets and liabilities, unit-linked assets and liabilities are measured under the fair value option.

Hedge accounting

At December 31, 2019, Natixis Assurances held currency swap contracts for the purposes of hedging a dollar-denominated bond portfolio for a notional value of $225 million at year-end 2019. These derivative instruments are recognized according to cash-flow hedge accounting principles (see point 5.2.1).

Rules governing recognition in assets

The date of accounting recognition of financial instruments is the settlement date.

No transaction costs are directly incurred; the only costs re-invoiced by the asset manager are administrative costs. For bonds, the cost price recorded in the parent company financial statements is net of expenses; the actuarial rate at purchase used in the parent company financial statements is therefore unchanged under IFRS.

Securities lending and repos

Securities lent or lent under repurchase agreements are not de-recognized, as Natixis Assurances retains virtually all of the risks and advantages associated with them.

De-recognition

Financial investments are de-recognized on maturity of the contractual rights to the cash flows associated with the assets in question.

Fundamental principles of investment valuation

The general principle is to use the bid price when this is available and relevant.

The fair value of investments is estimated on the basis of observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction. This fair value equates to the bid price.

The bid price is obtained from:

- the quoted price when the instrument is traded on an active market;

- valuation techniques if the instrument is not traded on an active market.

The valuation of financial instruments is thus established by applying a process that combines, in order of preference:

- use of the last quoted price on a regulated market, where it is very recent (less than five days for fixed income securities, less than one day for virtually all equity securities) and corresponds to significant transactions on a sufficiently liquid market;

- use of databases (Reuters, Bloomberg, Fininfo, Market, etc.) widely used by market participants and institutional investors;

- use of counterparties to obtain a bid price;

- very infrequently, where there are no prices or quotes are not deemed relevant, recalculation of a valuation using observable market inputs (interest rates, volatility, etc.) or reconstituted inputs.

In practical terms, the valuation process is based on the joint contributions of:

- portfolio managers, the securities database department and the risk management department of the company holding the investment management mandate for the portfolios held;

- the company responsible for accounting and valuation for the mandate.

The sequence of operations is summarized as follows:

- valuation of fixed income securities taken from an independent pricing contributor (BVAL Cash, a Bloomberg service). This pricing source is alternatively backed by a secondary source, BGN[1] (also Bloomberg) and, where applicable, by the price contribution process maintained by Ostrum Asset Management;

- recovery of information used to validate the relevance of the prices used: asset swap spreads, CDS prices, where they exist, prices of the 2,000 securities comprising the Barclays index, etc.;

- where automatic prices are not recent enough (more than five days old), recovery of prices contributed by external counterparties on all available places of listing (regulated markets, trading platforms, ISMA reference prices, broker prices, etc.);

- verification of price relevance, under the authority of the asset management company's risk management department. The asset management company's pricing of bonds is based on:
  - use of zero-coupon yield curves, reconstituted using quoted swaps and futures prices;
  - establishment of an average spread matrix for each rating category using the above observed and reconstituted data;
  - given the relative illiquidity observed for certain categories of securities, a fixed spread can be added to the model for prudential purposes;
  - discounting of contractual cash flows, using the previously calculated inputs;

- comparison of prices entered by the portfolio managers against the prices calculated by the risk management department: the fair value of a security is validated by the risk management department if the difference in value observed on a given security is less than 5%. Otherwise, a comparison is made between the different available sources (asset swap spreads on the primary market, re-pricing on the secondary market, risk management valuation, prices estimated by market counterparties, etc.). For prudential reasons, no prices may be used without the validation of the risk management department, which may impose the prices it deems relevant in light of its own calculations.

Particular cases

- **structured securities:** the price is usually obtained from the «structurer» and/or (re)calculated using pricing tools («LexiFi»), based on the values of inputs provided by the counterparty or observed on the markets. This work is carried out by a portfolio management team focused on structured products, under similar conditions as those used by the risk management department for the countervaluation of conventional securities;

- **unlisted investments such as FCPRs (venture capital funds), venture capital, private equity, securitization funds, etc.:** given the nature of the underlying investments and the frequency of valuations (often quarterly), it is materially impossible to obtain a quoted price in real time. As a general rule, fair value is therefore the value provided by the fund manager at the end of the quarter preceding the balance sheet date;

- **real estate:** though ultimately always based on a value established in comparison with the market and/or on the estimated present value of future cash flows generated by the underlying assets, the price used as the realization value varies according to the legal nature of the instrument considered:
  - for SCPIs also open to individual investors, the value used is the

(1) Bloomberg Generic (price calculated by Bloomberg from contributor prices).

value recognized during the last monthly «comparison» between buy and sell orders;

- for instruments reserved for institutional investors or controlled by the company, fair value is the net asset value of the structure or the value calculated by one or more experts. This value is predominantly based on an appraisal of the properties held by the structures, in comparison with recent transactions on similar properties and/or the present value of the income generated by the properties;

• **UCITS:** fair value is always the last published net asset value.

Finally, despite all the due diligence procedures conducted in terms of valuation, it should be noted that valuations are only determined to establish an accurate picture of the Company's assets at the balance sheet date. Accordingly, the values used may differ significantly from the realization values obtained at a subsequent date, in the unlikely event that Natixis Assurances sells assets on a volatile and shallow market.

Investment management principles

The principles governing investments held by Natixis Assurances are described hereafter (see note 5.3 Financial risks).

Investments accepted as backing euro-denominated commitments (general fund)

a) Fixed income investments (bonds and negotiable debt securities)

General credit risk policy

- Credit risk management is governed by the procedures and analysis capabilities of the Ostrum Asset Management credit research teams. Similarly, issuer limits are defined and monitored by Ostrum Asset Management's Risk Committee. Credit risk management is also framed by the broader credit risk management policy implemented by Natixis Group. Finally, the results of the research and analysis of company portfolios are periodically presented to Natixis Assurances' Credit Committee, which decides on guidelines and/or changes to be implemented in the interest of conservative management of the risks associated with the investments held;

- Credit risk policy applied to bond investments is relatively conservative; purchases almost exclusively concern securities issued by issuers with a creditworthiness rating of at least BBB. The portfolio therefore holds few speculative grade (high yield) bonds (2% of total assets under management), i.e. with ratings ranging from CC (net assets of €705k) to BB+.

At December 31, 2019, the breakdown of the portfolio was as follows:

Credit rating

- securities rated between A and AAA comprised 66% of AuM;
- BBB-rated securities comprised 26% of AuM;
- securities rated below BBB comprised 2% of AuM;
- unrated securities comprised 6% of AuM.

Business sector

- 32% were securities issued by government, public or quasi-public issuers;
- 34% were securities issued by industrial or service sector issuers;
- 34% were securities issued by financial sector issuers (of which 67% were rated between A and AAA).

Securitizations and CLOs

- Under France's Decree No. 2013-717 of August 2, 2013, which now allows companies to invest in loans to unlisted companies and local authorities, Natixis Assurances has purchased units or debt securities issued by securitization funds for a total amount of €1.107 billion;
- Natixis Assurances holds transferable securities classified as asset-backed securities of CLOs (residual gross cost price of €5 million at end-2019). These securities were purchased in 2008 at valuation levels conferring a high spread over risk-free returns. The high number of investment lines (29 at end-2019) comprising these assets as well as the sector and geographic diversification of this securitization portfolio (mainly European) are factors that help mitigate the risk associated with this portfolio, which was acquired with the intention of being held to maturity.

Exposure to banking and real estate risks

- exposure to real estate risk is predominantly indirect and usually secured by the legal nature of the securities held (obligations foncières, covered bonds, cedulas, pfandbriefe) and the resulting guarantees (existence of pools of guaranteed assets, over-coverage of commitments, etc.);
- direct exposure to the construction and real estate sector exists via securities issued by European companies predominantly invested in the commercial and office real estate sub-segment. Alternatively, it can exist via diversified groups operating notably in the field of infrastructure and concessions, whose risk profile has been deemed satisfactory;
- the large volume of securities issued by financial sector issuers (retail banks, savings banks, credit unions, refinancing structure, insurance and reinsurance companies, etc.) relative to the total volume of bonds (excluding those issued by governments and quasi-public organizations) inevitably leads to the existence of significant assets under management in this sector of the economy. It should be noted, however, that in addition to consideration of the issuer's rating and reputation, the securities are purchased while ensuring that risks are sufficiently diversified in terms of geographic areas and sub-sectors.

b) Money market and dynamic money market UCITS

Natixis Assurances holds money market and dynamic money market UCITS with a carrying value of €2.260 billion, managed exclusively by Ostrum Asset Management. According to the valuation of these securities, which are usually held for a short period, there is an overall unrealized capital loss of €2 million on these holdings based on the latest net asset values published at December 31, 2019.

c) Natixis Assurances' alternative investments

Alternative investments are limited to €478 million, i.e. 0.72% of the value of investments in with-profits funds.

d) Securities lending and repos

Repurchase and lending transactions on certain securities held in with-profits funds are geared to obtaining an additional return. A significant portion of these transactions is conducted with Groupe BPCE as part of the Group's overall cash management operations. About one third of the volume concerned is in the form of loans not secured with either cash or securities and concluded with Natixis; this results in a credit risk associated with the Natixis counterparty, which is subject to a limit. The other portion of securities loan transactions is secured by a cash deposit from the counterparty which is adjusted daily according to the market value of the securities loaned; the associated credit risk is therefore very limited.

Investments accepted as backing unit-linked policies: it should be noted that these investments almost exclusively comprise UCITS subject to AMF approval and supervision.

In view of:

- the predominantly «equities» and/or diversified nature of the UCITS held;
- the relatively modest median value of the assets under management held in the many UCITS backing unit-linked commitments,

no extensive investigations were performed on the valuations and valuation work carried out by the asset management companies and verified by the designated Statutory Auditors at the last balance sheet date prior to December 31, 2019.

4.2.6. Impairment of financial assets

Natixis Assurances determines whether there is objective evidence of impairment of securities, loans or receivables on an individual basis at the balance sheet date. To identify evidence of impairment, Natixis Assurances analyzes trends in a number of objective criteria, but also relies on the judgment of its own expert teams. Similarly, Natixis Assurances may use its own expert judgment to position future recovery flows over time.

Assets measured at amortized cost and available-for-sale debt instruments

A provision for impairment is recorded where there is reason to believe that the issuer will be unable to meets its commitments on the payment of interest or the redemption of securities. Securities falling into this category are determined on a case-by-case basis at each balance sheet date.

Available-for-sale equity instruments

The impairment criteria for non-redeemable securities (only AFS) are as follows:

• automatic impairment in the event of unrealized capital losses of more than 50% at the balance sheet date;

• automatic impairment in the event of continuous unrealized capital losses for more than 24 months;

• case-by-case analysis of securities presenting an unrealized capital loss of more than 30% at the balance sheet date;

• case-by-case analysis of securities presenting a continuous unrealized capital loss for more than 6 months.

Once identified, these securities are impaired from the first euro in order to bring their net carrying value back into line with fair value. The impairment is never reversed. It is fixed on a quarterly basis.

In accordance with IFRIC 10, an investment security for which an impairment provision has already been recorded is subject to additional impairment in the event another decrease in value is observed when the accounts are closed, without any conditions as to thresholds or duration.

4.2.7. Operating receivables and payables

Operating receivables and payables (receivables and payables arising from insurance and reinsurance operations, tax receivables and payables, other receivables and payables) are short-term receivables and payables (less than one year); they are maintained at their cost price insofar as the discounting effect is not material.

4.2.8. Group shareholders' funds

The Recyclable revaluation reserve net of shadow accounting adjustments recognizes the impact of the revaluation of available-for-sale financial assets and the impacts of the revaluation of hedging derivatives (cash flow hedges), net of shadow accounting adjustments.

Other reserves and OCI not recyclable to the income statement comprises the legal reserves of the Natixis Assurance holding company and the actuarial gains and losses related to non-recyclable employee benefits booked directly in equity in accordance with IAS 19 as revised.

Cumulative earnings comprise consolidated reserves (group share), including interim dividends paid by the holding company, with the exception of the AFS revaluation reserve net of deferred policyholder bonuses and deferred taxes, which is isolated under a separate heading.

4.2.9. Restatement of the capitalization reserve

The capitalization reserve is not recognized under IFRS and is therefore eliminated.

Restatement of the existing capitalization reserve

The summary of the work conducted by the CNC working groups on the specific conditions of IFRS implementation by insurance entities, updated in 2007, stipulates that the existing capitalization reserve must be restated under IFRS, as is the case under French GAAP (CRC 00-05). As the deferred policyholder bonus mechanism under IFRS and French GAAP (CRC 00-05) and the management intent are the same in both sets of standards, the treatment of the capitalization reserve is unchanged in IFRS.

The existing capitalization reserve was therefore initially restated as follows:

• elimination of the existing €145 million reserve at the opening date;

• subsequent to this elimination, recognition of a deferred policyholder bonus of €69 million.

These accounting entries were recorded through shareholders' equity.

The cancellation of subsequent variations in the existing capitalization reserve gives rise to the recognition of policyholder benefits via a provision for deferred policyholder bonuses at the deferred policyholder bonus rate. The deferred policyholder bonuses thus recognized are subject to deferred tax; the restatements are recognized through profit and loss.

The sufficiently cautious nature of deferred policyholder bonuses is verified using the liability adequacy test (see point 6.2.8).

Deferred taxation

Since the tax amendment of 2011 applicable to changes in the capitalization reserve (non-deduction of allowances, non-taxation of reversals), no deferred tax has been recognized on the share of the capitalization reserve restated in equity.

4.2.10. Classification of contracts

See point 6.2.3 Classification of insurance policies

4.2.11. Liabilities related to financial contracts without discretionary policyholder bonuses

Financial contracts without discretionary policyholder bonuses are financial liabilities that must be measured in accordance with IAS 39. These are unit-linked contracts: the related liabilities are measured at fair value.

4.2.12. Measurement of liabilities related to insurance policies and financial contracts

As authorized by IFRS 4, after taking into account the outcome of the liability adequacy test (see point 6.2.8), liabilities related to insurance policies and financial contracts are measured according to the methods applied in the individual financial statements (subject to any restatement of provisions not accepted by IFRS 4):

- **mathematical reserves for with-profits policies:** these reserves correspond to the companies' obligations to policyholders. For deferred-capital, single- or regular-premium endowment policies and life insurance policies, reserves are determined by capitalizing the sums invested and the bonuses included, at the technical interest rate ;
- **mathematical reserves for annuities:** reserves for civil liability invalidity annuities are calculated using the TD 88-90 mortality table and a technical interest rate equal to 60% of the average French government bond rate, reserves for death annuities (civil liability, life annuities and contractual annuities) are calculating using the TGH05 and TGF05 mortality tables for subscriptions after December 21, 2012, and technical interest rates fixed according to regulations; reserves for personal protection insurance annuities linked to invalidity and work cessation risks are assessed according to BCAC invalidity and incapacity continuous maintenance laws and reserves for personal protection insurance annuities linked to dependency risk are assessed according to a continuous invalidity and incapacity law furnished by the lead reinsurer;
- **overall management reserve:** this reserve covers future management expenses not booked against premiums or taken from investment income. It is calculated in accordance with ANC regulation n°2015-11 Art. 142-6. It is measured by similar category of policies;
- **reserve for interest rate risk:** this reserve is recorded to cover potential future commitments related to guaranteed minimum life annuity rates greater than or equal to 4.5% on policies taken out from July 1, 1993 and on premiums paid from June 1, 1995. It is calculated as the difference between the present value of future commitments and the policy's mathematical reserve at the inventory date. Furthermore, in order to incorporate the projected level of net inflows and outflows on policies with significant guaranteed rates of return, an additional provision was recorded on the basis of planned premiums set up before February 1, 2016;
- **reserve for written unearned premiums:** recognizes the portion (calculated on an accrual basis) of premiums issued during the financial year that relate to a period after the reporting date. This reserve generally concerns property & casualty and personal protection guarantees;
- **reserve for existing risks:** this reserve is used to cover, for all outstanding policies, the portion of claims expenses and costs associated with policies not covered by the reserve for written unearned premiums;
- **reserve for claims payable:** this reserve is used to cover benefits outstanding, redemptions and claims that have occurred but have not yet been paid at the balance sheet date. For property & casualty and personal protection insurance activities, it includes a provision for unknown claims or late-reported claims determined using statistical methods and a management fee aimed at covering claim liquidation costs;
- **provision for recoveries receivable:** recoveries receivable are subject to separate provisions from those recognized for claims payable;
- **reserve for deferred policyholder bonuses recognized in the individual financial statements:** this comprises policyholders' share of underwriting and financial profits generated by the company. It is permanently vested by policyholders and must be incorporated in mathematical reserves within a maximum period of 8 years;
- **reserve for increasing risks:** this reserve is recorded to address the residual risk between the inventory date and the contractual term based on single or level premiums on subscription;
- **underwriting reserves for unit-linked policies:** these reserves correspond to the companies' obligations to policyholders. They are expressed as unit-linked accounts and measured based on the realization value at the balance sheet date of portions of assets recognized as representative of unit-linked policies. For policies offering a floor rate, a special provision is recognized in order to cover the risk of repayment of the negative difference between the value of unit-linked assets at the benefit due date and the net amounts invested on subscription. The Black-Scholes (stochastic) method is used to calculate the amount of this provision;
- **deferred acquisition costs:** these concern the fraction of acquisition costs expensed for the year, but not deductible for the year in question, and are calculated prorata to unearned premiums for the year.

4.2.13. Shadow accounting

Natixis Assurances opted to apply shadow accounting (IFRS 4.30). A provision for deferred policyholder bonuses is recorded to recognize policyholders' entitlement to unrealized capital gains or losses on investments recorded in the balance sheet.

All investments are subject to this mechanism. It should be noted that, for all investments subject to the capitalization reserve, with the financial management policy implemented by Natixis Assurances calling for securities to be held to maturity, deferred policyholder bonuses are recorded on all unrealized capital gains or losses generated on these securities.

Shadow accounting measures apply both to insurance policies and to investment contracts with discretionary policyholder bonuses.

Changes in deferred policyholder bonuses and deferred tax are taken to equity or profit and loss depending on whether the unrealized capital gains or losses are recorded in equity (AFS) or profit and loss (FVO and Trading).

The January 2007 summary of the work carried out by the CNC's working groups on the specific conditions of IFRS implementation by insurance entities stipulates that: "In any assumption, the policyholder bonus rate used must on the one hand incorporate payout rates observed in the past and on the other the assumptions used for embedded value."

Considering prospective payout ratios for 2020 and in accordance with the payout ratio recorded for 2019, the deferred policyholder bonus rate adopted at December 31, 2019 is 89% compared to 88% at December 31, 2018.

Deferred policyholder bonus assets and recoverability test

CRC Regulation 2000-05 on insurance company consolidation rules stipulates that deferred policyholder bonus assets may be recorded if it is highly probable that they will be deducted from future policyholder bonuses.

In its recommendation of December 19, 2008, the CNCE reiterated the conditions for recognizing deferred policyholder bonus assets.

Deferred policyholder bonus assets are recorded in the event of overall unrealized capital losses on investments measured at fair value. Only the recoverable amount of deferred policyholder bonuses is recorded; this amount is determined using a recoverability test.

Deferred policyholder bonuses may be recovered depending on the intention and ability of companies to steer future compensation of contracts according to resources.

Where necessary, the recoverability of deferred policyholder bonuses is analyzed using a process including:

• assessment of the probability of generating unrealized capital losses at the end of the fiscal year, and thus indirectly the ability to hold loss-generating assets, depending on inflow and benefit scenarios (assuming continued use of the assets in question);

• the liability adequacy test conducted under the conditions set by IFRS 4.

Note that in 2019, as in 2018, Natixis Assurances recorded net deferred policyholder bonus liabilities.

4.2.14. Equalization provisions

Pursuant to IFRS 4, equalization provisions recognized in the individual financial statements are eliminated. A commission on underwriting income owed to business providers is recognized where called for in the business provider agreements (amount payable equal to 50% of the provision for Banque Populaire banks, 100% for leasing, 0% for payment protection insurance taken out by Caisse d'Epargne customers and 0% for the BPCE IARD provision). Deferred tax is recognized on net changes.

4.2.15. Employee benefits

Supplementary pension plans

Natixis Assurances set up an Article 83 defined-contribution pension plan for its employees, taken out with an external insurer. The contributions paid feed individual accounts per employee and are capitalized. The plan paid out €1,147k in respect of fiscal year 2019.

In addition, Natixis Assurance paid out €700k in respect of the pension fund for insurance sector employees in the form of a lifetime annuity, the premium being paid entirely by the company.

End-of-career compensation

An insurance policy was taken out with an external insurer in order to fund end-of-career compensation paid to retiring BPCE Vie and BPCE Relations Assurances employees.

In accordance with IAS 19 as revised, unamortized actuarial gains and losses were recorded in non-recyclable reserves. The actuarial gains and losses booked to non-recyclable reserves came to €4,512k, of which €2,926k for the opening of the fiscal year and €1,586k for changes over the period.

The commitment was measured in accordance with IAS 19 as revised. The total gross commitment amounted to €11,369k. The calculations were carried out individually, with employee benefits recorded on an accruals basis.

following assumptions were used:

• discount rate: between 1.50% and 1.24%;

• expected gross return on plan assets (BPCE Vie): 0.50%;

• tax rate: 1.60%;

• rate of salary increase: 2.28% for executive status staff and non-executive status staff;

• BPCE Vie executive turnover rate: 9.91% up to 35 years old, 5.25% between 35 and 44, 3.06% between 45 and 54, 1.17% between 55 and 59, and no turnover after 60;

• BPCE Vie non-executive turnover rate: 4.13% up to 35 years old, 2.10% between 35 and 44, 1.29% between 45 and 54, 0.30% between 55 and 59, and no turnover after 60;

• BPCE Assurances executive turnover rate: 7.56% up to 35 years old, 4.01% between 35 and 44, 2.34% between 45 and 54, 0.89% between 55 and 59, and no turnover after 60;

• BPCE Assurances non-executive turnover rate: 3.16% up to 35 years old, 1.60% between 35 and 44, 0.99% between 45 and 54, 0.23% between 55 and 59, and no turnover after 60;

• BPCE APS executive turnover rate: 6.06% up to 35 years old, 3.21% between 35 and 44, 1.79% between 45 and 54, 0.75% between 55 and 59, and no turnover after 60;

• BPCE APS non-executive turnover rate: 2.53% up to 35 years old, 1.28% between 35 and 44, 0.79% between 45 and 54, 0.19% between 55 and 59, and no turnover after 60.

• GIE RA executive turnover rate: 7.71% up to 35 years old, 4.08% between 35 and 44, 2.38% between 45 and 54, 0.91% between 55 and 59, and no turnover after 60;

• GIE RA non-executive turnover rate: 3.22% up to 35 years old, 1.63%

between 35 and 44, 1.00% between 45 and 54, 0.24% between 55 and 59, and no turnover after 60.

At end-2019, eligible plan assets totaled €3,431k, with the total net obligation standing at €7,938k.

Long-service awards

These are awarded to employees in activity who can justify the acquisition of the number of years of service required to claim the corresponding level of award:

- 20 years of service: silver long-service award;
- 30 years of service: vermillion long-service award;
- 35 years of service: gold long-service award;
- 40 years of service: great gold long-service award.

Awards are calculated as follows: (gross monthly salary x number of months of service) / (number of years corresponding to the award x 12 months))

At December 31, 2019, the obligation calculated by an independent actuary was €4,326k. The calculations were performed individually and the following assumptions were used to assess the obligation:

- discount rate: between 0.25% and 0.65%;
- inflation rate: 1.60%;
- rate of salary increase: 2.28%.

Anniversary leave

Natixis Assurances records a provision for anniversary leave to which employees are entitled under the French collective bargaining agreement for insurance companies. This provision was measured in accordance with IAS 19 as revised. The calculations were carried out individually, with employee benefits recorded on an accruals basis:

- discount rate: between 0.15% and 0.55%;
- inflation rate: 1.60%.

The total obligation came to €3,552k, of which €3,013k for the opening of the fiscal year.

4.2.16. Subordinated debt

Subordinated debt and securities are classified as financial debt, whether the debt in question is dated or perpetual.

Subordinated debt and securities are recognized at amortized cost, i.e. at their value in the individual financial statements.

4.2.17. Amounts payable to unitholders of consolidated UCITS

Pursuant to IAS 32.18, the share capital issued by a UCITS does not meet the definition of capital, but rather that of debt. Accordingly, «minority interests» in consolidated UCITS are recorded under a special heading in Other liabilities.

The change in the “income” component of this debt is booked to Change in fair value of investments measured at fair value through profit and loss.

The change in the «equity» component of this debt is taken to equity (group share). If this change were recorded in profit and loss, it would generate a discrepancy with the assets - predominantly classified as AFS – for which changes in value are taken to equity. This is also the principle applied by Natixis.

4.3. INCOME STATEMENT

4.3.1. Written premiums

This line records the premiums written during the fiscal year net of cancellation, except for premiums on financial contracts without discretionary policyholder bonuses. They are measured at their amount after taxes.

4.3.2. Revenue from financial contracts without discretionary policyholder bonuses

Revenue from financial contracts without discretionary policyholder bonuses is recorded under Revenue or income from other activities and corresponds to premium loading. Revenue from financial contracts without discretionary policyholder bonuses was not material.

4.3.3. Investment income and expenses

These items mainly comprise interest and rent accrued and received during the fiscal year, amortization of premiums-discounts (for HTM, AFS and FVO categories), dividends received, and management fees on investments.

4.3.4. Capital gains and losses on sales of investments

Selling price

Under IFRS, capital gains and losses on sales of investments are calculated using the FIFO method for the AFS, FVO and Trading categories, depending on the classification of the security sold. This method is identical to the one used in the parent company financial statements.

Purchases and sales of AFS securities

Purchases and sales of AFS securities do not give rise to the recognition of capital gains or losses through profit and loss. This is because, pursuant to IAS 39, AFS securities are identified on purchase and grouped together in the same portfolio. On sale, the capital gains or losses are taken directly to equity.

Capital gains or losses on securities measured at fair value through profit and loss

Capital gains or losses generated on securities classified as FVO or Trading are recorded under Change in fair value of instruments measured at fair value through profit and loss.

4.3.5. Consolidated UCITS and SCIs

Income and expenses on consolidated UCITS and SCIs

The contribution of consolidated UCITS and SCIs is presented in investment income, insofar as these vehicles are considered as investments of the insurance business.

Specific conditions of UCITS consolidation

Due to the technical difficulty of carrying out a restatement whose impact would be immaterial, there is a discrepancy with some accounting methods for consolidated UCITS:

- capital gains or losses on sales of securities held are calculated using the weighted average price method;
- the bonds held are not subject to premium-discount amortization.

4.3.6. Impact of exchange rate differences on unrealized gains and losses

Pursuant to IAS 21, exchange rate differences resulting from the foreign exchange translation of financial instruments are recorded in:

- recyclable equity for non-monetary items (equities and other variable income securities) classified as AFS;
- profit and loss for other financial instruments.

4.3.7. Operating expenses

Operating expenses are first recorded in the parent company financial statements under expenses by type of expense (Class 9). They are then divided up by responsibility center based on a case-by-case assessment (which is the case for external expenses), or pro-rated for each center's activity and consumption (which is the case for functional expenses).

Expenses are then broken down using keys or the ABC (Activity-Based Costing) method. This method involves allocating expenses consumed to the various operations contributing to the production of products using resource drivers. The main allocation keys used are headcount and management operations.

This allocation ensures that operating expenses are allocated to one of the uses provided for in the French Insurance Code, i.e.:

- acquisition costs;
- administrative costs;
- claims management costs;
- investment management costs;
- underwriting and non-underwriting expenses.

Depending on this allocation, expenses by category are transferred quarterly to Class 6 accounts in the parent company financial statements and are added to the relevant items of the consolidated income statement.

4.3.8. Fees and commissions

Insurance policy investment fees (according to revenue and change in inventories) are recorded under Acquisition costs.

Fees on life insurance AuM, fees based on personal protection insurance underwriting income, performance fees on property & casualty and personal protection insurance, and other fees are recorded under Administrative costs.

4.3.9. Income tax

The normal rates of income tax in 2019 for companies established in France were set at:

- 28% up to taxable profit of €500k;
- 31% for companies with revenue under €250 million and for the portion of profit over €500k;
- and 33 1/3% for companies with revenue over €250 million and for the portion of profit over €500k.

Corporate income tax for the fiscal year under consideration was calculated according to the tax provisions in force. The expense recognized includes the 3.3% social contribution introduced by law 99-1140 of December 29, 1999.

The French tax rate (excluding social contribution) will then be reduced to:

- for companies with revenue under €250 million: 28% in 2020, 26.5% in 2021 and 25% from 2022.
- companies with revenue over €250 million: 31% in 2020, 27.5% in 2021 and 25% from 2022.

Regarding the Luxembourg subsidiary, Natixis Life, the Luxembourg authorities lowered the tax rate to 24.94% from 26.01%.

For the purposes of calculating deferred tax, Natixis Assurances applies an appropriate annual tax rate based on the timetable for the reversal of each of the main temporary differences. In the event that the timing of reversal is unknown, it is assumed that reversal takes place after 2022.

The tax on corporate added value (CVAE) is classified as an operating expense along with taxes and not as Income tax.

4.4. SEGMENT REPORTING

The sectors presented in the consolidated financial statements are:

- Life Insurance, Investment Solutions and Pensions;
- Personal Protection Insurance and Payment Protection Insurance;
- Property & Casualty Insurance (property damage, financial losses, health and personal accident insurance).

These sectors involve different types of products and regulatory environments and are identical to those used in reports submitted to management.

Natixis Assurances' geographic areas are:

- France (including the French branch of the Luxembourg subsidiary);
- Luxembourg.

4.5. STATEMENT OF CASH FLOWS

The statement of cash flows is presented in the indirect approach format.

Investment transactions are classified as investment activities. However, interest and dividends are allocated to operating activities in order to match them against the corresponding operating expenses. Inflows and outflows are presented net of reinsurance.

5. 5. NOTES ON FINANCIAL INSTRUMENTS

5.1 FINANCIAL INSTRUMENTS

5.1.1. Investments

BREAKDOWN OF INVESTMENTS

	12/2019		12/2018	
(in € thousands)	Balance sheet value	%. (Balanc sheet value)	Balance sheet value	%. (Balanc sheet value)
Investment property at amortized cost	125,683	-	126,504	-
Investment property at fair value through profit and loss	1,015,766	1.17%	916,016	1.12%
Unit-linked investment property	456,030	0.52%	428,103	0.54%
Investment property	1,597,479	**1.84%**	**1 470 623**	**1.83%**
Held-to-maturity bonds	940,136	1.08%	1,325,487	1.6%
Bonds recorded using the fair value option	41,027,769	47.13%	39,172,945	47.52%
Bonds recorded using the fair value option	2,317,724	2.66%	1,814,570	2.2%
Bonds	**44,285,628**	**50.87%**	**42,313,001**	**52%**
Available-for-sale equities	1,587,916	1.82%	1,277,286	1.6%
Equities recorded using the fair value option	-	0%	-	0%
Equities	**1,587,916**	**1.82%**	**1,277,286**	**2%**
Available-for-sale UCITS	6,060,322	6.96%	4,763,772	5.9%
UCITS recorded using the fair value option	667,157	0.77%	365,592	0.4%
UCITS held for trading purposes	2,202,200	2.53%	4,716,307	5.8%
UCITS	**8,929,679**	**10.26%**	**9,845,671**	**11.88%**
Sub-total financial investments (excl. property and loans and receivables)	**54,803,224**	**62.96%**	**53,435,958**	**66%**
o/w held-to-maturity financial investments	*940,136*	*1.08%*	*1,325,487*	*1.6%*
o/w available-for-sale financial investments	*48,676,007*	*55.92%*	*45,214,002*	*56%*
o/w financial investments at fair value through P&L (1)	*5,187,081*	*5.96%*	*6,896,468*	*8%*
Loans and receivables	13,917,983	15.99%	13,059,488	16%
Investments representing unit-linked policies recorded using the fair value option	16,713,441	19.20%	13,403,300	17.89%
Derivative assets	17,785	0.02%	17,368	0%
INSURANCE BUSINESS INVESTMENTS	**87,049,912**	**100%**	**81,386,737**	**100%**
Derivative liabilities and amounts payable on derivatives	(62,438)		(15,004)	

(1) Excluding investment property..

BREAKDOWN OF INVESTMENTS IN AFFILIATES

	12/2019		12/2018	
(in € thousands)	Balance sheet value	o/w affiliates	Balance sheet value	o/w affiliates
Investment property at amortized cost	125,683	-	126,504	-
Investment property at fair value through profit and loss	1,015,766	-	916,016	-
Unit-linked investment property	456,030	-	428,103	-
Investment property	**1,597,479**	**-**	**1,470,623**	**-**
Held-to-maturity bonds	940,136	24,056	1,325,487	35,548
Available-for-sale bonds	41,027,769	792,812	39,172,945	787,116
Bonds recorded using the fair value option	2,317,724	321,376	1,814,570	337,597
Bonds	**44,285,628**	**1,138,245**	**42,313,001**	**1,160,260**
Available-for-sale equities	1,587,916	28,285	1,277,286	5,327
Equities recorded using the fair value option	-	-	-	-
Equities	**1,587,916**	**28,285**	**1,277,286**	**5,327**
Available-for-sale UCITS	6,060,322	85,784	4,763,772	84,428
UCITS recorded using the fair value option	667,157	-	365,592	-
UCITS held for trading purposes	2,202,200	-	4,716,307	-
UCITS	**8,929,679**	**85,784**	**9 845 671**	**84,428**
Sub-total financial investments (excl. property and loans and receivables)	**54,803,224**	**1,252,314**	**53,435,958**	**1,250,015**
o/w held-to-maturity financial investments	*940,136*	*24,056*	*1,325,487*	*35,548*
o/w available-for-sale financial investments	*48,676,007*	*906,882*	*45,214,002*	*876,870*
o/w financial investments at fair value through P&L (1)	*5,187,081*	*321,376*	*6,896,468*	*337,597*
Loans and receivables	13,917,983	360,205	13,059,488	24,974
Investments representing unit-linked policies recorded using the fair value option	16,713,441	2,089,275	13,403,300	1,530,332
Derivative assets	17,785	4,933	17,368	6,445
INSURANCE BUSINESS INVESTMENTS	**87,049,912**	**3,706,727**	**81,386,737**	**2,811,766**
Derivative liabilities and amounts payable on derivatives	(62,438)	(24,723)	(15,004)	(9,850)

(1) Excluding investment property.

UNREALIZED GAINS OR LOSSES ON FINANCIAL INVESTMENTS

	12/2019				12/2018			
Breakdown of financial investments (in € thousands)	Amortized cost	Fair value	Carrying amount	Unrealized gains	Amortized cost	Fair value	Carrying amount	Unrealized gains
Investment property	**1,352,717**	**1,624,004**	**1,597,479**	**271,287**	**1,280,244**	**1,494,166**	**1,470,623**	**213,922**
Held-to-maturity bonds	940,136	1,156,198	940,136	216,062	1,325,487	1,549,559	1,325,487	224,072
Available-for-sale bonds	37,504,707	41,027,769	41,027,769	3,523,061	36,965,288	39,172,945	39,172,945	2,207,656
Bonds measured using the fair value option	2,167,286	2,317,724	2,317,724	150,438	1,789,993	1,814,570	1,814,570	24,577
Bonds	**40,612,129**	**44,501,691**	**44,285,628**	**3,889,562**	**40,080,768**	**42,537,073**	**42,313,001**	**2,456,304**
Available-for-sale equities	1,280,636	1,587,916	1,587,916	307,281	1 217 844	1 277,286	1,277,286	59,442
Equities measured using the fair value option	-	-	-	-	-	-	-	-
Equities	**1,280,636**	**1,587,916**	**1,587,916**	**307,281**	**1,217,844**	**1,277,286**	**1,277,286**	**59,442**
Available-for-sale UCITS	5,435,948	6,060,322	6,060,322	624,374	4,663,163	4,763,772	4,763,772	100,609
UCITS measured using the fair value option	708,067	667,157	667,157	(40,910)	383,684	365,592	365,592	(18,093)
UCITS held for trading purposes	2,204,139	2,202,200	2,202,200	(1,939)	4,719,613	4,716,307	4,716,307	(3,306)
UCITS	**8,348,153**	**8,929,679**	**8,929,679**	**581,525**	**9,766,460**	**9,845,671**	**9,845,671**	**79,210**
Loans and receivables	**13,917,983**	**13,917,983**	**13,917,983**	**-**	**13,059,488**	**13,059,488**	**13,059,488**	**-**
Sub-total financial investments (excl. investment property)	**64,158,901**	**68,937,269**	**68,721,207**	**4,778,368**	**64,124,560**	**66,719,517**	**66,495,445**	**2,594,957**

IMPACTS OF HEDGING RELATIONSHIPS ON INVESTMENTS

Breakdown of investments (in € thousands)	Carrying amount — 12/2019			
	Financial instruments	Impact of derivatives subject to hedge accounting	Impact of other derivatives	Cumulative value of hedged instrument and hedging instrument
Investment property at amortized cost	125,683	-	-	125,683
Investment property at fair value through P&L	1,015,766	-	-	1,015,766
Unit-linked investment property	456,030	-	-	456,030
Investment property	**1,597,479**	**-**	**-**	**1,597,479**
Held-to-maturity bonds	940,136	-	-	940,136
Available-for-sale bonds	41,027,769	(24,093)	(421)	41,003,255
Bonds recorded using the fair value option	2,317,724	-	(6,781)	2,310,94
Bonds	**44,285,628**	**(24,093)**	**(7,201)**	**44,254,334**
Available-for-sale equities	1,587,916	-	(155)	1,587,762
Equities recorded using the fair value option	-	-	-	-
Equities	**1,587,916**	**-**	**(155)**	**1,587,762**
Available-for-sale UCITS	6,060,322	-	(13,204)	6,047,118
UCITS recorded using the fair value option	667,157	-		667,157
UCITS held for trading purposes	2,202,200	-	-	2,202,200
UCITS	**8,929,679**	**-**	**(13,204)**	**8,916,475**
Sub-total financial investments (excl. property and loans and receivables)	**54,803,224**	**(24,093)**	**(20,560)**	**54,758,571**
o/w held-to-maturity financial investments	*940,136*	-	-	*940,136*
o/w available-for-sale financial investments	*48,676,007*	*(24,093)*	*(13,779)*	*48,638,135*
o/w financial investments at fair value through P&L [(1)]	*5,187,081*	-	*(6,781)*	*5,180,300*
Loans and receivables	13,917,983	-	-	13,917,983
Investments representing unit-linked policies recorded at fair value through profit and loss	16,713,441	-	-	16,713,441
Other hedging derivatives	-	-	-	-
INSURANCE BUSINESS INVESTMENTS	**87,032,126**	**(24,093)**	**(20,560)**	**86,987,474**

(1) Excluding investment property.

IMPACTS OF HEDGING RELATIONSHIPS ON INVESTMENTS

	Carrying amount — 12/2018			
Breakdown of investments (in € thousands)	Financial instruments	Impact of derivatives subject to hedge accounting	Impact of other derivatives	Cumulative value of hedged instrument and hedging instrument
Investment property at amortized cost	126,504	-	-	126,504
Investment property at fair value through P&L	916,016	-	-	916,016
Unit-linked investment property	428,103	-	-	428,103
Investment property	**1,470,623**	**-**	**-**	**1,470,623**
Held-to-maturity bonds	1,325,487	-	-	1,325,487
Available-for-sale bonds	39,172,945	(9,273)	9,527	39,173,199
Bonds recorded using the fair value option	1,814,570	-	-	1,814,570
Bonds	**42,313,001**	**(9,273)**	**9,527**	**42,313,255**
Available-for-sale equities	1,277,286	-	(103)	1,277,183
Equities recorded using the fair value option	-	-	-	-
Equities	**1,277,286**	**-**	**(103)**	**1,277,183**
Available-for-sale UCITS	4,763,772	-	2,213	4,765,985
UCITS recorded using the fair value option	365,592	-		365,592
UCITS held for trading purposes	4,716,307	-	-	4,716,307
UCITS	**9,845,671**	**-**	**2,213**	**9,847,883**
Sub-total financial investments (excl. property and loans and receivables)	**53,435,958**	**(9,273)**	**11,637**	**53,438,322**
o/w held-to-maturity financial investments	*1,325,487*	-	-	*1,325,487*
o/w available-for-sale financial investments	*45,214,002*	*(9,273)*	*11,637*	*45,216,366*
o/w financial investments at fair value through P&L [1]	*6,896,469*	-	-	*6,896,468*
Loans and receivables	13,059,488	-	-	13,059,488
Investments representing unit-linked policies recorded at fair value through profit and loss	13,403,300	-	-	13,403,300
Other hedging derivatives	-	-	-	-
INSURANCE BUSINESS INVESTMENTS	**81,369,369**	**(9,273)**	**11,637**	**81,371,732**

(1) Excluding investment property.

SECURITIES LENDING AND REPOS

Natixis Assurances conducted securities lending and repo transactions for the amounts of €2.635 billion and €1.422 billion, respectively. Some of these transactions were conducted with Natixis:

Loans (in € thousands)	Balance sheet value 12/2019	Balance sheet value 12/2018
NATIXIS	2,634,923	1,637,186
Total loans	**2,634,923**	**1,637,186**

Repos (in € thousands)	Balance sheet value 12/2019	Balance sheet value 12/2018
NATIXIS	-	43,465
SOCIÉTÉ GÉNÉRALE	784,275	2,122,799
CRÉDIT AGRICOLE	116,893	1,515,480
HSBC	230,404	214,079
BARCLAYS	107,802	175,133
CRÉDIT SUISSE	6,751	93,089
BNP PARIBAS	148,930	47,182
MORGAN STANLEY	27,002	-
GOLDMAN SACHS	-	90,335
MERRILL LYNCH	-	1,638
Total repos	**1,422,057**	**4,303,201**

5.1.2. Financial liabilities

PRESENTATION OF FINANCIAL LIABILITIES

Category of instruments classified as financial liabilities (in € thousands)	12/2019 Fair value	12/2019 Carrying amount	12/2019 % (carrying amount)	12/2018 Fair value	12/2018 Carrying amount	12/2018 % (carrying amount)
Liabilities related to financial contracts with discr. policyholder bonus – excl. UL contracts	(2)	20,189,904	76%	(2)	20,146,175	79%
Liabilities related to financial contracts with discr. policyholder bonus - unit-linked contracts		4,936,870	18%		3,958,558	15%
Instruments classified as financial liabilities under local standards (1)	-	**25,126,774**	**94%**	-	**24,105,283**	**94%**
Liabilities related to financial contracts w/o discr. policyholder bonus – excl. UL policies	-	-	0%	-	-	0%
Subordinated debt and other financial debt	1,495,193	1,442,753	5%	1,559,589	1,519,793	6%
Lease liabilities - IFRS 16	71,802	71,802	0%	-	-	0%
Instruments classified as financial liabilities at amortized cost	**1,566,995**	**1,514,555**	**6%**	**1,559,589**	**1,519,793**	**6%**
Liabilities related to financial contracts w/o discr. policyholder bonus - unit-linked contracts	11,114	11,114	0%	10,318	10,318	0%
Instruments classified as financial liabilities using the fair value option	**11,114**	**11,114**	**0%**	**10,318**	**10,318**	**0%**
Derivatives classified as liabilities and amounts payable on derivatives	**62,438**	**62,438**	**0,2%**	**15,004**	**15,004**	**0.1%**
TOTAL FINANCIAL LIABILITIES	**-**	**26,714,881**	**100%**	**-**	**25,650,398**	**100%**

(1) According to the provisions of IFRS 4.
(2) The fair value of investment contracts with discretionary policyholder bonuses was not calculated, as the regulatory framework for calculating the fair value of insurance policies and financial contracts with discretionary policyholder bonuses has not been defined; it was the focus of extensive debate during preparatory work for IFRS 17 relating to insurance policies.

5.1.3. Offsetting financial assets and financial liabilities

Financial assets offset or covered by a master netting agreement (in € thousands)	12/2019					12/2018				
	Gross amount of financial assets recognized in the balance sheet	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Amounts not offset related to guarantees received*	Net exposure	Gross amount of financial assets recognized in the balance sheet	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure
Derivatives	714	-	714	714	-	5,076	965	4,111	4,111	-
Repurchase agreements	-	-	-	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**714**	**-**	**714**	**714**	**-**	**5,076**	**965**	**4,111**	**4,111**	**-**

Financial liabilities subject to netting or an enforceable master netting agreement (in € thousands)	12/2019					12/2018				
	Gross amount of financial assets recognized in the balance sheet	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure	Gross amount of financial assets recognized in the balance sheet	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure
Derivatives	-	-	-	-	-	3,963	965	2,999	2,999	-
Repurchase agreements	1,422,057	-	1,422,057	1,420,779	1,278	4,303,201	-	4,303,201	4,260,019	43,182
Other financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**1,422,057**	**-**	**1,422,057**	**1,420,779**	**1,278**	**4,307,164**	**965**	**4,306,200**	**4,263,018**	**43,182**

*Guarantees received for repurchase agreements consist of financial instruments and not cash.

5.1.4. Income on financial instruments (net of expenses)

Non-itemized management expenses (in € thousands)	12/2019	12/2018
External investment management expenses	(47,932)	(66,151)
Internal investment management expenses	(10,383)	(7,461)
Management expenses	**(58,315)**	**(73,612)**

Investment property (in € thousands)	12/2019	12/2018
Investment income	68,282	61,508
Investment expenses	(20,753)	(19,973)
Management expenses	(6,032)	(5,572)
Change in fair value excluding disposals	79,866	82,699
Gains or losses on disposals	1	17,162
Change in impairments	-	-
Financial income (net of expenses)	**121,364**	**135,824**

Held-to-maturity investments (in € thousands)	12/2019	12/2018
Investment income	71,542	92,514
Investment expenses	-	-
Capital gains or losses on disposals net of impairment reversals	385	253
Change in impairments	-	(5)
Financial income (net of expenses)	**71,927**	**92,762**

Available-for-sale investments (in € thousands)	12/2019	12/2018
Investment income	1,013,953	1,006,184
Investment expenses	-	-
Capital gains or losses on disposals net of impairment reversals	181,940	91,153
Change in impairments	(55,886)	(88,592)
Financial income (net of expenses)	**1,140,007**	**1,008,745**

Investments recorded under the fair value option (in € thousands)	12/2019	12/2018
Investment income	116,234	124,419
Investment expenses	-	-
Change in fair value excluding disposals	103,045	(79,462)
Ajustement Acav	1,673,229	(1,005,467)
Unit-linked adjustment	33,057	5,335
Change in amount payable to consolidated UCITS unitholders	-	(2,636)
Financial income (net of expenses)	**1,925,565**	**(957,811)**

Investments held for trading purposes including derivatives (in € thousands)	12/2019	12/2018
Investment income	4,571	13,471
Investment expenses	(72,422)	(32,470)
Change in fair value excluding disposals	(33,060)	(8,809)
Gains or losses on disposals	(15,045)	(31,633)
Financial income (net of expenses)	**(115,956)**	**(59,441)**

Loans and receivables (in € thousands)	12/2019	12/2018
Investment income	412,654	22,049
Investment expenses	(154,453)	(4,248)
Capital gains or losses on disposals net of impairment reversals	135	-
Change in impairments	-	-
Financial income (net of expenses)	**258,336**	**220,801**

Total insurance business investments (in € thousands)	12/2019	12/2018
Non-itemized management expenses	(58,315)	(73,612)
Investment property	121,364	135,824
Held-to-maturity investments	71,927	92,762
Available-for-sale investments	1,140,007	1,008,745
Investments recorded under the fair value option	1,925,565	(957,811)
Investments held for trading purposes	(115,956)	(59,441)
Loans and receivables	258,336	220,801
Financial income, net of expenses, excl. financing costs	**3,342,928**	**367,268**

The management expenses paid by Natixis Assurances included €27 million of commissions and management fees paid to Natixis Investment Managers.

5.1.5. Provisions for impairments of investments

Provisions for permanent or significant impairment (in € thousands)	12/2018	Allowance	Reversal on disposal or reimbursement	Reversal of unused provision (1)	Consolidation/ Deconsolidation (2)	12/2019
Held-to-maturity investments	**1,360**	-	-	(461)	-	**899**
Available-for-sale investments	**211,270**	55,886	(98,590)	-	(5,405)	**163,161**
o/w real estate	***60,161***	*2,285*	(55,040)	-	-	***7,406***
o/w bonds	***37,822***	*11,781*	-	-	-	***49,603***
o/w equities and UCITS	***113,287***	*41,820*	*(43,550)*	-	(5,405)	***106,152***
Total provisions for impairment	**212,630**	**55,886**	**(98,590)**	**(461)**	**(5,405)**	**164,060**

'(1) Obsolete provision or partial reimbursement
'(2) Deconsolidation of ABP Vie Mandat fund on 04/01/2019

5.1.6. Financial instruments recorded at fair value

Techniques used to determine fair value

Details of the fundamental principles for valuing investments are provided in point 4.2.5. Most financial instruments accounted for at fair value are valued at their market price (level 1). Securities whose fair value is measured via valuation techniques, whether these make reference to market data or not, are presented in the table below.

Fixed-income securities whose prices are valued by more than five market contributors are accounted for in level 1, while those valued by between two and four contributors are accounted for in level 2. When the valuation is made by a single contributor, the securities are accounted for in level 3.

Investments representing unit-linked policies are predominantly UCITS. The fair value retained equates to the net asset value communicated by the fund manager, with these investments being classed in level 1.

Financial instruments recorded at fair value (in € thousands)	12/2019			
	Total fair value	Fair value determined using quoted prices	Fair value determined using valuation techniques based on market data	Fair value determined using valuation techniques not based on market data
		Level 1	Level 2	Level 3
Investment property	**1,471,796**	**-**	**1,471,796**	-
Bonds	41,027,769	35,780,418	2,681,186	2,566,164
Equities	1,514,354	1,456,435	57,915	4
UCITS	5,974,538	3,910,603	2,063,934	-
Investments in affiliates	159 347	(13)	153,650	5,710
Available-for-sale financial assets	**48,676,007**	**41,147,444**	**4,956,685**	**2,571,879**
Bonds	2,317,724	98,370	642,951	1,576,403
UCITS	2,869,357	2,327,550	541,807	-
Financial assets at fair value through profit and loss	**5,187,081**	**2,425,920**	**1,184,758**	**1,576,403**
Derivative assets	**17,785**	**12,167**	**5,619**	**-**
Derivative liabilities and related payables	**(62,438)**	**(32,306)**	**(30,133)**	**-**
Total financial assets/ liabilities (excl. investment property)	**53,818,435**	**43,553,224**	**6,116,929**	**4,148,281**
% N	100%	80.9%	11.4%	7.7%
% N-1	100%	81.6%	10.8%	7.5%

Breakdown of securities subject to valuation techniques:
- Available-for-sale financial assets:
  - Level 2:
    - Bonds valued by 2-4 contributors, CODs, FCTs valued quarterly
    - SCIs (SCI Foncière 2, SCI FLI, SCI FLI 2) and BP Développement shares
    - Illiquid SCPIs, FCPRs valued quarterly
    - Belgian SICAV
  - Level 3:
    - 102 bonds valued by fewer than 4 contributors
    - Inter Mutuelle Assistance and Surassur
- Financial assets at fair value through profit and loss:
  - **Level 2:** Illiquid SCPIs
  - **Level 3:** 90 bonds valued by fewer than 4 contributors
- Derivative assets:
  - **Level 1:** Listed futures
  - **Level 2:** Caps, interest rate and currency swaps, CDS

Financial instruments recorded at fair value (in € thousands)	12/2018			
	Total fair value	Fair value determined using quoted prices	Fair value determined using valuation techniques based on market data	Fair value determined using valuation techniques not based on market data
		Level 1	Level 2	Level 3
Investment property	**1,344,119**	**-**	**1,344,119**	-
Bonds	39,172,945	33,218,342	3,614,720	2,339,883
Equities	1,219,591	1,129,986	50,700	38,906
UCITS	4,679,344	3,298,795	1,380,550	-
Investments in affiliates	142,122	-	136,795	5,327
Available-for-sale financial assets	**45,214,002**	**37,647,123**	**5,182,764**	**2,384,116**
Bonds	1,814,570	8,900	179,999	1,545,670
UCITS	5,081,899	4,799,441	282,457	-
Financial assets at fair value through profit and loss	**6,89,469**	**4,888,341**	**462,457**	**1,545,670**
Derivative assets	**17,368**	**2,213**	**15,155**	**-**
Derivative liabilities and related payables	**(15,005)**	**(86)**	**(14,919)**	**-**
Total financial assets/ liabilities (excl. investment property)	**52,112,834**	**4,537,591**	**5,645,457**	**3,929,786**
% N	100%	81.6%	10.8%	7.5%
% N-1	100%	81.9%	7.8%	10.3%

Breakdown of securities subject to valuation techniques:
- Available-for-sale financial assets:
  - Level 2:
    - Bonds valued by 2-4 contributors, CODs, FCTs valued quarterly
    - SCI Tour W (level 3), other SCIs and BP Développement shares
    - Illiquid SCPIs, FCPRs valued quarterly
    - SCI Foncière 2, SCI FLI, SCI FLI 2 and Belgian SICAV
  - Level 3:
    - 87 bonds valued by fewer than 2 contributors
    - SCI Tour W
    - Inter Mutuelle Assistance and Surassur
- Financial assets at fair value through profit and loss:
  - **Level 2:** Illiquid SCPIs
  - **Level 3:** 78 bonds valued by fewer than 2 contributors
- Derivative assets:
  - **Level 1:** Listed futures
  - **Level 2:** Caps, interest rate and currency swaps, CDS

Changes in levels

(in € thousands)	Level 1	Level 2	Level 3	Total
Unchanged	38,225,327	5,537,286	2,509,324	46,271,937
Acquisition	4,400,205	998,788	954,165	6,353,158
From 1 to 2	-	480,967	-	480,967
From 1 to 3	-	-	4,713	4,713
From 2 to 1	764,092	-	-	764,092
From 2 to 3	-	-	680,079	680,079
From 3 to 1	163,600	-	-	163,600
From 3 to 2	-	571 ,683	-	571,683
Total	**43,553,224**	**7,588,725**	**4,148,281**	**55,290,231**

Changes in securities priced according to level 3

(in € thousands)	At January 1 Level 3	Gains and losses recognized over the period		Transactions over the period		Reclassifications over the period			At December 31 Level 3
		In the income statement	In equity	Purchases	Sales	From level 3	To level 3	Others	
Financial assets held for trading purposes	-	-	-	-	-	-	-	-	-
designated at FV through P&L	1,545,670	118,008	-	230,620	(265,223)	(52,672)	-	-	1,576,403
Available-for-sale financial assets	2,384,115	(7,799)	(192)	723,545	(578,131)	(634,452)	684,794	-	2,571,879
Total	**3,929,786**	**110,209**	**(192)**	**954,165**	**(843,354)**	**(687,125)**	**684,794**	**-**	**4,148,282**

5.2. DERIVATIVES

5.2.1. Derivatives recorded under hedge accounting

Natixis Assurances subscribed for currency swaps in order to hedge dollar-denominated bond portfolios. This hedging was recognized as effective and recorded as a cash-flow.

Category of instrument (in € thousands)	Notional value schedule in 12/2019			Total notional value	Credit rating					Fair value
	< 1 year	1 - 5 years	> 5 years	12/2019	AAA	AA	A	BBB	Not rated	12/2019
Currency swap	-	-	224,639	224,639	-	-	224,639	-	-	(24,093)
TOTAL	**-**	**-**	**224,639**	**224,639**	**-**	**-**	**224,639**	**-**	**-**	**(24,093)**

5.2.2. Derivatives not subject to hedge accounting

Category of instrument (in € thousands)	Notional value schedule in 12/2019			Total notional value	Credit rating					Fair value
	< 1 year	1 - 5 years	> 5 years	12/2019	AAA	AA	A	BBB	Not rated	12/2019
Interest-rate swaps	-	-	-	-	-	-	-	-	-	-
Currency swaps (1)	-	92,023	130,677	222,700	-	-	222,700	-	-	(1,134)
CDS	-	-	-	-	-	-	-	-	-	-
Swaps and CDS	**-**	**92,023**	**130,677**	**222,700**	**-**	**-**	**222,700**	**-**	**-**	**(1,134)**
Caps bought (2)	900,000	2,500,000	1,000,000	4,400,000	-	-	4,000,000	400,000	-	713
Caps sold (2)	900,000	2,500,000	1,000,000	4,400,000	-	-	4,000,000	400,000	-	-
Equity puts bought	1,424,419	-	-	1,424,419	-	-	-	-	1,424,419	7,638
Equity puts sold	-	-	-	-	-	-	-	-	-	-
Equity calls sold	712,209	-	-	712,209	-	-	-	-	712,209	(32,150)
Options	**3,936,628**	**5,000,000**	**2,000,000**	**10,936,628**	**-**	**-**	**8,000,000**	**800,000**	**2,136,628**	**(23,799)**
Currency futures	26,250	-	-	26,250	-	-	-	-	26,250	4,373
Others	**26,250**	**-**	**-**	**26,250**	**-**	**-**	**-**	**-**	**26,250**	**4,373**
TOTAL	**3,962,878**	**5,092,023**	**2,130,677**	**11,185,578**	**-**	**-**	**8,222,700**	**800,000**	**2,162,878**	**(20,560)**

(1) Includes CVA/DVA
(2) The fair value of caps is presented net of accrued premiums. Of these caps, those issued by Natixis represented a notional amount of €600 million and a total fair value of +€16k.

5.3. FINANCIAL RISKS

5.3.1. Risk management method

In the life insurance business, commitments recorded as balance sheet liabilities are reviewed so as to determine the company's various constraints and to define the allocation of assets with respect to identified risks associated with insurance policies. The aim for insurance companies is to optimize their asset allocation, particularly by favoring instruments offering regular returns compatible with the commitments recorded as balance sheet liabilities and thus maintain the companies' solvency.

One of the methods used is to impose constraints on the fixed income portfolio in terms of ratings and duration, in order to comply with the insurer's obligations in extreme market and redemption situations.

Equities and property assets serve to diversify the portfolio and improve its long-term return. However, the proportion of such assets in the portfolio is also limited in the short term by the obligation to record a provision for liquidity risks (in the individual financial statements) and by commercial, contractual or regulatory requirements resulting from the rates of return on customer policies.

The choice of distribution between investments subject to Article R. 343-9 and R. 343-10 is based on several factors:

- the scope available for diversification;
- the maximum accounting risk compatible with the objective of protecting equity and net income.

5.3.2. Credit risk

Counterparty risk is monitored and managed in compliance with Natixis Group standards and internal limits, as determined by the Risk Committee, as well as the regulatory constraints imposed on insurance companies. Credit risk is monitored by Ostrum Asset Management, which is responsible for managing the portfolio and reporting to the Finance Committee. In addition, a Credit Committee comprising members from Natixis Assurances and Ostrum Asset Management meets quarterly.

BREAKDOWN BY TYPE AND BUSINESS SECTOR OF FINANCIAL ASSETS EXPOSED TO CREDIT RISK

Breakdown of bonds (in € thousands)	Business sectors in 12/2019					Business sectors in 12/2018				
	Government securities	Quasi-Government	Private sector - Financial [2]	Private sector - Non financial	Total	Government securities	Quasi-Government	Private sector - Financial [2]	Private sector - Non financial	Total
Held-to-maturity bonds	633,842	-	27,935	278,358	**940,136**	1,000,444	40,546	44,947	239,551	**1,325,487**
Available-forsale bonds	12,770,234	510,039	13,110,135	14,637,360	**41,027,769**	12,165,811	1,674,487	10,738,991	14,593,656	**39,172,945**
Bonds recorded using the fair value option	98,370	34,036	2,185,318	-	**2,317,724**	88,900	34,651	1,561,018	130 000	**1,814,570**
Total bonds	**13,502,447**	**544,075**	**15,323,388**	**14,915,719**	**44,285,628**	**13,255,155**	**1,749,684**	**12,344,956**	**14 963 207**	**42,313,001**
% N	***30.5%***	***1.2%***	***34.6%***	***33.7%***	***100%***	***31.3%***	***4.1%***	***29.2%***	***35.4%***	***100%***
o/w maturity < 1 yrs [1]	*648,474*	*6,187*	*1,155,117*	*683,876*	***2,493,654***	*855,820*	*176,298*	*1,093,995*	*1,232,044*	***3,358,157***
o/w maturity 1 to 5 yrs [1]	*2,658,955*	*226,388*	*4,707,458*	*6,655,203*	***14,248,003***	*3,141,043*	*741,564*	*4,965,559*	*6,979,775*	***15,827,941***
o/w maturity > 5 yrs [1]	*10,195,017*	*311,501*	*9,460,814*	*7,576,640*	***27,543 971***	*9,258,291*	*831,822*	*6,285,403*	*6,751,388*	***23,126,903***

(1) Contractual maturity or exercise date of issuer call (where applicable)
(2) o/w 23% rated AA or AAA (22% in 2018) and 69% rated A, AA or AAA (67% in 2018)

BREAKDOWN BY TYPE AND CREDIT RATING OF FINANCIAL ASSETS EXPOSED TO CREDIT RISK

Breakdown of bonds (in € thousands)	Credit ratings in 12/2019												12/2018
	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not rated [2]	Total	Total
Held-to-maturity bonds	396	436,845	145,370	356,179	-	59	751	128	-	272	135	**940,136**	**1,325,487**
Available-for-sale bonds	2,450,080	13,619,284	11,170,682	10,830,312	58,434	116,540	-	-	-	5,340	2,248,098	**41,027,769**	**39,172,945**
Bonds recorded using the FVO	98,370	104 035	1 428 066	368 742	-	-	-	-	-	-	318,511	**2,317,724**	**1,814,570**
Total Bonds	**2,548,846**	**14,160,165**	**12,744,118**	**11,555,233**	**587,434**	**116,598**	**751**	**128**	**-**	**5,612**	**2,566,744**	**44,285,628**	**42,313,001**
% N	***5.8%***	***32%***	***29%***	***26%***	***1.3%***	***0.3%***	***0%***	***0%***	***0%***	***0%***	***5.8%***	***100%***	
% N-1	***6.3%***	***32%***	***25%***	***28%***	***2.0%***	***0.2%***	***0%***	***0%***	***0%***	***0%***	***7.0%***		***100%***
o/w maturity < 1 yrs [1]	*180,180*	*725,634*	*646,573*	*848,562*	*22,050*	*18,969*	-	-	-	-	*51,686*	***2,493,654***	***3,358,157***
o/w maturity 1 to 5 yrs [1]	*811,730*	*3,467,129*	*4,226,897*	*4,555,577*	*312,795*	*35,744*	-	-	-	*5,612*	*832,520*	***14,248,003***	***15,827,941***
o/w maturity > 5 yrs [1]	*1,556,936*	*9,967,401*	*7,870,648*	*6,151,094*	*252,589*	*61,885*	*751*	*128*	-	-	*1,682,539*	***27,543,971***	***23,126,903***

(1) Contractual maturity or exercise date of issuer call (where applicable)
(2) The main unrated securities are securitization funds and senior bonds issued notably by ITM Entreprises and Artémis, and structured bonds.

CARRYING AMOUNT OF EURO ZONE SOVEREIGN DEBT SECURITIES

Sovereign debt (in € thousands)	Country	Balance sheet value (1)	
		2019	Proforma 2018
Available-for-sale securities	France	8,631,290	8,346,638
	Belgium	1,058,468	807,004
	Spain	697,457	637,238
	Italy	569,946	778,076
	Luxembourg	530,159	489,026
	Germany	311,420	228,702
	Portugal	186,308	168,839
	USA	150,003	149,963
	Poland	116,477	92,378
	Slovakia	98,099	93,627
	Austria	89,765	93,360
	Netherlands	73,533	91,384
	United Kingdom	70,103	-
	Philippines	57,396	51,275
	Canada	43,719	44,558
	Chile	41,921	37,984
	Finland	30,242	41,511
	Slovenia	13,930	14,248
	Total	**12,770,234**	**12,165,811**
Held-to-maturity securities	France	320,658	681,294
	Italy	300,431	306,348
	Austria	12,753	12,801
	Total	633,842	1,000,444
Securities recorded using the fair value option	Luxembourg	98,370	88,900
	Total	**98,370**	**88,900**
Total sovereign debt		13,502,447	13,255,155

(1) Carrying amount net of provisions for permanent impairment where applicable, without applying contractual policyholder bonus rules and without deferred tax

The fair value of AFS securities in the table above was exclusively determined using quoted prices (level 1).

5.3.3. Liquidity risk

BREAKDOWN OF FINANCIAL DEBT BY CONTRACTUAL MATURITY

Category of financial debt (1) (in € thousands)	Breakdown of carrying amount in 12/2019 by maturity			Carrying amount 12/2019	Carrying amount 12/2018
	< 1 year	1-5 years	> 5 years		
Dated subordinated debt taken out with Natixis or Groupe BPCE entities	775	83,000	425,000	508,775	508,768
Dated subordinated debt taken out with non-Group entities	-	-	-	-	-
Total dated subordinated debt	**775**	**83,000**	**425,000**	**508,775**	**508,768**
Perpetual subordinated debt issued by Natixis or Groupe BPCE entities (2)	877	-	273,500	274,377	274,386
Perpetual subordinated debt issued by non-Group entities (3)	34	-	251,000	251,034	251,069
Total perpetual subordinated debt	**912**	**-**	**524,500**	**525,412**	**525,455**
Total subordinated debt	**1,687**	**83,000**	**949,500**	**1,034,187**	**1,034,223**
Other financial debt issued by Natixis or Groupe BPCE entities	16,567	392,000	-	408,567	485,571
Other financial debt issued by non-Group entities	-	-	-	-	-
Total financial debt	**18,253**	**475,000**	**949,500**	**1,442,753**	**1,519,794**

(1) Short-term debt is defined as having a maturity of less than one year and the contractual maturity of financial contracts is presented in the section on interest rate risk (point 5.3.5)
(2) Perpetual debt with a 10-year call (€22 million at end-2022); other debt: annual call (first call date past)
(3) Perpetual debt with an 11-year call (€251 million at end-2025)

5.3.4. Market risks

EQUITY RISK EXPOSURE BY GEOGRAPHIC AREA

Breakdown of equities by geographic area - carrying amount at 12/31/2019 (in € thousands)	Equities			Non-consolidated UCITS (breakdown in table below)	Total
	Euro zone	Europe excl. euro zone	International		
Available-for-sale equities and UCITS	1,541,310	46,606	-	6,060,322	**7,648,238**
Equities and UCITS recorded under the fair value option	-	-	-	667,157	**667,157**
Equities and UCITS held for trading purposes	-	-	-	2,202,200	**2,202,200**
Available-for-sale investments in affiliates	-	-	-	-	**-**
Total equities and UCITS	**1,541,310**	**46,606**	**-**	**8,929,679**	**10,517,595**
% N	*97.1%*	*2.9%*	*0.0%*		
% N-1	*94.7%*	*5.3%*	*0.0%*		

Breakdown of equities by geographic area - carrying amount at 12/31/2018 (in € thousands)	Equities			Non-consolidated UCITS (breakdown in table below)	Total
	Euro zone	Europe excl. euro zone	International		
Available-for-sale equities and UCITS	1,209,167	68,118	-	4,763,772	**6,041,058**
Equities and UCITS recorded under the fair value option	-	-	-	365,592	**365,592**
Equities and UCITS held for trading purposes	-	-	-	4,716,307	**4,716,307**
Available-for-sale investments in affiliates	-	-	-	-	**-**
Total equities and UCITS	**1,209,167**	**68,118**	**-**	**9,845,671**	**11,122,956**
% N	*94.7%*	*5.3%*	*0.0%*		
% N-1	*93.6%*	*6.4%*	*0.0%*		

AMF CLASSIFICATION OF DIVERSIFIED UCITS

AMF classification of diversified UCITS – carrying amount in 12/2019 (in € thousands)	Euro zone equities	International equities	Bonds	Money market instruments	Alternative and diversified funds	Venture capital funds	Units of securitization funds and loan funds	Real estate funds	Total non-consolidated UCITS 12/2019
Available-for-sale UCITS	1,908,987	772,513	631,283	79,037	1,337,153	622,977	9	708,362	6,060,322
UCITS recorded under the fair value option	-	-	-	-	159,854	-	-	507,303	667,157
UCITS held for trading purposes	-	-	-	2,202,200	-	-	-	-	2,202,200
Total non-consolidated UCITS	**1,908,987**	**772,513**	**631,283**	**2,281,237**	**1,497,007**	**622,977**	**9**	**1,215,665**	**8,929,679**
% N	*21%*	*9%*	*7%*	*26%*	*17%*	*7%*	*0%*	*14%*	*100%*
% N-1	*9%*	*5%*	*5%*	*50%*	*15%*	*8%*	*0%*	*8%*	*100%*

AMF classification of diversified UCITS – carrying amount in 12/2018 (in € thousands)	Euro zone equities	International equities	Bonds	Money market instruments	Alternative and diversified funds	Venture capital funds	Units of securitization funds and loan funds	Real estate funds	Total non-consolidated UCITS 12/2019
Available-for-sale UCITS	868,885	532,035	500,132	181,015	1,409,810	766,227	30	505,638	4,763,772
UCITS recorded under the fair value option	-	2	-	-	83,133	-	-	282,457	365,592
UCITS held for trading purposes	-	-	-	4,716,307	-	-	-	-	4,716,307
Total non-consolidated UCITS	**886,885**	**532,036**	**500,132**	**4,897,322**	**1,492,943**	**766,227**	**30**	**788,095**	**9,845,671**
% N	*9%*	*5%*	*5%*	*50%*	*15%*	*8%*	*0%*	*8%*	*100%*
% N-1	*9%*	*6%*	*5%*	*49%*	*18%*	*6%*	*0%*	*7%*	*100%*

EXPOSURE TO PROPERTY RISK BY GEOGRAPHIC AREA AND CATEGORY

The properties referred to include the properties of the consolidated SCI and SPPICAV. They do not include non-consolidated SCPI and SCI securities.

Breakdown of investment property by geographic area (in € thousands)	Paris area		Other geographic areas		Total	
	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Offices at fair value through profit and loss	1,009,118	1,048,029	115,871	50,010	1,124,990	1,098,039
Other categories at fair value through profit and loss	88,779	1,233	258,029	244,847	346,807	246,081
Property at fair value through profit and loss	**1,097,897**	**1,049,262**	**373,900**	**294,857**	**1,471,797**	**1,344,119**
Other categories at amortized cost	99,318	99,527	26,365	26,977	125,683	126,504
Total investment property	**1,197,215**	**1,148,789**	**400,265**	**321,834**	**1,597,480**	**1,470,623**

FOREIGN EXCHANGE RISK

Breakdown of financial assets and liabilities(1) by currency (in € thousands)	12/2019		12/2018	
	Carrying amount	% of total	Carrying amount	% of total
Financial assets denominated in EUR	85,903,522	98.7%	80,425,809	98.8%
Financial assets denominated in GBP (2)	31,839	0.04%	110,314	0.14%
Financial assets denominated in USD (3)	976,820	1.12%	754,140	0.93%
Financial assets denominated in other currencies	137,730	0.16%	96,473	0.12%
TOTAL FINANCIAL ASSETS	**87,049,911**	**100%**	**81,386,737**	**100%**
Financial liabilities denominated in EUR	26,714,881	100%	25,650,398	100%
TOTAL FINANCIAL LIABILITIES	**26,714,881**	**100%**	**25,650,398**	**100%**

(1) Excluding purchase or sale of currency futures for hedging purposes
(2) o/w €32 million hedged with currency swaps
(3) o/w €456 million hedged with currency swaps

5.3.5. Interest rate risk

EXPOSURE OF FINANCIAL ASSETS

The following table shows the exposure of Natixis Assurances' financial assets to the fixed income market:

Category of financial assets [1] (in € thousands)	Breakdown of carrying amount by maturity at 12/31/2019 [3]			Carrying amount 12/2019	Carrying amount 12/2018
	< 1 year	1 - 5 years	> 5 years		
Held-to-maturity bonds	37,329	458,730	440,198	936,257	1,320,725
Available-for-sale bonds	2,197,990	12,252,797	24,963,301	39,414,088	37,210,175
Bonds recorded under the FVO	17,846	133,482	675,613	826,941	606,952
Unlisted bonds (amortized cost)	-	-	-	-	-
Fixed-rate bonds	**2,253,165**	**12,845,008**	**26,079,112**	**41,177,286**	**39,137,852**
Fixed-rate loans and receivables	655,977	204,895	13,007,015	13,867,887	13,009,384
Other net financial assets exposed to fair value risk [2]	-	(5,360)	(19,154)	(24,514)	254
FIXED-RATE FINANCIAL ASSETS	**2,909,142**	**13,044,544**	**39,066,973**	**55,020,659**	**52,147,490**
% N	***5.0%***	***22.4%***	***67.2%***	***94.7%***	
% N-1	***6.1%***	***25.8%***	***62.4%***		***94.3%***
Held-to-maturity bonds	135	272	3,472	3,879	4,762
Available-for-sale bonds	48,280	1,042,505	522,895	1,613,680	1,962,770
Bonds recorded under the FVO	192,073	360,218	938,492	1,490,783	1,207,617
Unlisted bonds (amortized cost)	-	-	-	-	-
Fixed-rate bonds	**240,488**	**1,402,995**	**1,464,859**	**3,108,343**	**3,175,149**
Fixed-rate loans and receivables	50,096	-	-	50,096	50,103
Other net financial assets exposed to fair value risk [2]	-	-	-	-	-
VARIABLE-RATE FINANCIAL ASSETS	**240,488**	**1,402,995**	**1,464,859**	**3,108,343**	**3,175,149**
% N	***0.4%***	***2.4%***	***2.5%***	***5.3%***	
% N-1	***0.5%***	***2.9%***	***2.4%***		***5.7%***
FINANCIAL ASSETS EXPOSED TO INTEREST RATE RISK	**3,149,631**	**14,447,539**	**40,531,832**	**58,129,002**	**55,322,639**

(1) Short-term receivables are deemed to have a maturity of less than one year
(2) Fair value of caps and currency swaps
(3) Contractual maturity or exercise date of issuer call (where applicable)

EXPOSURE OF LIABILITIES

The following table shows the exposure of Natixis Assurances' liabilities to the fixed income market:

Category of financial liabilities [1] (in € thousands)	Breakdown of projected liability flows in 12/2019 by estimated maturity			Projected liability flows 12/2019 [2]	Carrying amount of liabilities at 12/2019
	< 1 year	1 - 5 years	> 5 years		
With-profits underwriting liabilities	*3,467,624*	*11,142,169*	*46,001,728*	*60,611,521*	*64,893,004*
Unit-linked underwriting liabilities	*1,087,248*	*4,783,530*	*16,616,207*	*22,486,986*	*17,111,636*
Total underwriting liabilities	**4,554,872**	**15,925,699**	**62,617,935**	**83,098,507**	**82,004,640**
Subordinated debt and other financial debt	2,111	475,000	698,000	1,175,111	1,175,111
FIXED-RATE LIABILITIES	**4,556,983**	**16,400,699**	**63,315,935**	**84,273,618**	**83,179,751**
Subordinated debt	16,142	-	251,500	267,642	267,642
VARIABLE-RATE LIABILITIES	**16,142**	**-**	**251,500**	**267,642**	**267,642**
LIABILITIES EXPOSED TO INTEREST RATE RISK	**4,573,126**	**16,400,699**	**63,567,435**	**84,541,260**	**83,447,393**

(1) Short-term payables are deemed to have a maturity of less than one year
(2) Projected insurance liability flows comprise projected cash outflows. These flows consist of redemptions, deaths and projected maturities of insurance policies and financial contracts, including technical interest and deferred policyholder bonuses to be allocated to contracts between the closing date and the estimated exit date; they comprise the repayment of the principal for financial debt; they are not discounted.

The carrying amount of liabilities comprises the amount of liabilities related to the Investment Solutions business (excluding personal protection insurance, property & casualty insurance and CNP acceptance)

5.3.6. Sensitivity of assets and liabilities to market and interest rate risk

Sensitivity to market risk

Equities market

The sensitivity analysis involved measuring the impact of a 10% variation in the equities market. This analysis was conducted for each line in the Natixis Assurances portfolio. The scope included equities, UCITS, structured products and convertible bonds.

The sensitivity of each line was determined according to its «β» calculated over the year ended. This «β» was used to simulate the variation in the level of unrealized capital gains or losses.

The impact on the provision for permanent impairment could then be determined, with the provision for impairment recorded in the financial statements at December 31 having been set beforehand. The change in the provision for permanent impairment and the change in FVO unrealized capital gains or losses has an impact on income; the change in AFS unrealized capital gains or losses has an impact on equity.

The impact of equity derivatives held in consolidated UCITS was assumed to be nil overall (insignificant amounts).

Real estate market

The sensitivity analysis involved measuring the impact of a 10% variation in the real estate market. The impact was estimated globally for the properties of the consolidated SCIs and OPCIs (impact on income) and SCPI securities held (impact on equity).

Sensitivity of financial assets before deferred policyholder bonus and deferred taxes (in € millions)	12/2019			12/2018		
	Impact on fair value of investments	Impact on income	Impact on equity	Impact on fair value of investments	Impact on income	Impact on equity
Before impact of hedging derivatives						
+10% variation in the equities market	330.8	6.7	324.1	282.3	3.3	278.9
-10% variation in the equities market	(331.3)	(29.5)	(301.8)	(282.3)	(10.7)	(271.7)
After impact of hedging derivatives						
+10% variation in the equities market	268.6	(55.5)	324.1	282.3	3.3	278.9
-10% variation in the equities market	(292.5)	9.3	(301.8)	(282.3)	(10.7)	(271.7)
Housing market sensitivity						
+10% var. in the real estate market	269.7	210.5	60.2	208.5	166.5	41.9
-10% var. in the real estate market	(269.7)	(215.4)	(55.3)	(208.5)	(174.8)	(33.6)

The following table presents the impacts net of deferred policyholder bonuses and deferred taxes:

Sensitivity of financial assets before deferred policyholder bonus and deferred taxes (in € millions)	12/2019			12/2018		
	Impact on fair value of investments	Impact on income	Impact on equity	Impact on fair value of investments	Impact on income	Impact on equity
Before impact of hedging derivatives						
+10% variation in the equities market	330.8	0.6	26.4	282.3	0.3	24.8
-10% variation in the equities market	(331.3)	(2.4)	(24.6)	(282.3)	(1.0)	(24.4)
After impact of hedging derivatives						
+10% variation in the equities market	268.6	0.5	23.0	282.3	0.2	19.8
-10% variation in the equities market	(292.5)	(2.1)	(21.5)	(282.3)	(0.8)	(19.3)
Housing market sensitivity						
+10% var. in the real estate market	269.7	17.2	4.9	208.5	14.8	3.7
-10% var. in the real estate market	(269.7)	(17.6)	(4.5)	(208.5)	(15.6)	(3.0)

Sensitivity to interest rate risk

The sensitivity analysis involved measuring the impact of a 1% variation in interest rates without a deformation of the yield curve. This analysis was conducted for each line in Natixis Assurances' main fixed income portfolios (BPCE Vie, BPCE Prévoyance and BPCE Assurances), i.e. 90% of the total value.

Sensitivity of financial assets after deferred policyholder bonuses and deferred taxes (in € millions)	12/2019			12/2018		
	Impact on fair value of investments (1)	Impact on income	Impact on equity	Impact on fair value of investments (1)	Impact on income	Impact on equity
Before impact of derivatives						
Variation of +1% in bond yields	(2,903)	(129)	(2,716)	(2,448)	(54)	(2,330)
Variation of -1% in bond yields	3,233	104	3,066	2,752	68	2,614
After impact of derivatives						
Variation of +1% in bond yields	(2,902)	(128)	(2,716)	(2,443)	(48)	(2,330)
Variation of -1% in bond yields	3,232	104	3,066	2,750	66	2,614

(1) Including HTM securities

The change relative to the previous year was primarily due to a volume effect (increase linked to growth and lower interest rates). Concerning the impact on income, the change primarily arose from movements on structured products (+€500 million in the trading category, with high sensitivities and updates of certain sensitivities based on information communicated by Ostrum Asset Management).

The following table presents the impacts net of deferred policyholder bonuses and deferred taxes:

Sensitivity of financial assets after deferred policyholder bonuses and deferred taxes (in € millions)	12/2019			12/2018		
	Impact on fair value of investments (1)	Impact on income	Impact on equity	Impact on fair value of investments (1)	Impact on income	Impact on equity
Before impact of derivatives						
Variation of +1% in bond yields	(2,903)	(10.5)	(222)	(2,448)	(4.8)	(207)
Variation of -1% in bond yields	3,233	8.5	250	2,752	6.0	233
After impact of derivatives						
Variation of +1% in bond yields	(2,902)	(10.5)	(222)	(2,443)	(4.3)	(207)
Variation of -1% in bond yields	3,232	8.5	250	2,750	5.8	233

(1) Including HTM securities

5.4. HEDGING RELATIONS

See point 4.2.4 Hedge accounting

5.5. RISKS ASSOCIATED WITH UNIT-LINKED POLICIES AND CONTRACTS

Reconciliation of unit-linked policies and contracts (in € thousands)	Stock in 12/2019	Stock in 12/2018
Consolidated SCI representing unit-linked policies and contracts	456,030	428,103
Other investments representing unit-linked policies and contracts	16,713,441	13,403,300
Total carrying amount of assets representing unit-linked policies and contracts (a)	**17,169,471**	**13,831,403**
Underwriting reserves for unit-linked insurance policies	12,163,652	9,845,117
Liabilities of unit-linked financial contracts	4,947,984	3,968,876
Total liabilities related to unit-linked policies and contracts (b)	**17,111,636**	**13,813,993**
o/w unit-linked loss reserves (c)	-	-
Reserve for floor guarantee	35,676	61,008
Total liabilities related to unit-linked policies and contracts	**17,147,312**	**13,875,001**
Over- or under-coverage linked to temporary investment gap (a) - (b)	**57,835**	**17,410**
Over- or under-coverage excluding unit-linked loss reserve (a) - (b) + (c)	57,835	17,410

5.6. IFRS9 NOTES DURING THE TRANSITIONAL PERIOD

Breakdown of financial investments by category at balance sheet date

Breakdown of financial investments (in € thousands)	Category of asset	12/2019 Fair value	12/2019 Change in fair value	12/2018 Fair value	12/2018 Change in fair value
Assets whose cash flows relate solely to payments of principal and interest	Bonds	38,966,501	1,927,284	37,784,019	(1,381,602)
	UCITS	-	-	-	-
	Loans and receivables	2,089,727	-	910,191	-
	Derivative assets	-	-	-	-
	Total (1)	**41,056,228**	**1,927,284**	**38,694,209**	**(1,381,602)**
Other financial assets	Bonds	5,535,190	185,517	4,753,054	(130,798)
	Equities	1,587,916	263,105	1,277,286	(84,212)
	UCITS	8,929,679	603,478	9,845,671	(270,804)
	Loans and receivables	-	-	-	-
	Investments representing unit-linked contracts recorded under the fair value option	16,713,441	1,709,991	13,403,300	(982,433)
	Derivative assets	17,785	417	17,368	881
	Total (2)	**32,784,011**	**2,762,508**	**29,296,679**	**(1,467,366)**
Assets governed by rules other than IFRS9 and IAS39	Investment property	1,624,004	117,273	1,494,166	97,630
	Deposits with sellers and advances on policies	11,828,257	-	12,149,297	-
	Total (3)	**13,452,260**	**117,273**	**13,643,463**	**97,630**
Total financial investments (1) + (2) + (3)		**87,292,499**	**4,807,064**	**81,634,351**	**(2,751,338)**

Breakdown of SPPI securities by rating

Breakdown of SPPI securities by rating at 12/2019 (in € thousands)	Asset rating	12/2019		12/2018	
		Carrying amount (1)	Fair value	Carrying amount (1)	Fair value
Bonds whose cash flows relate solely to payments of principal and interest	AAA	2,204,247	2,420,054	2,394,294	2,543,836
	AA	11,772,544	13,964,428	11,847,080	13,564,780
	A	9,203,214	9,777,155	8,099,025	8,398,184
	BBB	10,082,572	10,726,265	10,694,402	10,928,053
Sub-total of low credit-risk bonds		**33,262,576**	**36,887,902**	**33,024,800**	**35,434,854**
Bonds whose cash flows relate solely to payments of principal and interest	< BBB	661,117	665,642	916,408	902,839
	not rated	3,454,919	3,502,683	2,321,178	2,356,517
Sub-total of excluded low credit-risk bonds		**4,116,036**	**4,168,325**	**3,237,585**	**3,259,355**
Total of bonds whose cash flows relate solely to payments of principal and interest		**37,378,612**	**41,056,228**	**36,262,385**	**38,694,209**

(1) before value adjustment for impairment

6. NOTES ON INSURANCE POLICIES AND FINANCIAL CONTRACTS

6.1. INSURANCE POLICIES AND FINANCIAL CONTRACTS

Carrying amount (in € thousands)	12/2019	12/2018
Underwriting liabilities related to insurance policies	59,091,529	51,832,208
Underwriting liabilities related to financial contracts	25,137,888	24,115,601
Deferred policyholder bonus liability	4,037,793	2,113,812
Liabilities related to policies and contracts	**88,267,210**	**78,061,621**
Share of cessionaires and retrocessionaires	(14,785,567)	(12,608,404)
Deferred policyholder bonus asset	-	-
TOTAL ASSETS AND LIABILITIES RELATED TO CONTRACTS	**73,481,643**	**65,453,217**

6.1.1. Underwriting reserves related to insurance policies

LIABILITIESS RELATED TO INSURANCE POLICIES BY BUSINESS SECTOR AND GEOGRAPHIC AREA

Carrying amount (in € thousands)	Life Insurance / Investment Solutions / Pensions		Personal Protection Insurance (1)		Property & Casualty Insurance		Total Insurance	
	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Mathematical reserves	42,893,796	38,338,149	156,136	99,604	-	-	43,049,932	38,437,753
Reserves for unearned premiums	-	-	3,877	4,102	418,564	395,449	422,441	399,551
Loss reserves (a)	392,331	391,139	534,162	445,711	1,001,312	936,020	1,927,805	1,772,870
Provision resulting from liability adequacy test	-	-	-	-	-	-	-	-
Policyholder bonus reserves	1,416,972	1,292,602	-	-	-	-	1,416,972	1,292,602
Other reserves	-	-	65,909	49,887	44,818	34,427	110,727	84,314
Gross underwriting reserves - Insurance policies excluding unit-linked policies	**44,703,100**	**40,02,890**	**760,084**	**599,304**	**1,464,694**	**1,365,897**	**46,927,877**	**41,987,090**
Gross underwriting reserves – unit- linked policies	**12,163 ,652**	**9,845,117**	**-**	**-**	**-**	**-**	**12,163 652**	**9,845,117**
Mathematical reserves and policyholder bonus reserves reserves ceded	8,041,726	6,479,160	-	-	-	-	8,041,726	6,479,160
Reserves for unearned premiums and other reserves ceded	-	-	54,407	40,497	19,932	19,115	74, 339	59, 612
Loss reserves ceded (b)	14,265	168,794	133,072	120,037	138,609	97,445	417,946	386, 276
Provision resulting from liability adequacy test	-	-	-	-	-	-	-	-
Share of cessionaires and retrocessionaires in gross underwriting reserves - Insurance policies excluding unit-linked policies	**8,187,991**	**6,647,954**	**187,478**	**160,534**	**158,542**	**116,560**	**8,534,011**	**6,925,048**
Share of reinsurers in underwriting reserves - Unitlinked insurance policies	**3,520,890**	**3,092,976**	**-**	**-**	**-**	**-**	**3,520,890**	**3,092,976**
TOTAL NET LIABILITIES RELATED TO INSURANCE POLICIES	**45,157,871**	**40,126,077**	**572,606**	**438,770**	**1,306,152**	**1,249,337**	**47,036,628**	**41,814,183**

(1) Life and Non-Life

(a) o/w gross IBNR	-	-	287,704	191,430	206,156	259,369	493,860	450,799
(b) o/w IBNR ceded	-	-	68, 798	47,316	37,604	23,730	106,403	71,045

Multi-risk personal accident policies, payment instrument guarantees (MAV), and health insurance products are classified in Property & Casualty.

All insurance policies belong to the France geographic area.

6.1.2. Liabilities related to financial contracts

LIABILITIES RELATED TO FINANCIAL CONTRACTS BY BUSINESS SECTOR AND GEOGRAPHIC AREA

Carrying amount (in € thousands)	Life Insurance / Investment Solutions / Pensions		Personal Protection Insurance and Property & Casualty Insurance		Total Financial Contracts	
	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Mathematical reserves (b)	19,219,711	19,129,459	-	-	19,219,711	19,129,459
Reserves for unearned premiums	-	-	-	-	-	-
Loss reserves (a) (c)	344,853	379,726	-	-	344,853	379,726
Provision resulting from liability adequacy test	-	-	-	-	-	-
Policyholder bonus reserves	625,340	637,540	-	-	625,340	637,540
Other provisions	-	-	-	-	-	-
Gross liabilities related to financial contracts with discretionary policyholder bonus excluding unit-linked contracts	**20,189,904**	**20,146,725**	**-**	**-**	**20,189,904**	**20,146,725**
Gross liabilities related to financial contracts without discretionary policyholder bonus excluding unit-linked contracts	-	-	-	-	-	-
Gross liabilities related to unit-linked financial contracts (d)	**4,947,984**	**3,968,876**	**-**	**-**	**4,947,984**	**3,968,876**
Mathematical reserves and policyholder bonus reserves ceded	2,563,465	2,440,804	-	-	2,563,465	2,440,804
Reserves for unearned premiums ceded, other provisions ceded	-	-	-	-	-	-
Loss reserves ceded	-	-	-	-	-	-
Provision resulting from liability adequacy test	-	-	-	-	-	-
Policyholder bonus reserves	-	-	-	-	-	-
Others reserves ceded	-	-	-	-	-	-
Share of cessionaires in financial contracts with discretionary policyholder bonus excluding unit-linked contracts	2,563,465	2,440,804	-	-	2,563,465	2,440,804
Share of cessionaires in financial contracts without discretionary policyholder bonus excluding unit-linked contracts	-	-	-	-	-	-
Share of cessionaires in liabilities related to unit-linked financial contracts	**167,201**	**149,576**	**-**	**-**	**167,201**	**149,576**
TOTAL NET LIABILITIES RELATED TO FINANCIAL CONTRACTS	**22,407,222**	**21,525,221**	**-**	**-**	**22,407,222**	**21,525,221**

(a) o/w IBNR = 0

DETAIL BY GEOGRAPHIC AREA

(b) o/w gross with-profits mathematical reserves – Luxembourg	*3,415,004*	*3,096,633*	-	-	*3,415,004*	*3,096,633*
(c) o/w gross with-profits loss reserves – Luxembourg	-	-	-	-	-	-
(d) o/w gross unit-linked mathematical reserves - Luxembourg	*2,134,456*	*1,698,100*	-	-	*2,134,456*	*1,698,100*
(d) o/w gross unit-linked loss reserves – Luxembourg	-	-	-	-	-	-
Liabilities sold - Luxembourg	-	-	-	-	-	-
TOTAL LIABILITIES - LUXEMBOURG	**5,549,461**	**4,794,733**	**-**	**-**	**5,549,461**	**4,794,733**

The French branch of the Luxembourg subsidiary belongs to the France geographic area.

6.1.3. Change in underwriting reserves – Life Insurance, Investment Solutions, Pensions

CHANGE IN GROSS VALUES

Changes in underwriting reserves (in € thousands)	12/2019		
	Insurance	Financial contracts	Total Life Insurance/Investment Solutions/Pensions
Underwriting reserves and gross financial liabilities at January 1	**49,848,485**	**24,115,601**	**73,964,086**
Net pure premiums	8,553,316	1,792,963	10,346,279
Claims expense	(3,377,274)	(1,629,284)	(5,006,559)
Revaluation of reserves (interest income, deferred policyholder bonus, unit-linked adjustments and other flows)	1,842,224	858,608	2,700,833
Portfolio acquisitions	-	-	-
Internal transfers	-	-	-
Underwriting reserves and gross financial liabilities at December 31	**56,866,751**	**25,137 888**	**82,004,640**

6.1.4. Change in loss reserves in the personal protection insurance and property & casualty insurance branches

6.1.4.1. Change in gross values

BREAKDOWN OF CLAIMS EXPENSE AND PAYMENTS BETWEEN PREVIOUS AND CURRENT FINANCIAL YEARS

(in € thousands)	Personal Protection Insurance		Property & Casualty Insurance	
	12/2019	12/2018	12/2019	12/2018
Gross loss reserves - direct business at January 1	**445,711**	**380,243**	**936,020**	**865,293**
Claims expense for year in progress	386,075	307,332	708,739	669,427
Bonuses/penalties on previous years	(106,485)	(99,589)	(64,208)	(55,265)
Claims expense on PPI - CE network*	-	41,171	-	-
Total claims expense	**279,590**	**248,914**	**644,531**	**614,062**
Payments on claims for year in progress	89,034	60,555	321,469	319,885
Payments on claims for previous years	99, 820	56,994	257,984	225,029
Payments on claims for PPI - CE network*	-	64,218	-	-
Total payments	**188,854**	**181,767**	**579,453**	**544,914**
Newly consolidated entities	-	-	-	-
Change in coinsurance loss provisions, acceptances, provision for claims management and other expenses	(2,283)	(1,679)	214	1,579
Total gross loss reserves at December 31	**534,163**	**445,711**	**1,001,312**	**936,020**

* Payment Protection claims expense no longer presented by network as from January 1, 2019

6.1.4.2. Change in share of reinsurers

(in € thousands)	Personal Protection Insurance		Property & Casualty Insurance	
	12/2019	12/2018	12/2019	12/2018
Share of reinsurers in loss reserves – direct business at January 1	**120,037**	**148,832**	**97,445**	**64,885**
Share of reinsurers in total claims expense	69,892	70,191	53,507	43,911
Share of reinsurers in payments on claims	(42,526)	(46,552)	(10,937)	(11,236)
Portfolio acquisitions/disposals	(11,834)	(52,434)	(1,406)	(115)
Change in share of reinsurers in provisions for other claims	(2,498)	-	-	-
Share of reinsurers in loss reserves – direct business at December 31	**133,071**	**120,037**	**138,610**	**97,445**

6.2. INSURANCE RISKS

6.2.1. Main assumptions

Main policy features and period-end assumptions	12/2019	12/2018
Assumptions related to underwriting reserves – life insurance, investment solutions, pensions		
Average minimum guaranteed rate on insurance policies	0.01%	0.01%
o/w average minimum guaranteed rate excluding unit-linked contracts	*0.01%*	*0.01%*
Average policyholder bonus rate excluding unit-linked contracts	96.9%	99.1%
Assumptions on liabilities of financial contracts with discretionary policyholder bonus		
Assumptions on liabilities of financial contracts with discretionary policyholder bonus	0.47%	0.41%
o/w average minimum guaranteed rate excluding unit-linked contracts	*0.55%*	*0.46%*
Average deferred policyholder bonus rate (excluding unit-linked contracts)	97.1%	97.6%
Assumptions on liabilities of financial contracts without discretionary policyholder bonus		
Average minimum guaranteed rate on financial contracts without deferred policyholder bonus	0%	0%
Average churn rate	2.61%	3.43%
Assumptions related to underwriting reserves - Personal Protection Insurance and Property & Casualty Insurance		
Discount rate on loss reserves	0%	0%
Discount rate on reserves for incapacity/invalidity, funeral services and dependency	0.25% - 2.50%	0.25% - 2.50%
Average cost of settled claims - personal protection insurance (excluding PPI)	€4.22k	€4.25k
Average cost of settled claims - property & casualty insurance (excluding payment instrument insurance and health insurance)	€0.37k	€0.35k
Average cost of settled claims - payment instrument insurance and health insurance	€0.005k	€0.005k

6.2.2. Presentation of risk management policy

The risk management policy applicable to investment contracts and life insurance policies is presented with the financial risk management policy in point 5.3.1

Personal protection insurance and property & casualty insurance policies cover the following risks:

• death due to accident or illness, work cessation, invalidity, loss of employment and loss of autonomy;

• auto insurance, multi-risk home insurance, personal accident insurance, legal expenses, loss or theft of payment instruments and various property & casualty guarantees.

• auto and non-auto civil liability.

Natixis Assurances uses reinsurance to limit its exposure, in particular to the following risks:

• risk of dispersion of guaranteed capital on coverage of death, personal accidents and loss of autonomy;

• risk related to the frequency of claims for cessation of work, invalidity and loss of autonomy;

• risk linked to climate events and natural disasters in property & casualty insurance;

• risk linked to the amount of civil liability and property damage claims;

• mortality and financial risk for the floor guarantee of unit-linked policies.

The reinsurance plan is distributed among several reinsurers, thus limiting the risk associated with any given reinsurer. The plan comprises the following treaties:

• 15% quota-share on the general fund for the life insurance and endowment policies of BPCE Vie and Natixis Life;

• 50% quota-share on the unit-linked AuM of BPCE Vie life insurance and endowment policies;

• 40% quota-share of new with-profits life insurance and endowment policies sold for investment/pensions purposes by the Caiisse d'Epargne network since January 1, 2016;

• 100% cession of the floor guarantee of unit-linked policies;

• quota-share and capital surplus on death benefit, work cessation, invalidity and loss of employment for payment protection insurance (excluding revolving credit insurance);

• capital surplus on death benefit, claim surplus on work cessation, combined with basic reinsurance with a capped quota-share;

• 90% quota-share on loss of autonomy;

• claims surplus treaties on the portfolio of guaranties covering death by accident and illness in the event of an epidemic or pandemic and on the personal protection portfolio in the event of a catastrophic accident;

• various personal accident insurance treaties;

• coverage of climate events;

• coverage of natural disasters: 50% quota-share and a stop-loss treaty with Caisse Centrale de Réassurance (CCR), from a loss ratio of 100% on auto insurance and 200% for other categories;

• unlimited coverage of terrorist attacks;

• fire coverage: conflagration up to €30 million and renters liability up to €150 million per event;

• ARCAM (formerly GEMA) common reinsurance treaties providing unlimited civil liability coverage for auto insurance and coverage of up to €100 million for non-auto civil liability or material damage auto, with coverage up to €350 million in the event of legal removal of cap;

• claims surplus with aggregate covering mid-range property damage claims;

• treaty covering increases in annuities due in respect of civil liability;

• coverage of catastrophic events affecting personal accident policies (death and/or permanent invalidity benefits).

6.2.3. Type of insurance policies taken out

6.2.3.1. Investment solutions contracts

Discretionary nature of policyholder bonuses

The policyholder bonus clause contained in Natixis Assurances' investments contracts is always discretionary within the meaning of IFRS 4.

For contracts paying out a minimum policyholder bonus of less than 100% of investment income, the policyholder bonus is discretionary in the sense that a higher return may be paid.

For contracts paying out 100% of investment income, the policyholder bonus is also discretionary due to the existence of the policyholder bonus reserve used to increase the value of mathematical reserves within the regulatory 8-year limit and given the company's freedom to recognize capital gains or not.

Multi-instrument contracts

Multi-instrument contracts are not separated from the with-profits fund for unit-linked vehicles due to their commercial substance: at any time, policyholders can switch between different vehicles at a non-prohibitive cost.

Classification of contracts

For the reasons explained above, most investment contracts are classified as financial contracts with discretionary policyholder bonuses.

Contracts subject to Articles 82 and 83 of the Madelin Law, and "child savings plans", are classified as insurance policies due to the presence of insurance risk: the saving phase cannot be separated from the service phase in the former case, and premiums are exonerated in the event of death for child savings plans.

Multi-instrument contracts are classified as insurance policies where they offer a floor guarantee in the event of death and as financial contracts with discretionary policyholder bonuses otherwise.

Multi-instrument contracts without with-profits funds are classified as unit-linked financial contracts without discretionary policyholder bonuses.

6.2.3.2. Personal protection and property & casualty insurance policies

Personal protection and property & casualty insurance policies primarily cover accidental death and death due to other causes, together with incapacity/invalidity, loss of employment, loss of autonomy, auto, multi-risk home, health, legal expenses and payment instrument guarantees. As insurance risk is transferred for such policies, they are classified as insurance policies.

6.2.4. Presentation of risk concentration

There were no changes of a legal or other nature that had a material impact on insured risks during the fiscal year.

6.2.4.1. Accidental death policies

BREAKDOWN BY TRANCHE OF CAPITAL AT RISK RELATED TO ACCIDENTAL DEATH POLICIES

(in € thousands)	Gross provisions	Net provisions
Provision for unearned written premiums and mathematical reserves - 2019	**132,825**	**131,438**

(in € millions)	Tranche 1 (*)	Tranche 2 (*)	Tranche 3 (*)	Total
Capital at risk - 2019	**52,324**	**62,153**	**41,085**	**155,563**
% N	*33.6%*	*40.0%*	*26.4%*	*100%*
% N-1	*33.5%*	*40.2%*	*26.4%*	*100%*

(*) Tranche 1 mainly comprises policies with capital at risk (CR) of less than €23k, Tranche 2 mainly policies with CR of between €23k and €100k and Tranche 3 mainly policies with CR of more than €100k.

6.2.4.2. Floor guarantee on death benefit for unit-linked policies

The floor guarantee reserve is calculated using the put method. It amounted to €36 million at end-2019 versus €61 million at end-2018.

This guarantee is reinsured with a quota-share of 100%. Reinsurance premiums paid in respect of the fiscal year (€8.4 million) comfortably covered the claims paid by reinsurers (€0.5 million).

Capital at risk (unrealized capital losses on all with-profits funds + unit-linked policies) totaled €32.7 million at end-2019 versus €186.3 million at end-2018

6.2.5. Sensitivity analysis of insurance policies and financial contracts

6.2.5.1. Sensitivity of insurance policies and financial contracts – life insurance, investment solutions, pensions

Strictly speaking, insurance policies and financial contracts do not have insurance risks, with the exception of:

- the floor guarantee on unit-linked contracts (see point 6.2.4);
- life annuity risk (not material relative to other products).

These contracts are consequently primarily exposed to financial risks (see point 5.3).

The main features of the investment contracts presented in point 6.2.1 are the minimum guaranteed rate, policyholder bonus rate and redemption rate. Income and equity sensitivity to a change in these features is relatively low.

The minimum guaranteed rate on investment contracts is currently significantly lower than the rate paid. With the policyholder bonus rate being close to 100%, the financial margin's sensitivity to a change in this rate is correspondingly limited. Finally, the variation in the redemption rate has only a limited impact on the financial position, and is also limited by taxation and the age of the insured population.

6.2.5.2. Sensitivity of personal protection and property & casualty insurance policies

Income and equity are not very sensitive to the variation of personal protection and property & casualty insurance risks.

The loss ratio by year of occurrence (gross claims/premiums) observed on the portfolio of policies was stable overall in terms of risk and below claims experience in recent years. Policies in the launch phase are also subject to conservative provisioning.

Reinsurance cessions by risk help curb the main fluctuations (see point 6.2.2).

Furthermore, any significant frequency gaps and the few products that exceed claims experience are regularly monitored.

In addition, in certain cases, policies sold can be subject to an annual price revision in the event of a technical imbalance.

6.2.6. Credit risk related to insurance policies

(in € thousands)	Credit rating (Standard & Poor's)	Provisions ceded		Current account balance	Amount guaranteed [(1)]	Amount not guaranteed [(2)]	Exposure as a % of equity [(3)]
		Amount	%				
CNP	A	4,841,674	33%	32,853	4,472,435	(402,093)	(20.31%)
London Life	A+	4,609,096	31%	(10,513)	4,601,883	-	-
RGA Re	AA-	1,977,146	13%	(21,479)	1,965,542	-	-
Hannover Life Re	AA-	1,934,181	13%	(5,874)	1,929,655	-	-
Mapfre Re	A+	1,206,971	8%	(5,545)	1,200,818	(608)	(0.03%)
CCR	A-	76,939	0.52%	(6,592)	17,771	(52,575)	(2.66%)
Partner Re	A+	44,582	0.30%	9,635	52,048	(2,170)	(0.11%)
Surassur	NR	34,712	0.23%	642	-	(35,355)	(1.79 %)
Scor	AA-	12,180	0.08%	(114)	9,909	(2,157)	(0.11%)
Other cessionaires	A- to AA+	48,084	0.33%	1,725	35,463	(14,347)	(0.72%)
Total		**14,785,565**	**100%**	**(5,263)**	**14,285,523**	**(509,304)**	**(25.73%)**

(1) Cash deposit, pledged securities, etc.
(2) Reserves ceded + current account balance – amount guaranteed.
(3) Amount not guaranteed/equity.

Treaties covering risks of natural disaster entered into with CCR are not subject to deposits or pledges, as these risks are subject to unlimited backing by the French state.

The non-guaranteed amount of €402 million for CNP Assurances reflects a temporary difference in respect of the "tranche 1" reinsurance treaty, which will be settled when the final accounts are sent.

6.2.7. Hidden unseparated options

The main hidden unseparated options in insurance policies are:

• redemption option: the potential impact is incorporated into the liability adequacy test by modeling policyholder behavior;

• guaranteed rates on flexible premiums: given the scope of the policies in question, this option is not material.

6.2.8. Liability adequacy test

Under IFRS 4.15, a liability adequacy test must be carried out at each reporting date in order to ensure that the insurance liabilities as presented in the consolidated financial statements are sufficient to cover future cash flows estimated at that date. If not, potential losses are fully recognized in the income statement.

This test involved:

• generating stochastic economic models;

• modeling assets/liabilities notably by taking into account:

- policyholder behavior in terms of redemptions;

- distribution policy;

- the run-off of liabilities.

The test covers the scope of BPCE Vie's liabilities, which account for 89% of Natixis Assurances' insurance liabilities. The simulations were carried out using the model developed for Solvency 2 calculations using the Moses software tool.

According to the liability adequacy test, insurance liabilities as presented in the consolidated financial statements are sufficient to cover estimated future cash flows.

7. OTHER NOTES

7.1. BALANCE SHEET

GOODWILL

Breakdown of goodwill by consolidated entity (in € thousands)	2019			2018		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
BPCE Vie	16,412	-	16,412	16,412	-	16,412
Natixis Life	1,235	-	1,235	1,235	-	1,235
Total	**17,647**	**-**	**17,647**	**17,647**	**-**	**17,647**

There were no goodwill movements in 2019.

In accordance with IAS 28.32 and IAS 28.42:

• the €1.7 million of goodwill related to the acquisition of the Lebanese subsidiary Adir has been classified in Investments in affiliates since 2017;

• the €50 million of goodwill related to the acquisition of SCI DUO Paris is classified under Investment property.

In accordance with IAS 27 and the method applied by Natixis for business combinations placed under lasting common control, the goodwill related to the minority interests in BPCE Assurances (2015 and 2017) and BPCE APS (2018) was taken directly to Group shareholders' equity.

BREAKDOWN OF AFS RESERVES

Breakdown of AFS reserves – group share (in € thousands)	12/2019	12/2018
Revaluation reserve – fixed-income securities	3,545,330	2,241,147
Revaluation reserve fixed-income securities – reclassified securities	-	-
Revaluation reserve – variable-income securities	941,779	164,057
Revaluation reserve	**4,487,108**	**2,405,204**
Deferred policyholder bonus reserve	(3,901,496)	(2,079,079)
Deferred tax reserve	(152,074)	(82,988)
Impact of revaluation of AFS financial assets	**433,539**	**243,137**
Revaluation reserve- CFH derivatives	(10,286)	(5,536)
Deferred policyholder bonus reserve – CFH derivatives	9,154	4,871
Deferred tax reserve – CFH derivatives	292	192
Impact of revaluation of hedging derivatives	**(840)**	**(473)**
Recyclable revaluation reserve net of shadow accounting adjustments	**432, 699**	**242,665**

PROVISIONS FOR CONTINGENCIES

Breakdown of provisions for contingencies (in € thousands)	12/2019	12/2018
Provision for claims and litigation	12,626	16,260
Provision for long-service and end-of-career compensation	16,208	12,490
Other provisions	-	-
Total provisions for contingencies	**28,834**	**28,750**

Breakdown of provisions for long service awards, end-of-career compensation and anniversary leave (in € thousands)	Provision for end-of-career compensation			Provision for long service award	Provision for anniversary leave
	Present value of gross financial commitments	Fair value of financial assets	Present value of net financial commitments	Present value of gross financial commitments	Present value of gross financial commitments
Commitments at 12/31/2018	**8,916**	**3,372**	**5,544**	**3,563**	**3,013**
Variation recognized in equity	**860**	**51**	**810**	**982**	**758**
Cost of services rendered during the period	707	-	707	378	361
Cost of past services	-	-	-	-	-
Net financial cost	154	51	103	47	38
Revaluation adjustments recorded during the period relative to other long-term benefits	-	-	-	556	359
Variation in actuarial gains or losses taken to OCI	**1,664**	**8**	**1,655**	**-**	**-**
Revaluation adjustments due to experience	69	-	69	-	-
Revaluation adjustments due to demographic assumptions	89	-	89	-	-
Revaluation adjustments due to financial assumptions	1,505	-	1,505	-	-
Revaluation adjustments due to asset returns	-	8	(8)	-	-
Cash flow	**(72)**	**-**	**(72)**	**(218)**	**(221)**
Paid benefits	(72)	-	(72)	(218)	(221)
Commitments at 12/31/2019	**11,368**	**3,431**	**7,938**	**4,326**	**3,551**

SEGMENT ASSETS AND LIABILITIES

Insurance policy underwriting reserves and liabilities related to financial contracts are presented by business sector and geographic area in point 6.1.

Receivables and payables arising from insurance or reinsurance liabilities are presented below by business sector and geographic area.

Carrying amount (in € thousands)	Life Insurance, Investment Solutions, Pensions		Personal Protection		Property & Casualty		Total	
	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Insurance and accepted reinsurance receivables (a)	197,604	210,245	135,042	58,581	465,374	431,403	798,020	700,229
Reinsurance cession receivables (b)	43,285	43,717	-	26,399	4,161	5,023	47,446	75,139
Total	**240,889**	**253,962**	**135,042**	**84,980**	**469,536**	**436,427**	**845,467**	**775,369**
(a) o/w Luxembourg area insurance receivables	5,495	9,149	-	-	-	-	5,495	9,149
(b) o/w Luxembourg area insurance receivables	-	-	-	-	-	-	-	-

Carrying amount (in € thousands)	Life Insurance, Investment Solutions, Pensions		Personal Protection		Property & Casualty		Total	
	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Insurance and accepted reinsurance payables (a)	267,190	196,276	38,519	34,456	87,831	90,936	393,540	321,668
Reinsurance cession receivables (b)	9,652,897	9,053,342	209,810	206,509	7,161	4,030	9,869,868	9,263,881
Total	**9,920,086**	**9,249,618**	**248,329**	**240,965**	**94,992**	**94,966**	**10,263,407**	**9,585,549**
(a) o/w Luxembourg area insurance receivables	24,189	20,955	-	-	-	-	24,189	20,955
(b) o/w Luxembourg area insurance receivables	514,268	466,425	-	-	-	-	514,268	466,425

By convention, 100% of BPCE Prévoyance’s receivables and payables are included in the personal protection insurance scope.

7.2. COMMITMENTS GIVEN AND RECEIVED

(in € thousands)	12/2019	12/2018
BPCE guarantee on securities lending transactions	3,000,000	3,000 000
Autonomous demand guarantee provided by Natixis for a collective contract	2,000,000	2,000,000
Other guarantees received	868,594	472,856
Authorized overdraft from Natixis	5,000	5,000
Securities pledged as collateral by cessionaires and retrocessionaires	4,468,363	2,969,816
Commitments received	**10,341,957**	**8,447,672**
Investments not yet paid-up (venture capital funds and securitization funds)	2,585,556	2,794,881
Sureties and endorsements given	13,585	13,161
Commitments given	**2,599,141**	**2,808,042**

7.3. INCOME STATEMENT

EARNED PREMIUMS BY BUSINESS SECTOR AND GEOGRAPHIC AREA

	Life Insurance/ Investment Solutions/ Pensions		Personal Protection Insurance		Property & Casualty Insurance		Total	
(in € thousands)	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Earned premiums	**10,407,280**	**10,064,942**	**992,946**	**885,606**	**1,111,517**	**1,056,266**	**12,511,743**	**12,006,814**
o/w earned premiums France area	9,637,129	9,452,826	992,946	885,606	1,111,517	1,056,266	11,741,592	11,394,697
o/w earned premiums Luxembourg area	770,151	612,117	-	-	-	-	770,151	612,117

The Luxembourg area only includes the Luxembourg registered office of Natixis Life (Natixis Life's French branch is part of the France area).

P&L STATEMENT BY BUSINESS SECTOR

	Life Insurance/ Investment Solutions/ Pensions		Personal Protection Insurance		Property & Casualty Insurance		Others		Total	
(in € millions)	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Net banking income	358	335	195	183	322	307	21	17	896	842
Operating expenses - banking format	(171)	(171)	(61)	(49)	(187)	(178)	(33)	(26)	(452)	(425)
Operating income	**187**	**164**	**134**	**134**	**136**	**129**	**(13)**	**(8)**	**444**	**418**
Finance expenses	-	-	-	-	-	-	-	-	(39)	(39)
Share in income of associates	-	-	-	-	-	-	-	-	10	15
Income tax	-	-	-	-	-	-	-	-	(152)	(121)
Consolidated net income	-	-	-	-	-	-	-	-	**263**	**272**
o/w France area operating income	180	157	134	134	136	129	(13)	(8)	437	411
o/w Luxembourg area operating income	7	6	-	-	-	-	-	-	7	6

Operating income generated by Others takes into account BPCE APS, the holding company and operating expenses related to TEO transformation and business efficiency projects.

OPERATING EXPENSES BY CATEGORY AND USE

Breakdown of operating expenses by category (in € thousands)	12/2019	12/2018
External services*	207,570	134,400 71,610
Payroll costs	160,080	144,977
Taxes	43,772	44,036
Fees and commissions	1,061,737	968,901
Others	61,941	53,239
Allowances for depreciation, amortization and provisions	48,707	35,375
Non-recurring income	-	-
Total expenses by category	**1,583,808**	**1,452,538**

Breakdown of operating expenses by use (in € thousands)	12/2019	12/2018
Internal investment management expenses	10,383	7,461
Claims management expenses	93,217	94,745
Acquisition costs	715,940	654,223
o/w fees and commissions	*598,980*	*540,572*
Administrative costs	585,612	548,100
o/w fees and commissions	*462,757*	*428,329*
Other recurring operating income and expenses	178,656	148,009
Total expenses by use	**1,583,808**	**1,452,538**

* In 2019, the «Purchases and other external expenses» and «Sub-contracting (o/w IT)» lines were merged and presented as «External services».

Expenses related to services and leasing contracts established with Natixis amounted to €46,915k. Of the €1.062 billion of fees and commissions, €898m were paid to the Banque Populaire and Caisse d'Epargne networks.

TAX EXPENSE

Breakdown of tax expense (in € thousands)	12/2019	12/2018
Tax payable	(174,771)	(145,427)
Adjustment in respect of tax payable on previous fiscal years	719	(765)
Deferred tax expense related to temporary differences	21,766	25,274
Total tax expense	**(152,286)**	**(120,918)**

RECONCILIATION BETWEEN TOTAL TAX EXPENSE AND THEORETICAL TAX EXPENSE

(in € thousands)		12/2019
+ Net income - group share		263,246
+ Net income - share of minorities		70
+ Tax for the year		152,286
- Share of net income of associates		(9,903)
= Consolidated accounting income before tax, goodwill amortization and income of associates		**405,699**
+/- Permanent differences		11,432
= Consolidated income for tax purposes		**417,131**
x Theoretical tax rate		34.43%
= Theoretical tax		**(143,618)**
+ Fixed annual taxes and contributions		2,837
+ Reduced-rate tax		543
+ Tax rate differences on foreign subsidiaries		799
+ Impact of permanent differences		(6,977)
+ Tax on previous years and other items		(5,903)
= Tax expense for the year		**(152,286)**
o/w:	tax payable	(174,052)
	deferred tax	21,766

DEFERRED TAX ASSETS AND LIABILITIES

	12/2019			12/2018		
Sources of deferred taxes (1) in € thousands	Base	Deferred tax asset	Deferred tax liability	Base	Deferred tax asset	Deferred tax liability
Provision for employee benefits	5,767			2,800		
Other non-deducted provisions	252,811			464,403		
Cancellation of equalization provision	(54,787)			(38,829)		
Other sources of deferred taxes through income	350,798			(88,779)		
Total sources of deferred taxes through income	**554,588**	**182,965**	**7,294**	**339,614**	**161,960**	**10,087**
Sources of deferred tax on recyclable OCI	(550,591)	(114,876)	28,139	(302,729)	(65,086)	11,811
Sources of deferred tax on non-recyclable OCI	6,317	(96)	71	4,641	2,469	206
Total sources of deferred taxes	**10,313**	**67,992**	**35,504**	**41,526**	**99,302**	**22,104**

(1) Sources of deferred tax generating deferred tax assets are indicated with a positive sign and those engendering deferred tax liabilities with a negative sign.

7.4. OTHER INFORMATION

7.4.1. Headcount

The average headcount indicated below comprises the number of employees on permanent and fixed-term contracts on a full-time equivalent (FTE) basis.

	12/2019			12/2018		
	Development	Back office	Others	Development	Back office	Others
Management	5	4	24	3	5	24
Executive status	125	165	524	125	149	490
Non-executive status	8	793	284	10	729	274
Sub-total	**139**	**961**	**832**	**138**	**883**	**789**
Total	**1,932**			**1,811**		

Headcount at end-2018, net of re-invoicing and long-term absences, was 1,880 FTEs versus 1,741 FTEs at end-2018.

7.4.2. Shareholding structure – consolidation – tax consolidation

Natixis Assurances is a wholly-owned subsidiary of Natixis, whose registered office is located at 30 Avenue Pierre-Mendès-France, 75013, Paris, France. It is fully consolidated in its shareholder's financial statements, and in the financial statements of BPCE, the majority shareholder of Natixis.

The share capital comprises 19,398,906 ordinary shares. There are no shares with the potential to cause dilution.

Natixis Assurances and the French subsidiaries in which it holds more than 95% of the share capital are members of the tax group established by Natixis pursuant to Articles 223-A and following of the French General Tax Code. The tax consolidation agreement in force at Natixis is based on the principle of neutrality, whereby each subsidiary determines its tax and contributes to group tax as if it were not consolidated.

The tax expense owed by each subsidiary is not amended as a result of its tax consolidation. On December 14, 2018 the subsidiary BPCE Vie and Natixis signed a rider to the tax consolidation agreement, according to which, in the event of a tax deficit, the subsidiary shall definitively receive from the parent company a sum equal to the corporate income tax saving recorded by the tax group.

Any tax savings or expenses generated by consolidation are recognized by the parent company, Natixis.

7.4.3. Information on capital management

In line with the Solvency 2 prudential regulation applicable to insurance groups, Natixis Assurances is obliged to cover the adjusted solvency capital requirement (SCR). Similarly, each of Natixis Assurances' European insurance entities must cover the individual solvency capital requirement.

At December 31, 2019, Natixis Assurances and its subsidiaries complied with their applicable solvency obligations.

Solvency is subject to periodic supervision by Natixis Assurances and by each company. Natixis Assurances projects its solvency capital requirements and future funding requirements, notably within the framework of an own risk and solvency assessment (ORSA).

Subordinated debt securities eligible for coverage of the solvency capital requirement, which have a carrying amount of €1.034 billion, have a fair value of €1.074 billion, of which €534 million is represented by dated subordinated debt and €540 million by perpetual subordinated debt.

According to dividend policy, 100% of earnings are paid out subject to observing obligations regarding coverage of solvency capital requirements.

7.4.4. Compensation of administrative bodies – commitments

Total attendance fees of €185k were paid to directors not-employed by the Natixis Group for meetings attended in fiscal year 2019.

No advances or loans were granted to any members of the administrative bodies.

No commitments given or received were recorded with respect to the directors of affiliated companies and companies with which Natixis Assurances has a capital link.

7.4.5. Statutory auditors' fees

The total of statutory auditors' fees presented in the income statement for the year concerning the audit of the financial statements, the limited review of the interim financial statements and other assignments came to €1,342k (including tax) and breaks down as follows:

in € thousands	DELOITTE	PWC	MAZARS	KPMG	Total
Statutory account certification fees	-	768	601	-	1,369
Services other than account certification - authorized by category - SACC 1	-	-	-	-	-
Services other than account certification - pre-authorized by category - SACC 2	-	-	(8)	-	(8)
Services other than account certification - subject to prior authorization - SACC 3	-	(30)	(4)	15	(19)
Total	-	738	589	15	1, 342

7.4.6. Post-closing events

Coronavirus pandemic

After breaking out in China, the Covid-19 virus then spread around the world in early 2020. On March 11, 2020, the World Health Organization reclassified the Covid-19 epidemic as a pandemic. In France, measures to reduce face-to-face contacts and travel to the strict minimum were taken on March 16, 2020 and a confinement mechanism was imposed on the whole of the country. The decisions of the different governments to completely shut down certain activities and limit international exchanges notably triggered steep falls in equity markets from the end of February 2020.

The main impacts identified for the Group are a loss in value concerning a portion of its financial investments, a risk of excess losses related to death benefit and work cessation coverage (individual personal protection and payment protection policies), as well as a risk of lower business activity. Following the review of these elements performed on March 19, 2020, they are estimated to have a relatively limited impact on Natixis Assurances' net income.

There was no impact on the 2019 financial statements.

ADIR subsidiary – payment default in Lebanon

Natixis Assurances owns 34% of the Lebanese bancassurer Adir which is accounted for by the equity method in the group's consolidated accounts. Unable to honor upcoming repayment instalments on its debt, Lebanon declared itself in default on 7 March 2020. This payment default is likely to have a highly significant impact on Adir: write-downs will have to be taken on a large portion of its financial investments (Lebanese government bonds, term deposits and cash). The exact impact was unknown as of March 19, 2020, as negotiations between Lebanon and its creditors were still ongoing.

The equity-accounted interest in Adir is recorded on the group's balance sheet with a value of €22 million under Investments in affiliates. A partial or full impairment provision is likely to be recognized on the accounts for the 2020 fiscal year.

3 PARENT COMPANY **financial statements**

PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET

Assets (in € thousands)	Gross	Allowances for provisions/Others	12/2019	12/2018
UNCALLED UNSUBSCRIBED CAPITAL	-	-	-	-
FIXED ASSETS	-	-	-	-
Intangible fixed assets	**1,205**	**776**	**429**	**461**
Set-up costs	-	-	-	-
Research & development costs	-	-	-	-
Concessions, patents, licenses, brands, processes, software, rights and similar assets	-	-	-	-
Goodwill	-	-	-	-
Others	1,205	776	429	461
Intangible fixed assets in progress	-	-	-	-
Advances and prepayments	-	-	-	-
Tangible fixed assets	-	-	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Technical plant, machinery and industrial equipment	-	-	-	-
Others	-	-	-	-
Tabgible fixed assets in progress	-	-	-	-
Advances and prepayments	-	-	-	-
Financial fixed assets	**2,680,828**	**-**	**2,680,828**	**2,639,865**
Affiliates	1,996,067	-	1,996,067	1,995,164
Receivables related to investments in affiliates	684,761	-	684,761	644,702
Shares and other equity securities	-	-	-	-
Other long-term investments	-	-	-	-
Loans	-	-	-	-
Others	-	-	-	-
CURRENT ASSETS	-	-	-	-
Inventories and assets in progress	-	-	-	-
Raw materials and other supplies	-	-	-	-
Inventories in progress	-	-	-	-
Intermediate and finished products	-	-	-	-
Goods	-	-	-	-
Advances and prepayments on orders	-	-	-	-
Receivables	**2,222**	**-**	**2,222**	**1,922**
Accounts receivable and related receivables	-	-	-	-
Other receivables	2,222	-	2,222	1,922
Capital subscribed, called, but unpaid	-	-	-	-
Short-term investment securities	-	-	-	**2,737**
Treasury shares	-	-	-	-
Other securities	-	-	-	2,737
Cash instruments	-	-	-	-
Cash and cash equivalents	4,231	-	4,231	795
Prepaid expenses	-	-	-	1
Accrued income and prepaid expenses	**710**	**-**	**710**	**810**
Expenses deferred over several fiscal years	710	-	710	810
Bond redemption premiums	-	-	-	-
Translation adjustments - Assets	-	-	-	-
TOTAL ASSETS	**2,689,196**	**776**	**2,688,420**	**2,646,591**

BALANCE SHEET

Liabilities (in € thousands)	12/2019	12/2018
Shareholders' equity	**1,555,023**	**1,476,046**
Share capital	148,014	148,014
o/w paid-in capital:	*148,014*	*148,014*
Issue, merger and contribution premiums	1,097,937	1,097,937
Revaluation adjustments	-	-
Equity-accounting difference	-	-
Reserves:	-	-
- Legal reserve	14,801	14,801
- Statutory and contractual reserves	-	-
- Regulated reserves	-	-
- Other reserves	25,879	25,879
Retained earnings	276	365
Income for the period	268,116	189,051
Unallocated income	-	-
Unallocated interim dividends	-	-
Investment subsidies	-	-
Regulated provisions	-	-
Provisions	-	-
Provisions for risks	-	-
Provisions for expenses	-	-
Amounts payable	**1,133,397**	**1,170,544**
Convertible bonds	-	-
Other bonds	251,034	251,069
Loans and debt from credit institutions	875,300	912,009
Sundry loans and financial debt	-	-
Advances and prepayments received on orders in progress	-	-
Accounts payable and related payables	-	-
Tax and social security payables	6	42
Amounts payable on fixed assets and related payables	-	-
Other amounts payable	7,056	7,424
Cash instruments	-	-
Prepaid income	-	-
Accrued expenses and other liabilities	**-**	**-**
Translation adjustments - liabilities	-	-
TOTAL LIABILITIES AND EQUITY	**2,688,420**	**2,646,591**

INCOME STATEMENT

(in € thousands)	Net transactions 12/2019	Net transactions 12/2018
Operating income	**4,724**	**4,135**
Commissions and brokerage fees	4,724	4,135
Production sold	-	-
Net revenue	**4,724**	**4,135**
o/w exports:		
Inventories	-	-
Capitalized production	-	-
Operating subsidies	-	-
Reversals of provisions, depreciation and amortization, transferred expenses	-	-
Other income	-	-
Operating expenses	**8,700**	**9,504**
Purchases of goods	-	-
Change in inventories of goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other external purchases and expenses	8,357	9,504
Taxes and similar payments	5	7
Wages and salaries	-	-
Social security expenses	-	-
Depreciation, amortization and provisions:	-	-
on fixed assets: depreciation and amortization	*338*	*293*
on fixed assets: provisions	-	-
on current assets: provisions	-	-
Contingency reserves: provisions	-	-
Other expenses	-	-
OPERATING INCOME	**(3,976)**	**(5,369)**
Share of income on joint ventures	-	-
Profit or transferred loss	-	-
Loss or transferred profit	-	-
Financial income	**301,301**	**223,514**
From investments in affiliates	301,301	221,949
From other transferable securities and long-term receivables	-	-
Other interest and similar income	-	-
Reversals of provisions and transferred expenses	-	-
Positive foreign exchange differences	-	1,565
Net income on disposals of investment securities	-	-
Financial expenses	**28,332**	**28,803**
Depreciation, amortization and provisions	-	-
Interest and similar expenses	28,299	28,665
Negative foreign exchange differences	-	100
Net expenses on disposals of investment securities	33	37
FINANCIAL RESULT	**272,969**	**194,711**
PRE-TAX PROFIT	**268,993**	**189,342**
Non-recurring income	-	-
On portfolio management transactions	-	-
On capital transactions	-	-
Reversals of provisions and transferred expenses	-	-
Non-recurring expenses	-	-
On portfolio management transactions	-	-
On capital transactions	-	-
Allowances for provisions and transferred expenses	-	-
NON-RECURRING INCOME	-	-
Employee profit-sharing	-	-
Income tax	877	291
TOTAL INCOME	**306,025**	**227,648**
TOTAL EXPENSES	**37,909**	**38,597**
PROFIT OR LOSS	**268,116**	**189,051**

COMMITMENTS

(in € thousands)	12/2019	12/2018
Commitments received	**5,000**	**5,000**
Credit lines (undrawn amounts)	5,000	5,000
Endorsements, sureties received	-	-
Commitments received from reinsurers	-	-
Fund for end-of-career and long-service awards	-	-
Caps purchased to hedge against interest rate risk	-	-
Interest rate swaps and currency futures	-	-
Commitments given	**-**	**-**
Endorsements, sureties and credit guarantees given	-	-
Assets purchased under resale agreements	-	-
Other commitments on securities, assets or revenues	-	-
Interest rate swaps and currency futures	-	-
Other commitments given	-	-
Securities pledged as collateral by cessionaires and retrocessionaires	-	-
Securities pledged by reinsured entities with joint-and-several guarantee or with substitution	-	-
Securities belonging to personal protection insurance institutions	-	-
Other securities held for third parties	-	-
Outstanding futures and options contracts	-	-
Breakdown of outstanding futures and options contracts by strategy:	-	-
- investment or divestment strategies	-	-
- return strategies	-	-
- other transactions	-	-
Breakdown of outstanding futures and options contracts by market category:	-	-
- transactions on OTC markets	-	-
- transactions on regulated or similar markets	-	-
Breakdown of outstanding futures and options contracts by market risk, notably:	-	-
- interest rate risk	-	-
- foreign exchange risk	-	-
- equity risk	-	-
Breakdown of outstanding futures and options contracts by instrument, notably:	-	-
- swaps	-	-
- forward rate agreements	-	-
- futures	-	-
- options	-	-
Breakdown of outstanding futures and options contracts by residual maturity of strategies:	-	-
- 0-1 year	-	-
- 1-5 years	-	-
- over 5 years	-	-

Notes to the parent company financial statements

1. SIGNIFICANT EVENTS OF 2019

1.1. PARTNERSHIP

The ambition of making Groupe BPCE a fully-fledged bancassurer and creating a single non-life insurance operational model for individual and professional customers within Natixis Assurances led in May 2019 to the renewal of the partnership with Covéa as from January 1, 2020. This partnership will involve insuring the professional risks of Caisse d'Epargne and Banque Populaire customers. Starting from that date, Natixis Assurances will insure new non-life insurance business for individual customers of the Banque Populaire banks in addition to those of the Caisse d'Epargne banks (#INNOVE2020 program).

The partnership agreement also set up an irrevocable purchase promise effective from January 1, 2020, which provides for Natixis Assurances to purchase the 50% of BPCE IARD shares it does not already own from Covéa, primarily in the event that BPCE IARD's revenues fall to below €200 million.

1.2. AFFILIATES

As part of the renewal of the partnership between BPCE and Covéa Coopération and in order to simplify BPCE IARD's shareholder structure, Natixis Assurances purchased 52 BPCE IARD shares from other Groupe BPCE entities (primarily Natixis SA), thereby increasing its percentage interest from 49.48% to 50.00%.

1.3. FINANCING

On December 23, 2019, the company subscribed for two dated loans

- a €10 million senior loan at a fixed rate of 0.84% granted by BPCE Vie;
- a €30 million subordinated loan at a fixed rate of 1.82% granted by Natixis.

On December 23, 2019, the company granted two 10-year subordinated loans at a fixed rate of 1.82%:

- a €10 million loan granted to BPCE Prévoyance;
- a €30 million loan granted to BPCE Vie.

In addition, in September 2019, the company granted a €2 million subordinated loan to BPCE Prévoyance at a fixed rate of 2.25%, following the maturity of a loan for the same amount at a fixed rate of 1.945%.

Lending and borrowing characteristics

Borrower	Lender	Amount of principal	Release date	Balance at 12/31/2019	Fixed rate	Redemption date
NATIXIS ASSURANCES	BPCE VIE	10,000	23/12/2019	10,000	0.840%	23/12/2029
NATIXIS ASSURANCES	NATIXIS	30,000	23/12/2019	30,000	1.820%	23/12/2029
BPCE VIE	NATIXIS ASSURANCES	30,000	23/12/2019	30,000	1.820%	23/12/2029
BPCE PRÉVOYANCE	NATIXIS ASSURANCES	10,000	23/12/2019	10,000	1.820%	23/12/2029
BPCE PRÉVOYANCE	NATIXIS ASSURANCES	2,000	27/09/2019	2,000	2.250%	27/09/2029

2. POST-CLOSING EVENTS

2.1. CORONAVIRUS PANDEMIC

After breaking out in China, the Covid-19 virus then spread around the world in early 2020. On March 11, 2020, the World Health Organization reclassified the Covid-19 epidemic as a pandemic. In France, measures to reduce face-to-face contacts and travel to the strict minimum were taken on March 16, 2020 and a confinement mechanism was imposed on the whole of the country. The decisions of the different governments to completely shut down certain activities and limit international exchanges notably triggered steep falls in equity markets from the end of February 2020.

The main impacts identified for the Group are a loss in value concerning a portion of its financial investments, a risk of excess losses related to death benefit and work cessation coverage (individual personal protection and payment protection policies), as well as a risk of lower business activity. Following the review of these elements performed on March 19, 2020, they are estimated to have a relatively limited impact on Natixis Assurances' net income.

There was no impact on the 2019 financial statements.

2.2. ADIR SUBSIDIARY – PAYMENT DEFAULT IN LEBANON

Natixis Assurances owns 34% of the Lebanese bancassurer Adir which is accounted for by the equity method in the group's consolidated accounts. Unable to honor upcoming repayment instalments on its debt, Lebanon declared itself in default on 7 March 2020. This payment default is likely to have a highly significant impact on Adir: write-downs will have to be taken on a large portion of its financial investments (Lebanese government bonds, term deposits and cash). The exact impact was unknown as of March 19, 2020, as negotiations between Lebanon and its creditors were still ongoing.

The interest in Adir is recorded on the group's balance sheet with a value of €5.5 million under Investments in affiliates. An impairment test will be performed in 2020 in order to decide whether to book a provision for impairment.

3. ACCOUNTING PRINCIPLES AND METHODS

In order to give a true and fair view of the results of the company's operations for the past fiscal year and of its financial position and assets and liabilities at the end of the fiscal year, the financial statements were prepared in accordance with French accounting principles resulting in particular from the provisions of the French Commercial Code, the General Chart of Accounts, application of ANC (French Accounting Standards Board) Regulation No. 2016-07 pertaining to the General Chart of Accounts.

The rules and methods stipulated were applied in accordance with the general principles set forth in the French Commercial Code, and in particular with that of continuity of operations, independence of fiscal years, accounting recognition at historic cost, prudence and consistency of accounting methods from one year to the next.

Together, these rules and methods form an indivisible whole for the preparation of the annual financial statements.

3.1. ASSET VALUATION RULES

3.1.1. Intangible assets

Intangible assets comprise purchased software or internally developed software.

Projects to create internal software are run by applying a project management methodology consisting of several phases, the first one of which involves preparing a pre-project contract. This procedure is now applied to all significant tasks geared to developing IT applications.

These pre-project contracts are systematically presented to a monthly committee that examines projects and checks that they comply with the criteria defined by CRC rule 2004-06 relating to asset definition, accounting and valuation. These criteria are codified in articles 211-1 to 211-3 and 311-1 of the General Chart of Accounts.

In particular, in accordance with the principles applied in accounting rules, projects are only identified as assets when the following four conditions are fulfilled simultaneously:

- project costs are clearly identifiable;

- the project has a positive economic value that reflects its anticipated future economic benefits;

- the application developed is controlled by the company;

- project costs can be reliably assessed.

Depreciation and amortization periods

The amortization period of expenditure recorded in assets is determined case-by-case, based on a review of the features of the developed applications.

Depreciation and amortization

Depreciation and amortization are applied on a straight-line basis and recorded in Depreciation, amortization and provisions in the income statement.

Impairment

In the event of objective evidence of impairment, an impairment test must be conducted comparing the recoverable amount of the asset and its carrying amount, and recording any necessary impairment in the income statement.

3.1.2. Long-term investments

Investments in affiliates and related receivables are recorded at their acquisition cost.

Acquisition costs

The company opted to recognize the acquisition costs incurred on investments in affiliates under expenses.

Impairment

At each reporting date, in the event of indicators or changes liable to affect the value of investments held, impairment tests are performed in order to determine whether or not the carrying amount exceeds the fair value of the securities held.

This fair value is measured using a multi-criteria approach (projected income or dividends according to medium-term budgets and plans, comparable transaction references, net book value). Where applicable, a provision for impairment is booked for the difference between the carrying amount and the estimated fair value.

3.1.3. Short-term investment securities

Investments are recorded in the balance sheet at their historic cost. The realization value is always the last published net asset value. De-recognition is always recorded at cost price and in accordance with the FIFO (first-in, first-out) rule.

3.1.4. Expenses deferred over several years

Deferred expenses comprise bond issuance costs, which are amortized using the actuarial method until the redemption date or the optional early redemption date.

3.2. INCOME STATEMENT

3.2.1. Revenue

Revenue consists of management fees re-invoiced by the parent company Natixis.

3.2.2. Other external expenses

In the absence of paid staff, the company has recourse to BPCE Vie's resources and general services. BPCE Vie re-invoices the expenses related to this use, based on cost price and pro-rata to the time spent.

3.2.3. Non-recurring income

There was no non-recurring income during fiscal 2019.

3.2.4. Income tax

Income tax is calculated according to the tax provisions in force.

Due to the existence of a tax loss carry-forward and after booking part of this in accordance with legal limits, the company recognized a €268k tax expense.

Natixis Assurances is a member of the tax group established by Natixis pursuant to Articles 223-A and following of the French General Tax Code. The tax consolidation agreement in force at Natixis is based on the principle of neutrality, whereby each subsidiary determines its tax and contributes to group tax as if it were not consolidated. The tax expense owed by each subsidiary is not amended as a result of its tax consolidation. Any tax savings or expenses generated by consolidation are recognized by the parent company, Natixis.

France's budget law of July 24, 2019 modifies the trajectory of the reduction in tax rates. For fiscal 2019, the normal rate of corporate income tax for companies with revenue under €250 million was set at 28% for the portion of taxable profit up to €500k and at 31% for the portion above this limit.

Unless otherwise mentioned, the amounts cited in the comments on the accounts are indicated in thousands of euros.

4. INFORMATION ON BALANCE SHEET ITEMS

4.1. FIXED ASSETS

4.1.1. Intangible fixed assets

Intangible fixed assets	12/31/2018	Acquisitions	Disposals	12/31/2019
Gross value				
completed	999	206	-	1,205
Total gross value	**999**	**206**	**-**	**1,205**

Intangible fixed assets	12/31/2018	Allowances	Reversals & Disposals	12/31/2019
Amortization and impairment				
completed	*538*	*238*	-	*776*
Total amortization and impairment	**538**	**238**	**-**	**776**
Net value	**461**	**-**	**-**	**429**

The change in the gross value of intangible fixed assets reflected the acquisition of a license for a reporting tool for the sum of €206k, while the change in allowances was due to amortization recognized in 2019.

4.1.2. Long-term investments

Long-term investments	12/31/2018	Acquisitions	Divestments	Change in accrued interest not yet received	12/31/2019
Investments in affiliates	1,995,164	903	-	-	1,996,067
Receivables related to investments in affiliates					
Loan principal	643,490	42,000	2,000	-	683,490
Accrued interest not yet received	1,212	-	-	59	1,271
Total net value	**2,639,866**	**42,903**	**2,000**	**59**	**2,680,828**

The increase in Investments in affiliates reflected the acquisition of 52 BPCE IARD in second-quarter 2019. No impairments were recognized on the long-term investments presented at December 31, 2019.

A €2 million subordinated loan granted to BPCE Prévoyance matured on September 29, 2019 and was compensated by the issuance of a new loan on the same date, for the same nominal with the following characteristics:

- 10-year term
- fixed rate of 2.25%

In addition, two other dated subordinated loans were set up on December 23, 2019:

- a €30 million, 10-year loan granted to BPCE Vie at a fixed rate of 1.82%;
- a €10 million, 10-year loan granted to BPCE Prévoyance at a fixed rate of 1.82%.

4.1.2.1. Investments in affiliates

Entity	Quantity of shares at January 1	Amount at January 1	Quantity of shares at December 31	Amount at December 31
BPCE Vie*	10,091,841	1,272,088	10,091,861	1,272,088
BPCE Assurances	405,204	563,976	405,204	563,976
Natixis Life	3,600,000	91,141	3,600,000	91,141
BPCE Prévoyance*	855,220	47,546	855,220	47,546
BPCE IARD	4,948	14,847	5,000	15,750
Adir	169,970	5,474	169,970	5,474
Ecureuil Vie Développement	1,887	91	1,887	91
Total	**15,129,070**	**1,995,164**	**15,129,152**	**1,996,067**

*of which shares lent (in 2018): 20 for BPCE Vie and 10 for BPCE Prévoyance

4.1.2.2. Receivables related to investments in affiliates

In order to supplement items eligible for the minimum solvency capital requirement of its subsidiaries, the company granted subordinated loans with the following characteristics.

Subsidiary	Date of loan	Maturity	Interest rate	Amount at January	Accrued interest not yet received at January 1	Inflows	Outflows	Amount at December 31	Accrued interest not yet received at December 31	Total
BPCE Assurances	07/05/2014	Indefinite	5.17%	5,336	-	-	-	5,336	-	5,336
BPCE Assurances	07/05/2014	Indefinite	5.17%	9,909	-	-	-	9,909	-	9,909
BPCE Assurances	07/05/2014	Indefinite	4.39%	5,336	-	-	-	5,336	-	5,336
BPCE Assurances	07/05/2014	Indefinite	4.30%	9,909	-	-	-	9,909	-	9,909
BPCE Assurances	07/31/2014	09/15/2025	E3M + 1.70%	10,000	6	-	-	10,000	5	10,005
BPCE Prévoyance	12/29/2004	Indefinite	E3M + 1.70%	3,000	-	-	-	3,000	-	3,000
BPCE Prévoyance	09/29/2014	09/29/2019	1.945%	2,000	10	-	2,000	-	-	-
BPCE Prévoyance	12/18/2015	12/18/2025	3.76%	15,000	20	-	-	15,000	20	15,020
BPCE Prévoyance	09/27/2019	09/27/2029	2.25%	-	-	2,000	-	2,000	12	2,012
BPCE Prévoyance	12/23/2019	12/23/2029	1.82%	-	-	10,000	-	10,000	4	10,004
BPCE Vie	12/23/2010	Indefinite	7.32%	10,000	14	-	-	10,000	16	10,016
BPCE Vie	12/30/2014	Indefinite	5.00%	250,000	246	-	-	250,000	278	250,278
BPCE Vie	01/16/2015	12/12/2025	2.70%	173,000	249	-	-	173,000	246	173,246
BPCE Vie	12/08/2016	12/08/2026	3.65%	65,000	137	-	-	65,000	143	65,143
BPCE Vie	12/22/2017	12/22/2027	2.22%	45,000	19	-	-	45,000	22	45,022
BPCE Vie	12/23/2019	12/23/2029	1.82%	-	-	30,000	-	30,000	12	30,012
Natixis Life	07/31/2012	07/31/2022	3.86%	8,000	132	-	-	8,000	133	8,133
Natixis Life	07/31/2012	Indefinite	3.86%	22,000	363	-	-	22,000	366	22,366
Natixis Life	01/16/2015	12/12/2025	2.70%	10,000	14	-	-	10,000	14	10,014
Total				**643,490**	**1,212**	**42,000**	**2,000**	**683,490**	**1,271**	**684,761**

4.2. Current assets

Current assets	12/31/2018 Affiliates	12/31/2018 Others	12/31/2018 Total	12/31/2019 Affiliates	12/31/2019 Others	12/31/2019 Total
Advances and prepayments	-	-	-	-	-	-
Other receivables	1,648	274	1,923	2,220	2	2,222
Investment securities	-	2,737	2,737	-	-	-
Current accounts and cash	-	795	795	-	4,231	4,231
Total	**1,648**	**3,806**	**5,454**	**2,220**	**4,233**	**6,453**

4.2.1. Other receivables

The *Other receivables* line of €2,222K primarily comprises balances with affiliates, concerning management fees re-invoiced to subsidiaries, net of prepaid expenses.

4.2.2. Short-term investment securities

Natixis Assurances sold all its shares in the Ostrum Cash Eurib I fund and generated a €33k capital loss.

4.2.3. Current accounts and cash

The *Current accounts and cash* line showed a balance of €4,231k relating to bank accounts held with Caceis Bank and Natixis.

4.2.4. Maturities and receivables

	Gross amount at 12/31/2018	Gross amount at 12/31/2019	<= 1 year	> 1 year and <= 5 years	> 5 years
Receivables related to investments in affiliates	644,702	684,761	1,271	8,000	675,490
Other trade receivables	-	-	-	-	-
Group and associates	1,647	2,220	2,220	-	-
Sundry debtors	274	2	2	-	-
Total	**646,623**	**686,982**	**3,493**	**8,000**	**675,490**

The detail of receivables related to investments in affiliates is as follows:

	Gross amount at 12/31/2019	<= 1 year	> 1 year and <= 5 years	> 5 years
Receivables related to investments in affiliates	684,761	1,271	8,000	675,490
Loan principal	683,490	-	8,000	675,490
Accrued interest	1,271	1,271	-	-

4.2.5. Expenses deferred over several fiscal years

At December 31, 2019, this item consisted of bond issuance costs. These costs, which initially amounted to €1,162k, are amortized using an actuarial method over a 10-year term ending on December 29, 2025.

	2018	2019
Deferred expenses	810	710
Total	**810**	**710**

4.3. LIABILITIES

4.3.1. Shareholders' equity

	12/2018	Income allocation 2018	Increase/decrease 2019	12/2019
Share capital	148,014	-	-	148,014
Additional paid-in capital	1,097,937	-	-	1,097,937
Optional reserve	25,879	-	-	25,879
Legal reserve	14,801	-	-	14,801
Retained earnings	365	(88)		276
Dividends paid	-	189,139	(189,139)	-
Net income (loss)	189,051	(189,051)	268,116	268,116
Total	**1,476,046**	**-**	**78,976**	**1,555,023**

All the 19,398,906 shares, each with a nominal value of €7.63, entitle their holders to dividends and equivalent voting rights. The company does not hold any treasury shares and did not purchase or sell treasury shares during the fiscal year.

4.3.2. Debt

4.3.2.1. Bond debt

The *Other bonds* line comprises bonds issued by Natixis Assurances to private investors.

Counterparty	Date of loan	Maturity	Rate	Amount at January 1	Increase	Decrease	Amount at December 31	Accrued interest not yet received	Total
Private investors	12/29/2014	Indefinite (*)	5.00%	251,000	-	-	251,000	34	251,034
Total				**251,000**	**-**	**-**	**251,000**	**34**	**251,034**

(*) This subordinated loan can be prepaid from December 29, 2025.

4.3.2.2. Loans and debt from credit institutions

The €875 million of Loans and debt from credit institutions breaks down as follows:

Counterparty	Subordi-nation	Date of loan	Maturity	Rate	Amount at January 1	Accrued interest at January 1	Increase	Decrease	Amount at December 31	Accrued interest at December 31	Total
Natixis	Subordinate	07/31/2012	07/31/2022	6.86%	8,000	235	-	-	8,000	233	**8,233**
Natixis	Subordinate	07/31/2012	Indefinite	7.86%	22,000	740	-	-	22,000	735	**22,735**
Natixis	Subordinate	01/16/2015	12/16/2025	2.70%	300,000	314	-	-	300,000	337	**300,337**
Natixis	Subordinate	12/08/2016	12/08/2026	3.65%	65,000	137	-	-	65,000	143	**65,143**
Natixis	09/05/2017	05/09/2017	05/09/2021	0.74%	83,000	403	-	-	83,000	403	**83,403**
Natixis	Senior	11/13/2017	11/14/2022	0.47%	245,000	156	-	-	245,000	154	**245,154**
Natixis	Senior	12/21/2017	12/21/2022	0.73%	64,000	13	-	-	64,000	10	**64,010**
Natixis	Subordinate	12/22/2017	12/22/2027	2.22%	30,000	13	-	-	30,000	15	**30,015**
Natixis	Subordinate	12/23/2019	12/23/2029	1.82%	-	-	30,000	-	30,000	12	**30,012**
BPCE VIE	Senior	12/23/2019	12/23/2029	0.84%	-	-	10,000	-	10,000	-	**10,000**
Sub-total loans					**817,000**	**2,009**	**40,000**	**-**	**857,000**	**2,041**	**859,041**
Natixis	Senior	12/31/2018	07/31/2020	E6M	93,000	-	-	77,000	16,000	-	**16,000**
Sub-total credit line					**93,000**	**-**	**-**	**77,000**	**16,000**	**-**	**16,000**
Total					**910,000**	**2,009**	**40,000**	**77,000**	**873,000**	**2,041**	**875,041**

4.3.2.3. Amounts payable and related payables

	12/2018		12/2019	
	Affiliates	Others	Affiliates	Others
Invoices to be received	-	-	-	-
Total	**-**	**-**	**-**	**-**

There were no accounts payable at December 31, 2019.

4.3.2.4. Tax and social security payables

This line totals €6k of payables, including €4k in respect of collected VAT payable to DGE and €2k in respect of self-liquidated VAT.

4.3.2.5. Other payables

	12/2018			12/2019		
	Affiliates	Others	Total	Affiliates	Others	Total
Sundry creditors	6,009	1,416	7,424	7,022	34	7,056
Total	**6,009**	**1,416**	**7,424**	**7,022**	**34**	**7,056**

The *Sundry creditors* line of €7,056K primarily comprises:

- a current account with Natixis for €4,746k, primarily comprising management fees of €4,710K;
- a current account with BPCE Vie for €1,679k, essentially comprising re-invoicings and prepayments in respect of operating resources (€1,882k) ;
- a tax consolidation current account with Natixis for €597k.

4.3.2.6. Maturities of payables

(in € thousands)	Gross amount at 12/31/2018	Gross amount at 12/31/2019	<= 1 year	> 1 year and <= 5 years	> 5 years
Loans – private investors	251,069	251,034	34	-	251,000
Loans - Natixis	912,009	875,041	18,041	400,000	457,000
Current accounts and cash	-	259	259	-	-
Accounts payable and related payables	-	-	-	-	-
Tax and social security payables	42	6	6	-	-
Other payables	7,424	7,056	7,056	-	-
Total	**1,170,544**	**1,133,397**	**25,397**	**400,000**	**708,000**

4.3.2.7. Commitments by currency

Assets and commitments by currency	12/2018		12/2019	
	Assets	Liabilities	Assets	Liabilities
Euro	2,646,591	2,646,591	2,688,420	2,688,420
Other currencies	-	-	-	-
Total	**2,646,591**	**2,646,591**	**2,688,420**	**2,688,420**

5. INFORMATION ON INCOME STATEMENT ITEMS

5.1. OPERATING INCOME

5.1.1. Commissions and brokerage fees

The *Commissions and brokerage fees* line records €34k of income to reflect the impact between estimated and actual figures for the 2017 fiscal year, as set out in rider n°6 of the broking agreement signed on April 19, 2019.

5.1.2. Management fees

Reinvoicings of management fees amounted to €4,690k in 2019.

5.2. OPERATING EXPENSES

5.2.1. Other external purchases and expenses

Other external purchases and expenses amounted to €8,357k and primarily include €4,716k for management fees invoiced by Natixis and €3,444k for external services.

5.2.2. Taxes and similar payments

This item comprises €5k of direct taxes (CVAE and CFE).

5.2.3. Depreciation, amortization and provisions

Depreciation, amortization and provisions comprises €239k for amortization of software and €99k for amortization of loan expenses.

5.3. STATUTORY AUDITORS' FEES

Statutory auditors' fees amounted to €143k in 2019, broken down as follows.

	12/2018	12/2019
Independent audit, certification and examination of the individual and consolidated financial statements	**138**	**151**
Mazars	85	86
PricewaterhouseCoopers	67	65
Other work and services directly related to the statutory auditor assignment	**25**	**(8)**
Mazars	20	(8)
PricewaterhouseCoopers	4	-
Total	**163**	**143**

5.4. NET FINANCIAL INCOME

5.4.1. Financial income

Financial income comprised income from investments in affiliates and interest on loans granted.

	12/2018		12/2019	
Financial income	Affiliates	Others	Affiliates	Others
Income from investments in affiliates	196,846	-	276,067	-
Income from loans	25,103	-	25,234	-
Net income on disposals of investment securities	-	-	-	-
Foreign exchange difference	-	1,565	-	-
Total financial income	**221,949**	**1,565**	**301,301**	**-**

The detail of dividends received on investments in affiliates is as follows:

Participations	12/2018	12/2019
BPCE Vie	100,919	170,452
BPCE Prévoyance	12,657	15,976
BPCE Assurances	71,924	75,935
Natixis Life	6,100	7,700
BPCE IARD	3,058	3,553
Adir (Adonis Insurance and Reinsurance)	2,188	2,452
Total	**196,846**	**276,067**

5.4.2. Financial expenses

Financial expenses included the following items:

	12/2018		12/2019	
Financial expenses	Affiliates	Others	Affiliates	Others
Interest on loans and similar debt	28,560	-	28,296	-
Interest expenses on current accounts	-	15	-	14
Management fees	91	-	(11)	-
Foreign exchange loss	-	100	-	-
Net expenses on disposal of investment securities	-	37	-	33
Total financial expenses	**28,651**	**152**	**28,285**	**47**

The *Foreign-exchange loss* corresponds to the premium/discount component of the exchange-rate hedging transaction.

5.5. TAX EXPENSE

Given the company's holding company nature, income essentially comprised €276 million of dividends reflecting the parent-subsidiary relationship. The company declared taxable profit of €6,734k which generated €877k of corporate income tax, after the use of a portion of tax loss carry-forwards that reduced the overall stock of tax losses to €18 million. In 2019, the rate of corporate income tax was set at 28% for the portion of taxable profit up to €500k and at 31% for the portion above this limit. In addition, a 3.3% social contribution was payable on the portion of income tax exceeding €763k.

	12/2018	12/2019
Tax payable	291	877
Deferred tax expense	-	-
Total tax expense	**291**	**877**
o/w non-recurring	-	-
o/w related to previous years	-	-

Reconciliation betwen theoretical tax expense and real tax expense

	12/2018	12/2019
Accounting result before tax	189,342	268,993
Theoretical tax expense at 34.43%	65,197	86,140
Impacts on theoretical tax of:	(64,906)	(85,262)
- income taxed at reduced rate	-	-
- limit on deductibility of financial expenses	299	14
- dividends subject to parent-subsidiary tax scheme	(64,392)	(83,985)
- permanent differences	-	-
- acquisition costs on investments in affiliates	(136)	(45)
- bond issuance costs	33	32
- unrealized gains or losses on UCITS	-	-
- income tax at 28% on base <€500k	(27)	(15)
- tax loss carry-forwards from previous years	(672)	(1,238)
- other items	-	-
- social contribution	(10)	(25)
Real tax expense	**291**	**877**

5.6. NET INCOME

Net income amounted to €268 million in 2019, a €79 million increase relative to 2018. This growth stemmed primarily from higher revenues from investments in affiliates and primarily from a €70 million increase in dividends paid by the BPCE Vie subsidiary.

6. OTHER INFORMATION

6.1. GROUP – CONSOLIDATION

Natixis Assurances is a wholly-owned subsidiary of Natixis, whose registered office is located at 30, Avenue Pierre Mendès France, Paris 75013. Its accounts and those of its majority-owned subsidiaries are fully consolidated by both Natixis and BPCE, the majority owner of Natixis, whose registered office is located at 50, Avenue Pierre Mendès-France, Paris 75013, France.

Copies of Natixis Assurances' financial statements may be obtained from 59 Avenue Pierre Mendès-France, Paris 75013, France.

6.2. OFF-BALANCE SHEET COMMITMENTS

Natixis Assurances benefits from a commitment received from Natixis concerning a €5 million authorized overdraft facility.

7. PARENT COMPANY RESULTS FOR THE LAST FIVE YEARS

(in € thousands)	2015	2016	2017	2018	2019
Share capital at December 31					
Share capital	135,077	148,014	148,014	148,014	148,014
Number of ordinary shares outstanding	17,703,431	19,398,906	19,398,906	19,398,906	19,398,906
Operations and income for the year					
Revenue (without tax)	301	313	251	4,135	4,724
Income before tax depreciation, amortization and provisions	118,038	127,376	157,133	189,635	269,331
Income tax	-	-	-	291	877
Income after tax depreciation, amortization and provisions	117,883	127,165	156,869	189,051	268,116
Distributed earnings	116,781	126,093	154,221	189,139	268,287
Earnings/(loss) per share (€)					
Income after tax, but before depreciation, amortization and provisions (1)	6.67	6.57	8.10	9.76	13.84
Income after tax, depreciation, amortization and provisions (1)	6.66	6.56	8.09	9.75	13.82
Dividend per share	6.02	6.50	7.95	9.75	13.83
Personnel					
Average headcount during the fiscal year	-	-	-	-	-
Wage bill for the fiscal year	-	-	-	-	-
Amount paid for employee benefits (social security and welfare)	-	-	-	-	-

(1) Based on the weighted average number of shares outstanding during the fiscal year, calculated in accordance with OEC (French Order of Certified Public Accountants) Notice No. 27.

8. SUBSIDIARIES AND AFFILIATES

Subsidiaries and affiliates Detailed information (in € thousands)	Capital	Reserves and retained earnings before distribution of earnings	% interest held	Carrying amount of shares held		Loans and advances granted by the Company and not yet repaid	Sureties and endorsements given by the Company	Revenue (without tax) for the last fiscal year ended	Net income (profit/loss) for the last fiscal year ended	Dividends received by the Company during the fiscal year
SUBSIDIARIES - (over 50%-owned)				**Gross**	**Net**					
BPCE Vie 30, avenue Pierre Mendès France 75013 PARIS N° SIREN: 349 004 341 Mixed insurance company	1,255,076	161,773	100	1,272,088	1,272,088	573,254	-	10,354,270	147,507	170,452
BPCE Prévoyance 30, avenue Pierre Mendès France 75013 PARIS N° SIREN: 352 259 717 Non-life insurance company	37,880	2,767	100	47,546	47,546	30,000	-	223,149	18,078	15,976
Natixis Life 51, avenue J.F. Kennedy L- 2951 LUXEMBOURG N° RC: B60 633 Life insurance company	90,000	9,461	100	91,141	91,141	40,000	-	958,600	6,775	7,700
BPCE Assurances 88, avenue de France 75013 PARIS N° SIREN: 501 633 275 Non-life insurance company	118,289	235,602	100	563,976	563,976	40,490	-	1,014,765	71,760	75,935
Ecureuil Vie Développement Héron Building 66, avenue du Maine 75014 PARIS N° SIREN: 503 055 618 Simplified company with shares	37	213	51	91	91	-	-	-	19	-
AFFILIATES - (between 10% and 50%-owned)				**Gross**	**Net**					
BPCE IARD Chaban de Chauray BP 9003 79093 NIORT Cedex N° SIREN: 401 380 472 Non-life insurance company	50,000	62,512	50	14,847	15,750	-	-	462,543	16,936	3,553
Adir (1) Aya Commercial Center Dora BEIRUT - LIBAN N° RC: 46 238 Mixed insurance company	USD 16,584(2)	USD 36,044(2)	34	5,474	5,474	-	-	32,623	13,621	2,188
B. General information 1. Subsidiaries not shown in section A A. French subsidiaries (all) B. Foreign subsidiaries (all)	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
2. Affiliates not shown in section A A. In French companies (all) B. In foreign companies (all)	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -

(1) Based on provisional accounts at 12/31/2019 (2) Exchange rate USD/EUR = 1,1224 at 12/31/2019

4 STATUTORY AUDITORS' REPORTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Natixis Assurances General Meeting of Shareholders,

Opinion

In accordance with the assignment entrusted to us by your General Meeting of Shareholders, we performed an audit of the consolidated financial statements of Natixis Assurances relating to the fiscal year closed on December 31, 2019, as attached to the present report. These financial statements were signed off by the Board of Directors on April 27, 2020, based on the elements available at that date in a changing situation linked to the Covid-19 health crisis.

We certify that with regard to IFRS standards as adopted in the European Union, the consolidated financial statements are proper and sincere and provide a faithful image of the result of the operations conducted in the fiscal year, as well as of the financial and asset/liability situation at fiscal-year end for all the persons and entities included in the consolidation.

Basis of the opinion

Audit standards

We conducted our audit in accordance with the standards of professional practice in France. We consider that the items we collected were sufficient and appropriate to provide a basis for our opinion.

Our responsibilities accruing from these standards are set out in the section "Responsibilities of the statutory auditors relative to the audit of the consolidated financial statements" included in the present report.

Independence

We performed our audit assignment in accordance with the independence rules applicable to us from January 1, 2019 to the date of our report, and in particular we did not provide services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or by the Code of Ethics for the profession of Statutory Auditor.

Justification of assessments – Key audit points

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we are required to draw your attention to the key points of the audit relating to the risks of inaccuracies that, according to our professional judgment, were the most important for the audit of the consolidated financial statements for the year, as well as the responses we provided to these risks.

Our ensuing assessments are made within the context of the audit of the consolidated financial statements taken as a whole, which were signed off in the aforementioned conditions, and the formation of our opinion expressed above. We do not express an opinion on items in these consolidated financial statements in isolation.

We identified the following key audit points:

1. INVESTMENTS – VALUATION AND PROVISIONING LEVELS FOR UNLISTED FINANCIAL ASSETS

Identified risk

Financial assets and derivatives, and their classification and valuation methods at balance sheet date are specified in point 4.2.5 Financial Investments of the notes to the consolidated financial statements. The methods for determining impairments are specified in point 4.2.6 of the same notes.

In order to honor commitments contracted with insurees, your Company invests premiums received in various types of investment instruments, including in unlisted financial assets.

Analysis of the valuation of unlisted financial assets relies on an important degree of subjectivity and judgment on the part of management, primarily for:

• real-estate assets valued on the basis of real-estate appraisals;

• private equity funds;

• unlisted bonds;

• unlisted equities;

• unlisted structured products.

We considered this valuation topic to be a key audit point given the materiality of these unlisted financial assets and the fact that their valuation is based on actuarial methods that require a significant degree of judgment on the part of management.

Audit approach

Our audit approach, detailed hereafter, included the intervention of valuation experts and IT audit experts when necessary.

The main audit procedures we applied involved:

• assessing the appropriateness of the valuation and impairment methods employed with respect to financial instruments;

• examining the existing control mechanism, so as to assess the reality of investments and their valuations;

• performing reconciliations, by sampling quantities in the portfolio and comparing them with custodians' statements;

• performing tests concerning:

general IT controls relating to the investment management tool, and

certain embedded controls and key reports generated by the investment management tool.

• assessing the impact on our audit approach of key controls performed at the level of Ostrum AM (procurement of an ISAE 3402 report), notably regarding the control on the reliability of the management position and asset valuations;

• for real estate, FCPRs, FCTs and loans: comparing the value retained with the management company's NAV and the latest transactions observed on the market for the security in question, and/or using a comparable where possible or valuations provided by counterparties;

• in cases where the security is valued by an internal model, analyzing the suitability of the model's construction, along with the inputs, assumptions and variables used.

2. LIABILITIES RELATED TO INSURANCE POLICIES

Identified risk

Liabilities related to insurance policies correspond to your Company's commitments toward insurees.

Reserves are a key audit point due to:

• the importance of these reserves in the Company's balance-sheet liabilities. Underwriting reserves specific to insurance represent €88 billion or 81% of the liabilities recorded in Natixis Assurances' accounts;

• in addition, some of these reserves draw on particular assumptions or calculation models that call on management's judgment.

Overall management reserve, interest-rate risk reserve, reserve for policyholder bonuses:

The overall management reserve is designed to cover future expenses not covered by deductions from premiums or from investment income.

The interest-rate risk reserve is employed to offset potential future effects of interest-rate guarantees offered on certain products in the past.

The reserve for policyholder bonuses is used to cover the share of underwriting and investment profits generated by your Company and attributable to policyholders, and is subject to calculation of a regulatory minimum.

Assessment and valuation of these regulatory reserves draws on elements of judgment, whether to determine the assumptions employed or to choose the methods of calculation.

Reserve for claims payable net of recoveries:

This reserve corresponds to the estimated value of principal and expenses necessary to settle claims, net of recoveries receivable.

The reserve is estimated by using actuarial calculations to value the final cost of claims reported at fiscal year-end, as detailed in point 4.2.12 of the notes to the consolidated financial statements.

Mathematical reserves for annuities:

This regulatory reserve is calculated by applying the calculation assumptions and rules defined by France's Insurance Code and detailed in point 4.2.12 of the notes to the consolidated financial statements. The provision represents the future benefits to be paid on annuities in force at December 31, 2019.

Other underwriting reserves:

The other regulatory reserves are calculated by applying the calculation assumptions and rules defined by France's Insurance Code. The accuracy of the assessment of these reserves depends on the reliability of the processes employed to process and record the Company's insurance operations.

These regulatory reserves are calculated by applying the calculation assumptions and rules defined by France's Insurance Code and detailed in point 4.2.12 of the notes to the consolidated financial statements

Audit approach

In order to assist us with executing our audit procedures on these items, we had recourse to our firm's actuarial teams.

The main audit procedures that we applied involved:

Overall management reserve and interest-rate risk reserve:

• familiarizing ourselves with the general conditions of products and assessing the suitability of calculated reserves relative to guarantees on a sample of products;

• assessing the suitability of the methods and assumptions employed to calculate these reserves;

• assessing the coherency of the interest-rate risk reserve;

• performing an independent calculation of the reserve for increasing risks;

• performing an independent calculation of the minimum policyholder bonus reserve;

•reconciling elements originating from calculations with those from accounting.

Reserves for claims payable

• analyzing methodological notes relating to provisioning/reserves;

• analyzing current/previous claims experience;

• analyzing the coefficients of growth and reconstitution at end-December 2019 on auto, multi-risk home and personal accident products;

• performing an independent estimate of final costs on the main branches of the portfolio;

• reconciling elements originating from calculations with those from accounting.

Mathematical reserves for annuities

• assessing the coherency and conformity of the calculation method and assumptions employed on the professional protection insurance scope;

• reconciling elements originating from calculations with those from accounting.

Other underwriting reserves

• conducting tests on controls performed by management and conducting independent tests, so as to ensure the reliability of the information recorded in management databases and used to assess and value underwriting reserves;

• assessing the coherency of underwriting reserves;

• conducting recurrence tests on the calculation of underwriting reserves for with-profit investment solutions or endowment products;

• performing independent recalculations on a sample of investment solutions, personal protection insurance and payment protection contracts (death benefits and work cessation guarantees);

• performing an independent recalculation of the floor guarantee reserve;

• analyzing underwriting results for the different ministerial categories used to calculate the reserve for existing risks;

• assessing the coherency and conformity of the calculation method and assumptions employed for the reserve for existing risks;

• assessing the coherency and conformity of the calculation method and assumptions employed for the reserve for claims management expenses;

• reconciling elements originating from calculations with those from accounting.

In addition, we performed tests on the general IT controls (ITGC) relating to the various dedicated management tools as well as on controls and "key reports" that we considered relevant to our audit.

Specific verifications

As required by law and in accordance with the standards of professional practice applicable in France, we also specifically verified the information relating to the group presented in the Board of Directors' management report signed off on April 27, 2020. Concerning events and elements related to the Covid-19 crisis that occurred and/or became known after the signing-off date for the financial statements, management told us that they would be the subject of communication to the General Shareholders' Meeting called to deliberate on the financial statements.

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

Designation of the statutory auditors

Mazars and PricewaterhouseCoopers Audit were appointed in the capacity of statutory auditors to Natixis Assurances by the General Shareholders' Meetings of June 10, 1980 and May 12, 2012, respectively.

At December 31, 2019, Mazars was in the 40th consecutive year of its assignment and PricewaterhouseCoopers Audit in the 8th consecutive year and the 6th year since its shares were admitted for trading on a regulated market.

Responsibilities of management and corporate governance officers relative to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair picture in accordance with IFRS standards as adopted in the European Union, as well as for implementing the internal control that it deems necessary for preparing the consolidated financial statements without any material inaccuracies, whether resulting from fraud or error. When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to remain a going concern, for presenting in these financial statements, where appropriate, the necessary information concerning the status of going concern and for applying the standard accounting policy for a going concern, unless it is planned to dissolve the company and discontinue its activity. The consolidated financial statements were signed off by the Board of Directors.

Responsibilities of the statutory auditors relative to the audit of the consolidated financial statements

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable certainty that the consolidated financial statements taken as a whole do not contain any material inaccuracies. Reasonable assurance equates to a high level of certainty, though without this guaranteeing that an audit performed in accordance with the standards of professional practice manages to systematically detect any material inaccuracies. Inaccuracies may stem from fraud or error and are considered material when it can be reasonably expected that these inaccuracies may individually or cumulatively influence the economic decisions made by the users of the financial statements on the basis of the financial statements. As stipulated in article L. 823-10-1 of France's Commercial Code, our account certification duty does not involve guaranteeing the viability or the quality of management of your Company.

Within the framework of an audit performed in accordance with the standards of professional practice applicable in France, the statutory auditors exercise their professional judgment throughout the audit. In addition, the statutory auditors:

• identify and assess the risk that the consolidated financial statements contain any material inaccuracies, whether these stem from fraud or from error, define and implement audit procedures in light of these risks, and collect the elements they consider to be sufficient and appropriate for basing their opinion. The risk of not detecting a material inaccuracy stemming from fraud is greater than that of a material inaccuracy stemming from error, since fraud may imply collusion, falsification, voluntary omissions, false declarations or circumvention of internal control procedures;

• familiarize themselves with the internal control mechanism relevant to the audit, in order to define appropriate audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control;

• assess the appropriateness of the chosen accounting methods and the reasonableness of the accounting estimates made by management, as well as the information concerning them and which is presented in the consolidated financial statements;

• assess the appropriateness of management's application of standard accounting policy for a going concern and, according to the elements collected, the existence or not of a material uncertainty related to events or circumstances liable to undermine the Company's ability to remain a going concern. This assessment is underpinned by elements collected up to the date of the statutory auditors' report, it nevertheless being noted that subsequent circumstances or events could undermine the Company's ability to remain a going concern. If the statutory auditors conclude that there is a material uncertainty, they draw the attention of the readers of the report to the information provided in the consolidated financial statements regarding the subject of this uncertainty or, if such information is not provided or not relevant, they certify the financial statements with reservations or refuse to certify them;

• assess the overall presentation of the consolidated financial statements and whether they reflect the underlying operations and events in a way that provides a faithful picture;

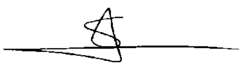
• concerning financial information on the persons or entities included in the consolidation scope, the statutory auditors collect the elements they consider to be sufficient and appropriate for expressing an opinion on the consolidated financial statements. They are responsible for managing, supervising and performing the audit of the consolidated financial statements, as well as for the opinion expressed on these statements.

French original signed in Neuilly-sur-Seine and Paris La Défense on April 29, 2020

The Statutory Auditors,

PriceWaterhouseCoopers Audit

Sébastien ARNAULT

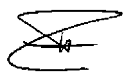


Emmanuel BENOIST

Mazars

Maxime SIMOEN

Guillaume WADOUX



STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Natixis Assurances General Meeting of Shareholders,

Opinion

In accordance with the assignment entrusted to us by your General Meeting of Shareholders, we performed an audit of the annual financial statements of Natixis Assurances relating to the fiscal year closed on December 31, 2019, as attached to the present report. These financial statements were signed off by the Board of Directors on April 27, 2020, based on the elements available at that date in a changing situation linked to the Covid-19 health crisis.

We certify that with regard to French accounting rules and principles, the annual financial statements are proper and sincere and provide a faithful image of the result of the operations conducted in the fiscal year, as well as of the Company's financial and asset/liability situation at fiscal-year end.

Basis of the opinion

Audit standards

We conducted our audit in accordance with the standards of professional practice in France. We consider that the items we collected were sufficient and appropriate to provide a basis for our opinion. Our responsibilities accruing from these standards are set out in the section "Responsibilities of the statutory auditors relative to the audit of the annual financial statements" included in the present report.

Independence

We performed our audit assignment in accordance with the independence rules applicable to us from January 1, 2019 to the date of our report, and in particular we did not provide services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or by the Code of Ethics for the profession of Statutory Auditor.

Justification of assessments – Key audit points

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we are required to draw your attention to the key points of the audit relating to the risks of inaccuracies that, according to our professional judgment, were the most important for the audit of the annual financial statements for the year, as well as the responses we provided to these risks.

We concluded that there were no key audit points to be communicated in our report.

Specific verifications

In accordance with the standards of professional practice applicable in France, we also performed the specific verifications provided for by law and regulatory texts.

Information given in the management report and other documents concerning the financial situation and the annual financial statements addressed to shareholders

We do not have any observations to make regarding the sincerity and consistency with the annual financial statements of the information given in the Board of Directors' management report signed off on April 27, 2020 and in the other documents concerning the financial situation and the annual financial statements addressed to shareholders, with the exception of the following point.

Regarding the sincerity and consistency with the annual financial statements of the information relating to invoice settlement periods mentioned in article D.441-4 of the French Commercial Code, we make the following remark:

As indicated in the management report, this information does not include insurance and reinsurance operations, as your company considers that, pursuant to the French Insurance Federation (FFA) circular of May 29, 2017, they are not covered by the scope of information to be produced.

Concerning events and elements related to the Covid-19 crisis that occurred and/or became known after the signing-off date for the financial statements, management told us that they would be the subject of communication to the General Shareholders' Meeting called to deliberate on the financial statements.

Information relating to corporate governance

We testify to the existence in the section of the Board of Directors' management report devoted to corporate governance, of the information required by article L.225 37-4 of the French Commercial Code.

Information resulting from other legal and regulatory obligations

Designation of the statutory auditors

Mazars and PricewaterhouseCoopers Audit were appointed in the capacity of statutory auditors to Natixis Assurances by the General Shareholders' Meetings of June 10, 1980 and May 12, 2012, respectively.

At December 31, 2019, Mazars was in the 40th consecutive year of its assignment and PricewaterhouseCoopers Audit in the 8th consecutive year and the 6th year since its shares were admitted for trading on a regulated market.

Responsibilities of management and corporate governance officers relative to the annual financial statements

Management is responsible for preparing annual financial statements that present a true and fair picture in accordance with French accounting rules and principles, as well as for implementing the internal control that it deems necessary for preparing the annual financial statements without any material inaccuracies, whether resulting from fraud or error.

When preparing the annual financial statements, management is responsible for assessing the Company's ability to remain a going concern, for presenting in these financial statements, where appropriate, the necessary information concerning the status of going concern and for applying the standard accounting policy for a going concern, unless it is planned to dissolve the company and discontinue its activity.

The annual financial statements were signed off by the Board of Directors.

Responsibilities of the statutory auditors relative to the audit of the annual financial statements

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable certainty that the annual financial statements taken as a whole do not contain any material inaccuracies. Reasonable certainty equates to a high level of certainty without this guaranteeing that an audit performed in accordance with the standards of professional practice manages to systematically detect any material inaccuracies. Inaccuracies may stem from fraud or error and are considered material when it can be reasonably expected that these inaccuracies may individually or cumulatively influence the economic decisions made by the users of the financial statements on the basis of the financial statements.

As stipulated in article L. 823-10-1 of the French Commercial Code, our account certification duty does not involve guaranteeing the viability or the quality of management of your Company.

Within the framework of an audit performed in accordance with the standards of professional practice applicable in France, the statutory auditors exercise their professional judgment throughout the audit. In addition, the statutory auditors:

• identify and assess the risk that the annual financial statements contain any material inaccuracies, whether these stem from fraud or from error, define and implement audit procedures in light of these risks, and collect the elements they consider to be sufficient and appropriate for basing their opinion. The risk of not detecting a material inaccuracy stemming from fraud is greater than that of a material inaccuracy stemming from error, since fraud may imply collusion, falsification, voluntary omissions, false declarations or circumvention of internal control procedures;

• familiarize themselves with the internal control mechanism relevant to the audit, in order to define appropriate audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control;

• assess the appropriateness of the chosen accounting methods and the reasonableness of the accounting estimates made by management, as well as the information concerning them and which is presented in the annual financial statements;

• assess the appropriateness of management's application of standard accounting policy for a going concern and, according to the elements collected, the existence or not of a material uncertainty related to events or circumstances liable to undermine the Company's ability to remain a going concern. This assessment is underpinned by elements collected up to the date of the statutory auditors' report, it nevertheless being noted that subsequent circumstances or events could undermine the Company's ability to remain a going concern. If the statutory auditors conclude that there is a material uncertainty, they draw the attention of the readers of the report to the information provided in the annual financial statements regarding the subject of this uncertainty or, if such information is not provided or not relevant, they certify the financial statements with reservations or refuse to certify them;

• assess the overall presentation of the annual financial statements and whether they reflect the underlying operations and events in a way that provides a faithful picture.

French original signed in Neuilly-sur-Seine and Paris La Défense on April 29, 2020

The Statutory Auditors,

PriceWaterhouseCoopers Audit		Mazars	
Sébastien ARNAULT	Emmanuel BENOIST	Maxime SIMOEN	Guillaume WADOUX

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

General Meeting of Shareholders to approve the financial statements for the year ended December 31, 2019

To the NATIXIS ASSURANCES General Meeting of Shareholders
NATIXIS ASSURANCES
30 avenue Pierre Mendès France
75013 PARIS

In our capacity as your Company's Statutory Auditors, we hereby submit our report on related-party agreements.

We are required to inform you, on the basis of the information provided to us, of the key features and terms and conditions of the related-party agreements notified to us or that we may have identified in the performance of our assignment. It is not our role to comment as to whether they are beneficial, or to ascertain the existence of any other related-party agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these contractual agreements prior to their approval.

In addition, we are required to inform you, in accordance with Article R. 225-31 of the French Commercial Code, of the execution during the past financial year of the related-party agreements already approved by the General Shareholders' Meeting.

We performed the procedures that we considered necessary to comply with the professional code of France's National Association of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this assignment. Our work consisted in verifying that the information provided to us is consistent with the underlying documents from which it was extracted.

AGREEMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

Agreements authorized and concluded during the last completed fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, we were notified of the following agreements concluded during the last completed fiscal year that were previously authorized by your Board of Directors.

Partnership Framework Agreement

A Partnership Framework Agreement concluded between Groupe BPCE and the Covea Group. This agreement specifies the conditions for running off different BPCE IARD policy lots, the operational conditions regarding BPCE IARD and the principles of compensation in the event of BPCE IARD policy termination/BPCE Assurances policy re-subscription.

This Partnership Framework Agreement was authorized by the Board of Directors on April 19, 2019.

Impact on the 2019 accounts: Nil

Shareholders' Agreement

A Shareholders' Agreement was concluded between Natixis Assurances and Covéa Participations regarding the ownership of BPCE IARD. This agreement is notably designed to determine the conditions under which Covéa may exercise its faculty to sell shares in BPCE IARD to Natixis Assurances and to maintain the current government principles.

This Shareholders' Agreement was authorized by the Board of Directors on April 19, 2019.

Impact on the 2019 accounts: Nil

AGREEMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements approved during previous fiscal years and which remained in force during the last completed fiscal year

Pursuant to Article L. 225-30 of the French Commercial Code, we were informed of the following agreements, which had already been approved by the General Shareholders' Meeting during previous fiscal years and that remained in force during the last completed fiscal year.

General Framework Agreement

Since 2013, Groupe BPCE and its subsidiaries have been working to set up an insurance platform within Natixis. This project led the Group to conduct negotiations with CNP Assurances with a view to repatriating the Group's life insurance production to Natixis Assurances.

These discussions led to the signature on March 23, 2015 of a General Framework Agreement between CNP Assurances, BPCE and Natixis – the latter acting by virtue of the specific powers granted to it by Natixis Assurances, BPCE Vie and BPCE Prévoyance – which defines the fundamental principles of the future partnership between BPCE, Natixis and CNP. The agreement was authorized by the Board of Directors on March 6, 2015 and took effect on January 1, 2016.

Impact on the 2019 accounts: Nil

Ecureuil Vie Développement shareholders' pact and divestment contract for Ecureuil Vie Développement shares

As part of the General Framework Agreement signed with CNP Assurances, CNP Assurances, BPCE and Natixis agreed that Natixis Assurances would hold a controlling majority interest in Ecureuil Vie Développement (EVD). As a result:

- Natixis Assurances would proceed by December 31, 2015, with the acquisition of BPCE's 49% equity interest in EVD, according to the price conditions stipulated in the divestment contract, to which Natixis Assurances and BPCE committed; and

- CNP would sell with effect from January 1, 2016, 74 ordinary shares in EVD, representing 2% of EVD's share capital and voting rights (the Divestment), such that following the divestment, Natixis Assurances would possess a controlling majority interest in EVD.

During fiscal year 2016, Natixis Assurances acquired 74 shares from CNP Assurances at a price of €3.552 and lifted its equity interest in EVD to 51%.

Following these transactions, EVD's capital is owned as follows;

- Natixis Assurances: 1,887 shares, representing 51% of the capital and voting rights; and
- CNP Assurances: 1,813 shares, representing 49% of the capital and voting rights.

Impact on the 2019 accounts: Nil

Agreement to second CNP Assurances personnel to Ecureuil Vie Développement

In order for CNP Assurances employees currently seconded to Ecureuil Vie Développement to continue their activity within the latter company, it was decided to renew the secondment agreement between CNP Assurances and Ecureuil Vie Développement as from January 1, 2016 for an initial period of seven years, renewable once for a period of three years.

Consequently, on March 23, 2015, a secondment agreement adhering to Articles L. 8241-1 paragraph 2 and L. 8241-2 of the French Labor Code regulating loans of staff for not-for-profit purposes was signed between CNP Assurances, Ecureuil Vie Dévéloppement, Natixis Assurances and BPCE Vie. It was specified that certain BPCE Vie employees could also be seconded to Ecureuil Vie Développement, in accordance with the terms of a secondment agreement to be signed between BPCE Vie and EVD.

Impact on the 2019 accounts: Nil

French original signed in Neuilly-sur-Seine and Paris La Défense on April 29, 2020

The Statutory Auditors,

PriceWaterhouseCoopers Audit		Mazars	
Sébastien ARNAULT	Emmanuel BENOIST	Maxime SIMOEN	Guillaume WADOUX

5 LEGAL **elements**

1. LIST OF CORPORATE OFFICES

RIAHI François			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS	SA	Chief Executive Officer	
BPCE	SA	Member of the Management Board	
NATIXIS ASSURANCES	SA	Chairman of the Board of Directors	
NATIXIS INVESTMENT MANAGERS	SA	Chairman of the Board of Directors	
COFACE SA	SA	Chairman of the Board of Directors	
NATIXIS PAYMENT SOLUTIONS	SA	Chairman of the Board of Directors	
PJ SOLOMON GP Company LLC	LP	Director	
PETER J SOLOMON SECURITIES COMPANY LLC	LLC	Director	
SNC TEA and EMMA	SNC	Managing Partner	

DEBRAY Pierre			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Director	
NATIXIS PFANDBRIEFBANK AG	Aktiengesellschaft	Member of the Supervisory Board	

LEQUOY Jean-François			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Chief Executive Officer	
NATIXIS ASSURANCES	SA	Director	
BPCE Assurances	SA	Chairman of the Board of Directors	
BPCE Prévoyance	SA	Chairman of the Board of Directors	
BPCE Vie	SA	Chairman of the Board of Directors	
SURASSUR	SA	Chairman of the Board of Directors	
REACOMEX	SA	Chairman of the Board of Directors	
GROUPEMENT FRANCAIS DES BANCASSUREURS (since 07/07/2019)	Association	Chairman and Director	
GROUPEMENT FRANCAIS DES BANCASSUREURS (ended 07/07/2019)	Association	Vice-Chairman	
ECUREUIL VIE DEVELOPPEMENT	SAS	Director	
FEDERATION FRANCAISE DE L'ASSURANCE (since 09/07/2019)	Syndicat Patronal	Vice-Chairman	
FONDS STRATEGIQUE DE PARTICIPATION - FSP	SICAV	Director	BPCE Vie
BPCE IARD	SA	Member of the Supervisory Board	NATIXIS ASSURANCES

VINADIER Richard			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Director	NATIXIS
SURASSUR (ended 15/03/2019)	SA	Director	BPCE
REACOMEX (ended 03/15/2019)	SA	Director	NATIXIS

BROUTELE Nathalie			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Deputy Chief Executive Officer	
BPCE ASSURANCES	SA	Chief Executive Officer	
BPCE ASSURANCES PRODUCTIONS SERVICES - BPCE APS	SAS	Chairman of the Supervisory Committee	
GROUPEMENT FRANCAIS DES BANCASSUREURS	Association	Director	
WOMEN IN NATIXIS NETWORK (WINN)	Association	Director	
NATIXIS WEALTH MANAGEMENT	SA	Director	
BPCE IARD	SA	Member of the Management Board	
GROUPE ADONIS D'ASSURANCE ET DE REASSURANCE - ADIR SAL (ended 31/01/2019)	SAL	Director	NATIXIS ASSURANCES
INTER MUTUELLE ASSISTANCE-IMA	SA	Member of the Management Board	BPCE ASSURANCES

LE PAPE Christophe			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS LIFE	SA	Chairman of the Board of Directors	
ECUREUIL VIE DEVELOPPEMENT	SAS	Chairman of the Board of Directors	
BPCE VIE	SA	Chief Executive Officer	
BPCE RELATION ASSURANCES	GIE	Sole Director-Chief Executive Officer	
BPCE PREVOYANCE	SA	Chief Executive Officer	
NATIXIS ASSURANCES	SA	Chief Operating Officer	
GROUPE ADONIS D'ASSURANCE ET DE REASSURANCE - ADIR SAL -	SA	Director	
NAMI INVESTMENT	OPCI	Auditor	

2. PROPOSED RESOLUTIONS TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF JUNE 12, 2020

FIRST RESOLUTION:

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, having reviewed the report of the Board of Directors and the General Statutory Auditors' Report on the financial statements for the fiscal year ended December 31, 2019, hereby approves the parent company financial statements for fiscal year 2019, as presented to the Meeting, and the transactions contained in these financial statements or summarized in these reports, reporting profit of €268,115,812.74.

SECOND RESOLUTION:

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, following the proposal of the Board of Directors,

Hereby allocates the amount available for distribution comprising:

. profit for the year €268,115,812.74

. retained earnings at 12/31/2019 .... €276,153.47

or a total of €268,391,966.21

as follows:

. dividend €268,286,869.98

. legal reserve €0.00

. retained earnings €105,096.23

for a total distribution of €268,391,966.21

The General Shareholders' Meeting notes that the net dividend was €13.83 (*) for each of the 19,398,906 shares forming the share capital.

The dividend is payable as from the date of this General Shareholders' Meeting.

The General Shareholders' Meeting duly notes that the following dividends were paid in respect of the past three fiscal years:

Fiscal year	2016	2017	2018
Dividend per share	€6.50 (*)	€7.95(*)	€9.75(*)
Total amount of dividend distributed	€126,092,889	€154,221,303	€189,139,333

(*) Dividends are eligible for the tax allowance under the provisions of Article 158-3 2° of the French General Tax Code.

THIRD RESOLUTION:

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after having:

- reviewed the report of operations carried out by Natixis Assurances and the companies included in its consolidation scope during the fiscal year ended December 31, 2019,
- read the consolidated financial statements for the fiscal year,
- heard the Statutory Auditors' report on the consolidated financial statements,

approves the consolidated financial statements as presented to the Meeting.

FOURTH RESOLUTION:

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, having reviewed the Statutory Auditors' Special Report on the related-party agreements covered in Article L. 225-38 and following of the French Commercial Code, and deliberating on the said report, hereby approves the conclusions thereof.

FIFTH RESOLUTION:

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby decides to ratify the cooptation approved by the Board of Directors in its meeting of March 26, 2020 of Olivier Vigneron as Board member, as a replacement for Pierre Debray, following the latter's resignation, for the residual term of the latter's office, that is until closure of the General Shareholders' Meeting convened to deliberate on the financial statements for the fiscal year ending December 31, 2022.

SIXTH RESOLUTION:

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, grants all powers to the bearer of the original or copy of these minutes to certify all decisions, powers and copies of these minutes, which will be filed in particular with the Registry of the Paris Commercial Court, to carry out all formalities related to the Trade and Companies Registry.